



REPUBLICA DE COLOMBIA

MINISTERIO DE COMUNICACIONES
ADMINISTRACION POSTAL NACIONAL



Emisión postal conmemorativa de la
Inauguración de la Estación Terrena para
Comunicaciones Espaciales por Satélite

CARACTERISTICAS TECNICAS

RESOLUCION:	No.0072 del 29 de Enero de 1.970 del Ministerio de Comunicaciones.
CANTIDADES:	10'000.000 de \$1.00 para correo aéreo.
TAMAÑO:	30 x 40 m.m. entre perforaciones.
IMPRESION:	Por sistema litográfico.
COLORES:	Tres (3)
IMPRESORES:	Thomas de la Rue de Colombia.
DISEÑO:	Claudio Alonso Carbó.
PRESENTACION:	Pliegos de 100 estampillas
SOBRES DE 10. DIA :	Cantidad : 5.000
PRIMER DIA DE SERVICIO:	25 de Marzo de 1.970. Chocontá (Cundinamarca). COLOMBIA S. A..

ESTACION TERRENA PARA COMUNICACIONES POR SATELITE

El Ministerio de Comunicaciones y la Administración Postal Nacional han querido asociarse al gran acontecimiento de la Empresa Nacional de Telecomunicaciones (TELECOM) en la inauguración de la Estación Terrena para Comunicaciones Especiales por Satélite y que se llevará a cabo el 25 de Marzo del presente año en el Municipio de Chocontá del Departamento de Cundinamarca de la República de Colombia. En esta forma TELECOM contribuye activamente al desarrollo de Colombia y pone al país en un sitio de avanzada dentro de las comunicaciones.

En el mes de Marzo de 1.963 la Empresa Nacional de Telecomunicaciones tomó las decisiones de establecer una estación terrena para Comunicaciones por satélite considerando la urgente necesidad de mejorar las Comunicaciones Internacionales.

A un período de 10 años por lo menos a partir de su instalación la comunicación será más rentable que otro sistema corriente en uso a largo plazo para resolver las comunicaciones necesarias de tráfico internacional.

El destino múltiple, es una ventaja inmediata y esencial para lograr una pronta integración con los sistemas de Telecomunicaciones de los países americanos.

La empresa Nacional de Telecomunicaciones en el año de 1.969 firmó con la I. T. T. Space Communications INC. un contrato cuyo valor asciende a US \$4'261.000 dicha firma ha diseñado hasta entregar en funcionamiento un terminal terrestre, un enlace de micro-ondas entre ésta terminal y el centro Internacional de Comunicaciones Telefónica y de Télex el equipo requerido en tal centro.

Inicialmente entrarán en funcionamiento 27 circuitos, de acuerdo con la siguiente distribución:

Extendidos al
Telefonía Telgrafía Ecuador (x).- Total

Alemania	2	1	-	3
Argentina	1	-	1	2
Brasil	1	-	-	1
Chile	1	-	-	1
España	1	-	1	2
Estados U.	8	3	4	15
México	1	-	-	1
Panamá	1	-	-	1
Perú	1	-	-	1
Total	17	4	6	27

(x) Por acuerdo especial.

El reflector parabólico, de 29.6 m de diámetro (97.0 ft), está diseñado específicamente para operación con satélites del tipo Intelsat III, aunque es perfectamente compatible para trabajo con otros tipos de satélites de telecomunicaciones. Incorpora o cumple los requisitos

de diseño y normas del CCIR, del CCITT y del ICSC (Interim Communications Satellite Committee). Su construcción está a cargo de la Mitsubishi Electric Corporation.

Centro Internacional de conmutación para telefonía y télex.-

Tanto la central telefónica como la de télex se basan en el sistema crossbar Pentaconta de la ITT. La primera será entregada por la ITT FACE STANDARD, de Milán (Italia). La segunda, por la Bell Telephone Manufacturing Co. (BTM).

También forma parte del centro internacional un equipo de multiplex de frecuencia vocal para telegrafía que será fabricado por la BTM.

Entre marzo y agosto/70 los circuitos por satélite serán explotados manualmente, haciendo uso del equipo actualmente existente para servicio internacional.

-Central telefónica.

-La central telefónica permitirá tráfico internacional manual o semiautomático. Para la señalización de línea y entre registradores utilizará en este último caso el sistema CCITT No. 5. Operará además con cualquiera de los dos sistemas de señalización en uso dentro de la red nacional.

La capacidad inicial de la central está dada por los siguientes datos:

-Juntores bidireccionales para servicio internacional semiautomático. 80

Juntores para servicio internacional manual. 30

- Circuitos(unidireccionales) con otras centrales interurbanas del país. 40

-Circuitos (unidireccionales) con la central interurbana de Bogotá. 30

-Circuitos (und.) directos con centrales locales de Bogotá. 30

-Puestos de operadora (4ccets. de cordón c/u.) 22

Debido al largo tiempo de propagación a través de los circuitos por satélite se utilizarán supresores de eco especialmente diseñados para cada uno de los circuitos internacionales.

Es importante destacar el ingreso de Colombia a una red de telecomunicaciones por satélite en la cual están operando ya (en noviembre de este año) 29 estaciones, en 90 países, entre los cuales se cuentan Argentina, Brasil, Chile, México, Panamá y Perú, en América Latina.

UBICACION DE LA ESTACION.

La estación terrena quedará ubicada a unos 76 Km. (por carretera) al NE de Bogotá dentro de un pequeño valle vecino a la población cundinamarquesa de Chocontá. Las coordenadas y alturas sobre el nivel del mar de la es-

tación terrena y de las estaciones repetidoras son:

	Coordenadas	Altitud (m).
CHOCONTA	Lat. N 5° 9' 34'' Long. W 73° 41' 5''	2300
VILLAPINZON	Lat. N 5° 13' 16'' Long. W 73° 57' 23''	3200
NEUSA	Lat. N 5° 36' 47'' Long. W 74° 4' 38''	3650

Los saltos para el enlace de micro-ondas serán:

Chocontá - Villapinzón	13,5 Km.
Villapinzón - Neusa	43,5
Neusa - Bogotá	63,4

COMPONENTES DE LA ESTACION.

El terminal terrestre estará compuesto de los siguientes seis elementos o subsistemas principales:

ANTENA.
EQUIPO PARA COMUNICACIONES TERRESTRES.

ENLACE TERRESTRE.

SUBSISTEMA DE MULTIPLEX.

CENTRO INTERNACIONAL DE CONMUTACION.

INSTALACIONES DE SERVICIO, INCLUYENDO EL SUBSISTEMA DE POTENCIA.

Subsistema de antena y rastreo.

Este subsistema comprende el reflector y su pedestal, equipo electrónico y servomecanismos.

Para fines estadísticos y para control de la operación, la central telefónica estará provista de un equipo automático para medición de tráfico y de un "robot" de mantenimiento en el cual se decifrará y almacenará la información relativa a fallas o funcionamiento defectuoso.

La tasación será manual (tiquetes elaborados por las operadoras) y se basará en la lectura de los contadores instalados para cada cordón. En el futuro podrá agregarse el equipo necesario para facturación automática.

Central de télex.

Esta central se basa también en un sistema de conmutación de mando indirecto y selectores de tipo crossbar. Podrá trabajar combinadamente para servicio géntex y télex y la tasación será completamente automática. El tráfico internacional entrante será cursado automáticamente; el tráfico saliente podrá ser semiautomático o automático. De acuerdo con el país de destino, los registradores podrán enviar señalización CCIT Tipo A ó B; las llamadas entrantes sólo serán aceptadas cuando estén en conformidad con el código A.

La central podrá permitir la introducción de tarifa automática para 30 circuitos de HF con corrección automática de errores (ARQ).

Felicitemos muy sinceramente al señor Ministro de Comunicaciones, señor Antonio Díaz García y al Presidente de la Empresa Nacional de Telecomunicaciones, Doctor Francisco Lozano Valcárcel y a todos sus colaboradores.

00913



ESTACION DE SATELITE PARA COMUNICACIONES ESPACIALES
CHOCONTA-COLOMBIA



Art. 100



ADMINISTRACION
POSTAL NACIONAL

*Tw Pers Comm
Plazas, Boris I*

August 7, 1970

Dear Boris:

Thank you for your nice letter of July 21 and for your kind congratulations and best wishes.

Since our Office is new and I am the first Director, it will be some time before we get organized. I would, of course, be very pleased to exchange information and ideas with you and your office. Communications is rapidly becoming a large international industry of interest to all countries, and I am particularly interested in the international aspects of telecommunications.

I appreciated receiving the first edition commemorative stamp and also hearing from you. I hope we will have the opportunity to talk before long. In the meantime, if we can be of any assistance, please let us know.

Sincerely,

Clay T. Whitehead
Special Assistant to the President

Mr. Boris I. Plazas
Chief
Communications Division
Departamento Nacional de Planeacion
Bogota, Republica de Colombia

cc: Mr. Whitehead
Central Files

CTWhitehead;jm

REPUBLICA DE COLOMBIA
DEPARTAMENTO NACIONAL
DE PLANEACION

AL CONTESTAR CÍTESE ESTE NÚMERO

UINF:C:00:454

Unidad de Infraestructura

Dr. Clay T. Whitehead
Director,
Office of Telecommunications Policy
White House
Washington D.C.

BOGOTÁ, D. E.

21 JUL. 1970

Dear Clay:

I have read in the newspapers about your recent nomination in the OTP and I would like to congratulate you and wish you success in your new functions.


As it was mentioned during our conversations at the Intelsat meeting last year, I have a similar position in the Colombian Administration covering areas of economic, technical and political planning of telecommunications, television and postal services.

I would like to propose interchange of information with you on these topics and specially on new methods, techniques and approaches to planning, such as system analysis and computer applications.

Enclosed you will find one of the commemorative stamps and covers issued by the Colombian Government last March 25 th. on the occasion of the inauguration of the Chocontá Earth Station, which may be of interest to you.

I will be looking forward to hearing from you soon, both as one of my MIT acquaintances and as an esteemed friend in the field of telecommunications.

Best regards,


Boris I Plazas
Chief
Communications Division

OFFICE OF TELECOMMUNICATIONS POLICY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20504
December 6, 1972

DIRECTOR

MEMORANDUM FOR

Honorable John Ehrlichman
The White House

Since its inception two years ago, OTP has enabled the Administration to play a larger role in communications policy. Many of our accomplishments have resulted from quick reaction to immediate problems, such as the President's concern with television reruns and the FCC's inability to deal with the domestic satellite issues. Now OTP is prepared to advance a series of affirmative initiatives that can be tied to the President's program for next year.

I believe this package is consistent with the President's programs, restructuring government to let the private sector play its role, and enhance rather than erode our most important traditions regarding government and the communications media. Almost no Federal expenditures are involved, and some budget savings could be realized. A brief summary of the most significant of these initiatives is attached at Tab A. The first two (broadcasting and cable) have by far the largest political implications.

During the past twenty years, the communications industry has grown rapidly and undergone great technical change. It has contributed greatly to GNP and had great impact on our national life. The pace of both the economic and technical advance is clearly going to continue to increase at even faster rates over the next few years. Everyone -- particularly minority and special interest groups -- wants some type of political or ownership control over the media; and many business interests want a share of the new communications markets. The FCC's procedures (like those of most Federal regulatory agencies) are ill-suited to deal effectively with the rapid technical change and the politically charged issues of communications.

There will, therefore, be both the opportunity and the need for firm Administration leadership in establishing some basic policy directions. Decisions made during the second Nixon term

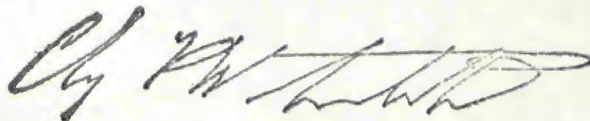
will largely determine the extent to which the benefits of the communications revolution are realized by the public and by industry -- and whether communications regulation by the Federal Government will be locked into the same kind of morass as transportation and power or whether a more competitive, free-enterprise framework is created.

The OTP initiatives are intended to restructure government regulation in an evolutionary way to guide the growth of communications technology and services in keeping with two main principles: (1) there should be more reliance on free enterprise and competition in communications rather than monopoly and government regulation, and (2) bureaucratic controls over the content of the media should be minimized. If the OTP program can be implemented in keeping with these principles, we can encourage the growth of at least three new multi-billion dollar industries: the broadband cable television industry, the computer information services industry, and the mobile communications industry. Such growth would contribute substantially to our economy and could help relieve unemployment in such critical sectors as the aerospace, electronics, and the film and television production industries.

As a result of the public broadcasting issue and our key role in the cable TV compromise, OTP is visible politically on the Hill and therefore vulnerable if we do not advance a substantive program of accomplishment. Similarly, the Administration's image on communications matters has been colored by the network news battle, and we need a more statesman like record of policy development and advocacy to stand on.

I am sending this same package to Pete Flanigan, emphasizing the international area, and have discussed the broadcasting section with Chuck Colson. I believe the President should be appraised of the overall effort, with special emphasis on broadcasting and cable TV. If time permits, it would be highly useful for me to discuss the most important aspects with you and him. However, the most important thing is to get approval to proceed so we can be ready to go early next year.

I would be happy to discuss this with you or to supply any further information you need.

A handwritten signature in dark ink, appearing to read "Clay T. Whitehead", with a stylized, cursive script.

Clay T. Whitehead

Attachment

I. BROADCASTING

Goal

Bring broadcast regulation more in line with our private enterprise media philosophy, stem the tide of demands by activist groups for free broadcast time, and correct the anticompetitive power of the TV networks.

Initiatives

A. Support statutory extension of broadcast license terms to five years; place burden of proof on renewal challengers; prohibit FCC establishment of program standards.

B. Support eventual elimination of detailed case-by-case enforcement of the Fairness Doctrine, but only when public confidence in broadcasting warrants and Congressional passage is feasible (not 1973).

C. Attempt to reduce obstacles blocking establishment of new commercial TV networks by changes in AT&T tariffs, FCC networking rules, and possible antitrust actions.

Impact

Initiatives A and B will be supported by most broadcasters, although they would prefer a simple extension of the license term. Minority and activist opposition would be mixed. There is likely to be little general public interest. Would require some effort to get key Congressional support.

Initiative C would be opposed by all broadcasters but should find some public and Congressional support if handled in the positive tone of more programming diversity and competition. Initiative A (and to a lesser extent B) is a prerequisite to the success of C as well as to establish our credibility on First Amendment issues.

II. CABLE TELEVISION

Goal

Create a new legislative framework for development of broadband cable television and the many entertainment, informational, and educational services a new cable television industry could provide (following Cabinet committee report).

Initiatives

Introduce legislation following recommendations of the Cabinet committee to create a statutory policy framework (now lacking) for the development and regulation of the cable television industry. This would resolve such issues as programs and channels for pay, networking competition with broadcasting, cross-media ownership of cable systems, and division of jurisdiction between the Federal Government and the States.

The committee recommends a pilot program to evaluate the use of cable to deliver government services more efficiently and to shorten the lag in bringing the technology to the marketplace. The program will cost \$25 million in FY74.

Impact

Assuming a moderate level of Presidential impetus, there is a good chance that some influential Congressmen and Senators, cable operators, broadcasters, and other media people would support such legislation. Others in the cable and broadcast industries will oppose it; but in the public's eye, they could be depicted as protecting their narrow economic interests by keeping more program choice from the audience. The biggest political issue would be "pay TV." The ability of customers to buy programming directly by the program or by the channel over cable is too important to allow it to be prohibited, but it is unlikely that the Congress would pass cable legislation that did not, in some way, retain certain program types (like professional sports) on "free" TV. Privacy safeguards would be built into the legislation to counteract "Big Brother" fears. Cable is here (10% of homes) and growing rapidly (up to 50% of homes by 1980). Hard-line broadcasters and theater owners are the only opponents. This is a positive initiative--costing no tax dollars--one the President can get behind and make the growth of cable service a Nixon accomplishment. The pilot program will help make this a more exciting initiative, convey movement in bringing technology to bear on government programs, and accelerate the marketability of the new technologies.

III. DOMESTIC COMMON CARRIER INDUSTRY

Goal

Promote more efficiency and competition in the domestic common carrier industry as new communications services arise.

Initiatives

A. Legislation to promote competition:

1. To authorize bulk leasing, brokerage, and resale of common carrier services;
2. To require identification of the extent of cross-subsidization among various common carrier services and enterprises;
3. To include economic efficiency, as well as equity, as a criterion for FCC approval of facilities and rate structures;
4. To limit the scope of FCC jurisdiction over non-monopoly services;
5. To extend domestic rates for telephone calls to Hawaii and Alaska.

B. Create an interagency study group to analyze and determine policy regarding the future role of the Bell Telephone System in providing common carrier services in competition with specialized competitive communications services.

Impact

The major impact would be to increase competition to AT&T, a move that would be vigorously opposed by that company and many of its stockholders, but supported by major elements of the electronics and communications industries. The public has little love for the phone company, and the Congress would feel little grassroots pressure to leap into the fray to protect AT&T's monopoly services.

IV. INTERNATIONAL COMMON CARRIER INDUSTRY

Goal

Restructure regulation of the U.S. international common carrier communications industry to eliminate artificial distinctions between voice and record (data) message carriers, to enhance the private enterprise character of Comsat, and to introduce more competition into satellite and undersea cable construction.

Legislation Initiative to Correct Deficiencies in the International Common Carrier Industry

A. Require the FCC to coordinate with the executive branch so that effective government-industry agreements with foreign governments regarding international communications facilities can be negotiated.

B. Terminate privileged common carrier ownership and participation in Comsat and eliminate Presidentially appointed directors from the Board.

C. Clarify statutory guidance to the FCC for regulating U.S. international carriers to allow more competition, redefine the classes of such carriers to reduce the obsolete distinction between voice and data communications, and to put satellites and undersea cables on a comparable basis under law.

Impact

The Byzantine structure of the U.S. international communications industry, as shaped by the FCC, is inefficient and not competitive. There is almost no public perception of the issue, and since there are only a few companies in the international market (AT&T, RCA, ITT, Comsat, and Western Union International), the general press is likely to interpret this mainly as an economic decision without political overtones. Industry opposition would probably not be uniform, and some companies would support those parts of the initiative that benefited them. Provision A may be opposed by FCC which would view it as a transfer of some FCC power to the executive branch. We have been under pressure from the Congress to submit our policy since last year and have delayed as long as possible. We will really take heat if we do not now proceed.

V. GOVERNMENT COMMUNICATIONS

Goal

Improve the Federal Government's own use of communications resources to achieve national security objectives. Minimize overlapping responsibilities, improve performance of public safety agencies, and realize government savings in the procurement of communications facilities and services.

Initiatives

A. Reorganize and streamline government communications and computer systems management to achieve more effective mechanisms for Presidential guidance, and to cut present budget and staff levels.

1. Short-term communications management improvements:
 - a. replace National Communications System staff and responsibilities with formal coordination by the Council for Government Communications Policy and Planning.
 - b. streamline responsibilities and functions of Defense Communications Agency.
 - c. eliminate non-essential Department of Commerce communications functions and shift OTP support functions to National Bureau of Standards or GSA.
2. Combining communications/computer systems management.
 - a. assign OTP lead responsibility for computer/communications area; to be coordinated with OMB computer responsibilities.
 - b. establish arrangements for coordination of Executive Office computer/communications systems.
 - c. Direct agencies to combine management of computers and communications.

B. Establish executive branch policy for purchasing of telecommunications services and equipment, including coordination of procedures for budgeting and frequency assignments.

C. Coordination and consolidation of government radio navigation systems and satellite communications systems.

D. Policy statement and experiment on the inclusion of economic value in assignment of radio frequency to government agencies.

E. Program to determine the environmental aspects of electromagnetic radiation.

F. Review Federal department and agency funding of programming (including public service announcements) intended for broadcast to the general public or for schoolroom instructional purposes.

Impact

With the exceptions of initiatives F and G, this package is entirely an executive branch "housekeeping" matter, and, as much, will have little or no outside impact. The environmental study initiatives (F) are noncontroversial and "pro-consumer." Initiative G could generate public controversy, since it will be seen in part as an attempt to cut back on the HEW efforts to mold "child development" through TV programs. In view of a general public and congressional tolerance of HEW "social engineering," the Administration could be painted as regressive on this issue. However, the "Big Brother" fear works for us here.

JUNE 26, 1970

Office of the White House Press Secretary
(San Clemente, California)

THE WHITE HOUSE

The President today announced his intention to nominate Clay T. Whitehead, Special Assistant to the President, as the first Director of the Office of Telecommunications Policy.

The OTP is a new office in the Executive Office of the President, created by Reorganization Plan #1 of 1970. The Director is the principal advisor to the President on all telecommunications policy issues. His responsibilities also include: (1) coordinating and formulating executive branch positions on national telecommunications policy issues and communications executive branch recommendations to the Federal Communications Commission and the Congress; (2) coordinating the procurement, standards, and effectiveness of the Federal government's own telecommunications, including national security and emergency preparedness communications; (3) exercising final authority over the usage of those parts of the radio spectrum allocated for Federal use.

Whitehead has been the principal White House staff member concerned with telecommunications issues. He has coordinated the formulation of Reorganization Plan #1 and the Administration's recommendations on domestic satellite policies. In addition, he has been the White House contact for the Intelsat negotiations and for industry and public on telecommunications matters.

Mr. Whitehead, 31, was born in Neodesha, Kansas. He received his B.S. and M.S. degrees in electrical engineering from the Massachusetts Institute of Technology. He later received his Ph. D. in management, also from M.I.T. with concentration on policy analysis, economics, and research and development management. While at M.I.T., he taught courses in electronics and political science.

Mr. Whitehead has served in the U.S. Army, attaining the rank of Captain. Both before and after receiving his Ph.D., he was with the Rand Corporation in California where he worked on arms control, air defense, and spacecraft systems engineering studies, and 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 1968, Mr. Whitehead served on the President-elect's task force on budget policies and assisted on transition matters. He has been on the White House staff since January 1969.

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Whitehead has been the principal White House staff member concerned with telecommunications issues. He has coordinated the formulation of Reorganization Plan #1 and the Administration's recommendations on domestic satellite policies. In addition, he has been the White House contact for the Intelsat negotiations and for industry and public on telecommunications matters.

Mr. Whitehead, 31, was born in Neodesha, Kansas. He received his B.S. and M.S. degrees in electrical engineering from the Massachusetts Institute of Technology. He later received his Ph. D. in management, also from M.I.T. with concentration on policy analysis, economics, and research and development management. While at M.I.T., he taught courses in electronics and political science.

Mr. Whitehead has served in the U.S. Army, attaining the rank of Captain. Both before and after receiving his Ph.D., he was with the Rand Corporation in California where he worked on arms control, air defense, and spacecraft systems engineering studies, and 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 1968, Mr. Whitehead served on the President-elect's task force on budget policies and assisted on transition matters. He has been on the White House staff since January 1969.

NOMINATIONS—1970

HEARINGS BEFORE THE COMMITTEE ON COMMERCE UNITED STATES SENATE NINETY-FIRST CONGRESS

SECOND SESSION

ON

NOMINATIONS OF

JUNE 30, 1970

W. DONALD BREWER, TO BE AN INTERSTATE COMMERCE
COMMISSIONER; CAPTAIN WILLIAM A. JENKINS AND
CAPTAIN AUSTIN C. WAGNER, TO BE REAR ADMIRALS, U.S.
COAST GUARD

JULY 16, 1970

DR. CLAY T. WHITEHEAD, TO BE DIRECTOR, OFFICE OF
TELECOMMUNICATIONS POLICY

AUGUST 19, 1970

ROBERT McLELLAN, TO BE ASSISTANT SECRETARY OF
COMMERCE

Serial No. 91-87

Printed for the use of the Committee on Commerce



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1970

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(III)

**NOMINATION OF W. DONALD BREWER, OF COLORADO,
TO BE AN INTERSTATE COMMERCE COMMISSIONER
FOR A TERM OF 7 YEARS EXPIRING DECEMBER 31,
1976, AND PROMOTIONS OF CAPT. WILLIAM A. JEN-
KINS AND CAPT. AUSTIN C. WAGNER, U.S. COAST
GUARD, TO THE RANK OF REAR ADMIRAL, U.S. COAST
GUARD**

TUESDAY, JUNE 30, 1970

**U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.**

The committee met at 9:35 a.m. in room 5110, New Senate Office Building, Hon. Vance Hartke presiding.

Present: Senators Hartke, Moss, Cotton, Pearson, Baker and Cook.

Senator HARTKE. Good morning, ladies and gentlemen. The hearing this morning is for the purpose of considering the nomination of W. Donald Brewer of Colorado to be an Interstate Commerce Commissioner, and also for the promotion of two captains, Capt. William A. Jenkins and Capt. Austin C. Wagner, of that wonderful organization, the U.S. Coast Guard to the rank of rear admiral. And I understand Commandant Chester Bender is here with them.

Senator COTTON. Mr. Chairman, could I suggest that since we have two Senators here to testify on behalf of Mr. Brewer we take his nomination up first and then take care of the Coast Guard promotions?

Senator HARTKE. All right. The biography of Mr. Brewer will be made a part of the record, and the financial statement will be received in the customary fashion.

(The biography follows:)

BIOGRAPHICAL SKETCH OF WILLIAM DONALD BREWER

William Donald Brewer has served as Deputy Administrator of the Small Business Administration from October 2, 1969, to the present. He had served as Acting Deputy Administrator of the agency since early August.

Prior to his SBA service, Mr. Brewer served as Federal cochairman of the Four Corners Regional Commission, an agency created to map and carry out long-range programs to stimulate economic growth in a 92-county area of Arizona, Colorado, New Mexico, and Utah. Mr. Brewer was appointed top Federal representative on the Commission by President Nixon on February 20, 1969, and was confirmed by the Senate on April 3.

He is a former Colorado businessman and a veteran of 29 years service with the Post Office Department, including 6 years as Regional Director of the Department's Denver office. He headed the Denver region which includes more than 1,400 post offices in the Four Corners States and Wyoming, from 1955 to 1961. He presently owns a real estate business in Denver.

From August 1961 to February 1963, Mr. Brewer was executive assistant to the president of Western Bancorporation of Los Angeles, a firm owning 26 banks.

Mr. Brewer served as President of the O.K. Tire and Rubber Co. of Littleton, Colo., from 1963 to 1968. The Littleton firm is a tire manufacturer with 1,000 franchised dealers and 18 retail outlets. In 1966 it was merged with Ashland Oil and Refining Co. of Ashland, Ky., and Mr. Brewer served as executive assistant to the chairman of the board of Ashland Oil.

He began his career with the Post Office Department in 1933 as a rural carrier in Kentucky; was a postal inspector from 1943 to 1953; and from 1953 to 1955 was decentralization officer, assisting the Post Master General in establishing the Department's 15 regional offices.

Prior to reentering Government service in 1969, Mr. Brewer served as director, Rose Manufacturing Co. of Denver, First National Bank of Englewood, Colo., Colorado State Bank, Denver, chairman of the board O.K. Tire Stores, Canada, Ltd., President, Arapahoe Advertising Agency, Littleton, Colo., assistant chairman of National Finance Committee Nixon for President, and executive chairman of Republican National Finance Committee. He has served as trustee of Ezra M. Bell Estate, president of Denver Federal Businessmen's Association, member of American Society of Public Administration, American Management Association, vice chairman, Money Credit Capital Committee of National Association of Manufacturers and is presently a trustee of Iliff School of Theology in Denver. Methodist, Mason, and Rotarian. Presently lay leader, trustee and member of the official board of Trinity Methodist Church in Denver. He is active in religious and civic affairs and has received numerous honors and commendations. He is listed in World Who's Who in Finance and Industry, Who's Who in Methodism, and Who's Who in the West.

Mr. Brewer was born in Lewis County, Ky., on March 19, 1912, and is married to the former Lena Catherine Hickerson of Wallingford, Ky. The Brewers make their home at 7121 Old Dominion Drive, McLean, Va., and also maintain a residence in Denver. They have one son, William D. Brewer, Jr., a resident of Denver, Colo.

Senator HARTKE. We are pleased to have Senators Dominick and Allott here to present the nominee.

STATEMENT OF HON. GORDON ALLOTT, U.S. SENATOR FROM COLORADO

Senator ALLOTT. Mr. Chairman and members of the committee: It is my pleasure to introduce on behalf of myself and Senator Dominick a longtime friend and resident of the State of Colorado, Mr. Donald Brewer, who is President Nixon's nominee to the Interstate Commerce Commission.

Mr. Brewer has served as Deputy Administrator of the Small Business Administration since October of last year. Prior to that Mr. Brewer served as Federal cochairman of the Four Corners Regional Commission, during which time he dealt in some depth with the transportation problems of a 92-county area of Arizona, Colorado, New Mexico and Utah.

Mr. Brewer comes to you well qualified for this position. He has had many responsible administrative positions, both within and without the Government. His experience in the Post Office for which he was a regional director in Denver from April 1955 to March 1961 has given him first-hand insight into transportation problems of all kinds involving airlines, railroads, trucks, and buses.

Further by way of background, from August 1961 until February 1963 Mr. Brewer served as executive assistant to the president of Western Bancorporation of Los Angeles, a corporation owning 27 banks. His unique insight into financial matters will make him a wel-

come addition to the Interstate Commerce Commission, which must rule upon many complex financial transactions.

From May 1963 until his appointment as Federal cochairman of the Four Corners Commission, Mr. Brewer was president of the O.K. Tire and Rubber Co. in Denver, Colo., a nationwide firm with a thousand franchised dealers throughout the country and 18 company owned retail outlets.

Mr. Brewer has also had extensive experience with various business and professional organizations. He is married and has one son, who resides in Denver.

I could hardly be more pleased with this nomination, knowing Don Brewer as I do, and having had an opportunity to observe firsthand his knowledge and his experience. I enthusiastically recommend his selection and confirmation as Commissioner of the Interstate Commerce Commission.

It is my honor, together with Senator Dominick, who has a statement also, to present him to this committee.

Senator HARTKE. Thank you. Senator Dominick?

STATEMENT OF HON. PETER H. DOMINICK, U.S. SENATOR FROM COLORADO

Senator DOMINICK. Mr. Chairman, Senator Cotton, distinguished members of the committee: It is a pleasure to be back with you, I might say. I have missed many of my companionships which I had on the Commerce Committee when I served on it before.

I have no prepared statement in addition to what Senator Allott already said. But I want to thoroughly endorse this nomination.

I had the pleasure of working with Mr. Brewer while he was Deputy Administrator of the Small Business Administration as a member of the Select Committee on Small Business. And I know that he had a great deal of imagination and initiative in trying to get the administrative matters of that agency more under control.

I also have known Mr. Brewer personally for many many years and can certainly testify as to his ability and his character. I have no hesitation in recommending him to you.

Senator HARTKE. Thank you, Senator.

Senator Baker, Senator Pearson, any questions?

Senator BAKER. No, Mr. Chairman, I have nothing, except this comment: I have known Mr. Brewer as Senator Dominick has, when he came before the Select Committee on Small Business and also before the Economic Development Subcommittee of the Public Works Committee where he has appeared many times. I am delighted to see you here in this capacity and facetiously I might point out that I introduced and I believe Senator Pearson and other members of this committee have cosponsored a proposal to authorize a commission to consider the abolishment of the ICC.

Senator PEARSON. I have no questions, Mr. Chairman.

Senator HARTKE. Senator Cotton?

Senator COTTON. Not at this time, except to say we appreciate both of the Colorado Senators getting up this morning, after so late a session last night and coming in to give us their recommendations for Mr. Brewer.

Senator ALLOTT. Thank you very much.

Senator HARTKE. Thank you for coming gentlemen. I also have a letter from Congressman Brotzman to insert in the record.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., June 19, 1970.

Hon. WARREN G. MAGNUSON,
U.S. Senator,
Washington, D.C.

DEAR SENATOR MAGNUSON: This is to advise you that I am acquainted with Mr. W. Donald Brewer who has recently been nominated for an appointment to the Interstate Commerce Commission by President Nixon.

It is my understanding that in the near future you will be holding hearings regarding his nomination.

I first knew Mr. Brewer as a member of the "Federal Family" in the Denver Metropolitan Area. At that time he was serving as Regional Director of the Post Office Department and I was the U.S. Attorney for the District of Colorado. From my observation, he was a dedicated, able public servant, combining innovation with pragmatism in the discharge of his duties.

At a later period I also had the opportunity to observe him in his capacity as president of the O.K. Tire and Rubber Company and as an outstanding and selfless community leader in the Denver Metropolitan Area. He gave immeasurably of his time to community activities and was highly regarded for his many contributions.

In short, I believe him to be an experienced and qualified public servant and believe he will do an excellent job as a member of the Interstate Commerce Commission.

If I can provide further information feel free to call on me.

Very truly yours,

DONALD G. BROTZMAN,
Member of Congress.

Senator HARTKE. Now Mr. Brewer, if you would stand aside for a few moments, we will consider the Coast Guard nominations at this time.

Commandant Bender.

**STATEMENT OF ADM. CHESTER R. BENDER, COMMANDANT OF
THE U.S. COAST GUARD, RELATIVE TO PROMOTIONS OF CAPT.
WILLIAM A. JENKINS AND CAPT. AUSTIN C. WAGNER TO THE
RANK OF REAR ADMIRAL**

Commandant BENDER. Mr. Chairman and members of the committee: I am Adm. Chester R. Bender, Commandant of the Coast Guard.

I welcome the opportunity to speak on behalf of Captain Wagner and Captain Jenkins, whose nominations to rear admiral are before you this morning.

One vacancy in our flag rank will occur as a result of an unexpected retirement, and as a result of our admiral officer recount as required by title 14, United States Code, we are authorized an additional flag billet. The number of flag officers, however, will remain the same through the recent retirement of Rear Admiral Murphy, who was an extra number.

Our total number of flag officers then will be 27, including one admiral, one vice admiral, and 25 rear admirals.

The biographies of Captain Wagner and Captain Jenkins have already been transmitted to you, so I will not review their careers in detail.

I would point out that both of these officers have served in a variety of assignments ashore and afloat throughout the Coast Guard and have great depth of administrative and operational expertise. Both are completing assignments in positions of great responsibility.

Captain Wagner is now under orders to report to Coast Guard Headquarters, where he will assume duties as chief, office of boating safety.

Captain Jenkins is presently in Cleveland, Ohio, preparing to assume duties as commander of the Ninth Coast Guard District. Captain Wagner is with me today, but Captain Jenkins is presently in the process of relieving the commander in the ninth district and we thought it not feasible to have him with us. We have earlier advised the committee in this regard.

I would like to speak a bit from personal experience concerning these two officers whom I have known for 20 to 25 years.

Captain Wagner served with me when I was superintendent of the Coast Guard Academy, when he was then commandant of cadets and I found him to be not only an able but very energetic and willing officer.

In the case of Captain Jenkins, he succeeded me after a brief interval 20 years ago as aide and pilot to the Commandant of the Coast Guard and I have continued to hear nothing but good reports on him throughout his career.

In recent years he has developed quite a reputation in the field of oil spill pollution control and prevention and has been given an award for this within the past several months.

I can very sincerely say both of these officers, in my opinion, well warrant your consideration for promotion to the grade of rear admiral.

Senator HARTKE. Thank you, Admiral.

Do you have a statement, captain?

Captain WAGNER. No, sir.

Senator HARTKE. Do you have any questions?

Senator COTTON. No questions.

Senator BAKER. No questions.

Senator PEARSON. No questions.

Senator HARTKE. Thank you, gentlemen.

(The biographies follow:)

BIOGRAPHICAL SKETCH OF CAPT. WILLIAM A. JENKINS, U.S. COAST GUARD

William A. Jenkins was born on November 2, 1917, at Kansas City, Mo., where he graduated from Central High School in 1936, and received an A.S. degree from Kansas City Junior College in 1938.

He was graduated from the U.S. Coast Guard Academy, New London, Conn., with a B.S. degree in engineering and with a commission of ensign on December 19, 1941, a few days after the bombing of Pearl Harbor.

During World War II, he first served as watch officer and deck officer on board the cutter *Onondaga* out of Seattle, Wash. In October 1942, he took charge of 83-foot patrol vessels operating on coastal convoy duty and submarine hunting out of the Coast Guard Station, Sandy Hook, N.J. From May to September of 1943 he was assigned to the ordnance and readiness section at the 3d Coast Guard District office in New York as training officer for the picket patrol forces.

Assigned next to flight training at the Naval Air Station in Memphis, Tenn., and Pensacola, Fla., he received his wings from the latter in January 1944. During his first tour of duty as aviator at the Coast Guard Air Station, San Francisco, he piloted aircraft on air-sea rescue missions, was in charge of flight crews engaged in racon calibrating and loran accuracy checks, and was

in charge of the station's air-sea rescue boats. In addition, he served as navigator and watch officer.

While next assigned at the Coast Guard Air Station, Brooklyn, N.Y., from June 1946 to October 1949, he served as assistant operations officer and acting flight commander. That was followed by a stint as executive officer, operations officer, and acting flight commander at the Coast Guard Air Detachment in Argentia, Newfoundland, which supplied the aircraft for the annual international ice patrol.

He next was stationed in Washington, D.C., as personal aide and pilot to the U.S. Coast Guard commandant from July 1950 to October 1954. At that time he was ordered to Hawaii where he first served as watch officer and operations officer as well as executive officer at the Coast Guard Air Detachment on Barber's Point until July 1956. He then served as chief, search and rescue division and as senior controller of the rescue coordination center at the 14th Coast Guard District office in Honolulu until August 1957.

While next stationed at the Coast Guard Academy for 4 years, Captain Jenkins served as head of the navigation and aviation department as well as assistant commandant of the cadets. In July 1961, he assumed command of the Coast Guard Air Detachment at San Juan, Puerto Rico, to which was added the duty of section commander, Greater Antilles section, in January 1963. In February of 1964, he was named commander of the Greater Antilles section, which includes command of the Coast Guard base and captain of the port office in San Juan and the role of search and rescue coordinator in that sector.

In August 1964, he returned to Washington to enroll at the National War College. After graduating in June 1965, he became chief, law enforcement division and program manager in the office of operations at headquarters. While in that post he became intensely involved in the pollution control problems. Some of his efforts in this respect included serving as chairman of an interagency oil spillage study group to explore means of coping with major oil pollution problems, sponsoring an investigation of sunken tankers as potential sources of pollution, representing the United States at international meetings of the North Sea countries on oil pollution contingency planning in Hamburg, Germany—1967 and 1968. He represented the Coast Guard on a study group panel which produced the major report called, "Oil Pollution—A Report to the President," and served as member of an interagency group which developed the current national multiagency oil and hazardous materials contingency plan. Captain Jenkins was cited for these and other achievements in that field when he was awarded the Coast Guard Commendation Medal in 1968.

He was presented a Gold Star in lieu of a Second Coast Guard Commendation Medal for meritorious achievement in the performance of duty while serving at headquarters as alternate department of transportation member of the committee on multiple use of the coastal zone of the National Council of Marine Resources and Engineering Development from August 1967 to June 1969.

Captain Jenkins served as deputy chief, office of operations at headquarters from June 1968 to June 1969, when he was transferred to Boston, Mass., to become Chief of Staff of the First Coast Guard District.

In addition to the first Coast Guard Commendation on Medal and the Gold Star in lieu of a Second Coast Guard Commendation Medal, Captain Jenkins has the following World War II campaign service medals and ribbons: American area, American defense, Asiatic-Pacific, World War II victory. He also has a medal for the Cuban missile crisis.

Following is a resumé of his appointments in rank: Ensign, December 19, 1941; lieutenant (jg), October 2, 1942; lieutenant, May 25, 1943; lieutenant commander, October 23, 1945; commander, July 1, 1956; captain, July 1, 1963. Nominated for rank of rear admiral, June 5, 1970.

During his years as a cadet from August 1938 to December 1941—shortened from 4 years to 3 because of the war emergency, Captain Jenkins was associate editor of the cadet year book, "Tide Rips—Class of 1942."

Captain Jenkins' wife is the former Frances Overin of Rockville Center, N.Y., a graduate of Mt. Holyoke College. They have two children, William O., born July 28, 1949, and Judith, March 13, 1951.

Added note: Nominated by the President June 5, 1970, for the permanent rank of rear admiral; awaiting confirmation of the Senate.

Under orders to become Commander, Ninth Coast Guard District, Cleveland, Ohio, effective July 1, 1970.

BIOGRAPHICAL SKETCH OF CAPT. AUSTIN C. WAGNER, U.S. COAST GUARD

Born on May 24, 1919, in New York, Austin C. Wagner attended Mount Vernon High School, Mount Vernon, N.Y., Severna School, Severna Park, Md., and Lehigh University, Bethlehem, Pa.

He graduated from the U.S. Coast Guard Academy, New London, Conn., with a B.S. degree and a commission as ensign on December 19, 1941, shortly after the bombing of Pearl Harbor.

During World War II, he served his first assignment on board the Coast Guard combat cutter *Campbell* on North Atlantic convoy escort duty until June 1943, during which the cutter attacked four submarines and sank a fifth in February of 1943. During the remainder of the war he served first as executive officer and then as commanding officer of the destroyer escort U.S.S. *Rhodes* (DE-384) in the North Atlantic. He received a commendation ribbon for outstanding duty while commanding that vessel during the rescue of six survivors from oil and gasoline surface fires resulting from the collision between the tankers *Nasbulk* and *Saint Mihiel* on April 9, 1945.

Between August 1945 and August 1948, he served as adviser and instructor in the establishment of a Coast Guard for the Korean Government. During the following 2 years, he was director of the Coast Guard Auxiliary and recruiting officer in the Chicago area of the Ninth Coast Guard District. In September 1950, he became executive officer of the Coast Guard cutter *Dexter*, a 311-foot ocean station patrol vessel operating out of Alameda, Calif.

From September 1951 to July 1955, he was stationed at the Coast Guard Academy as instructor of seamanship and navigation and as sailing coach. He next commanded the 311-foot cutter *Castle Rock* out of Boston, Mass., on ocean station patrol in the North Atlantic until August 1957. At that time he was reassigned to the first district office in Boston as director of auxiliary and as public information officer.

In July 1960, he was assigned to Coast Guard Headquarters, Washington, D.C., where he first served as assistant chief and then as chief, special services division, office of personnel, for 4 years. His duties in that post dealt with medals and awards, morale and discipline, survivors benefits, and personnel security among others.

Captain Wagner served his next tour of duty as commandant of the cadets at the Coast Guard Academy from July 1964 to July 1967. At that time he assumed his post as commanding officer of the Coast Guard Base, St. George, Staten Island, N.Y.

In June 1968, he became commanding officer, Coast Guard Base, Governors Island, N.Y.

Captain Wagner's World War II campaign service medals and ribbons include the following: American Defense; American Area; European-African-Middle Eastern Area (with three battle stars); Asiatic-Pacific; Navy Occupation for his Korean service, as well as the Navy Commendation Ribbon. He also has the National Defense Service Medal and Ribbon.

He was promoted in rank as follows: Cadet, August 5, 1938; ensign, December 19, 1941; lieutenant (jg.), October 1, 1942; lieutenant, May 15, 1943; lieutenant commander, October 8, 1945; commander, June 1, 1956; captain, July 1, 1963.

Captain Wagner was married on August 7, 1942, to the former Elaine C. Wagner (correct) of Delmar, N.Y., a graduate of the Connecticut College for Women. They have three sons, Keith (Feb. 16, 1944); Cort (Dec. 10, 1949); Craig (March 24, 1951).

Nominated for rank of rear admiral, June 5, 1970.

STATEMENT OF DONALD BREWER

Senator HARTKE. Mr. Brewer, do you have a statement you would like to make this morning?

Mr. BREWER. Thank you Mr. Chairman. I believe not.

Senator HARTKE. Mr. Brewer, we are involved in a time in which the Interstate Commerce Commission is the subject of some discussion, especially in light of the recent events concerning the Penn Central Railroad and the potentials of what may happen to some of the other railroads.

Can you tell me why you think you can make a valuable contribution to the Government by virtue of service on the ICC?

Mr. BREWER. Yes, thank you Mr. Chairman. I am delighted to have this opportunity to appear before you and to answer your questions.

I believe and hope that my experience in Government, many years of which was dealing directly with transportation problems, 10 years as a postal inspector throughout the United States and Alaska, as an investigator, and as an administrator for many years, as regional director of the Post Office Department with 1,400 post offices, 18,000 employees in the Rocky Mountain area that was facing very many difficult problems in the transportation of mail, I have ridden many RPO's, talked to many railroad people, negotiated contracts with many star route carriers, buses, and other means of transportation.

Following that, in the financial area as president of a corporation I can see it from the shippers' viewpoint, I know the problems of the small shipper, I know some of the problems of trying to get your products moved and in my company we had a fleet of our own common carrier trucks, private carrier trucks, which seems to me to be some indication of understanding of their problems.

In the last year I have spent a considerable amount of time dealing with transportation problems, particularly in the Four Corners area. I was able to develop a comprehensive plan, a long-range comprehensive plan for the Four Corners Commission.

Among the top priorities of that Commission was development of better transportation system for the underdeveloped areas of the 92-county area.

Based upon that I think maybe I would be able, hopefully, to gather together the right kind of information and assess it and make a judgment from it.

Senator HARTKE. Mr. Brewer, have you made any special studies concerning the recent circumstances surrounding the ICC's hearings we had here concerning oversight?

Mr. BREWER. Yes, I have read the hearings you presided over, and I certainly have looked into it as carefully as I could in the time I have had.

Senator HARTKE. Have you come to any conclusions about what changes, suggestions, or proposals, if any, you might have for the Interstate Commerce Commission?

Mr. BREWER. Well, I think it would be probably a little presumptuous at this time to say I have come to any definite conclusions.

I have been trying to get an input, as much information as I could. I do believe in all sincerity you have made a valuable contribution in your hearings, from the consumer viewpoint, from the shipper viewpoint, from all viewpoints. I think we are in a crisis in transportation and I would hope that working with the other commissioners I would be able to make a contribution by finding solutions to some of these vexing problems.

Senator HARTKE. Have you studied the ICC staff study on conglomerates?

Mr. BREWER. No, I have not. I do have some views on conglomerates which I will later on try to use when I get on the Commission.

Senator HARTKE. What are some of those views?

Mr. BREWER. I think very careful studies have to be made as to whether conglomerates are good or bad, whether they solve anything or whether they don't. I am reminded, as just a background thought, of the Bank Holding Act of 1956, which was created when I was with Western Bancorporation and I have some feeling of whether or not a carrier company should have other interests.

I would want to find out whether there was disinvestment in the railroads, diverting funds into other areas. I don't know this. But these are some of the problems we have, some of the questions I would want to ask. I do not pose as being knowledgeable in this area at all, but I would want to ask those questions and try to get the answers.

Senator HARTKE. Have you read the Nader report on the ICC?

Mr. BREWER. The testimony. I have not read the report in detail, but I read the transcript of his testimony.

Senator HARTKE. Do you have any views as to whether or not there should be a public counsel for the ICC?

Mr. BREWER. The ombudsman type thing?

Senator HARTKE. Well, public counsel, call it what you will.

Mr. BREWER. Well, that is what we use. I don't have any strong views on that. I would like to find out a little bit more about it.

It is my impression that the ICC should be the advocate of the consumer first, and the shipper and of the carrier, keeping in mind all the philosophy of the national transportation policy, which seems to cover rather well and very broadly.

I cannot say at this point whether I have a strong opinion, I do not have, as to whether or not it should have a public counsel.

Senator HARTKE. This appointment is for 7 years, although the vacancy has been open since the first of January of this year, so that means probably a little less. But it is your intention to serve out the complete term?

Mr. BREWER. Yes, sir.

Senator HARTKE. I might remark that the same would apply to Mr. Whitman about the Federal Railroad Administration. I understand he is leaving very shortly.

Mr. BREWER. In view of Senator Baker's statement a few moments ago, I might not be able to serve out the 7 years.

Senator BAKER. Let me hasten to say to the witness that I was being partly facetious. I think as you probably know, that the bill I introduced was to authorize the creation of a commission to consider the feasibility of a consolidation of functions of the CAB, the Maritime Commission, and the ICC. I couldn't resist that jibe, because I have such an admiration for this witness, Mr. Chairman, having had him before other committees.

Senator HARTKE. Senator Cotton, do you have any questions?

Senator COTTON. Yes, I have a few questions, Mr. Chairman.

First may I say that I have gone into your record with some care Mr. Brewer, and had an interesting conversation with you. I am personally very much impressed by your background and capability.

Mr. BREWER. Thank you, Senator.

Senator COTTON. Now I assume you have filed with the committee, a list of your investments. As is our custom, that list will not be put into the record of this proceeding but will be retained in the files of the committee.

Mr. BREWER. Yes, sir.

Senator COTTON. That listing of course is open to the inspection of anyone desiring to do so. I have it here.

First, may I ask you if from your point of view you have any investments that might embarrass you or might be regarded as a possible conflict of interest in relation to your duties as an Interstate Commerce Commissioner?

Mr. BREWER. The answer to that is no at this time. I need to qualify that by saying I have looked into this very carefully and in my letter to the Chairman of May 22, 1970, I detailed all of my holdings.

In that I said I would sell Williams Bros. upon my confirmation and I will, because it is almost exclusively a pipeline company.

Senator COTTON. A what?

Mr. BREWER. Williams Bros., a small company in Oklahoma. I will sell that.

Senator COTTON. What did you say the nature of that company was?

Mr. BREWER. It is a pipeline company. It deals with oil pipelines as well as gas. I will sell that as I stated in my letter promptly upon confirmation.

The other one has to do with Ashland Oil and Refining Company of Ashland, Ky.

I have looked into that very carefully and I have discussed the matter with the General Counsel of the Interstate Commerce Commission as well as my own private counsel. And the answer is that there is not sufficient holdings here to have any great impact. In fact, the de minimus rule as articulated by the ICC General Counsel's office upholds this.

The shares of Ashland Oil are traded on the New York Stock Exchange, and as of September 30, 1968, there were 5,335 holders of shares of preferred stock, 47,992 holders of shares of common stock. Based on public information available to me, and upon examination of Moody's Industrial of July 1969, Ashland Oil, Inc. had on September 30, 1968, a total of 789,148 shares of \$2.40 cumulative convertible preferred stock outstanding of which I hold 2,733 shares and that would indicate that my holdings are very very low. In fact my total holdings of Ashland Oil would be .0001.

The company had outstanding as of September 30, 1968, 20,426,749 shares of common stock of which I hold 1,465 shares and this would again be very de minimus, far less than $\frac{1}{10}$ of 1 percent. Accordingly describing my holdings in that company as minimal could be considered as an overstatement.

Examination of the statements of the Ashland Pipe Line Company, the pipeline subsidiary of Ashland Oil, Inc. for the year ended December 31, 1969, as submitted to the Interstate Commerce Commission, indicates that it had net assets of \$70,310,861. As to total net assets reported by Ashland Oil, Inc. on a consolidated balance sheet as of September 30, 1969, they were \$846,412,000. This would indicate the pipeline company contributes to the consolidate company approximately 8 percent of the total assets of all the companies. The parent company reported in a consolidated income account for the fiscal year ended September 30, 1969, net sales and revenues of \$1,151,499,000 and net income after taxes of \$52,343,000. The subsidiary reported for the

year ended December 31, 1969, operating revenues of \$14,326,709 and net income after taxes of \$4,628,375.

Accordingly it would appear that the subsidiary pipeline company contributes to the consolidate company approximately 1 percent of the revenues and 9 percent of the net income of all the companies.

So I am not aware of any other holdings that are subject to the Commission and I would disqualify myself immediately should Ashland Oil Company or any of its subsidiaries become involved in anything before the Commission.

The pipeline regulation, I am told by members of the Commission, is mostly evaluation. Since 1961 only nine pipeline rate adjustments have been protested amounting to 0.00037, so it is mostly evaluation. But the advice I have from the General Counsel of ICC, who talked about the de minimus rule, is there is no way I could benefit myself by casting any kind of a vote in the matter.

Senator CORTON. I don't like to go into these matters too deeply because I think unfair inferences may be drawn, but I gather from your answer that: First, a very, very minimal part of the Ashland Company's activities are regulated by the Commission?

Mr. BREWER. Yes.

Senator CORTON. Second, your stock ownership is a very minimal amount proportionately to the outstanding stock of the corporation?

Mr. BREWER. Right.

Senator CORTON. And, third, it would be your intention to disqualify yourself from participating in any case which the Commission might have under consideration involving a pipeline?

Mr. BREWER. Right.

Senator CORTON. I think that attitude is entirely commendable. However, I don't like to see the situation arise where we start having members of a commission in a position where they must disqualify themselves from participating in certain classes of cases. I am not thinking of your situation, because it would be so infrequently that you would have to do it. But a Commission could get into a situation where this or that Commissioner would have to disqualify himself from almost every decision, which could develop into a situation that would be administratively intolerable.

I also gather that although your holdings in Ashland are very minimal compared with the total amount of stock outstanding in the company, they are rather substantial compared with your other holdings?

Mr. BREWER. Precisely.

Senator CORTON. And if you had to dispose of that stock, it would be a great personal sacrifice.

Mr. BREWER. A very great sacrifice at this point.

Senator COOK. May I say, Mr. Chairman, along that line, that in all fairness to Mr. Brewer, we Kentuckians are kind of partial to Ashland Oil, a Kentucky-based corporation. I have no idea at what price Mr. Brewer bought his stock, but knowing the activities of the market, he could be in a position that if he were forced to dispose of it, it would mean a very substantial loss at this time.

Senator CORTON. I wasn't suggesting that he dispose of his holdings in Ashland. I am sure that if we need any assurance about the respectability of the company it has been furnished by the Senator from Kentucky.

I am not suggesting this, but if it were suggested by any member of the committee or anybody else, would you consider putting this particular block of stock in a so-called "blind trust"?

Mr. BREWER. Yes, I have considered that, and I would be amenable to doing that. In my letter to the chairman I stated if the committee has other thoughts, I would be glad to get them so I could follow their advice. I would put it in trust if considered necessary.

I would like you to consider again that my ownership in Ashland Oil is 0.0001. And I do know that I, to answer your question directly, would put it in a bond trust.

Senator COTTON. If the committee when it considers your nomination in executive session, or if any appreciable number of the committee, not necessarily the majority, were to feel that you ought to put that stock in a "blind trust," you would have no objection?

Mr. BREWER. That is correct.

Senator COTTON. I believe you have an admirable background and broad general experience, which, although perhaps not pointed particularly at transportation, must have caused you to have a good deal to do with transportation.

Mr. BREWER. Precisely.

Senator COTTON. I understand that during your years as postal inspector, that when the field service of the Post Office Department was reorganized, you were one of a very few persons called in from the field to handle that reorganization?

Mr. BREWER. That reorganization was a recommendation of the Hoover Commission. Prior to that time there had been a Penrose Overstreet Commission report dating back to 1908 which recommended the Post Office Department be decentralized to the field.

Prior to that time even purchase of lead pencils had to come into Washington. And Washington was getting bogged down completely with letters and communications.

Postmaster General Summerfield called in 10 postal inspectors from the field—

Senator COTTON. Out of how many?

Mr. BREWER. Out of a thousand, to set up the first region in Cincinnati, Ohio, comprising the States of Indiana, Kentucky, and Ohio.

We operated that region for 5 months, getting the bugs out of it, and from then on we put in one region a month until we got the entire 15.

I served as decentralization officer of the Post Office Department in charge of that program for a while, before I took over as regional director in Denver. I served as acting regional director in Boston, San Francisco, and Atlanta and Denver and in Memphis during the days when we were training the new people.

It was the largest reorganization ever undertaken in the Post Office Department until that time, and probably the largest reorganization ever taken in Government with the exception of the military.

As a result there were 15 regions created throughout the country, a whole new concept, and I think it worked rather well.

Senator COTTON. Thank you. Now let me say this—this is no reflection upon you in any way, shape, or manner, because I am impressed with your record, and I certainly expect to heartily support your con-

firmation. However, I am very much incensed at your nomination to the Interstate Commerce Commission.

Prior to the expiration of the term of Commissioner Tierney who you will be replacing on the Commission if confirmed, the Commission was composed of two members from Maryland, one from Kansas, one from Florida, one from West Virginia, one from Georgia, one from Ohio, one from Texas, one from Illinois, one from California, one from Kentucky. Since the death of Commissioner Wallace R. Burke in June of 1969 and the nomination and confirmation of Robert C. Gresham of Maryland to serve the balance of his unexpired term, for the first time in many years there is not a single member of the ICC from the northeastern part of this country. And yet the problems of transportation in the northeast section of this country are very acute.

You probably have read in the papers or heard something about the difficulties of the Penn Central Railroad. The New Haven Railroad has been a problem for many years as has the Boston & Maine. We also have a central situation with respect to the development of high-speed surface transportation within the northeast corridor.

I have been serving on this committee many years, and I think that probably the State I represent together with Vermont have the least air service of any locality in the United States. I realize that air service is not a matter for the Interstate Commerce Commission, but with all of the problems of population, traffic, and commuter transportation within the cities in the northeast corridor, it is absolutely inconceivable to me, that any President or any administration would continue to leave the Interstate Commerce Commission without a member from New England.

I served notice of my concern at the last nomination hearing of ICC.

In view of your record of Government service and of business service, however, and with the efficiency which you have displayed, I can hardly bring myself in justice to vote against your confirmation.

But, I have told representatives of the White House I thought in rather definite language, and I shall tell them again in more definite language that as ranking Republican member of this committee I do not intend to allow them to continue to ignore the need for an Interstate Commerce Commissioner from the Northeastern section of the United States—New England, New York, New Jersey, Pennsylvania, that whole section.

And after all of the years I have put in on this committee we have two representatives on this committee from New England, and I am sure that Mr. Prouty feels as I do—if my own administration isn't willing to show the section we represent just consideration, the next time that there is a vacancy, I can promise them that there will be opposition to it even if they nominate St. Peter!

I have said so before. I have said so in this hearing. I have said so in private conversations with representatives from the White House. Yet it has been completely ignored. I may say so on the floor of the Senate. If I do make a statement on the floor of the Senate prior to your confirmation, I hope you will understand that it is not a reflection on you personally.

I think you will be a very competent member of the ICC. However, if, as it appears, the administration has written off the Northeast en-

tirely in nominating persons to the ICC I am not going to submit to it without a loud, long protest from now on.

So if you should hear some grumbling from me, it is not a reflection on you personally. I am thoroughly satisfied that you are so competent and your experience is so comprehensive that one in good conscience must vote for you.

And, I am personally happy to support you. But, for reasons I have stated, I am most unhappy and I am going to get more unhappy as time goes on. Somebody is going to come up here from the White House some day and want me to do something. I may find it necessary to do just the opposite in order to get my point across.

That is all, Mr. Chairman. Thank you.

Senator HARTKE. Thank you, Senator Cotton. I might say he does have credentials that you didn't mention, he was the assistant chairman of the National Finance Committee for Nixon for President in 1968 and was executive chairman of the GOP's financial committee, and I would imagine that these are two elements you might take into consideration.

Senator COTTON. Those are two very praiseworthy activities. But on the other hand, I don't know whether it is remembered or not that New Hampshire was the first State to go for Mr. Nixon in the first presidential primary.

Senator HARTKE. In the snows of New Hampshire, is that right?

Senator COTTON. Well, it was in March. We still have snow in March up there, and it is not a cheerful month. I certainly am glad to approve such a fine supporter of the administration.

I am also a supporter of the administration, although there may be a limit to my support one of these days.

Senator HARTKE. The fiscal year ends June 30, that is a good cut-off date.

Senator Pearson?

Senator PEARSON. No questions.

Senator HARTKE. Senator Baker?

Senator BAKER. No questions.

Senator HARTKE. Senator Cook?

Senator COOK. I am almost afraid to, Mr. Chairman, I might say to the Senator from New Hampshire that St. Peter would be qualified if he came to the Commission by way of New England, I think he at least ought to leave that door open.

Senator COTTON. You know what we are going to get? The next two vacancies are going to be Democratic vacancies so we will get a New England Democrat. I like Democrats, but I don't like them too near home.

Senator COOK. I might say to the chairman that Mr. Brewer's qualifications of being assistant chairman of the National Finance Committee, Nixon for President, and being executive chairman of the Republican National Finance Committee, he did a fantastic job. I think the chairman is well aware of the finances of the last campaign.

Seriously, I think we should make a part of this record that relative to the holding in Ashland Oil and Ashland Oil Pipeline Co., the insignificant percentages that the pipeline company represents to Ashland. In its annual report for the year ending December 31, 1969, Ash-

land Pipe Line Co. contributed approximately 8 percent of the total assets of all the companies. Also, the subsidiary pipeline company contributes approximately 1 percent of the revenues and 9 percent of the net income.

Also, I think it important that Mr. Brewer's unequivocal statement to the chairman that he will not sit on any cases involving Ashland Oil be made a part of this record.

Add to this the fact that the ICC jurisdiction of oil pipeline activities constitutes less than 1 percent of all Commission activities, and we can see that the nominee's insignificant holdings will in no way affect his judgment as a Commissioner. I might say in all fairness that I doubt seriously with all of the discussion that may go on in the committee that the members of the committee will write all of their holdings down and submit them to the chairman.

I only say this in all fairness, because I think there may be a double standard in this regard. Also, I think it is to the benefit of the nominee that he be an investor in the things that make the free enterprise system of this Nation great, and as a matter of fact I think there would be some inhibiting value to an individual if he were not in some way connected with the free enterprise system in this country.

And in this regard, I see good judgment in his portfolio. When the day comes when nominees to commissions in this country have to dispose of their investment in what makes this country the great country it is, then I think we will be at a low ebb in our confirmation of such nominees.

Thank you.

Senator COTTON. Mr. Chairman, I just noticed Commissioner Jackson from California seated in the back of the room. He is an old friend of mine. I want to make sure that he relates the remarks of the Senator from New Hampshire the next time he visits the White House.

Senator COOK. May I add one thing, Senator? I said a minute ago I was going to try to claim Mr. Brewer, because he was born in Kentucky, and the distinguished Senator from Tennessee said he was going to charge him to me. I might add that if Mr. Brewer were going to be charged to me, it would be the first thing that was charged to me since I have been a Member of the Senate.

Senator HARTKE. The hearings are adjourned.

(Thereupon at 10:30 a.m. the hearing was adjourned.)

NOMINATION OF DR. CLAY T. WHITEHEAD TO BE DIRECTOR, OFFICE OF TELECOMMUNICATIONS POLICY

THURSDAY, JULY 16, 1970

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 5110, New Senate Office Building, Hon. John O. Pastore, presiding.

Present: Senators Pastore and Pearson.

Senator PASTORE. The hour of 10 having arrived, we will commence this hearing.

We are very happy and honored indeed to have with us this morning the Presidential nominee for the Office of Telecommunications, Dr. Clay T. Whitehead, who is not only a distinguished Californian and Kansan, but also a distinguished American.

I am very happy that we have the senior Senator from California here to introduce our nominee.

STATEMENT OF HON. GEORGE MURPHY, U.S. SENATOR FROM CALIFORNIA

Senator MURPHY. Thank you very much, Mr. Chairman.

I am very pleased today to have the opportunity to introduce Dr. Whitehead to what I consider to be one of the most important areas of Government. I would like to say that the wonders of the State of California are well known. Sometimes I think we boast a little too often about them, about the great people and progress and scenery and all the other beauties which the Lord has endowed us with out there. Today I take great pride in presenting to you a young man who, early in life, heeded Horace Greely's immortal words and went West to settle in California. We are very pleased that he did.

Although a native of the great State of Kansas, Tom Whitehead has lived most recently in California prior to his appointment to the White House staff in January 1969.

I believe that this young man typifies in so many ways the great young breed of talent that exists not only in California, but across this great country of ours. I know that the chairman will agree with me that too often these days we hear about some of those who create problems rather than those of the young breed who would not only continue the great legend of America, but would improve it and do a much better job.

He has proven himself greatly as Special Assistant to the President. Although he is only 31 years of age, he has already packed in three

decades a full and abundant career. He has accomplished more and attained greater recognition than many do in a full lifetime.

Following the 1968 election Mr. Whitehead served on the President-elect's Task Force on Budget Policies and assisted on transition matters. Since being a member of the White House staff his responsibilities have included the space, atomic energy, and other technically related programs, as well as maritime affairs, liaison with regulatory agencies, and several economic and organizational matters.

Mr. Whitehead was previously with the Bell Telephone Laboratories during his undergraduate studies as part of the MIT-Bell Laboratories cooperative program. Prior to obtaining his doctorate, he was a consultant at the Rand Corp., where he worked on arms control, air defense, and spacecraft engineering studies. After completing his Ph. D., he joined the Rand staff to plan and organize a policy research program on health services and other domestic policy areas.

He also has served as a consultant to the Bureau of the Budget.

Tom Whitehead was born on November 13, 1938, in Neodesha, Kans., and graduated from Cherokee County Community High School in Columbus, Kans. He received his B.S. and M.S. degrees in electrical engineering from the Massachusetts Institute of Technology, majoring in communications theory and systems engineering. He later received his Ph. D. in management, also from MIT, with concentration on policy analysis, economics, and research and development management. While at MIT, he taught courses in electronics and political science. He was elected to the engineering and scientific honorary societies Tau Beta Pi, Sigma Xi, and Beta Kappa Nu.

Mr. Whitehead served in the U.S. Army for 2 years, attaining the rank of captain, where he worked on Army chemical defenses and the possible threat to the United States from biological warfare.

Mr. Chairman, it is my special privilege to present to my esteemed colleagues an especially able young Californian and to recommend him for your favorable consideration.

I would only add one last thought—I believe we are very fortunate in having a man of Tom Whitehead's talent and ability and experience in Government today. He has an excellent background that recommends him well to be Director of the Office of Telecommunications Policy. His performance as a counselor to the President has given him great experience in Government, and I would recommend most highly that he be nominated for the Director of the Office of Telecommunications Policy.

Senator PASTORE. Thank you very much.

We will hear now from the junior Senator from Kansas.

STATEMENT OF HON. ROBERT DOLE, U.S. SENATOR FROM KANSAS

Senator DOLE. Well, I want to add to what has been related by the senior Senator from California. A combination of having been born in Kansas and then moving to California may mean something—mean we lost a good Kansan.

But in all seriousness Tom Whitehead is especially well qualified, as Senator Murphy has pointed out. I know something of his family since his sister is on my staff, and they are fine people, very capable.

I would like to file a statement, Mr. Chairman. But in any event, to express my confidence in Mr. Whitehead and his background, his competency, his potential and his ability.

Senator PASTORE. You may file your statement.
(The statement follows:)

STATEMENT OF HON. ROBERT DOLE, U.S. SENATOR FROM KANSAS

Mr. Chairman, I wish to join my distinguished colleague from California in presenting Mr. Whitehead to the committee.

While California is his adopted State, Mr. Whitehead was born and raised in southeast Kansas, and his family still resides in Columbus, Kans. He graduated from Cherokee County Community High School and then left Kansas to continue his education at the Massachusetts Institute of Technology, where he compiled an outstanding record and received G.S. and M.S. degrees in electrical engineering, with specialization in communications theory and systems engineering, and took a Ph. D. degree in management.

His broad range of academic endeavor has been complimented by practical experience in several diverse fields and pursuits. He conducted research at the Bell Telephone laboratories while at MIT, he served as a consultant and full-time staff member at the Rand Corp., and most recently he has been a special assistant to President Nixon dealing with a wide variety of policy and technical matters.

I feel Mr. Whitehead's qualifications make him uniquely and thoroughly suited to serving as the director of the office of telecommunications policy, and I am pleased to present him on behalf of his native State of Kansas.

Senator PASTORE. We will hear from the senior Senator from Kansas.

Senator PEARSON. Mr. Chairman, I want to concur in the comments and observations by my colleague, Senator Dole, and also Senator Murphy. I haven't known Mr. Whitehead before, but his credentials are excellent, including his point of origin. I am tremendously impressed with his experience and qualifications. Senator Murphy is right, we are very fortunate to have before us a man of this caliber, who has dedicated himself to public service. I wish you well, Mr. Whitehead.

Senator PASTORE. We will include a letter from Mr. Shipley in the record.

(The letter follows:)

REPUBLICAN NATIONAL COMMITTEE,
Washington, D.C., July 6, 1970.

HON. WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR: I strongly recommend that your committee favorable report the nomination of Dr. Clay T. Whitehead of California to be Director of the Office of Telecommunications Policy.

I have known Dr. Whitehead to be a man of exceptional professional qualification with a broad background in the field of telecommunications. He would be able to serve the public interest in a fair and objective way.

Sincerely yours,

CARL L. SHIPLEY.

OPENING STATEMENT BY SENATOR PASTORE

Senator PASTORE. Now I have an opening statement here, it is a little longer than usual, and of course, the Senators don't have to remain if they don't want to. It is because, as Senator Murphy has brought out, this is one of the most important functions in our Government today, especially in connection with international relations, and because it is an

office that has been of intense interest to me as the chairman of this subcommittee and the entire membership of the committee, that I indulge today in a rather long statement. I think this needs to be said for the record.

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.

(The information follows:)

REORGANIZATION PLAN NO. 1 OF 1970

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

REORGANIZATION PLAN NO. 1 OF 1970



FEBRUARY 9, 1970.—The message and accompanying papers referred to the Committee on Government Operations and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1970

LETTER OF TRANSMITTAL

THE WHITE HOUSE, February 9, 1970.

To the Congress of the United States:

We live in a time when the technology of telecommunications is undergoing rapid change which will dramatically affect the whole of our society. It has long been recognized that the executive branch of the Federal government should be better equipped to deal with the issues which arise from telecommunications growth. 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.

Accordingly, I am today transmitting to the Congress Reorganization Plan No. 1 of 1970, prepared in accordance with chapter 9 of title 5 of the United States Code.

That plan would establish a new Office of Telecommunications Policy in the Executive Office of the President. The new unit would be headed by a Director and a Deputy Director who would be appointed by the President with the advice and consent of the Senate. The existing office held by the Director of Telecommunications Management in the Office of Emergency Preparedness would be abolished.

In addition to the functions which are transferred to it by the reorganization plan, the new Office would perform certain other duties which I intend to assign to it by Executive order as soon as the reorganization plan takes effect. That order would delegate to the new Office essentially those functions which are now assigned to the Director of Telecommunications Management. The Office of Telecommunications Policy would be assisted in its research and analysis responsibilities by the agencies and departments of the Executive Branch including another new office, located in the Department of Commerce.

The new Office of Telecommunications Policy would play three essential roles:

1. It would serve as the President's principal adviser on telecommunications policy, helping to formulate government policies concerning a wide range of domestic and international telecommunications issues and helping to develop plans and programs which take full advantage of the nation's technological capabilities. The speed of economic and technological advance in our time means that new questions concerning communications are constantly arising, questions on which the government must be well informed and well advised. The new Office will enable the President and all government officials to share more fully in the experience, the insights, and the forecasts of government and non-government experts.

2. The Office of Telecommunications Policy would help formulate policies and coordinate operations for 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. It would regularly review the ability of government communications systems to meet the security needs of the nation and to perform effectively in time of emergency. The Office would direct the assignment of those portions of the radio spectrum which are reserved for government use, carry out responsibilities conferred on the President by the Communications Satellite Act, advise State and local governments, and provide policy direction for the National Communications System.

3. Finally, 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. This action would take away none of the prerogatives or functions assigned to the Federal Communications Commission by the Congress. It is my hope, however, that the new Office and the Federal Communications Commission would cooperate in achieving certain reforms in telecommunications policy, especially in their procedures for allocating portions of the radio spectrum for government and civilian use. Our current procedures must be more flexible if they are to deal adequately with problems such as the worsening spectrum shortage.

Each reorganization included in the plan which accompanies this message is necessary to accomplish one or more of the purposes set forth in section 901(a) of title 5 of the United States Code. In particular, the plan is responsive to section 901(a)(1), "to promote the better execution of the laws, the more effective management of the executive branch and of its agencies and functions, and the expeditious administration of the public business;" and section 901(a)(3), "to increase the efficiency of the operations of the government to the fullest extent practicable."

The reorganizations provided for in this plan make necessary the appointment and compensation of new officers, as specified in sections 3(a) and 3(b) of the plan. The rates of compensation fixed for these officers are comparable to those fixed for other officers in the executive branch who have similar responsibilities.

This plan should result in the more efficient operation of the government. It is not practical, however, to itemize or aggregate the exact expenditure reductions which will result from this action.

The public interest requires that government policies concerning telecommunications be formulated with as much sophistication and vision as possible. This reorganization plan—and the executive order which would follow it—are necessary instruments if the government is to respond adequately to the challenges and opportunities presented by the rapid pace of change in communications. I urge that the Congress allow this plan to become effective so that these necessary reforms can be accomplished.

RICHARD NIXON.

REORGANIZATION PLAN NO. 1 OF 1970

(Prepared by the President and transmitted to the Senate and the House of Representatives in Congress assembled, February 9, 1970, pursuant to the provisions of chapter 9 of title 5 of the United States Code)

OFFICE OF TELECOMMUNICATIONS POLICY

SECTION 1. *Transfer of functions.* The functions relating to assigning frequencies to radio stations belonging to and operated by the United States, or to classes thereof, conferred upon the President by the provisions of section 305(a) of the Communications Act of 1934, 47 U.S.C. 305(a), are hereby transferred to the Director of the Office of Telecommunications Policy hereinafter provided for.

SEC. 2. *Establishment of Office.* There is hereby established in the Executive Office of the President the Office of Telecommunications Policy, hereinafter referred to as the Office.

SEC. 3. *Director and deputy.* (a) There shall be at the head of the Office the Director of the Office of Telecommunications Policy, hereinafter referred to as the Director. The Director shall be appointed by the President by and with the advice and consent of the Senate and shall be compensated at the rate now or hereafter provided for Level III of the Executive Schedule Pay Rates (5 U.S.C. 5314).

(b) There shall be in the Office a Deputy Director of the Office of Telecommunications Policy who shall be appointed by the President by and with the advice and consent of the Senate and shall be compensated at the rate now or hereafter provided for Level IV of the Executive Schedule Pay Rates (5 U.S.C. 5315). The Deputy Director shall perform such functions as the Director may from time to time prescribe and, unless the President shall designate another person to so act, shall act as Director during the absence or disability of the Director or in the event of vacancy in the office of Director.

(c) No person shall while holding office as Director or Deputy Director engage in any other business, vocation, or employment.

SEC. 4. *Performance of functions of Director.* (a) The Director may appoint employees necessary for the work of the Office under the classified civil service and fix their compensation in accordance with the classification laws.

(b) The Director may from time to time make such provisions as he shall deem appropriate authorizing the performance of any function transferred to him hereunder by any other officer, or by any organizational entity or employee, of the Office.

SEC. 5. *Abolition of office.* That office of Assistant Director of the Office of Emergency Preparedness held by the Director of Telecommunications Management under Executive Order No. 10995 of February 16, 1962, as amended, is abolished. The Director of the

Office of Emergency Preparedness shall make such provisions as he may deem to be necessary with respect to winding up any outstanding affairs of the office abolished by the foregoing provisions of this section:

SEC. 6. *Incidental transfers.* (a) So much of the personnel, property, records, and unexpended balances of appropriations, allocations, and other funds employed, held, or used by, or available or to be made available to, the Office of Emergency Preparedness in connection with functions affected by the provisions of this reorganization plan as the Director of the Bureau of the Budget shall determine shall be transferred to the Office of Telecommunications Policy at such time or times as he shall direct.

(b) Such further measures and dispositions as the Director of the Bureau of the Budget shall deem to be necessary in order to effectuate the transfers provided for in subsection (a) of this section shall be carried out in such manner as he shall direct and by such agencies as he shall designate.

SEC. 7. *Interim Director.* The President may authorize any person who immediately prior to the effective date of this reorganization plan holds a position in the Executive Office of the President to act as Director of the Office of Telecommunications Policy until the office of Director is for the first time filled pursuant to the provisions of section 3 of this reorganization plan or by recess appointment, as the case may be. The President may authorize any person who serves in an acting capacity under the foregoing provisions of this section to receive the compensation attached to the office of Director. Such compensation, if authorized, shall be in lieu of, but not in addition to, other compensation from the United States to which such person may be entitled.

Senator PASTORE. 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 all 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 system; 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 faculties 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 could 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, 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 in the long run would be 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 6 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 some time away and the American people are not receiving the full benefit of this dynamic 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, duplication of communication facilities which increase operating costs and result in higher rates for the user.

Moreover, our Nation—I want to emphasize this—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.

I have talked with Mr. Scranton on this; I have talked with Leonard Marks on this, and I am going to talk to Ambassador Washburn and to you on this.

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 think you are one of the most brilliant young person who has come to Government in a long- long time. I have had formal and informal talks with you. I think you know this business. I think you know your problems. And I think that you are one man that can do something about it provided that your recommendations receive the approbation and the attention of the President. You can make a thousand recommendations to the President, but unless these recommendations are studied and unless intense attention is given to them and a decision is made all your efforts will be a futile exercise.

General O'Connell never met the President once after he was sworn in in all the time that he was his communications adviser.

Now I know, Dr. Whitehead, all these issues are very complex and they are not going to be resolved overnight, and they are not going to be resolved by one agency.

Our spectrum today is a mass of confusion. We have attained primacy in communication satellites. We have primacy on the international level thus far, provided we don't negotiate away our birthright. We have not developed a domestic satellite system. This is going to be your job, and I repeat again, I don't know of any man who could do it better; and I want to welcome you here, I want to congratulate the President for appointing you.

As a matter of fact, I am the chairman of the Subcommittee on Independent Offices Funding, and when a request was made for the Electromagnetic Compatibility Facility I raised the question as to whether or not the new Director was familiar with it and how he felt

about it. As a matter of fact, the House knocked it out of the budget—\$906,000. My committee restored it in the budget. We are going to go to conference on it next week. I would like to have a little memorandum from you as to what you feel about it, how important you think it is, and how you are going to use it, and the immediacy for having the money now. I would like to have that when I go to conference next week.

What attitude the House is going to take I don't know. I think they decided the question is a matter for legislation. I think the Budget Bureau was consulted and they said they didn't think that was necessary, it could be done under the funding process.

Be that as it may, I am going to take it back for further consultation to the conferees of the House, hopefully that we can do something about it. But I would like to be fortified with a memorandum from you.

Now here you are, Dr. Whitehead, you have been in the White House for some time advising the President in this important area. You have listened to my very long statement, and I regret that I had to indulge your patience so much. I would like to have your comments.

STATEMENT OF DR. CLAY T. WHITEHEAD

Dr. WHITEHEAD. Thank you very much, sir. I think that we in the White House can agree with most of the objectives that you set forward in your statement. We feel very concerned, as you do, about the importance of this area, about the impact on the industry and on our society and our broader economy of the results of not having a telecommunications policy.

I am not sure that even a person who lived up to some of the kind words I have heard here this morning could do this job justice. I have been very impressed by the complexities of the problems. But I am hopeful that we can make some progress.

This is an extremely dynamic and innovative field. It is extremely broad in its impact, as I just mentioned. We will certainly do everything we can to come up with a telecommunications policy.

I think it is important to realize, though, as I am sure you do, that in such a fast-moving field, in a field with such a broad impact, that it is not feasible to sit down and come up with a piece of paper that says this is our policy. What we will be trying to do, therefore, is to spend as much time developing a policy process that can respond to the changes in the economy, in the industry, and society, so that we can deal with the issues as they arise, so that the Government can take a sensible position, and so that the industry can then go forward and make available to the public the benefits that we have all been talking about.

I recognize particularly your concern about the international communications area. I think that is extremely important. I think the impact of international communications will grow, grow at an extremely rapid rate. It is already important to us in this country. It concerns how we talk to other people of the world, how they perceive us, how we perceive them. It is certainly a very important thing in these times.

We will do everything we can to see that that area develops in a cooperative spirit with other nations, but making certain that the United States' interests are well represented.

Finally, I would like to comment on your concern about the spectrum. We think this is an extremely important area. There are tremendous sums of money invested in this country based on certain spectrum allocations. That cannot be changed lightly. But we must have a sensible spectrum allocation plan and policy. We must see to it that the spectrum is used efficiently and effectively and is used for those things that are most valuable to the country.

There are a number of people who speak of the spectrum crisis. I don't share the opinion that we have reached a crisis in this country. We have reached a point, though, of serious concern. We have to find new ways of allocating spectrum, or we in fact will have a true crisis on our hands.

As you know, Mr. Chairman, there was considerable talk when you were considering this reorganization that we should merge the spectrum management of the Federal Government and the FCC spectrum management for civilian use. We considered that possibility and decided it was not necessary, that a cooperative spirit between the FCC and the executive branch along with new techniques, new procedures, would be not only adequate, but would for some time be the best procedure.

The President has said that the purpose of this reorganization is to make the executive branch a better partner in the policy dialog with the Congress, the FCC, the industry, and the public. That is the goal I seek for myself and for the office, and I am hopeful that we can make some decisions, make some changes that will be constructive and fulfill the objectives you have set forth.

Senator PASTORE. I want you to know, Mr. Whitehead, if you ever feel that you need the help of this committee, whether it be a matter of consultation or legislative help, that you are going to find us very willing and very obliging.

And you speak about partnership—my experience in Government has been that once an agency takes hold of something they are very reluctant to give it up, and I would hope that at some point someone in the White House will be strong enough to speak to the Defense Department to determine at what point all that they have preempted should remain preempted. After all, in the case of an emergency they can preempt the whole spectrum—you know that. Why they have to keep it in abeyance in the meantime in a growing economy, in the most progressive country in the world, merely on the ground that there may be an eventual need for this is something that has disturbed me for a long, long time.

Now if they need this and they can prove it, I say all well and good. But if they are just holding it in reserve because they have it and they don't want to let it go, there has got to be somebody strong enough to say "look here, we have the economy of this country to develop, too."

Now you have submitted your financial statement. You have no financial interest in any corporation, business enterprise, or nonprofit or educational institution. You have no creditors excepting small indebtedness to run your home, and you have no financial interest in real property.

Dr. WHITEHEAD. Working your way through school is an expensive process.

Senator PASTORE. There is no question about your conflict of interest. There is none. And I want to congratulate you again.

Mr. Pearson.

Senator PEARSON. Mr. Chairman, I think you have covered most of the territory I wanted to cover. Perhaps I will ask Dr. Whitehead to comment somewhat further on the position of the reorganization plan which provides that the Secretary of Commerce will provide support for your office. I take it you will also have your own staff; is that right?

Dr. WHITEHEAD. That is correct.

Senator PEARSON. And the Commerce Department will have a staff of their own, too. Do you know the extent, nature, and size of those staff arrangements?

Dr. WHITEHEAD. That hasn't been worked out yet, Senator. It will be somewhat larger than the OTP staff, which is envisioned to grow to something like 30 professional positions in this fiscal year. There is some question as to how much of the Commerce Department's current activities in the radio area, communications area, should be transferred into the new organization, and that will have to be worked out.

Senator PEARSON. I also recall that the President in sending up his reorganization plan said that this executive office would not take away any of the prerogatives and functions of the FCC. I take it this comes within the partnership concept which you have articulated in connection with performance of your duties and responsibilities.

Dr. WHITEHEAD. That's right, sir.

Senator PEARSON. I would like to make one final observation. Lines of authority and responsibility get pretty fuzzy sometimes, and I would hope that this arrangement would not pull apart the effort to develop a unified telecommunications policy by vesting the development of such a policy in conflicting agencies and staffs with adverse responsibilities. As the chairman has pointed out everything we do in Government now involves so many different departments.

So let me just close, Mr. Chairman, by also indicating that Senator Baker had to go to the Public Works Committee hearing at which Secretary Volpe is testifying. He wanted me to note the unavailability of his absence, congratulate you, and indicate to you his support for your confirmation.

Senator PASTORE. In the Federal Communications Bar Journal there was a critical article on Reorganization Plan No. 1, and it said certain of the tasks assigned to your office threatened improper political encroachment upon the independence of regulatory responsibility. I am going to ask that this article be placed in the record by reference.¹

Are you ready to comment on that, Mr. Whitehead?

Dr. WHITEHEAD. I recall reading the article to which you refer, Senator, and I recognize the problems and sensitivities that are reflected there. We do not feel it is a matter of concern so long as we are aware of that area.

¹ "Presidential Assault on Telecommunications," Splenack, Edwin B., Federal Communications Bar Journal, vol. XXIII, 1969.

Senator PASTORE. Now another question; would you like to comment on this matter of the electromagnetic capability facility or would you prefer to put a memorandum in the record?

Dr. WHITEHEAD. I think it might be preferable to put a memorandum in the record.

(The following was subsequently received for the record:)

THE WHITE HOUSE,
Washington, July 16, 1970.

HON. JOHN O. PASTORE,
Chairman, Subcommittee on Communications,
Committee on Appropriations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In response to your request during this morning's hearing. I am submitting my views on the \$906,000 for improved electromagnetic compatibility analysis capabilities included in the President's fiscal year 1971 budget recommendations. Now that Reorganization Plan No. 1 of 1970 has gone into effect and I have been nominated to be Director of the new Office of Telecommunications Policy, I have been reviewing the administration's budget recommendations in this area and the recent actions by the House and Senate. As this matter goes to conference, I am pleased to have this opportunity to submit my views for the record.

Your opening statement at this morning's hearings stated very clearly and accurately the importance of better spectrum management. We may not have an immediate spectrum crisis, but the rapid and dynamic growth of telecommunications in this country is placing accelerating demands on spectrum resources. Although not all of our available spectrum resources are being fully utilized, existing allocations have resulted in artificial shortages that impose economic penalties and make impossible the introduction of some new services. Our existing frequency management machinery is increasingly hard pressed to deal with the expansion of spectrum demands. I regard the improved coordination of spectrum allocation as one of the most important areas of telecommunications policy. We must begin now to improve these techniques or there actually will be a spectrum crisis in the not too distant future.

I recognize, as does the Congress, that the development of a comprehensive data base and analytic capability will require the expenditure of Federal funds, and that those expenditures must be justified in terms of the tangible benefits this activity will produce. A very direct benefit will be more flexible and responsive use of our existing spectrum resources. Improved management of spectrum use and allocations also will encourage better planning by system designers both in Government and in industry. Both of these steps are essential to a more efficient use of the spectrum, making spectrum resources available to accommodate both existing needs and the demand for new services that are developing for the future.

With respect to this electromagnetic compatibility analysis effort, it is not our intention to establish any new facility or organization which would require legislative authorization. Rather, we intend to develop the necessary analytic techniques, data base, and processing capabilities to provide the information necessary for the Office of Telecommunications Policy to achieve more efficient use of the spectrum.

I wish to emphasize that we still consider the full funding of \$3.3 million is vitally important to the development of an effective telecommunications policy program during the forthcoming year. The electromagnetic compatibility functions referred to above would, in large measure, be carried out through the Department of Commerce under OTP guidance. The \$906,000 appropriation request is the essential first step to get started in this area.

Sincerely,

CLAY T. WHITEHEAD,
Special Assistant to the President.

Senator PASTORE. Are there any further questions?

We have a biographical sketch. We will put that in the record.

(The biographical sketch follows:)

CLAY THOMAS WHITEHEAD

Clay T. Whitehead was born on November 13, 1938, in Neodesha, Kans., and graduated from Cherokee County Community High School in Columbus, Kans. He received his B.S. and M.S. degrees in electrical engineering from the Massachusetts Institute of Technology, majoring in communications theory and systems engineering. He later received his Ph. D. in management, also from M.I.T., with concentration on policy analysis, economics, and research and development management. While at M.I.T., he taught courses in electronics and political science. He was elected to the engineering and science honorary societies—Tau Beta Pi, Sigma Xi, and Eta Kappa Nu.

Mr. Whitehead served in the U.S. Army for 2 years, attaining the rank of captain, where he worked on Army chemical defenses and the threat to the United States from biological warfare.

Mr. Whitehead was at the Bell Telephone Laboratories for about a year during his undergraduate studies as a part of the M.I.T.-Bell Laboratories cooperative program. Prior to obtaining his doctorate, he was a consultant at the Rand Corp., where he worked on arms control, air defense, and spacecraft engineering studies. After completing his Ph. D., he joined the Rand staff to plan and organize 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 1968, Mr. Whitehead served on the President-elect's Task Force on Budget Policies and assisted on transition matters. He joined the White House staff in January 1969, where his responsibilities have included the space, atomic energy, and other technically related programs; maritime affairs, liaison with regulatory agencies; and several economic and organizational matters. Mr. Whitehead is a Special Assistant to the President.

Senator PASTORE. Is there anyone in this room who desires to speak for or against this nomination?

There being none, we will adjourn.

(Whereupon, at 10:35 a.m., the committee adjourned.)

NOMINATION OF ROBERT McLELLAN, TO BE ASSISTANT SECRETARY OF COMMERCE FOR DOMESTIC AND INTERNATIONAL BUSINESS

WEDNESDAY, AUGUST 19, 1970

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met, pursuant to notice, in room 5110, New Senate Office Building, at 9:45 a.m., Hon. Vance Hartke, presiding.

Present: Senators Hartke, Hart, Long, Cotton, Prouty, Pearson, and Baker.

Senator HARTKE. Good morning.

This morning we have before us the nomination of Robert McLellan to be Assistant Secretary of Commerce for Domestic and International Business. Mr. McLellan has had extensive experience in international business before coming with the Government last year as Deputy Assistant Secretary for Business Development. At the present time he is serving as Acting Assistant Secretary in the post for which he has been nominated.

We are pleased to have you with us. We will put your biographical statement in the hearing record. Your financial statement will not appear in the record, but in accordance with committee practice it will be kept in the files, available for inspection.

(The biography follows:)

BIOGRAPHICAL SKETCH OF ROBERT McLELLAN

Robert McLellan was appointed Deputy Assistant Secretary of Commerce for Business Development on May 1, 1969, and administered the oath of office by Secretary of Commerce Maurice H. Stans on June 9. He is now the Acting Assistant Secretary for Domestic and International Business.

Mr. McLellan was born in Nebraska in 1923 and attended grammar and high schools there. In 1941 he moved to California. After a tour of duty with the Army Air Corps during World War II, he attended San Jose State College, graduating with a Bachelor of Science Degree in Engineering (with honors). Subsequently, he attended graduate school at Santa Clara University and the Graduate School of Business at Stanford University.

In 1949, Mr. McLellan joined the Export Department of FMC Corporation as a Sales Engineer subsequently holding positions of Sales Manager and General Manager of the Machinery Export Department of FMC International before being appointed a Vice President in 1960.

Mr. McLellan has traveled extensively in his foreign business activities. He has visited most of the areas of the world, including several trips to the U.S.S.R. He is active in international trade activities and is a former member of several San Francisco Bay Area world trade organizations. He is a past Trustee of the World Affairs Council of San Francisco and a former member of the Regional Export Expansion Council, the Western International Trade Group, the World Trade Club of San Francisco and the University Club of San Jose. He is a member of the Executive Committee of the Agri-business Council.

Late in 1969, Mr. McLellan served as Chairman of the regional conferences of U.S. Economic/Commercial Officers in Tehran and Rome, and in January led a delegation of business and government executives to examine U.S. commercial opportunities in selected countries of Africa. In April and May, he accompanied Secretary Stans on a six nation tour of Latin America as part of President Nixon's program to strengthen relationships between Latin America and the United States.

Mr. McLellan, his wife Helen and their four children formerly lived in Saratoga, California but now reside in Washington, D.C.

Senator HARTKE. Senator Murphy apologizes that he cannot be here, but he supports the nomination. Senator Cranston has registered no objection to the nomination.

Good morning, sir.

STATEMENT OF ROBERT McLELLAN

Mr. McLELLAN. Good morning, Mr. Chairman.

Senator HARTKE. You may proceed. Do you have a statement?

Mr. McLELLAN. I really have nothing further to say, Mr. Chairman, beyond the biographical sketch which you have and the financial statement which I have submitted.

I would add that I am pleased to have the chance to be here and to meet you gentlemen, and to say that I look forward to the opportunity of serving as Assistant Secretary of Commerce for Domestic and International Business.

If there are any questions, I certainly would be pleased to try to answer them.

Senator HARTKE. Since this is an administration recommendation, Senator Cotton, I will defer to you, sir.

Senator COTTON. That is very kind of you, Mr. Chairman.

Mr. McLellan. I note here that you have of course filed with the committee, not for the record, but to be on file for whoever desires to look at it, your financial statement. And I note that as far as your security holdings are concerned, yours and Mrs. McLellan's consist of a substantial number of shares of FMC Corp. common stock. What is FMC?

Mr. McLELLAN. FMC used to stand for Food Machinery and Chemical Corp. I was an employee for FMC Corp. for some 25 years before I left to join Government in June of 1969.

Senator COTTON. I noted that, but I did not know what FMC meant, if anything.

Mr. McLELLAN. It does not stand for anything now, just FMC.

Senator COTTON. You mean it has become a horrible conglomerate or something?

Mr. McLELLAN. I would not characterize it as a horrible conglomerate, but it is a large, diversified corporation.

Senator COTTON. I understand.

Now, just as a matter of form I have to ask you—there is absolutely no implication in the question—if you are aware of any possibility that your holdings in FMC Corp. could in any way be construed as being in conflict of interest in the discharge of your duties in the Department?

Mr. McLELLAN. Senator Cotton, I do not see how in any way my holdings of FMC Corp. common stock could represent a conflict of interest in the discharge of my duties.

Senator COTTON. Then, this corporation is not one that is likely to have contractual relations with the Government?

Mr. McLELLAN. It may have contractual arrangements; they have some defense contracts, for example, I was never in that part of the business and I am not now concerned with that part of the Government. The only place where there is a conceivable possibility that I can think of would be in the export control area where I am responsible for the administration of the Export Control Act of 1969 and it is conceivable FMC Corp. could be applying for licenses.

What I did when I entered Government a year ago was to issue a statement through the office of our General Counsel to our operating units advising them that I did want not to be involved in any cases coming before the Department that related to FMC Corp. That instruction still stands. I would disqualify myself from involvement in any matter relating to FMC Corp.

I might add that to the best of my knowledge there has been no case in the past year, not that I would know of it necessarily, but I have not even heard of it.

Senator COTTON. You realize that I want to protect you as well as the committee.

Mr. McLELLAN. I understand that, sir.

Senator COTTON. That is the sole purpose of my questioning.

I suppose it is conceivable that the general attitude of the Commerce Department with regard to our export-import trade could, in some measure, influence the value and the income of your investment with the corporation.

Mr. McLELLAN. It is not conceivable that I could do anything that would be particularly beneficial to FMC Corp.

Senator COTTON. You have 2,060 shares. How many outstanding shares are there? Do you know?

Mr. McLELLAN. I think it is about 28 million, but I could be low on that. I might add at the present market value, that does not represent very much.

Senator COTTON. In other words, any possible financial benefit that might increase the value of your shares because of some policies of the Government would be infinitesimal compared with the outstanding shares?

Mr. McLELLAN. Indeed it would, sir.

Senator COTTON. And should any such situation arise where some decision of the Commerce Department might be made that would effect the value of your investment, would you be willing immediately to place such investment in some kind of a trust or under some arrangement so that you would have no control over it whatsoever?

Mr. McLELLAN. Yes; I would be willing to do so if it ever became that significant.

Senator COTTON. I note that your only other investment is 10 shares of National Biscuit Corp. common stock.

Mr. McLELLAN. I might mention the reason we have that is because my son was eating so many of their cookies, we thought we ought to get a return on the investment.

Senator COTTON. In summary then, you are aware of no interests that either you or members of your family have that are at all likely to constitute any conflict of interest in the performance of your duties?

Mr. McLELLAN. No, sir. I can state unequivocally and totally that we have no circumstances that would create a conflict of interest in the discharge of my responsibilities.

Senator COTTON. And, you state your counsel has advised you that these investments would not violate any rule, and would not in any way constitute conflict of interest?

Mr. McLELLAN. Yes, he has advised me on those investments.

Senator COTTON. Your counsel is undoubtedly familiar with the practice of all other officials that this or any other committee of Congress has recommended for confirmation, concerning the matter of blind trusts or disposing of investments that could conceivably cause conflict of interest?

Mr. McLELLAN. Yes, sir; he is aware and I have discussed this with him, and he has made the statement as represented in my letter to the committee.

Senator COTTON. Just one other subject now. I guess I could be perhaps be charged with being a fanatic about this subject. I offered an amendment to the tax bill some months ago that was adopted by the Senate but which was opposed at that time very vigorously by Secretary Stans and the Commerce Department. That amendment represents my own very deep-seated attitude about our foreign trade. I have believed for a long time in free trade. I want to see an unrestricted two-way street of free trade between this country and other countries.

If American enterprise and ingenuity and resourcefulness cannot on even terms meet competition in the open marketplace of the world, then that is just our fault and it is too bad. But of course every single country—and I am not making this as a statement since it already has been made by Secretary Stans—with whom we do business in some form or other has restrictions on American exports.

In the old days when I participated with others in asking for some kind of restraint on textiles and shoes importations, they used to tell us that you cannot do that, look at our balance of trade with Japan, and look at all of the automobiles we send to Japan.

Now, Japan will not let us send an automobile and every time I go down the street I am infuriated when I see a Toyota. You cannot send a camera to Japan. I was in Spain a few years ago and the commercial attaché of the American Embassy told me at that time that the Spanish people wanted to buy American electrical and household appliances. However, they could not to any great extent because the government would grant import licenses only to a very few importers and then only in very nominal quantities. So the market was practically shut to us.

Now, the amendment I offered simply authorized the President—it did not direct him, but simply authorized him—in cases where American exports to other countries are restricted or barred, and he found the flow of imports from that country was endangering our industry and destroying American jobs, to impose such restrictions he saw fit. It further provided that he shall, not may, upon the removal of restrictions against our exports, immediately remove our restrictions against their imports.

Do you consider that an unreasonable attitude? What is your opinion?

Mr. McLELLAN. I appreciate the opportunity to comment on this, Senator. I have been in international business, as you know from my biography, for some 20 years. I have been privileged to see some of the changes take place in this world in the trade area.

Coming out of World War II we had the economic strength in this country, and the economic prominence. It was incumbent upon us, because of our strong economic trade, strong balance of payments position, to do what we could to share that strength with the rest of the world. We have come to the point in time now where a good deal of our technology, a good deal of our assets in the form of gold, a good deal of our economic strength have been shared with Europe and Japan particularly; hence, we have a different situation today than we have had. The world has continued to become continuously more competitive over the period of time that I have been involved in international trade.

We find ourselves at a point in time today where we have to make some very careful, but I would say rather incisive, judgments on some of the problems we face. I think we are past the point of generalizing in terms of free trade or protectionism. There is no room for protectionism in the world as we see it, and as you mentioned, Secretary Stans often says there is no such thing as free trade. Maybe Hong Kong and Curacao would be two exceptions, but they are not really that significant.

Our situation today is, as I say, one of having to make more incisive judgments on these problems. As a nation managing our foreign economic affairs, we must recognize that we too are looking at competitors today. We can no longer afford our previous condescending attitude toward our economic relationships. We must deal with our competitors on some kind of a quid pro quo basis.

Of course, I argue with the people that I meet from overseas that this is just as important to them as it is to us, because if we do not protect the strength of this economy, then we are really letting them down, because the U.S. economy is the backbone of the world economy. And if we let this economy suffer from not taking a strong competitive position in these problems, ultimately that suffering will transfer itself to the rest of the world, and they too will suffer.

So this is a very common problem and I think in the world's interest we have to be a little more pragmatic about some of our trade problems than we have been in the past.

Senator CORRON. I don't know how much of a conversion has been made of Secretary Stans for whom I have the profoundest respect, as everyone who knows him does, but I argued with him once in an informal conference in this room about the persistent policy of the Department of Commerce to concentrate on one commodity.

For example, it was said we are going to try to negotiate agreements on textiles. Nothing else was to be included. Then, when that commodity was disposed of satisfactorily, they would move on to another.

I told him it was a good deal like leaving the henhouse door open while you chase the white pullet and let all of the rest of the hens escape. Then it is too late to do anything about it.

Frankly, in my section of the country, except in the field of man-made fibers, as far as cotton and woolen goods are concerned, anything done about textiles is a postmortem. They are dead and you are just examining the body.

This isn't true I realize in the South and some other sections. Now shoes are going the same way that textiles went. Electronics and electrical components are going the same way. And we have been sitting by while the Department of Commerce and the administration—I don't just blame the Department of Commerce—works on one commodity at a time.

There is a bill pending now in the House which I understand the administration wants to restrict to textiles, or at the most to textiles and shoes. Certainly, it is a step in the right direction. However, I frankly would prefer to see a policy not leveled at this commodity or that commodity or this country or that country, but rather a policy of recognizing restrictions on our exports and imposing temporary counterrestrictions when it becomes necessary on imports from that country until their restrictions and barriers are removed.

You can't have your cake and eat it too. We are either in favor of trade barriers or we are against them. I like the positive approach that we are against them, except when others raise them against us.

Now, I realize that you have to be guarded in your declarations before this committee, because you owe loyalty to the head of the Department, and your chief in the White House.

But am I justified in gathering from your replies that you are not one of what I call the "softies" in this matter of dealing with foreign trade? I am putting it very frankly. That would stand a yes or no answer, wouldn't it?

Mr. McLELLAN. I am not exactly sure of the connotation you give the word "softy." I have never thought of myself as one, I don't believe I am in this area.

Senator COTTON. I didn't say a general softy. I just said in international trade.

Mr. McLELLAN. I submit, Senator, that I have been in this trade business long enough, I think, to know what the facts are. I claim to have been almost every place in the world outside of Red China and most places many times. I think my experience is probably much deeper in this area than anybody that has been in this job before.

And I would submit that I am a realist in these things, and I have the interests of the people of the United States of America as my prime point of service. I do not think I would characterize myself as a softy on trade matters.

Senator COTTON. Whose place are you taking?

Mr. McLELLAN. Kenneth N. Davis, Jr., was my predecessor.

Senator COTTON. My impression was that his philosophy in this area was similar to mine, but that he wasn't very tactful in expressing it. Does your philosophy on this matter resemble his?

Mr. McLELLAN. My philosophy wouldn't be very far from Ken's. Ken as you know is an extremely brilliant, dedicated, and dynamic person. I don't think my philosophy would be too far from his. I would want to emphasize that my method of dealing with trade matters would be quite different, I suspect, than his.

Senator COTTON. I understand. This is not reflection on him. I admired his ability and certainly agreed with his philosophy.

Mr. McLELLAN. I might add that Mr. Davis did have a very incisive mind.

Senator COTTON. Yes, indeed, he did and does. He isn't dead, he has gone on to other fields.

Is your family here this morning?

Mr. McLELLAN. Yes, sir.

Senator COTTON. Would you introduce them to us?

Mr. McLELLAN. This is Mrs. McLellan; my daughter, Margaret; my daughter, Katherine, and my son, Bill.

Senator COTTON. Nice to have you here. We appreciate your interest and welcome you.

Thank you, Mr. Chairman.

Senator HARTKE. Senator Hart, do you have any questions?

Senator HART. I came to state simply that all I have heard about you, Mr. McLellan, is great, and I hope you have a very pleasant and satisfying experience.

Mr. McLELLAN. Thank you, Senator Hart. I appreciate that.

Senator HARTKE. Senator Pearson.

Senator PEARSON. Mr. McLellan, because you have been Deputy Assistant Secretary of Commerce for Business Development, because you were born in Nebraska, because you have some interest in agribusiness, let me ask you this: I have been interested for a long time and have introduced legislation which I think other Senators here this morning cosponsored, to do something about the migration from the countryside, rural areas, and small towns, into the great cities.

It was ironic, I think, that the great distress in the hardcore and inner cities, the ghetto riots, first attracted our attention to the interrelationship between rural problems, big city problems, and migration from rural areas into the cities—migration first of the unskilled who come in, as a means of taking the first step up the ladder of economic opportunity, only to slide back into the ghettos and onto the welfare rolls.

The other part of that migration is that the bright young talented educated kids from rural areas go into the cities because there aren't any social or economic opportunities in the countryside. So I introduced rural job development legislation, and the Rural Community Bank Credit Corporation, Rural Highways Acts.

Now, the Department of Agriculture has a department concerned with this subject, but it is in my humble opinion a rather weak department. At the hearings on one of the bills I mentioned, the Department of Agriculture simply didn't have any position on this particular problem.

The President of the United States mentioned it in his last State of the Union address, referring to population balance. He appointed an outstanding committee, that wrote a good report, but I don't know what is going to happen to the report. So without really sarcasm or cynicism, I still think this is a pretty serious problem and I think we can help the cities and the countryside if we can get something done in providing economic opportunities so that the young people, if they so choose, can stay in the country.

But I have a sense of frustration; the President seems to want to move in this area, but the Department of Agriculture does not. Over in your Agency and Department, are you at all concerned with this, not as an individual, I am sure you are concerned as an individual but

are you concerned with it as a matter coming within the jurisdiction of the job you are supposed to do?

Mr. McLELLAN. Not directly in. However, I would like to make a couple of comments if I may. We are terribly concerned about the pollution problem and the Department of Commerce is quite involved in the pollution problem, and its relationship to industry.

As we look at the urban crisis, we must look to the crunch of people in the urban areas, and that relationship not just to pollution but all the other urban problems. When you look forward to the next 30 years, the Census Bureau, which is also in Commerce, tells us that we will have something close to another 80 to 100 million people in this country. The equivalent of 400 cities, of 250,000 population each will have to be absorbed in this country in the next 30 or 40 years.

Senator PEARSON. Where will they live?

Mr. McLELLAN. The point is they will have to be in rural America; there cannot be more in the urban areas. We have to obtain a greater distribution of population throughout the country. The social problem as we see it is going to have to be relieved through economic development processes that are going to create the means of economic activity in the rural areas that will be necessary to keep that population dispersed.

So we have some serious problems here. We are concerned about it. Secretary Stans, as you know, has been personally involved in this.

Senator PEARSON. As a matter of fact, I forgot to say so but Secretary Stans is one of the few people in the administration who has endorsed the idea of a tax credit concept to deal with this problem.

Mr. McLELLAN. Right. To be a little more specific, in my areas of the Department, the domestic and international business areas, our relationship to this tends to be an indirect one.

But I would mention in another area of the Department, the Economic Development Administration, under the direction of Assistant Secretary Podesta, commerce has a direct relationship. There it does administer funds for economic development purposes.

Senator PEARSON. Let me ask you one more question in the foreign trade field. As you know, we build a great number of airplanes in Wichita, Kans., probably 70 percent of the private airplanes: Lear jets, Cessna, Beechcraft. I mention that because on a number of occasions those American airplane companies have had opportunities and orders to sell aircraft, not military aircraft, but to sell aircraft to South Africa and some other countries.

The Secretary of Commerce seems amenable to this, but the Secretary of State says he can't approve such sales, because of certain protocols and agreements made in the U.N. I can understand that, except as a result all of those sales have been going to the United Kingdom of Great Britain, France, and Italy.

We are having a very difficult time trying to explain to constituents—this is related to the thrust of Senator Scott's questions—why it is that the Secretary of Commerce, the Commerce Department, can approve an international transaction, and have it vetoed by the Department of State and then have member nations of the U.N., signatories to the same protocols, make the sales to South Africa.

Now, I really didn't ask you a question, I made a complaint.

Mr. McLELLAN. I might just respond by saying I am aware of the situation; I am aware of the problem.

Senator PEARSON. The sales have been made now, the Italian, French, and British aircraft have already been purchased by these countries.

Mr. McLELLAN. I might just comment that we feel—Secretary Stans feels—that it is our responsibility to represent U.S. industry and I assure you we will do our best to do that.

We don't always get our way in these things, by any means, because there are other responsibilities other departments have to live with. And, of course, our task is to be sure the industry viewpoint is understood and is presented in the administrative process.

Senator PEARSON. I understand.

It is a continuing problem for us, and a very difficult matter to explain.

I thank the chairman.

Senator COTTON. I just want to observe, Mr. Chairman, if you will permit me, that the critical questions have all come from this side of the committee.

With their usual courtesy, the chairman and the Senator from Michigan have left it for us. I should like to add that my questions about your stockholdings, and about our foreign trade policy, have been to establish a record. I think it is our duty to do so by examining these several areas.

But, I join the Senator from Michigan in saying that I will vote for your confirmation and join him in wishing for you a very successful tenure of office.

Mr. McLELLAN. Thank you very much, sir.

Senator HARTKE. Senator Hart?

Senator HART. Mr. Chairman, this is not intended to give the balance that you suggested didn't apply here, but I note and am reminded from your biography that you served for a period as general manager of the machinery export department of FMC. Now, a matter that Senator Cotton has concerned himself with and also Senator Magnuson, is the apparent lack on the part of the United States of aggressive export trade promotion.

We understand that the State Department has its trade counsels or commercial officers in the field. What is the correct term?

Mr. McLELLAN. I believe commercial attachés.

Senator HART. Yes. But we see other nations with their Ministry of Trade zeroing in with aggressive promotions. Based on your own experience, do you have any suggestions to make as to how this country, not just because of the balance-of-payments problem, but for our general economic health, could more aggressively pursue export business?

Mr. McLELLAN. Yes, I do, Senator Hart. And again based upon my observation of our operations here in the last 20 years, I have developed a number of opinions. To put this in another perspective, the Department of Commerce had its own trade attachés until 1939, back in the thirties when we had to work pretty hard to get foreign business. Then with World War II and the period that followed, those attachés, along with the agricultural attachés were both incorporated into the Foreign Service. The agricultural attachés returned to the Department of Agriculture I think in 1948 or 1949. The commercial attachés, how-

ever, remained within the Foreign Service. So as to organizational arrangements today they are in the Foreign Service of the State Department. Today we have economic-commercial officers around the world in the embassies who handle this commercial work for American business firms in support of American business firms' efforts abroad.

In the Department of Commerce we have the Bureau of International Commerce, under my jurisdiction, and in that area we do have promotional offices. The Office of International Trade Promotion is responsible for the operation of some seven trade centers we now have around the world. That office operates some 60 trade shows a year. It sends missions abroad and otherwise generally supports export promotion.

As you know we are exporting just about 4 percent of our GNP. If we could just get a half percent more of our GNP into exports we wouldn't have a balance-of-payments problem.

Senator HART. Would you say that again?

Mr. McLELLAN. We are exporting approximately 4 percent of our gross national product now, in rough numbers, a trillion dollars GNP. We export \$40 billion of U.S. merchandise. If we could get that up, say a half percentage point or another \$5 billion roughly, around 45 billion in total exports, we would have a very substantial trade surplus.

As a function of GNP, that percentage is not that much. But believe me, it is awfully hard to take that step. The situation is that so many American firms have not been involved in export business; many of them are small companies and they have not been able to afford it.

So we have quite an effort underway now within our Department, working with the Small Business Administration, and with 42 regional export expansion councils we have organized around the country, to try to get more firms involved in the export business.

There is a great deal of effort already underway. But I just call your attention to the fact that Japan alone, for example, is spending about \$25 million a year on trade promotion $7\frac{1}{2}$ times the GNP ratio of U.S. trade promotion expenditures.

So it gives you an idea of the order of magnitude of our involvements against the Japanese, for example.

As to what we do, how we go forward on this, this has been a subject of considerable discussion with Secretary Stans. I should add Secretary Rogers is also very much interested in this; both he and Secretary Stans have had discussions on some steps that could be taken to improve our Government efforts abroad to support the American business firms to do a better job in international trade.

We think there are some progressive steps that can be taken. To comment further at this point would be speculative. But I would like to say we are aware of the problem, concerned about it, and are making our best effort to do what we can to improve our posture.

Senator HART. Thank you. I would then ask the ultimate question whether you think it would be desirable to return to the pattern prior to 1939.

Mr. McLELLAN. It would be speculative on my part to comment on that. There are arguments on both sides of the coin, as you can appreciate. The business community, incidentally, has been very much

interested in this problem. I have followed it as a businessman since 1957. We have had various discussions.

As you know this distinguished committee on occasion has become involved in the matter. There are arguments for organizational changes, there are certainly arguments against it. And our position today is one of Secretary Stans and Secretary Rogers' addressing themselves to the question in the hope of finding the best answer on how this can be handled.

Senator HART. Thank you.

Thank you, Mr. Chairman.

Senator HARTKE. Senator Prouty, do you have any questions?

Senator PROUTY. I have no questions.

Senator HART. Senator Long?

Senator LONG. Mr. McLellan, you are going over there as a new man and I hope you can install a few new ideas. That is one of the things we hope for when a new man goes into a Department, that he will take some new ideas with him. And we hope that the new broom will sweep clean.

One thing that has disturbed me very much and I think it is a very bad thing in connection with our trade policies, is that the Department of States and perhaps your Department, I am not sure whether they are making Commerce do it or whether Commerce is doing it on its own motion, gives us some very, very misleading—I think it would be even fair to call them fraudulent—figures on balance of trade. We have protested about them but we still keep running into the same thing.

For example, do you think that we improve our trade position when we give away \$700 million worth of grain to India? Has that done anything to help our trade, our balance of trade?

Mr. McLELLAN. Probably not, unless you are going to get paid for it.

Senator LONG. Now we keep having people tell us that we must do more of what we are doing because we have a favorable balance of trade to protect. And they say well, in other areas we have an unfavorable balance of payments, but that we have perhaps a billion dollars favorable balance of trade.

Now when you look at that so-called favorable balance, you look at the pluses that they are adding up, and there is \$700 million of wheat we gave away to India.

Now as far as we are concerned, if that is the export market we are trying to protect, this Nation would be—in terms of dollars, in terms of trade—just as well off if we just took the ship load of wheat just outside of the 3-mile limit, or better yet to where it is good and deep as they did with the nerve gas, and sink it.

Because if nothing comes to this country in payment, that \$700 million ought to be listed and all of the other agricultural giveaways ought to be listed as an agricultural disposal program where we are giving it away and hoping it benefits some hungry people around the world.

But anybody that puts that down as a plus item overlooks the fact that there are a thousand other places we could give it away. As far as our balance of trade is concerned, it would be just as well if we burned the stuff or fed it to the fish.

Isn't that correct?

Mr. McLELLAN. Yes, sir. The trade figures, the merchandise figures, do include these Public Law 480 shipments you are talking about and these do not in reality have a direct impact on the balance-of-payments situation.

Senator LONG. Now let me get to another point. If you are talking about our balance of trade, what we made or lost, everybody else around the world so far as I can determine keeps their trade figures in terms which include the cost of getting it here. It is the same as if I buy an automobile, they might have a price for Detroit, but that is not the price I am paying, I am paying the price it costs to deliver the automobile here or to Baton Rouge. I am not paying the f.o.b. Detroit price.

Now, the only argument that can be produced for not including the ocean freight is that is not how we keep our tariff collection figures. But that is totally irrelevant to the balance of trade, whether we collect a tariff or do not collect it does not prove that we did or did not have a favorable balance of trade. And so it would seem to me that we ought to present figures that have the ocean freight cranked into them. Does that seem fair to you?

Mr. McLELLAN. It does.

I just want to acknowledge your general proposition here that our trade and balance-of-payments figures are often difficult to understand. And the quality is not always what it ought to be. I subscribe to your proposition, Senator Long.

I might mention that having learned of your interest and other peoples' interests in this question, I discussed this with Assistant Secretary Passer who is my associate, Assistant Secretary for Economic Affairs, and he is responsible for the Office of Business Economics—the Bureau of the Census, that do the statistical tabulating reporting.

We are going to see if we cannot come up with a clearer method, a little more accurate method, if you please, of presenting these balance of payment and balance-of-trade figures.

As a business man, I have to say oftentimes I have had to read halfway through the newspaper article before I was sure whether I was looking at payments or trade figures. I was always confused. I could not quite get that story straight. It is complex, as you know, and therefore, a little difficult to present. But we think we can do a better job than we have done.

Senator LONG. Let me get to the third point. The balance of trade ought to reflect tourist trade, tourist dollars are every bit as much of a dollar as what we use to pay for a shirt. Isn't that correct?

Mr. McLELLAN. In terms of balance of payments, it certainly is.

Senator LONG. In terms of balance of trade it is. That is trade.

Mr. McLELLAN. It is a service in lieu of products.

Senator LONG. Someone tried to contend that the State Department thinks we have a favorable balance of trade because we are shipping them tourists and they are shipping us textiles. But we are losing on both ends. Our dollars go out in either event. Here is why it is so important as I see it: A number of the Japanese Parliament comes to pay a goodwill visit; he is trying to help his country on the trade problem.

One reason I mention this is that this man was a former Ambassador to the Soviet Union, a very learned, well educated man, who knows what is going on.

He has the impression from reading the New York Times that in trying to save some American industry over here we are being entirely provincial, are trying to start a trade war, and are being unfair in trading with Japan, because he is reading publications put out by our State Department and our Commerce Department. And he showed me an editorial in the New York Times—and as far as foreign governments are concerned, that is the only newspaper in America, that is the only one they ever see—that says that we had a favorable balance of trade. And he, for the life of him, cannot understand why we are putting quotas on things. I had to explain to that man that those figures are totally wrong.

How can one of our negotiators sit down with a man of that caliber and convince him that they have to make trading concessions to us because we are going broke when our own publications put out by the President's own appointees, by the Government of the United States, our own official figures say we have a favorable balance of trade. They simply say, "What are you complaining about? You have a favorable balance."

I do not see how you as a negotiator can get those people to concede much to you when you are presenting them figures that say that you are a billion dollars in the black, and the truth is you are \$5 billion in the red.

Mr. McLELLAN. True.

Senator LONG. Doesn't it seem to you we would be a lot better off if we presented figures that show what our disastrous situation is rather than figures that show a rosy picture which does not exist?

Mr. McLELLAN. Yes; sir, your point is understood and it is well taken.

Senator LONG. I would think that when a Secretary of Commerce or Secretary of Treasury or Secretary of State comes up and testifies before this committee or the Finance Committee that everything is great, we have a favorable balance of trade, that those foreign governments would pick that up and confront that same American Cabinet officer or his representative in negotiations by saying you cannot make me think that you have a desperate situation over there, here is your own Secretary of Commerce's statement or your own Secretary of State's statement that everything is wonderful, you have a \$5 billion surplus or a billion dollar surplus. The truth is that what we have is really a big deficit.

Can you tell me in terms of short-term credit how much these foreign governments hold and how much gold we have we can call our own right now?

Mr. McLELLAN. I cannot. I could not give all of the excruciating details of the balance of payments. Our gold bullion reserves are around \$11 billion, but I would not want to give you a figure here of what the foreign call on that would be. In the second quarter, on an official settlement basis announced yesterday there is another \$1.7 billion deficit on the balance of payments. I think that would bring us, if I am right, to a deficit of something in excess of \$2 billion in the first half of the year.

I do not want to represent, Senator Long, in any way, shape or form that we think we have a good trade situation. I do not believe that. I certainly do not want to represent that our balance-of-payments situation is in good shape, because I think it is in very, very poor shape.

Senator LONG. My understanding is the calls on our gold, the short term calls on our gold, exceed by 4 to 1 the amount of gold we have.

Now, I would appreciate it if you would get the figures and see if that is correct.

(The following information was subsequently received for the record:)

Relationship of U.S. reserves and foreign claims

[In billions of dollars]

U.S. Reserves:	
Gold stocks	11. 889
SDR	. 957
Convertible currency	1. 132
IMF gold tranches	2. 350
Total reserves	16. 328
Foreign claims: Liquid liabilities to:	
Official institutions	15. 279
IMF	1. 010
Other foreigners	27. 421
Total	43. 710
Excess of claims over reserves	27. 382

Ratio of claims to reserves, 2.7 : 1.

Mr. McLELLAN. You are concerned, sir, with the foreign call, potential call on our present reserves?

Senator LONG. Yes. That I should live so long, but when I came to the Senate my recollection is we had a lot more in gold than they had a call on. In other words, we probably had 4 to 1 in gold what the other fellow could call for in payment. Now I think it is about 4 to 1 the other way around. Plus I see in the newspaper that the balance-of-payments picture has improved, but you read on down to the second column and you find that one reason it seems to have improved is that somebody persuaded Canada to buy some U.S. Government bonds. Well, they can sell them as easily as they can buy them, can't they?

Mr. McLELLAN. They certainly can.

Senator LONG. So it seems to me if you read the whole picture, you find that is just one more misleading fact. To make our own figures deceive our own people, someone persuaded Canada to buy U.S. bonds.

Also, another item was that we had persuaded the World Bank to let us have some special drawing rights. Now, that is just another way of saying we borrowed from somebody; isn't that about the size of it?

Mr. McLELLAN. Yes, it is general borrowing available to all members of the International Monetary Fund, so it becomes a reserve currency. The United States is borrowing this from the International Monetary Fund.

Senator LONG. What if I went out and reported that I had a good year, and the reason I had a good year was I went in debt by \$100,000, and I managed to borrow \$100,000 and then told people I broke even. I would not think that would be correct for me to say I had a good year, I made a profit, when the profit was money I borrowed. That would be just about like the Penn Central balance sheet that led up to bankruptcy after about 3 years of that kind of bookkeeping.

Mr. McLELLAN. There is one difference, and that is the economists—I am not an economist, therefore, I can discuss it—the economists argue the necessity for the IMF special drawing rights is to close the gap between the fact that \$11 million of gold reserve does not really represent the reserve assets of the United States in terms of this great country of ours, our natural resources, all of the general reserves. But since the world is on a gold standard, as it were, on international exchange, and because the supplies of gold are fairly limited in central banks, one way of extending the reserve capacity without actually having the actual gold is to do it through the IMF special drawing rights.

So I think there is an argument for it. That does not change what you said about the fact that you are borrowing it, and it is a secondary kind of answer to the real problem on the balance of payments. It is in lieu of, instead of what we ought to be doing on our trade and tourism and so on.

Senator LONG. It just seems to me this charge that the Nixon administration has schizophrenia on the subject of trade would not be nearly as well founded, in fact it wouldn't be founded at all, I would think, if your balance-of-trade figures were showing what other nation's balance-of-trade figures would show on the same transactions, and that is that you have an unfavorable balance.

If you have an unfavorable balance, you have to do something about it. Nations are not going to negotiate away their surpluses and their profits. They might negotiate a little of it away, but not the kind of deficit we have, when we are \$5 billion in the red. That is their profit.

The only way they are going to give that away voluntarily is when we are bankrupt, or we are in such sad shape that nobody will trust the dollar anymore. At that point they won't accept our currency. And by that point we would be out of gold that we could call our own anyway.

So they would then refuse to sell to us, which would achieve about the same purpose that we should be doing by a better route, and that is to either have more exports or less imports. We can't make the other fellow buy our exports, but we can control his imports.

So we would take those steps necessary in time rather than to take steps out of desperation later on. I will be talking to you on your superior, both on this committee and perhaps more so on the Finance Committee, as well as Senator Hartke and some of the others, because we don't think that anybody is serving this Nation's interests who paint a rosy picture where the situation is bad and needs correcting.

Mr. McLELLAN. I agree with you completely on this point.

Senator LONG. Thank you very much.

Senator HARTKE. Senator Baker?

Senator BAKER. Thank you, Mr. Chairman. I have no questions.

Senator HARTKE. In regard to the balance of payments, you are working on a new plan. You intend to submit that modernization of reporting, and you are going to take into account the fact that there are certain items which really are cash transactions, certain items which are bookkeeping transactions and certain ones which fall into neither category, that are sort of a hybrid operation. Is that correct?

Mr. McLELLAN. Yes, Mr. Chairman. That is true. I just want to

qualify your statement by saying in my office, I will be working with Assistant Secretary Passer, who is in charge of economic affairs, to see if we can't devise a better method of reporting than we have now.

I have confidence we can do that.

Senator HARTKE. It is very difficult in my opinion to have any type of comprehensive long-range planning or even noncomprehensive short-range planning unless you have some factual material which is worth looking at.

Mr. McLELLAN. Yes, sir.

Senator HARTKE. Isn't it true that we have had a steadily deteriorating actual balance of trade in the United States in relation to foreign countries?

Mr. McLELLAN. I am not sure I understand your question.

Senator HARTKE. In other words, in 1964, we had a positive balance of trade in the neighborhood of \$7 billion.

Mr. McLELLAN. Yes; that is on the merchandise account.

Senator HARTKE. That is right. I am referring to what is ordinarily considered trade. Some of this is in the commercial field and in finance operations. I am talking about the actual balance of trade on the merchandise account and there has been a steady deterioration of that account.

Mr. McLELLAN. Yes, sir; there was until 1968. We had the low point, the total surplus of exports over imports account did drop from \$7 billion in 1964 to \$1,410 million surplus in 1968. The sum of exports over imports did come up to \$1,940 million in 1969. I want to emphasize that does include these Public Law 480 Senator Long talked about.

Senator HARTKE. If you take those out—

Mr. McLELLAN. We would just about break even in 1968.

Senator HARTKE. Not quite.

Mr. McLELLAN. Probably it would be slightly plus, I think, Mr. Chairman.

Senator HARTKE. I would be glad for you to submit that. In relation to Japan, the very sharp change of balance has occurred in Japan, isn't that true?

(The following information was subsequently received for the record:)

1968 Trade Position

[Millions of dollars]

Official exports	\$34,636
Less military grants-in-aid	(—) 573
Less total Public Law 480	(—) 1,178
Add Public Law 480 cash sales in foreign currencies	(+) 539
Total exports	33,424
Imports	33,226

COMMENTS

(1) There is a deficit of (\$341) if all Public Law 480 shipments are excluded; however, we did receive foreign currency cash for approximately half of our shipments (\$539) resulting in a favorable balance of \$198.

(2) Imports are reported f.o.b. and if they were reported c.i.f. we would in all probability have suffered a small unfavorable balance.

Mr. McLELLAN. We have a serious deficit of trade with Japan.

Senator HARTKE. And until 1965 we had a surplus with them?

Mr. McLELLAN. That is correct.

Senator HARTKE. What this means really is——

Senator LONG. Could I interrupt there for one point.

Senator HARTKE. Yes.

Senator LONG. If you are talking about balance of payments figures——

Senator HARTKE. We are talking about trade.

Senator LONG. Are you including the ocean freight in those figures you are quoting?

Mr. McLELLAN. Senator Long, for historical reference here, I am referring to the published figures on balance of trade and that would be on our basis the f.o.b., so there is distortion in that.

Senator LONG. Then they are wrong by definition as I see it, because they fail to include the freight, they put the giveaways on the plus side, as though you received billions of dollars for them, and they fail to include the tourist trade.

Mr. McLELLAN. But even on that basis, the chairman's point that we have swung from a plus to minus situation with Japan is certainly valid.

Senator LONG. I just wanted to be sure what figures we are talking about. Those are the figures that are not correct. Yes, I understand.

Senator HARTKE. Can you give us any timetable as to when you think you might come up with a reporting system which at least has some basis in fact?

Mr. McLELLAN. Mr. Chairman, all of the figures are true, but you have to understand them. Senator Long obviously does. We think we can improve the method. I wouldn't want to speculate or guarantee.

Senator HARTKE. Do you have a timetable for when you think you could submit it?

Mr. McLELLAN. No, sir, we do not.

Senator HARTKE. Could you provide for the record a timetable within this century?

Mr. McLELLAN. I would hope we will get a better reporting method by the end of this year. I would hope for that.

Senator LONG. If I might interject one more point, Senator Hartke, if they don't put them together that way, we will do it for them. I am talking about the Finance Committee will do it for them, because you agree that is how the figures should have been kept.

Senator HARTKE. Not only do I agree, but I believe there is a bigger problem here. The fact that the whole balance-of-payments concept is antiquated and is nothing more than simply shifting recession from one country to another.

Isn't that true?

Mr. McLELLAN. I wouldn't say that it is true, but I am sure there is a lot of truth in what you have said.

I think the economists can argue that theory and a lot of them would make the point that exchange rate reevaluations make the differences and that these are not necessarily recession caused.

Senator HARTKE. So this really ties back not to the simple problem of definition and reporting and then trying to act upon that, but really calls for a complete reevaluation of our international system of exchange.

Mr. McLELLAN. Well, I think, Mr. Chairman, that our first step, and the one that Senator Long is expressing himself completely on, is that as a beginner we have to be sure we are all working with the same numbers and understand what they mean.

Senator HARTKE. Let's short circuit that. The fact remains that the United States is inextricably related to every other country; if we have a surplus, and they have a deficit, they are in trouble.

Mr. McLELLAN. You are on payments now?

Senator HARTKE. Yes, on the balance of payments. And whenever we correct our situation to make it easier for them to get out of their problems, or to avoid devaluing their currency, the net result is all we do is shift the recession and difficulty from one nation to another.

That is what led to this austerity diet we are trying to fumble through at the present time, and the difficulty is it produces 4½ million unemployed people here in the United States.

Mr. McLELLAN. When I was a small boy in Nebraska, Mr. Chairman, we recognized in marble games if one kid had all of the marbles there wasn't any more game.

Senator HARTKE. That is right. But, the net result of this is that it is saying to the United States we are going to continue to have an affluent society at the expense of putting about 5 percent of our people out of work continually. That is what it amounts to.

I am not asking you to agree, but it seems the Government is saying that those who are in society are going to live better, because we are going to make some live worse. I don't ask you to comment on that. I just hope you can straighten up this reporting system, that, at least, would be some help.

What do you think can be done in regard to exports, as far as the business community is concerned? Do you believe more can be done in this field?

Mr. McLELLAN. Yes, sir, I do, Mr. Chairman. I mentioned before we are spending relatively small amounts on, from the Government's point of view, export expansion. We think more can be done. We think more can be done to get more U.S. companies involved in export activities and we intend to continue that effort.

Senator HARTKE. Do you think we ought to have more foreign commercial officers?

Mr. McLELLAN. I think there is a good argument for more of them.

Senator HARTKE. You think that would be helpful?

Mr. McLELLAN. Yes, sir.

Senator HARTKE. Do you believe that promotion policies with respect to these foreign commercial service officers should be changed?

Mr. McLELLAN. Are you talking about sales promotion here?

Senator HARTKE. Yes.

Mr. McLELLAN. Or career promotions?

Senator HARTKE. I am talking about career promotions as a means of improving our sales promotion efforts.

Mr. McLELLAN. I see. Gentlemen, I do. And this again I think helps to put it into perspective for a moment. Coming out of World War II, when there was no pressure on us to go out and do our best job in selling American products, in fact it was the contrary, we had gold reserves, we had economic strength, and the governmental commercial

economic people really had no pressure on their services to go out and do much about it.

That has changed. We have come to this competitive point we talked out earlier in the hearing and there is a great need today for governmental support abroad of the American businessman trying to do more business overseas.

Senator HARTKE. Can you relate that to what other countries are doing in relation to their promotions with their officers?

Mr. McLELLAN. Yes; I can. Britain recently published the so-called Duncan Report, a three-man commission headed by a gentleman named Duncan, to improve the character of the British Foreign Service in terms of commercial developments.

In that report they are making the point that that has to be the No. 1 call on the British Foreign Service.

Senator HARTKE. Can you supply a copy of that Duncan Report for the committee?

Mr. McLELLAN. What I can do, Mr. Chairman, if not a copy, I can give you a summary of the report that I think would give you what you want.¹

Senator HARTKE. We have a new government over there. Maybe they would be glad to share it with us.

Mr. McLELLAN. I think they would.

Senator HARTKE. What about import quotas generally? Are you in a position where you can express an opinion on this? Are you generally in favor or opposed to them?

Mr. McLELLAN. Mr. Chairman, I don't think you can be for or against quotas. I think you have to be for that which is in the best interest of the United States.

Senator HARTKE. That is a safe answer.

Mr. McLELLAN. Thank you very much.

Senator HART. Senator Hartke and I will try that out in the next couple of weeks.

Senator HARTKE. You are familiar with the 1962 Trade Act?

Mr. McLELLAN. Yes; sir, I am.

Senator HARTKE. Trade Expansion Act.

Mr. McLELLAN. Trade Expansion Act of 1962 is the present statute.

Senator HARTKE. It offered great hope and produced nothing except propaganda victories. But it has an adjustment assistance section of which I have been very critical, and it was, generally speaking, unused.

Mr. McLELLAN. That is right.

Senator HARTKE. Are we doing anything to change that?

Mr. McLELLAN. Yes; as a matter of fact we are, we think we are. Your reference to the historical fact is certainly correct.

You appreciate I am sure that the adjustment assistance portion of the bill provides for adjustment assistance on the one hand to labor that has been found injured by imports, and on the other hand it applies to adjustment assistance to companies that have been injured.

Until recently there had been no cases—maybe there was one case sometime back. But until recently there had been no cases, no findings of injury for adjustment assistance. In the past year there have been I think two cases of injury finding for labor—this would have been

¹ The summary appears on p. 56.

in 1969—and recently there have been I think three industry findings of injury, the barber chair industry, the glass industry I think and the piano industry, as I recall.

Once the Tariff Commission finds the industry has been injured, then the companies may apply for certification of injury. It is my responsibility to certify them as having been injured: That is after the industry finding by the Tariff Commission.

We, then, through an operating unit within my area of responsibility investigate the adjustment that this company can make reasonably to adjust away from the injury that they have experienced—a new area of the business; or new methods, more efficient ways of operating, what have you. We work with them to develop that.

And then we help them find funds to help them in their efforts. They can get funds for technical assistance; they can get funds from the Economic Development Administration, if it is part of the original problem. More often they will get funds from SBA, small business loans, to help them in their adjustment process.

We have the first company case just coming through now, that has gone the full route.

Senator HARTKE. Indiana is one of the biggest steel producing States in the Union. We are getting bigger every day. But there is this question of imports of steel which have been very sharp and rapid in proportion to domestic consumption.

The voluntary restrictions have been in effect now for a little over 2 years. What is your judgment as to what will occur with the extension of the voluntary agreement? Will it be extended? Should it be?

Mr. McLELLAN. My own view is that it has been a very effective device, and I am sure that the industry by and large does want to extend it. I think there may be a need for some corrections in that.

As you know, while it served the overall purpose of bringing down the total tonnages there have been some problems in it where it hasn't served the purpose on high-value low-weight products—

Senator HARTKE. The so-called mix.

Mr. McLELLAN. That is right, the mix is off somewhat. But with that qualification I think the agreement has been a good one. It would seem to me a continuation of it would be in the interest of the industry and the country.

Senator HARTKE. Sometime ago there was discussion concerning the imposing of controls on exports of scrap steel. Has anything been done on that lately?

Mr. McLELLAN. I am the person responsible for this action, so I can respond to that very readily. The steel scrap situation has become critical, going back over the last 2 years; we are exporting now at the rate of about 11 million tons of scrap a year, as against a 5-year average of 6.7 millions tons I think it is.

What happened really was that the price, the composite price on bundled scrap, had risen to a high of \$46 and some cents per ton in March of this year, but has fallen off appreciably now. We are down to about \$38 a ton.

So we have gotten a drop in the price which is roughly what you would have tried to get by applying controls in the first case. So as I see it at this point in time, the case for putting on controls doesn't really exist.

I think the key point here, Mr. Chairman, is that it is a very delicate price-demand situation. We must monitor it very carefully, because it is conceivable as steel consumption picks up in the third quarter, perhaps we might have a problem on our hands that could justify control action.

Senator HARTKE. What about coal?

Mr. McLELLAN. Coal is a very serious problem. This is presently being handled for the most part in the Energy Subcommittee of the New Domestic Council under the chairmanship of—that is the subcommittee is under the chairmanship of Dr. McCracken of the Council of Economic Advisers; the subcommittee is looking at the total energy situation, including coal.

From where I sit, coal is a problem, because we have something like 200 mines shut down on wildcat strikes. Our coal production is being severely curtailed and our coal stocks are very low, particularly of the high-grade metallurgical coal for the steel industry.

There is a big foreign market on this type of coal, and has been. Coal, both as a general fuel and more specifically as a metallurgical process resource, is a serious problem.

Senator HARTKE. Isn't there a possibility that our domestic steel mills may be closed because of unavailability of coal?

Mr. McLELLAN. I couldn't honestly answer that. I don't know.

Senator HARTKE. I wish you would check. I understand some of them are down to less than 3 weeks supply of coal.

Mr. McLELLAN. The reserves are very low. I am aware of that.

Senator HARTKE. And the exports continue to be very high.

Mr. McLELLAN. In fact we are not meeting the export market. There could be more shipped than there is now. So it is a production problem. Our interest is in doing what they can to protect the mines and to increase the production.

Senator HARTKE. What about walnut log export?

Mr. McLELLAN. You are aware of the short supply control problem. These are the hardest decisions we have to make.

Senator HARTKE. That is what you are there for.

Mr. McLELLAN. And the arguments on the walnut log question have been in abundance, very profound, somewhat confusing, on both sides. The problem is really that you have got two walnut log situations in the United States as you know.

In the Appalachian region by and large we have the wild walnut log growing. These logs, they tell me, by and large, go into the sawed walnut lumber business. This is in contrast to the walnut logs in the Midwest to go to the veneer market.

The problem is in the higher quality midwestern log and the veneer market. Export controls to prohibit or control export of the logs—I might add there is a control on logs now, as you know, with no quotas; it is a surveillance device to monitor and get statistics on the total shipments. If you put a quota on logs, then you are denying the Appalachian farmer who relies on the export market for the shipment of his logs in lumber, and if you don't put a control on you face the problem that we are consuming 50 percent more than we can bring into production every year, which ultimately has an impact on the high quality veneer furniture economic chain. We have not made a decision on this yet.

Senator HARTKE. You will keep us advised.

Mr. McLELLAN. Yes, sir, we will.

Senator HARTKE. Senator Long?

Senator LONG. I would just like to say I think you have made a good witness, Mr. McLellan. I think you have responded very well to what we have asked you here today and I will enthusiastically vote for your confirmation.

Mr. McLELLAN. Thank you, Senator.

Senator HARTKE. Let me say to you I want to add my congratulations on your selection and say to you it looks very good. Thank you for your time this morning. You have some hard decisions to work on. That is why we have very competent men in these tough spots, to make the hard decisions.

Mr. McLELLAN. Thank you, Mr. Chairman. I appreciate that.

Senator HARTKE. We are glad you are there to help make them. Are there any other witnesses? If not we will adjourn.

(Whereupon, at 10:55 a.m., the subcommittee was adjourned.)

(A summary of the Duncan Report referred to by Senator Hartke follows:)

CHAPTER I.—THE ROLE OF OVERSEAS REPRESENTATION IN THE CONDUCT OF BRITISH FOREIGN POLICY

COSTS

Overseas representation absorbs a tiny proportion of British Government expenditure, almost exactly 1 per cent of the total—but it is a significant user of foreign exchange. The identifiable costs of overseas representation, as the Committee has understood the term (*i.e.*, including not only the operations of our representatives abroad but also those of the offices directly concerned with their work at home), amount to £105.8 million. The detailed composition of this figure is set out in Annex C. The broad item of "Support of External Policies" is shown in the Estimates 1968-69 (Commd. 3583/1968) as costing £2,704 million; but the great bulk of this is spent on Defence and the next largest element in the total is Aid. Overseas representation comes third. However, the last does account for some 10 per cent (£50 million) of Government foreign exchange expenditure. Foreign Governments and international organisations are estimated to spend a roughly equivalent sum in foreign exchange to maintain their official representation in Britain.¹

2. The conventional definition of expenditure on "Overseas Representation" covers the Diplomatic Service Vote (£47 million) plus the supporting costs borne on the votes of the Foreign and Commonwealth Office and other Government Departments. We came to the conclusion that this was too restrictive a definition; it would, for instance, exclude the Board of Trade's export promotion activity overseas. Our own view is that all activities financed out of public funds which are concerned with the conduct of British external relations, other than by the deployment of force (military means) or by means of financial subsidies to foreign Governments (aid), belong within the scope of the Committee's enquiry. The two exceptions noted in the last sentence cover most of the work done by the Ministry of Defence and the Ministry of Overseas Development, though not all of it. There is a representational function performed by the Defence Attachés and by officials in diplomatic Posts overseas whose business is the administration of British aid policies. The latter is a comparatively new task which involves over 50 officials in a whole-time capacity (and others part-time) and is to be distinguished from the work done by the much larger number of British technicians and advisers who are engaged on particular aid projects and technical assistance overseas. We think of external relations in this broad sense as including the communication of British views and ideas and the exertion of British

¹ All cost figures in this Report, unless otherwise stated, are from 1968-69 estimates. Future cost figures are at constant (1968) prices.

influence in overseas countries, where these activities are financed from public funds, as well as the acquisition of information abroad which will serve British interests. Thus our examination covers not only the staff of diplomatic missions, but also the British Council and the BBC external services, which are paid for separately by the Government rather than by the broadcast licence fee.

PRIORITIES OF POLICY

3. The focus of our concern has been on external policy issues and on the effectiveness of our overseas services as an instrument of British interests abroad. This marks the main difference between our investigation and that of the Plowden Committee which reported in 1964; the latter was chiefly concerned with problems of structure, especially with the major task of the merger of the Commonwealth and Foreign Services, and made a number of important recommendations which have led to improvements in efficiency. We were appointed at a moment when there had been a major shift in British foreign policy—the decision announced at the beginning of 1968 to withdraw our military forces from the area East of Suez. There had been other important, though less sudden changes of policy in the middle and late 1960s, notably the priority given to the renewed British bid for membership of the European Common Market and the greatly increased emphasis on the support of our commercial effort overseas prompted by the long-drawn-out series of balance of payments crises.

4. These events, as our terms of reference indicate, provided the occasion for our enquiry. We had to start by looking again at the traditional order of priorities and considering how far they were affected by the change of circumstances. Nothing that has happened could of course affect the first priority of external policy which is to maintain the security of this country, and our representation overseas will continue to have an important part to play in this. However, the balance of their work load should now reflect the clear precedence that belongs to the commercial objective in the day-to-day conduct of Britain's relations with other countries. There are other aims of policy, some of them of high importance, but they cannot be effectively pursued if the balance of payments is not put right. The Committee has therefore given special attention to the organisation of our commercial services and has considered how these might be reinforced to add vigour and direction to the export effort. The implication of this re-ordering of priorities is not that other major policy aims must invariably be sacrificed whenever they conflict with our commercial interests. It would be foolish, for instance, to suggest that in the midst of a crisis in Berlin which happened to coincide with a British Week in Germany the latter ought to be the chief preoccupation of the Ambassador and his staff. The question is rather how in ordinary circumstances the total diplomatic resource ought to be divided between the competing demands on it. We consider that to achieve a substantial and continuing surplus the design of British representation overseas and the distribution of its effort among its various tasks must reflect the towering importance of this aspect of policy.

5. Our concern with the balance of payments was also reflected in our immediate search for any economies that could reasonably be made in overseas representation, in the light of the changes in British external policy, without reducing its efficiency. Here our terms of reference presented certain problems of interpretation. On the one hand there was the urgent need for savings, particularly savings of foreign exchange; but on the other hand the most important policy changes that seemed to offer some promise of economies—the withdrawal of forces from east of Suez—would be completed only after another three years from the time when we were appointed. In the meanwhile there might be special circumstances connected with the act of withdrawing which could arguably increase rather than diminish the demands that would be made on our overseas representation in and around the area of the Indian Ocean. We do not say that this will necessarily prove to be the case; but the argument was put to us by several witnesses and we concluded that it was one which could only be answered by a case by case consideration of the political circumstances of individual countries, and of their possible military implications for Britain, at various points in time during the course of the withdrawal. We did not feel that this was a task which the Committee could undertake. It involves a series of tactical judgments which can best be made by people working inside the administration of government, rather than by an outside committee whose concern must necessarily be with the broader issues of strategy.

THE TIME-SCALE

6. We also had it in mind that any recommendation for short-term economies which we might make would be most unlikely to produce quickly a significant net saving in the overall budgetary cost of conducting our external relations. There was almost bound to be a time lag. Whatever changes might be made in the deployment of British representation overseas, the Government's financial commitment to its employees, both regular officials and locally-engaged staff, would not suddenly cease. Arrangements would have to be made for early retirement pensions or other jobs would have to be found for these people to do. The Diplomatic Service in particular has to be treated as an organic entity; it consists of a corps of highly trained people who have committed themselves and their families to a way of life which demands high discipline. It is based on the assumption that there is a corresponding commitment on the Government side to their financial security. Indeed any changes which resulted in the grant of a number of early retirement pensions might well produce an increase in the total expenditure in the short term. This is not, of course an argument for delay in taking such decisions; where reductions in the establishment are needed, unambiguous action combined with fair compensation for those affected is what is best for all concerned. Our evidence is clear that this course would be welcomed by the Diplomatic Service, once anxieties about harsh or unfair treatment of individuals made redundant through no fault of their own were set at rest. We think it is important to stress that the morale of those who stay in the Service is intimately bound up with the treatment of those who go.

7. Apart from the financial consideration, there is the likelihood that any important change in the structure of our external representation, requiring emphasis on different skills or different kinds of training, could not take effect at once. It seemed to us that any proposals that we made to adapt the instrument of British external policy to changed circumstances ought therefore to be based on a reasonable prospect that the new circumstances would endure for some while. Allowing for this and for the time lag in the process of adaptation, we concluded that our recommendations should be so designed as to be relevant to the probable international environment in which British foreign policy would be operating in the mid-1970s. This has necessarily involved us in the business of prediction. We have tried to limit the range of such prediction to the minimum necessary for our task; but there is no means of avoiding it altogether. The would-be hardheaded person who refuses to make an explicit forecast is often, in effect, only making a series of assumptions based on the projection of the present, largely unchanged, into the future. The assumption of "no change" is the one which is surely going to be wrong; and as soon as that assumption is modified in an attempt to take intelligent account of the likely shift in some aspect of the situation, knowledge about the nature of an underlying trend is implied. That this assumption is implicit rather than explicit merely reduces the awareness of the fact that one is making a guess about the future.

8. We have had to face a further difficulty in our attempt to foresee the requirements of the 1970s. There is already public discussion of the timing and degree of the withdrawal of our armed forces from east of Suez and some divergence between the views of the two major political parties in Britain. Any Committee attempting to look ahead for a period of years, as we have done, cannot assume that any one administration will necessarily hold continuous office throughout the period under review. The withdrawal under the present programme may not be complete before the end of 1971. We have therefore felt compelled to consider whether our recommendations would be inconsistent with the possible retention for a longer period of some modest forces east of Suez (in addition to the Hong Kong garrison). We did not think, however, that such an eventuality would materially alter the general tenor of our proposals. It is possible that a change of British policy in this sense might be reflected in new requirements of political and defense representation. But the Committee felt that on balance any probable extra requirement would not be on such a scale as to invalidate the central argument of this Report, whatever localised adjustments in the deployment of our resources might be involved.

CHANGED REQUIREMENTS OF REPRESENTATION

9. For the purposes of designing a system of representation for the mid-1970s, it seemed to us that overseas countries would be divided into two broad categories more sharply distinguished from one another than they are today. One is the category of advanced industrial countries with which we are likely to be increasingly involved to the point where none of us will be able to conduct our domestic policies efficiently without constant reference to each other. This group—to which we refer as the Area of Concentration of British diplomacy—will consist of about a dozen or so countries in Western Europe plus North America. There are also a few industrially advanced nations outside the European/North Atlantic area with whom British relations will be very close and important for different reasons. Examples are Australia and Japan. There is not the immediate prospect here of the mutual commitment in the day-to-day process of government that there is in Western Europe. But British representation in these countries will have far-reaching responsibilities. The other category of countries comprises the rest of the world. There will be important differences in the kind of representation that will be appropriate, depending on whether the country concerned is in the Soviet *bloc*, commercially important, politically hostile, economically underdeveloped and so on. But none of them is likely to impinge on the day-to-day conduct of British Government business in quite the way that we expect the countries of the first group to do.

10. What is distinctive about the countries in the Area of Concentration is that their social structure, ways of living, methods of conducting political and economic business are sufficiently similar to make it possible for them to conduct their external relations with one another in a style different from the traditional one. Because their domestic affairs are increasingly interrelated and impinge on each other at so many points, it is likely that the range of topics in the diplomacy of the future will be much wider with an emphasis on economic and social issues. These countries will also be even more closely enmeshed with one another commercially and in other fields of activity, *e.g.*, tourism, than they are today. The process of intermeshing will of course be greatly reinforced if Britain and other countries which are at present applicants for membership of the European Common Market, join it. But the argument about the underlying trend towards a new kind of diplomacy which is both more wide-ranging and more intensive is not dependent on any particular event. We think that there is a high probability that a considerably increased proportion of the world's trade will take place in the Area of Concentration and that an increasing number of policy decisions on commercial and broader economic issues will be taken in concert by these nations. There is likely to be a similar trend in the management of monetary and social questions. It is more difficult to foresee how far the development of multilateral diplomacy in international organizations like the European Economic Community, EFTA or even NATO will carry these countries towards the adoption of common external policies towards the rest of the world. But even if this process does not advance very far by the Mid-1970's, the demands made on British overseas representation in the Area of Concentration will still be heavy.

11. Thus the two central commitments of British foreign policy that have emerged clearly at the end of the period of decolonialism in the late 1960s, first the commitment to an increasingly integrated Western Europe on as wide a basis as possible, with the European Common Market as its core, and secondly the commitment to a North Atlantic Alliance under US leadership as the main instrument for the conduct of East-West relations, should be seen as involving something more than a geographical choice. They are also an expression of our growing commitment to a certain style of diplomacy. Without the latter neither the process of integration in Europe nor the maintenance in the years ahead of an effective multilateral alliance among nations of vastly differing military power would be feasible. But we do not view the New Diplomacy as being of necessity confined to a particular geographical region. We have already referred to Australia and Japan, where the appropriate diplomatic techniques seem likely to conform more and more to those which are coming into use in the European/North Atlantic area. In the Soviet *bloc* too, if and when the Soviet Union loosens its control over Eastern Europe, opportunities for the extension of the New Diplomacy will occur.

12. In order to remove any doubts on this score, we must emphasize that our view of the appropriateness of these advanced and intensive diplomatic tech-

niques in our dealings with a particular country does not rest on a judgment of its relative importance, either as a friend or enemy, in the overall framework of British external relations. What is significant about a country of this type is that our relationships with it involve us in contacts over a much wider range of government and society than has been usual in traditional diplomacy, and that these contacts are concerned with many topics which have in the past been conventionally regarded as belonging to the domestic affairs of sovereign states. The diplomatic techniques tend to be multilateral because of the complex and inter-connected character of the interests of the nations which engage in this kind of bargaining with one another. The changing methods of conducting such international business are foreshadowed today in organisations like the European Economic Community, EFTA and OECD. Finally, a condition for the conduct of effective multilateral diplomacy, much of it involving problems which are sensitive politically and technical in content, is the existence of a sophisticated apparatus of national government and of a fairly sophisticated open society behind it.

13. In purely geographical terms the significance of the historic shift in the focus of British foreign policy in the second half of the 1960s to the European/North Atlantic area needs to be interpreted with some care. There are issues outside Europe which will continue to matter to the nation. We shall continue to be concerned in the welfare of the Commonwealth and to be directly involved in the efforts of the new members to achieve economic take-off. There will also be the actual responsibility of government in a number of small Dependent Territories scattered around the world. Thus our interest in the countries bordering the Indian Ocean and the Persian Gulf as well as Africa will not cease in the 1970s—nor is it likely even that it will be reduced to the low level of priority that it has had in the Foreign Ministries of most continental European nations. The evidence suggests that the policies of these continental nations are still must influenced by the post-war ebb in the concern for extra-European affairs which was a widespread phenomenon in Western Europe, and it seems unlikely that this unconcern will prove permanent. Indeed, there has already been some revival of interest. Even the most Eurocentred governments are beginning to find it is necessary to take a close interest in what happens on Western Europe's eastern and southern flanks. It is not unreasonable to anticipate that the European nations will sooner or later, and hopefully in concert, return to a more active diplomacy in these regions and further afield.

It would therefore not be in Western Europe's long-term interest in Britain's considerable diplomatic expertise derived from long and profound experience of the problems of the African continent and the Indian Ocean area were now simply cast aside, perhaps prompted by a feeling that this rejection would in some sense make Britain more truly "European". Rather, Britain's connections with these distant places should be regarded as providing a valuable contribution to the instrument which it is hoped, Western Europe will feel that it needs in the long run to express its common interests in the African continent and the areas bordering the Indian Ocean. These areas contain a high proportion of the world's population; their capacity to produce is growing fast; and their capacity for engendering problems for the rest of the world is unlikely to diminish. What we are suggesting is not that Britain should take it upon herself to act in some sense as the trustee of Western Europe's interests. Our point is only that in looking ahead to the kind of diplomatic instrument which Britain as a European power will need in the mid-1970s, we should not be guided entirely by the evidence of unconcern with extra-European problems which has been characteristic of most continental European countries in recent years.

PROBLEMS OF INTERPRETATION

14. Our task has involved us in extensive discussion with a variety of witnesses in an effort to determine as precisely as possible the nature and relative importance of the long-term objectives of British external policy. This effort has been necessary because there are problems of interpretation and prediction here too. It would be disingenuous to give the impression that all those in authority whom we were able to question on this topic spoke with one voice and produced a uniform ordering of priorities. There was general agreement on certain major objectives. We have already mentioned three of them: the improvement of the balance of payments, the maintenance of the North Atlantic Alliance and the promotion of integration in Western Europe. Other broad aims on which

there is general agreement are the reduction of East-West tension, whenever circumstances in the Soviet *bloc* permit this without weakening the Atlantic Alliance; the sustaining of Commonwealth links in a form appropriate to contemporary requirements, including our relations with a number of small Dependent Territories for which the British Government will continue to be responsible; the improvement of economic conditions in the less developed countries; and the strengthening of international organizations in which an effective dialogue can take place on issues which cause conflicts between nations.

15. The problems arise, naturally enough, when these highly generalised aims are translated into specific objectives, especially those objectives which are related to a timetable. We found that sometimes ambiguities of British policy impeded the attempt to design a service which would efficiently perform its task in the most economical fashion. This was markedly so in the sphere of defence policy (see Chamber XI) where the aim of reducing the costs of representation overseas is made more difficult of fulfilment by the uncertainties of the stated objective of the Government to maintain "a general capability based in Europe (including the United Kingdom) which can be deployed overseas as, in our judgment, circumstances demand, including support of United Nations operations." This is capable of being interpreted in different ways. It is evident that after our withdrawal from east of Suez we shall exercise less physical power around the world than before and shall aim to avoid intervening militarily, particularly on our own, in situations outside Europe. This would imply that we shall need less of the detailed information which might be relevant to an armed conflict in an area in which our forces might have an active role to play. But on the other hand it has been argued that wherever there remains any possibility that our forces may have to intervene, full information is needed to judge the situation and to support any eventual operation. Until a military contingency is finally abandoned this backing for it in terms of information would still be needed. And in many cases this need therefore depends upon specific policy and military planning decisions not yet taken. Faced with arguments of this kind, we felt very keenly that it was not possible for a committee, charged as ours was to secure an improved cost-effectiveness in the conduct of foreign policy by clarifying objectives and determining the appropriate scale of resources to be allocated to achieving them, to proffer useful advice if there were ambiguities at the very centre of our policy decisions. We conclude that ambiguity of intention, even if this ambiguity has the effect of deterring aggression, cannot be had on the cheap.

THE COMMITTEE'S PROCEDURES

16. The working methods which we adopted were partly determined by the comparatively short time in which we were asked to complete our enquiry. We were not able to conduct research in depth into aspects of the problem of overseas representation which we felt deserve more systematic scrutiny than they have so far received. We instituted some limited enquiries of our own aimed at determining the orders of magnitude of certain items of cost, which we hoped we might relate in some broad fashion to the objectives of foreign policy. This would have been the first move in devising some measure of the cost-effectiveness of overseas representation. However, the basic data for an exercise of this kind could not be assembled in the time at our disposal. The feasibility of an overseas "output budget" is discussed in Annex D.

17. We did, however, carry out a preliminary investigation of the effectiveness of one particular aspect of overseas representation, viz. political reporting from Posts overseas. We used the case study method, because no material was available which would have allowed us to make a systematic analysis over the whole field, and employed the results to supplement the more impressionistic views that we formed of the content of political reporting. We regard the detailed investigation of political reports from four Posts conducted on our behalf by our Research Director as having chiefly an experimental value. The exercise seemed to yield promising results, and we think that it could usefully be carried further by the Foreign and Commonwealth Office.

18. Since we have no yardstick of achievement by which to measure the cost-effectiveness of the various parts of the foreign policy operation, we have had to rely on other indications for our judgment of the appropriate scale for the various activities concerned with overseas representation. We have had to judge not only the *relative* importance of each of these activities but also

whether the resources devoted to overseas representation in the *aggregate* were too much or too little. The guide which we used as a starting point for each of our investigations was to compare the scale of British activity with that of two other European countries, France and Germany, with economic resources comparable to our own. This device was, of course, no more than a preliminary benchmark. The scale of representation that would be appropriate for Britain in certain countries with which there is a long-standing and important political connection will naturally be very different from that of Germany for example. But in many other countries where there is no compelling national interest requiring Britain to be heavily represented, the comparison with what our neighbours are doing was useful. The principle that we adopted in our investigation was that special grounds of national interest had to be shown positively to exist in order to justify marked differences in the scale of our representation compared with Germany or France.

19. The evidence that we had about individual Posts indicated a general tendency for the British to be more generously staffed than the French or German, particularly at the junior levels. A comprehensive, though provisional analysis of expenditure provided by the Foreign and Commonwealth Office showed that excluding cultural activities—on which both Germany and France spent more, France considerably more, than Britain—British overseas representation costs more than either of the other two. It is very difficult to identify precisely where the differences occur and how far they correspond to variations in the scale or quality of the service which Britain's overseas representatives are expected to provide, compared with the French and German. The Foreign and Commonwealth Office analysis identified clearly two sectors of activity where the British effort was notably more elaborate; one was Information and the other was Administration. These are the subjects of further analysis in their later chapters of our Report.

20. Our main sources of evidence were Government Departments, public and private organisations, businesses and private individuals with academic, administrative and business experience. Much of our evidence was oral and given in the course of informal discussion with the members of the Committee. We found that by this type of procedure we were able to catch the nuances of the views held on the merits and demerits of British methods of overseas representation, which might not have come to so clear expression in a more formal question and answer session. We varied our arrangements as we found appropriate and used more systematic methods of examining witnesses in the investigation of certain key issues. All our evidence was given in confidence and none of it is being published.

21. From the start of our enquiry we encountered the difficulty that, while our terms of reference on a narrow interpretation cover only overseas staff and activities, the corresponding home establishment is integrally involved in any rational survey. Any attempt to exclude home staff and activities would have left us unable to deal with a number of fundamental questions implicit in our terms of reference, *e.g.*, the relative merits of basing a given officer in London or abroad, or the use made in London of information submitted by overseas Posts. We explained this dilemma to the Foreign Secretary in September 1968 and were encouraged by him to interpret our terms of reference widely enough to cover home establishments where these were relevant to overseas representation. We have not, in the time available, been able to examine home establishments in any detail. But we have felt it essential, in our consideration of the overseas end of the representational bridge, to take some account of the abutment at the home end as well.

THE WORK OF OVERSEAS REPRESENTATION

22. For the purposes of our investigation we have found it useful to distinguish various kinds of work involved in overseas representation under the following heads:

(a) The handling of intergovernmental relations. The essential function here is conducting intergovernmental dialogues formally, in set negotiations, or less formally through interviews and casual meetings. This is the basic and indispensable diplomatic function. The content of the relations involved, and the subject matter of the dialogues, can be very varied. They are by no means always political or politico-military. Increasingly often they are economic (including aid) or commercial. They can also be, *e.g.*, consular. The essential criterion is that one government is being enabled to communicate with another;

or with several others, since the relations and dialogues can be multilateral as well as bilateral.

(b) Advice on foreign policy. A very important aspect of the conduct of international relations is the reliance which the home government must place upon advice of a general or specific character which its representatives in the field are required to furnish, on their own initiative or in response to enquiry.

(c) Advising and helping British subjects, overseas or in an overseas context. This includes the bulk of export promotional work, where the British Government are, through their agents, advising and helping British businessmen in the export field. Most consular work also falls under this head; British subjects of all categories need to be provided overseas with certain forms of protection and official services. A particular form of help to British subjects arises in the context of aid administration, since British aid personnel (even when formally employed by overseas governments) usually rely on a degree of financial and/or administrative support from the British Government by whom they are recruited. For a country like Britain, official export promotion work will always be of major importance. In our present circumstances, when our entire international standing depends upon our establishing a firm basis for our economy, export promotion is bound to become an even more crucial part of overseas representational work.

(d) Reporting. As here distinguished, this excludes the sending of certain types of report which flow directly from the activities described above in sub-paragraphs (a) and (c); e.g., reports of the course of a negotiation or of action taken to help a British subject. By reporting as a separate activity we mean the preparation and sending of reports on matters of general or particular interest—whether political, economic or military—to the Foreign and Commonwealth Office and other official recipients in London or overseas. The material on which such reporting is based is usually available as “fall-out” from the activities at (a) and (c) above.

(e) Influencing overseas opinion. The direct influencing of overseas governments is of course part of (a) above. But the influencing of non-official opinion is a distinguishable activity, although related in the sense that even non-democratic governments are liable to be indirectly influenced by any changes wrought in public opinion among their subjects. The topics on which we may wish to influence public opinion can vary from a specific act of British policy, which we hoped to see rightly understood and perhaps supported, to the general reputation of British institutions, society and civilisation, which we hope to see highly regarded and perhaps imitated. Our main instruments for exercising this influence on public opinion are the external services of the BBC; the British Council; and the information staffs of our posts, known generally as the British Information Services, supported by the output of the COI in London.

(f) Processing potential travellers to Britain. Granting visas for temporary visitors, where required, is a familiar aspect of consular work. On the other hand, processing potential immigrants, in any numbers, is comparatively new type of work for Britain's representatives overseas, although it has long been familiar to those of, e.g., the United States. Recent legislation has tightened the controls we wish to exercise over immigration of all kinds, including from the main population-exporting countries of the Commonwealth. It is clearly necessary and right, in these circumstances, that the work of immigration officers at points of entry in Britain should be reinforced by work undertaken by our Posts in countries of origin. It seems likely that the demand for work of this kind will increase.

(g) Self-administration. There are broadly two types of work involved here: the provision of services for our overseas Posts, and the provision of welfare for their staff. The former covers communications, security arrangements and office equipment. The latter includes housing, travel arrangements, issue of pay, etc. The volume of both types of work is largely a function of staff numbers.

THE EFFECT OF OUR RECOMMENDATIONS

23. The following Chapters examine first the Diplomatic Service, as the principal instrument of overseas representation; secondly, the traditional categories of overseas work undertaken by civilian staff in Posts; thirdly, work undertaken by Service Attachés; and finally the special problems of accommodation. Our specific conclusions are set out at the end of each Chapter. As will be seen, our recommendations envisage that there should in due course be reductions of expenditure in many fields. The size of the information effort might be reduced by half (Chapter VIII), and the deployment of Service Attaché and Defense

Staffs by a third (Chapter XI). In the medium term the reorganisation of political work outside the Area of Concentration (Chapter IV) and in the longer term the rationalisation of estate management (Chapter XII) should also produce substantial savings.

Other economies would flow from reductions in overseas Security Guards (Chapter III); from administrative simplifications (Chapter III); from modifications in traditional consular services (Chapter IX); from the restructuring of Civilian Attachés' work (Chapter X); and from the construction of a modern Foreign and Commonwealth Office building in London (Chapter XII). Against these savings there would have to be set extra expenditure on certain short-term items, notably improved retirement compensation (Chapter II); and on certain continuing commitments, such as an increased export promotion effort (Chapter VI), the full implementation of the recommended manpower margin and increased training in the Diplomatic Service (Chapter II), a more enlightened use of international travel (Chapter III), more adequate provision of modern equipment (Chapter III), and the growth of immigration work (Chapter IX). It is impossible at this stage to forecast with any precision either the timing or the net financial effect of these changes. But we believe that they could be complete by the mid-1970s; and that the saving of total expenditure involved could by then be not less than 5 per cent (at constant prices) and perhaps of the order of 10 per cent.

CHAPTER II.—THE STRUCTURE OF THE DIPLOMATIC SERVICE

CONCLUSIONS

34. (a) The Plowden Report created the unified Diplomatic Service and created satisfactory conditions of service for it; these should be built upon for the future.

(b) The Diplomatic Service has achieved high standards of performance and maintaining these will be as important in the future as in the past; the Service's capacity for adapting itself rapidly to changing circumstances will be particularly needed.

(c) Quantitatively, however, the Service faces a period of contraction, due primarily to changing national requirements flowing from Britain's altered role in the world; this will create morale problems which should not be underrated.

(d) A reduction in the size of the Service will involve retiring a number of competent officers prematurely; they should be fairly compensated and this will serve the interests of long-term economy.

(e) The promotion system should allow the ablest members of the Diplomatic Service to be more quickly advanced than has latterly been the case.

(f) The Diplomatic Service should be allowed the full 10 per cent manpower margin recommended in the Plowden Report.

(g) In parallel with likely developments in the Home Civil Service following the Fulton Report, there should be freer temporary and permanent movement between the Diplomatic Service and other professions (including particularly the Home Civil Service); and there should be a merger between the Administrative and Executive Classes.

(h) The Diplomatic Service should consist neither of experts nor of amateurs but of "professional generalists"; its members' professionalism should include in addition to foreign languages a familiarity with the social sciences.

(i) The requirements of the Diplomatic Service today are more complex than in the past, and career planning should therefore avoid trying to give everyone a little experience of everything; the aim should be to encourage the acquisition of a relevant depth of knowledge on particular areas and subjects.

(j) The introduction of satisfactory superannuation arrangements for all local staff should be speeded up.

CHAPTER III.—THE MANAGEMENT OF THE DIPLOMATIC SERVICE

CONCLUSIONS

24. (a) The Diplomatic Service's formal separation from the Home Civil Service, with which it remains closely linked, is an administrative convenience given the differences in its conditions of life.

(b) We found evidence of over-administration in a Service whose management was in other respects generally good.

(c) Given the high cost of manpower, particularly when United Kingdom-based staff abroad is concerned, the Diplomatic Service could do more to modernise and mechanise its procedures.

(d) There should be more delegation of administrative authority from the Civil Service Department and the Foreign and Commonwealth Office to Missions overseas. The principle of accountable management should be the key to this.

(e) While recognising the importance of good security we consider that there is scope for saving in relation to present security procedures.

(f) The Diplomatic Service should, in the interests of overall efficiency and economy, be authorised to observe a less restricted and more imaginative policy as regards travel.

(g) For understandable reasons, Commonwealth Missions tended to be more heavily staffed than foreign ones. This situation has improved, but some Commonwealth Missions are still heavier than they need be.

(h) The Diplomatic Service Inspectorate is a valuable instrument for controlling the scale and cost of British representation overseas. But its structure and practice need to be modified in certain ways; its scope should be widened to cover all staff concerned with representation; and new high-level machinery is required to provide for "policy inspection", *i.e.*, to ensure that at the level of policy formulation there is adequate strategic thinking on organisational questions.

CHAPTER IV.—POLITICAL WORK

CONCLUSIONS

30. (a) In future our Missions abroad should be divided into "Comprehensive" Missions and "Selective" Missions. Comprehensive Missions would be maintained in the Area of Concentration, namely Western Europe and North America; in the Soviet *bloc* and China; and in certain other important countries in the Outer Area. Selective Missions would constitute the majority in the Outer Area. The changeover from Comprehensive to Selective Missions should in itself entail a reduction in present staff, although at the outset the streamlined organisation may cost only a little less than the existing one.

(b) The volume and range of intergovernmental business will grow in the Area of Concentration. Intergovernmental business will also grow on a multi-lateral basis involving international organisations.

(c) Comprehensive Missions should retain a full apparatus for diplomatic representation including staff for political work. Selective Missions, where political work and reporting will diminish to very small proportions, should be composed of a basic strength of three United Kingdom-based officers; any establishment beyond this basic strength would only be authorised for specific purposes.

(d) In the Area of Concentration a growing volume of business will be conducted on a direct government-to-government basis and by increased travel from this country. This process should obviate the necessity to increase the size of Missions in this area.

(e) The chancery should remain the central element in Comprehensive Missions but little more than the name would remain in most Selective Missions.

(f) Under a system of Comprehensive and Selective Missions, great flexibility will be essential including the ability to reinforce a Selective Mission if unexpected demands are placed upon it in times of crisis.

(g) A control system for political reporting should be instituted on the lines set out in Annex J.

(h) We expect the Foreign and Commonwealth Office to reduce progressively in size (a) in the light of the recent Foreign Office/Commonwealth Office merger, (b) as the institution of Selective Missions reduces the flow of political work and reporting, and (c) when a new building with up-to-date equipment is provided.

CHAPTER V.—COMMERCIAL POLICY AND ECONOMIC WORK

CONCLUSIONS

22. (a) Economic work and the conduct of commercial policy is a large part of the substance of political work.

(b) This field produces particularly striking examples of the "New Diplomacy"—the increasing regular contact at all levels between specialists from various countries in the complicated techniques of modern life and the switch to multilateral organisations of activities which would previously have been bilateral. The task of our overseas representatives is to adapt themselves to this process, to master a wider range of subjects, and to support experts from outside the Diplomatic Service in the work of international organisations. For this purpose they will need to be kept more fully informed than hitherto.

(c) Staffing policies should take into account the increasing importance of international organisations in the implementation of economic policy.

(d) In particular we recommend that the United Kingdom Delegation to EEC should be strengthened and a cadre of officers with a special knowledge of European economic affairs built up. The degree of career specialisation implied is acceptable and indeed desirable in this case.

(e) We consider economic work and the conduct of commercial policy as basically a generalist function. We expect that within an integrated service there will be an increasing resource of officers experienced in handling economic concepts. We recommend flexibility in deciding whether commercial policy and economic work should be handled along with political or commercial work in any particular Mission.

(f) We feel that the division of responsibility for commercial policy and economic work at home might be clarified, particularly between the Foreign and Commonwealth Office and the Board of Trade. We see the role of the Foreign and Commonwealth Office, whose particular expertise lies in dealing with other countries, as being one of co-ordination.

CHAPTER VI.—AID ADMINISTRATION

CONCLUSIONS

61. (a) In Britain's present economic situation commercial work is the most urgent task of our overseas representatives.

(b) Different areas impose different requirements; according to their aptitudes the careers of commercial officials should concentrate on either the area where new export opportunities are to be won by active effort in advanced industrial countries, or in areas where this effort depends more on the traditional intergovernmental diplomatic activity, and also on responsive work to the needs of exporters. We also recommend that the shift of Britain's export promotion resources to the former area should continue.

(c) The majority of Selective Posts should specialise in commercial work, and special attention will have to be paid to the quality of the commercial departments of Comprehensive Posts in growth markets.

(d) A survey conducted by the CBI has shown a wide use of the official services, but a need for more rapid communication and closer contact between the commercial service and exporters. There is an equal need for this between Posts and Departments at home.

(e) There should be greater selectivity in responsive work so as to enable more energy to be diverted to initiative work, especially in advanced industrial countries.

(f) We think that the study of other countries' systems of export promotion should be pursued, but we consider that the balance of advantage, given the urgency of the problem, is to build on the present system. In any case the unified Diplomatic Service should be preserved.

(g) Training programmes should be expanded, with more emphasis on techniques of management and market research.

(h) We recommended longer periods in Post, and greater specialisation in commercial work. We fully recognize that this will inevitably mean delay in spreading commercial experience throughout the Service.

(i) There should be more cross-fertilisation between industry and the Diplomatic Service.

(j) Locally-engaged staff are a valuable asset in British export promotion of which more use should be made.

(k) Subordinate Posts have an important potential for promoting British exports, and they should be more actively used, especially in growth markets like the United States.

(l) Facilities of rapid communication could be more extensively used. Greater use of telex will be necessary. The crucial point at which we believe the existing system can be improved in the rapid retrieval of data about the capability of British firms to respond to export opportunities. Computerisation at the centre is a most important aid to securing this.

(m) We suggest that full use of the overseas commercial service can only be made if the export promotion complex (the "Export Department") in the Board of Trade is enlarged, and the transfers between it and the Diplomatic Service made more frequent.

(n) We suggest that greater weight should be given to export promotion policy, as compared with intergovernmental commercial policy work not only in the structure of the Board of Trade, but also in that of the relevant inter-department Committees.

(o) Closer co-operation between Government and industry should continue to be encouraged by such joint activities as trade fairs, and by expanding the work of the Overseas Projects Group, particularly in the field of sending task forces overseas to deal with particular projects.

CHAPTER VII.—INFORMATION AND CULTURAL WORK

CONCLUSIONS

General

48. (a) Information services should project Britain as a trading partner with a great culture and democratic tradition, rather than as a world power of the first order.

(b) There should be less reliance on official publicity hand-outs, which should in future concentrate on export promotion, and more on BBC broadcasting and the serious British newspapers, for projecting Britain's news and views.

British Information Services

(c) In future, there should not be separate information sections in Missions. Most of the functions previously carried out will be centralised in the commercial sections, which should have a nucleus of experienced staff, mostly locally engaged, for this purpose. In certain Comprehensive Missions, however, there will be a need for a Press Attaché (not always full-time) to act as the Head of Mission's adviser on publicity matters, as well as being the main point of contact with local press and broadcasting media.

(d) The practice of distributing copies of the serious daily and weekly British newspapers free of charge to selected persons of influence should be extended.

(e) The Foreign and Commonwealth Office's News Department will play a most important role in establishing effective relations with the overseas press through their London representatives, and it should be given improved facilities for carrying this role out.

(f) The British Information Services office in New York should be reduced in size; and the future organisation of information work in the United States should be kept under review, in relation to the changing importance of other regional centres.

(g) The greatest possible use should continue to be made of locally engaged staff in carrying out the residual information work overseas.

(h) We hope that in the light of the above recommendations reductions of something like half the numbers of staff currently employed overseas on information work would become practicable.

BBC external broadcasting services

(i) The BBC has a unique world reputation. Its overseas broadcasts in the English language are highly effective for communicating British news and views, and should not be subjected to financial reductions.

(j) It is extremely important that the audibility of the BBC's overseas broadcasts should be improved. The BBC's current modernisation and improvement programme in this field should be speeded up, and any savings accruing from recommendation (k) below should be used to supplement the existing budget.

(k) Given existing financial limitations, we conclude that though foreign language broadcasts are useful (and we recommend a continuation of some of them) they should rank as a lower priority than English language broadcasts, and will therefore need to be reduced.

British Council

(l) The British Council plans an important role in overseas representation; it should not be subjected to financial reductions.

(m) There is now a strong case for shifting the balance of British Council activities towards Western Europe.

(n) The British Council libraries give excellent value. Efforts should be made to use them as a focus to provide a wider range of cultural activities. All the other library facilities, including film libraries, should be with the British Council.

(o) The proportion of British Council resources directed to cultural manifestations is rather low by comparison with the proportion taken up by English language and related activities, and we suggest a change in the balance of activities in favour of the former.

(p) The staffing of British Council offices overseas should reflect the increasing importance of science and technology; we welcome the indications that increased attention is being given to these subjects.

(q) Missions and British Council representatives will in future need to develop very close working relationships in matters of policy and operations; this is already the case in many countries. We are confident that this need not impair in any way the independent status of the British Council.

(r) There are useful financial savings to be made from fully integrating the British Council's administrative and supporting services overseas with those of missions.

(s) There should be a few high level appointments of persons of academic or cultural distinction for service with the British Council in certain capitals.

(t) There should be interchanges of British Council staff and academic personnel, and arrangements for the former to attend universities in this country between overseas appointments.

CHAPTER IX.—CONSULAR WORK

CONCLUSIONS

30. (a) The traditional consular functions of subordinate Posts must not be allowed to divert their energies from the more vital task of export promotion.

(b) To this end, traditional consular services should only be provided at a limited number of Posts.

(c) Steps should be taken to ease the work-load imposed by the growth of tourism; this would involve posts exercising, with Ministerial support, more discrimination in the amount of consular assistance they provide.

(d) A review of the scale, scope and method of payment for consular services should be considered.

(e) There should be wider use of Honorary Consulates as an economical means of dealing particularly with seasonal tourist needs.

(f) Shipping legislation now projected will, we hope, eliminate or at least drastically curtail the outmoded shipping work which is at present mandatory upon consular officers. This should be done as soon as possible.

(g) Immigration work is increasing, and some increases of staff abroad will be needed to cope with it.

(h) To reduce the cost of passport work, passports should be redesigned in a limp-cover form which can be mechanically prepared and processed.

(i) Passport work should not normally be handled at more than one centre in each overseas country, except for emergency cases which should be subject to a special surcharge.

(j) Passport work overseas should be financially self-supporting, which should be easier given the changes suggested in (h) and (i) above; in normal cases a uniform fee should be charged, which should if possible be the same as the United Kingdom fee.

CHAPTER X.—CIVILIAN ATTACHES

CONCLUSIONS

38. (a) We feel that the distinction between the "A" and "B" Establishments of the Foreign and Commonwealth Office is unhelpful and that all personnel should be included in a single establishment borne on the Diplomatic Service

vote; this should help to prevent the retention of appointments merely because they are traditional outposts of a given home Department.

(b) We recommend that the marginal anomalies in the division between secondments to the Diplomatic Service and service abroad on Home Civil Service terms should be removed and that all officials on the staff of diplomatic Missions should be seconded to the Diplomatic Service. We also recommend that officials representing Britain and not on the staff of diplomatic Missions should where possible be placed on the staff, and seconded to the Diplomatic Service.

(c) We feel that the starting point in considering functions of overseas representation now carried out by Civilian Attachés should be the particular job specification; that the presumption should be that such specialisms, as the knowledge required to fill such posts becomes more generalist in character, will more appropriately be dealt with, after suitable training, by general service officers (not necessarily full-time); and that only where clear need is shown should secondment take place. This should not inhibit the use of appropriate titles for local purposes.

(d) We feel that in drawing up the job specifications full weight should be given to the increasing facility with which experts can travel from London at relatively low cost compared with the expense of maintaining a resident representative overseas.

(e) We examined the effect that these recommendations would have on the 10 different types of Attaché (two of them dealt with in Chapter XI). The clearest need for secondments is likely to remain in the scientific and defence research fields; there is also at present a need for them in the financial field; a closer look should be taken at the need for specialists on civil air and shipping matters; it seems to us that much of the work of Labour, Defence Sales, Agricultural, Industrial Development and Petroleum Attachés can now be performed by "generalist" officers.

(f) Given an adequate policy of training and secondments for general service officers we therefore expect that considerable savings can be effected in the field now covered by Civilian Attachés.

CHAPTER XI.—SERVICE ATTACHÉS

CONCLUSIONS

29. (a) Service Attachés will continue to be required for their present functions, but on a lesser scale than hitherto.

(b) More than one Service Attaché will still be needed in major capitals. One tri-Service Attaché should often be sufficient in capitals of medium importance, supplemented by multiple accreditation in less important capitals. Where appropriate, greater reliance should be placed upon visiting from the United Kingdom.

(c) The number of Service Attachés outside the European and North Atlantic area should be substantially reduced. After withdrawal from East of Suez, it should become possible to reduce the present world-wide establishment of 159 Service Attachés (excluding BDS Washington) by up to one-third.

(d) The special and close military relationship with the United States is an extremely valuable asset, but one which we think is unlikely to persist indefinitely in its present form. This relationship would not, in our view, be impaired by reducing the BDS Washington to three-quarters of its present size. There should be an annual "efficiency audit" to establish the usefulness of each post in the United States; and a further study should be made of methods of integrating the staffs and their supporting personnel into a single administrative organisation.

(e) Sales of defence equipment require team effort, in which the Service Attachés, the Defence Supply Attachés, other staff in Missions, and the Defence Sales Organisation in Whitehall all have their part to play. The tendency will be for more of this work to be carried out by visiting teams of experts based in this country, working in co-operation with the Missions concerned. Defence Supply Attaché Posts should only be created where such work would clearly occupy an official full-time; otherwise, the defence supply function should normally be carried out within the Mission's commercial section.

(f) Service Attachés should be selected from able officers at an early stage in their careers.

CHAPTER XII.—ACCOMMODATION

CONCLUSIONS

29. (a) Overseas representational requirements for office and residential accommodation will change more frequently than hitherto.

(b) Office accommodation is an important factor in the effectiveness of our Missions overseas. We must be prepared to spend money on providing modern and well-equipped buildings in the right locations.

(c) The scale of entertaining by the Diplomatic Service is not extravagant, and adequate accommodation must continue to be provided for the purpose. The forms and customs of entertaining are however changing, and in many places there will be less need for large establishments.

(d) Decisions on accommodation standards are urgently required. Guidelines, rather than strict definitions, should be issued. Discretion should be given to Heads of Mission.

(e) The proportion of owned to rented property is still far too small, with the result that considerable expenditure in foreign exchange is being wasted.

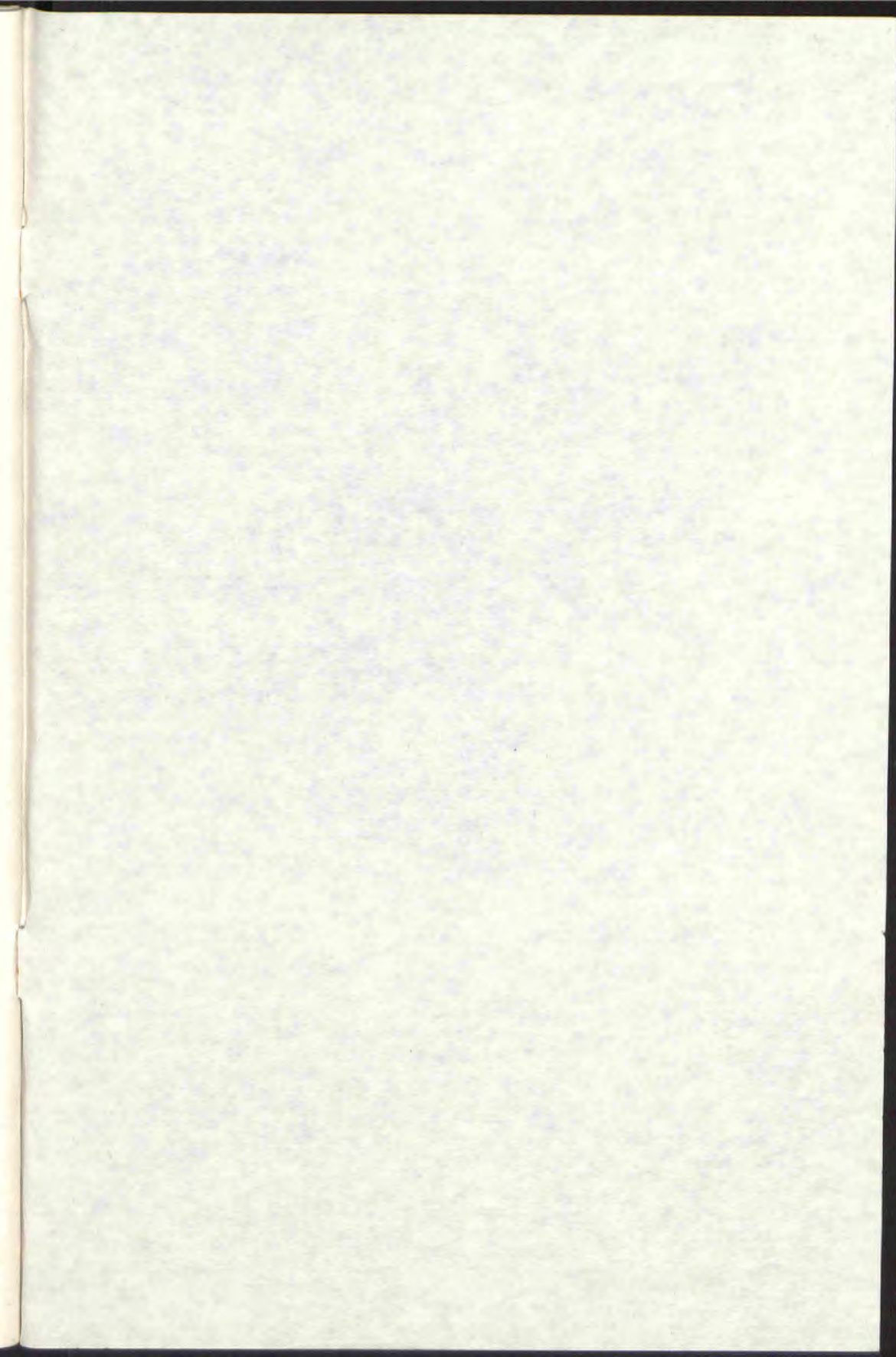
(f) A change in the present system is required in order to provide more flexible and commercially effective methods of administering overseas accommodation.

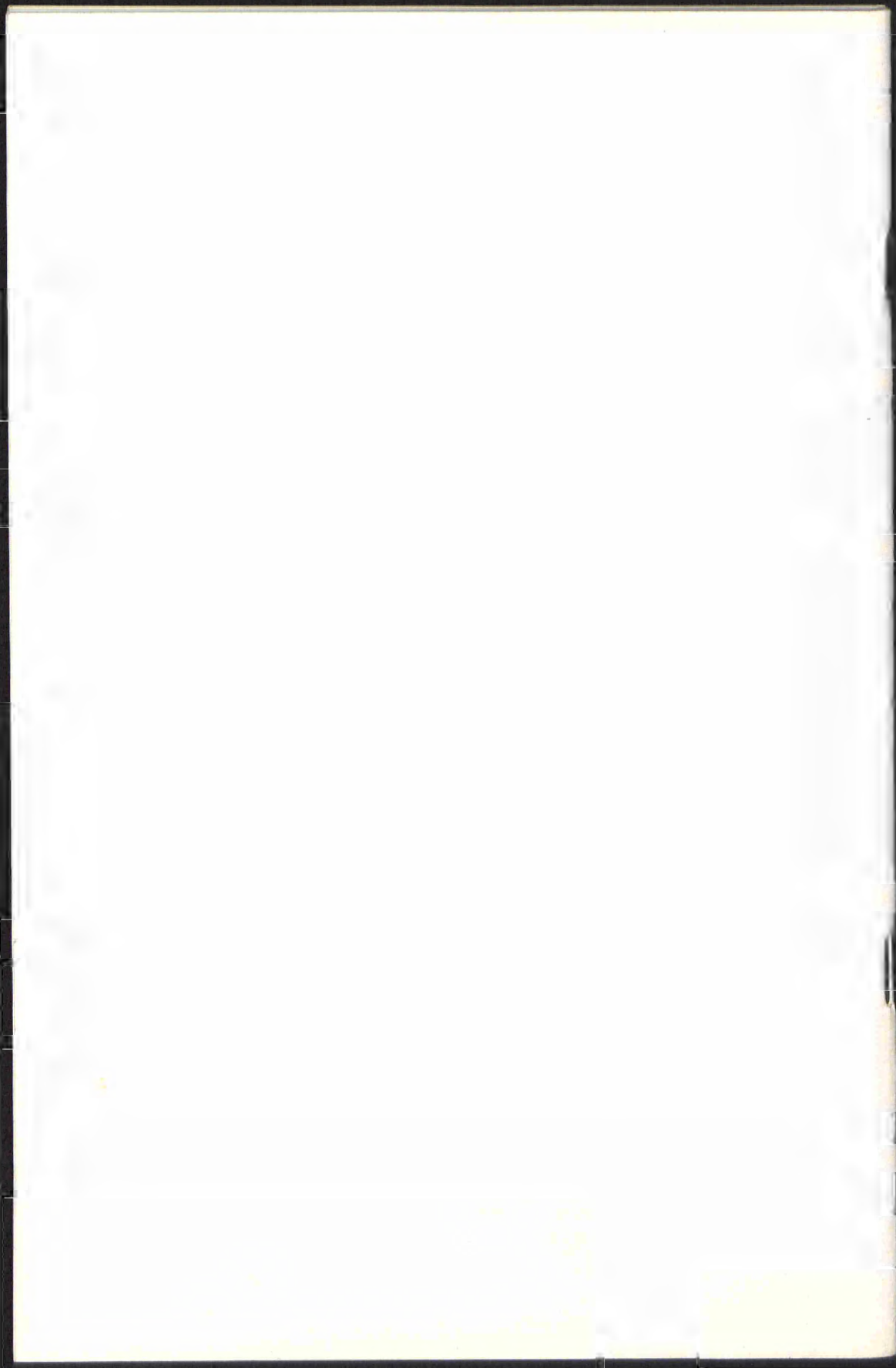
(g) To meet these requirements, we propose the setting up of a Crown corporation, to be known as the Overseas Diplomatic Estate Board; its function would be to own, administer and manage overseas diplomatic accommodation.

(h) The Foreign and Commonwealth Office building on the Downing Street/King Charles Street site should be rebuilt on modern lines as soon as possible, thus enabling the Foreign and Commonwealth Office to centralise its London staff (now housed in 17 buildings) and to make substantial savings of staff and money.

VAL DUNCAN,
Chairman.
FRANK K. ROBERTS,
ANDREW SHONFIELD,
G. C. DICK,
R. L. WADE-GERY,
Joint Secretaries.

JUNE 1969.





TW -
Article

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

June 10, 1972

TO: James Bellows

FROM: Brian Lamb

A copy of the attached article
was sent via special delivery
to Mr. Giancarlo, on Saturday,
June 10, 1972.

Attachment

The Role of Editors in the Age of Electronic Communication

by

Clay T. Whitehead

There are three important steps in the mass communication process:

(1) information is created; (2) then it is selected or edited; (3) finally, it is transmitted or distributed to the audience. We live in an age in which the output capacity of the first and last of these steps has enormously expanded. It is only the editing process that has not been significantly simplified. This lag in modernization of the editorial process will become more apparent and more serious, since information is being created at a fantastic rate; and new technology continues to lower the cost of its transmission and distribution.

Even at this relatively early stage of electronic communications revolution, the role of editors has become crucial. The editorial process is not as susceptible to automation as the information creation and transmission processes. As in most processes heavily dependent on human judgment and professional skill, the costs of this selection process are rising rapidly. If nothing is done to change the present trends, only the wealthiest organizations and individuals will be able to afford the extensive editorial tasks that will be necessary to whittle down masses of information to manageable proportions. Skilled editors may benefit personally from the increased demand for their services, but the demand may so far outstrip the supply that we all will be seeking ways to increase greatly our capacity to select information that is relevant to a particular readership or audience.

For this reason, the future role of the editor will be closely tied to techniques of electronic communication, which have already heavily influenced the transmission, or distribution, step in the mass communications process.

Some forward-looking editors and publishers are already using electronic communication techniques, and turning these techniques to their advantage by centralizing the editorial and composition process and using common carrier lines, microwave, and, in the near future, communications satellites to deliver the editorial product to scattered printing locations. The Wall Street Journal has pioneered in this type of operating arrangement, and has probably realized significant savings in capital and labor costs as a result. As offset printing techniques become more wide spread, newspapers will be able to take advantage of the possibilities that direct facsimile input to these presses will provide.

In addition to using low-cost communications as a substitute for high-cost transportation by centralizing the editorial and composition functions and scattering offset printing plants, satellite and other long-distance communications links can be used by the newswire services and the syndicated features services

to cut production costs and create a higher quality product at a reasonable cost to the consumer. The wire services can use high capacity, high quality communications links to gather information and transmit it to a central processing or "editorializing" point and then use multi-point domestic satellite transmission to get the news to the member newspapers quickly, efficiently and economically, where the news would still have to be "processed" further by the local newspaper. This editorial "bottleneck" need not exist when it is a syndicated feature service rather than a news gathering service that is using the multi-point communications technique. Syndicated columns can be composed centrally by the service and arrive at the local newspaper ready to use; perhaps fed directly by facsimile transmission to the presses. How much time and labor can a newspaper save in this type of operation, and how much more time will this leave smaller, local daily and weekly papers to concentrate on local news?

If the answers to these questions imply an electronic future for the print media, Government has an important role to play in this future. Government has the responsibility to establish policies and take action now that will assure competition in the common carrier, specialized carrier and domestic satellite industries, so that they will be responsive to new demands for innovative service offerings when editors and publishers turn to electronic transmission

to ease their burdens in the face of an information explosion. If government does its job well in this respect, and journalists are quick to seize the opportunity electronic communications offers, we may see a change for the better in the qualitative nature of the press. Perhaps increases in the specialized demand for information, changes in the technology of newspaper printing and distribution, and the resultant reduction in costs, will all work to foster expansion of daily newspapers in our major cities. Perhaps individual smaller newspapers and newspaper chains will be able to survive competitively and grow to rival the large, nationally-oriented newspapers.

To this point, the focus has been on the use of electronic communications in the production end of the newspaper business, but the new electronic media may also be relevant to journalists in disseminating information directly to the public without the use of news print. The two new technologies of video cassettes and broadband cable television are likely to have a big impact in this respect. While it is too early to assess the full impact of cassette technology, it is already starting to attract the kind of interest that could make it an important medium, and, perhaps, a strong competitor to the print media. Broadband cable's future impact is similarly not capable of precise prediction, but it has an enormous potential due mainly to its capacity to drop 20 or 40 or more channels at the viewer's doorstep. With a multitude of channels and the relatively low transmission costs they entail, there will be exciting new opportunities to reach specialized audiences, not just minority audiences having special ethnic or cultural

interests, but slivers of the mass entertainment audience. There are opportunities not only for diversity of programs and program sources, but also, for the first time, for meaningful consumer choice.

Indeed, the future electronic media, incorporating video cassette and broadband cable technologies, is likely to have competitive conditions very similar to those in the present publishing industries. There is an enormous specialization of subject matter in today's newspapers and periodicals. This specialized information could be transferred to multi-channel cable systems. Subscribers and advertisers would be willing to pay for program series on subjects such as automobiles, boating, business, hobbies, fishing and hunting, gardening, home decorating, news and public affairs, fashions, sports, and travel. The people who already provide printed matter on these and other subjects offer a natural source of talent and expertise to become program originators and packagers for broadband cable systems.

This also means that the editor will have an important role to play as the skills that have been used in the print media are brought to bear on broadband cable communications. The consumer of information may be performing a good deal of the editorial function by using his home terminal and central information storage facility to select only that information that is relevant to his needs. But newspaper readers already

perform this function by ignoring information selected by the editors in which the reader has no interest. Much of the present information contained in the typical newspaper, therefore, may be "wasted" on a particular reader. In this respect, more efficient use can be made of information available on interactive broadband cable systems. But this will not lessen the importance of the editor. It will simply cast him into a different relationship with the consumer for whom the editor is selecting information-- a relationship that might allow the editor as well as the consumer to deal with masses of information more constructively and effectively.

The use of electronic communications by print journalists presents risks as well as opportunities. Journalists will be turning more and more to electronic communications to facilitate operations in the print media and to supplement the print media with ventures into specialized cable television programming. In doing so they must be vigilant in guarding against regulation of the content of speech in broadband cable systems and other developing communications technologies. If not, journalists run the risk of losing their present freedom when they employ the electronic media to transmit their messages. As future developments bring the print and electronic media closer together, the editors' interest in unfettered journalistic responsibility and free expression become intertwined with those of the broadcast and cable television industries. The broadcast regulation you

applaud editorially today may become the cable programming regulation of tomorrow and, ultimately, the pattern of content regulation in all the media.

Right now some of television's major problems should be considered print journalists' problems as well. One of these problems is the "Fairness Doctrine." As originally stated, this principle requires the broadcaster to present various sides of controversial issues of public importance. As recently applied by the courts, however, it has been held to require free counter-time when controversial issues are even implicitly raised by advertisements (for example, ads for automobiles, which are said automatically to raise the controversial issue of automobile use as a source of air pollution). And most recently, the Federal Trade Commission has suggested that all advertisements should be subject to counter-ads which point out the omitted "negative aspects" of the products. (These "negative aspects" would even include the fact that a competing product which does substantially the same job costs less.)

I do not recall reading in the press many blistering editorials concerning the inadvisability of such proposals. But newspapers should begin to awaken to the fact that, in applying requirements for "fairness" and "balance" in broadcasting, the courts have been steadily laying out the theoretical groundwork for the imposition of government regulation on the print media. Journalists should speak out now, even though on the surface it is difficult to be against balance, fairness, and the proposition that no one

should arbitrarily be denied access to the broadcast or print media. But the point is that being in favor of these principles does not necessarily mean being in favor of their implementation by the Government.

There are those who argue that these principles are congenial to a free society because they represent a type of "affirmative censorship"--that is, they do not exclude any idea from the marketplace, but to the contrary give the widest possible circulation to all opinions. This approach misses the point of the First Amendment. The reason our Constitution prohibits censorship of the press is not because all ideas are equally worthy of being expressed. The purpose of the Constitution is not to dispense with the exercise of editorial judgment and responsibility--for that would mean not only social chaos but also a genuine diminution rather than an increase of personal freedom. The First Amendment was meant to take the Government out of the editing business--whether the editing consists of deletions or insertions.

There is without question no nation in the world that has a longer or more vital tradition of press freedom than the United States. It is no accident that the most rapid growth of journalism has likewise occurred here--providing for the American people the most complete and current information on international,

national and local affairs. Print journalism now stands to benefit from new technologies which can increase still further its ability to educate and inform. The new media activism in the electronic media and the print media can undercut that ability because it strikes at the heart of the editorial process. It rejects the notion that editors should function as selective filters of information using professional journalistic criteria to emphasize the relevant and discard the irrelevant. But the traditional role of the editor must be preserved if we are to maintain our freedom of expression in an age of electronic communications.

Inv.

Friday 5/5/72

12:15 BRIAN:

A call came in for Tom from Jim Bellows (Los Angeles Times). He said he is the editor of the American Society of Newspaper Editors Bulletin, which comes out nine times a year.

Would like to talk to Tom about making a speech to their group about what the editors should know about CATV and how they might look at the possible changes in the future... in view of his speech at the NBA Convention thought he might be interested in speaking to them.

Asked that Tom call him Monday. I suggested that it would be helpful if you talked with him -- so I promised YOU WOULD CALL HIM TODAY.

Eva

Phone No.

Area Code 213

625-2345

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

6/6/72

Tom:

Brian needs a report back
on this as soon as you get
a chance to go over it.

Would hope you could
give him a call.

Eva

DRAFT

The Office of Telecommunications Policy is directly concerned with the area of electronic communications. Nevertheless, there are a number of areas in which my concerns overlap with newspaper journalism. I would like to address a few areas of mutual concern.

In the mass communications business there are three basic ingredients: 1) information is created; 2) it is selected or edited; 3) it is transmitted or distributed. Recognizing that we live in an era when the quantity of information is expanding and the public's desire to be informed is increasing, it is no accident that the role of the editor assumes greater significance in the distribution of his product. While advances have eased the task of editing in the narrow sense, the role of the editor in the selection process has become more important. Not only is he confronted with the perennial task of subscribing to time and space requirements, but also he must do so with larger quantities of information. Thus, the function of the editor is to select information which is valuable to his audience and disregard that which is irrelevant. As we become more sophisticated, editors come to specialize more and more in the kinds of audiences they serve, and people become more selective in their information needs.

We have witnessed a decline in the number of newspapers in recent years. In most urban areas there is only one newspaper firm. This is due to declining communication costs, the information explosion, and competition from the increasing

number of television stations for the advertising dollar. I am not stating that the printed word will succumb to the tube. What I am suggesting is that the newspaper industry ought to take a hard look at the developments within the electronics media. Let me explain.

First of all, there is the area of cable television. Presently, this new technology enables enormous electronic communications capacity--20, 40, or more television channels--to be brought into each home. Recently, the Federal Communications Commission, broadcasters, cable owners, and copyright owners adopted new rules which will have the effect of permitting significant growth of cable television in major cities in the near future. Present predictions indicate that 40 to 60 percent of the nation's homes will be wired for cable by 1980.

One might ask, what does this have to do with the newspaper industry. I would suggest that the effects of cable upon newspapers are significant and varied. It would be natural to look upon cable as a new competitor for the advertising dollar. It is, perhaps, more formidable than over-the-air television because its production costs and, hence, its advertising rates can be lower and because its enormous channel capacity enables it to carry specialized programs for more discriminating audiences. Thus, some people predict that the newspaper industry will eventually disappear with cable taking its place. This may very well be true if the newspaper industry looks upon cable only as a competitor, subject to local needs and interests.

This newspaper experience can be utilized to assure that the new medium achieves its full potential for diversity and for community service. This will be a healthy experience because increased competition is beneficial not only for economic reasons, but also because it is desirable to have competition in the marketplace of ideas. It can hardly fail to spur creativity in the editorial process. The future of electronic communication could resemble the present magazine industry with its specific and general publications, each serving the needs of a particular audience.

While we are still a long way from achieving this objective, editors have an important role to play by acting now to formulate policies to guide the future of this important goal. The printed press can no longer afford to ignore the similarities between itself and the electronics media and what I believe to be the disquieting trends of recent years in both industries.

In the electronic media the Government has come to be the arbiter of its contents of programming. This is illustrated particularly in the form of the Fairness Doctrine. Simply stated, this principle requires the broadcasters to present various sides of controversial issues of public importance. As recently applied by the courts, it has been held to require free counter time when controversial issues are even implicitly raised by advertisements (for example, ads for automobiles which are said to automatically raise the issue of air pollution).

Recently the Federal Trade Commission has suggested that all advertisements are subject to counter-ads which point out the omitted "negative aspects" of the product.

While the Fairness Doctrine has received great notoriety in its application to the electronic media, I would suggest that the newspaper industry also has been subject to interpretation of the Fairness Doctrine. While the First Amendment guarantees freedom of the press, recent developments give me pause to wonder whether or not the printed media is fully cognizant of these events and whether or not it fully comprehends the total impact of recent court decisions.

In a famous case which upheld the constitutionality of the Fairness Doctrine, the Supreme Court accepted, as the essential justification for permitting government specification of broadcast content, the scarcity of broadcasting outlets. Certainly this must concern newspapers because there are few times as many commercial broadcasters as newspapers; barriers to entry in the newspaper field are higher; and the industry is generally characterized by higher concentration of ownership than broadcasting. Directly related to regulation of the newspaper industry is the Red Lion case with its simple prescriptions: The object of the First Amendment is to enable the people to hear all sides and a rule such as the Fairness Doctrine furthers rather than inhibits that purpose.

If the industry has not heard it seriously suggested that the Fairness Doctrine be extended to newspapers, I have. For example, legislation was introduced in the House of Representatives in 1970.

One other example of government intervention deserves examination. While more fearful to those in the broadcasting industry, it does have potential impact upon the printed media. Last summer the United States Court of Appeals for the District of Columbia held that broadcasters could not refuse to sell advertising time for the presentation of politically controversial material. The justification was that the private broadcaster was no longer functioning in a private capacity but in a public one. He was a "public trustee"--subject to the same constitutional constraints as the Government itself. How did he assume this new position? He seems to have become so through a combination of two factors: 1) his importance as a medium for the communication of ideas, and 2) the high degree of government in his activities. Thus, the possibility of applying similar reasoning to the newspaper industry is clearly evident. First, there is no question that the printed media is a medium for the communication of ideas. Two, one need only look at the 1970 Newspaper Preservation Act to find government regulation.

I have attempted to demonstrate the direction recent interpretations have had on both the electronic and printed

media particularly the former. The dilemma for the newspaper industry is the growth of cable technology, an electronic media, subject to government regulation and recent interpretations of the Fairness Doctrine. The newspaper has a golden opportunity to benefit from a new technology which can increase still further its ability to educate and inform. I believe, however, that this opportunity can only be realized if the newspaper industry begins to move steadily toward an atmosphere of freedom and competition in the expression of ideas away from increasing government involvement. Editors have responsibility to help bring this into effect. The place to start is with the existing media. The time to begin is now.

This Administration intends to implement policies that will give full scope to both the technology and the freedom in order to continue the newspaper industry's responsible role so vital to an open, democratic society.

Buckley, Wm.

March 12, 1973

Mr. William F. Buckley, Jr.
National Review
150 East 35th Street
New York, New York 10016

Dear Bill:

Thanks for your note dictated from Switzerland.
I enjoyed very much being on your program and
have had a lot of comment on it.

Glad to see from the paper that you escaped
unharmd from the fire at your chalet, but sorry
you lost all your possessions.

Best wishes.

Sincerely,



Clay T. Whitehead

cc: DO Records
Mr. Whitehead
Mr. Lamb

Eva
EDaughtrey

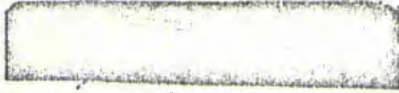
3/5/73

Brian:

Tom asked if you think he
should reply to this.

Eva

yes
Short note
"enjoyed being on the
program - have
had a lot of comments"



Handwritten:
H. H. H.
Dir.
Lamb
[Vertical stamp: RECEIVED]

Dictated in Switzerland
Transcribed in New York
February 15, 1973

Dear Clay:

I'm sorry I didn't get a chance to say good-bye to you in the studio. It was a monstrously hectic afternoon and we barely made the plane to Switzerland. Since shortly after arriving here our chateau burned down, we might as well have stayed at home! You did a fine job. All the best to you.

Yours cordially,

Handwritten: Rice

Wm. F. Buckley, Jr.

Mr. Clay Whitehead
The White House
Washington, D. C.

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

Tom:

Saw this in
the Post.

Eva

NEW YORK

A fire which started in the third-floor chimney flue of the William F. Buckleys' rented chalet in Gataad, Switzerland, completely destroyed the interior of the house.

Both Mr. and Mrs. Buckley, who arrived in Switzerland several days ago and were in residence, managed to escape unharmed but all their possessions, clothes, even passports were lost.

The Buckleys are now staying with their good friends, the David Nivens, who have a house nearby.

White House to Stress Communication Policy

By STEPHEN M. AUG

Star Staff Writer

The White House is planning to take an active role in formulating public policy in such controversial areas as cable television, broadcasting and competition for telephone and telegraph companies, the director of the new Office of Telecommunications Policy says.

Clay T. Whitehead, sworn in earlier this week as director of the White House agency, said at a news conference the new office would delve into more substantive issues of communications policy than did the former White House office of telecommunications management.

He indicated that his office would take part in some Federal Communications Commission proceedings where it would present the administration's view. But he emphasized these would be limited to general policy—not individual cases involving licenses or other routine matters.

And he added that if the FCC decided policy matters contrary to administration policy, he might seek legislation or court action to overturn such a ruling "if we think it's important enough."

Policy Statement

Whitehead, 31, who holds a Ph.D. from Massachusetts Institute of Technology in communications theory and systems engineering, is largely responsible for formulating the White House policy statement several months ago urging the FCC to adopt an "open skies" policy for domestic satellite systems.

The FCC has indicated some agreement with this proposal by seeking applications from anybody who wishes to operate a domestic satellite system.

The old White House telecommunications office dealt largely with making sure that government agencies had sufficient frequency space for their own communications. Whitehead made clear that while the new agency—created by an executive order—would continue regulating government use of the airwaves, he planned to get "into, in a substantive way, many policy matters."



CLAY T. WHITEHEAD

Technology in communications is fast expanding, making possible whole new services, he said, and "we've got to figure out how the industry is going to be allowed to develop and to make these services available."

He said the agency may consider such questions as competition versus regulation for transmission of data and computer communications — currently a major issue before the FCC.

"We have a strong common carrier industry," Whitehead noted in discussing telephone and telegraph companies, and "we have a lot of people trying to compete." He said one question his agency would examine is whether such competition is a good idea.

Turning to cable television, he said another question is "how we are going to let it develop. What kind of limitations are we going to put on it. . . . If cable television is going to ruin broadcasting . . . what should we be doing to ease that transition . . . or not allow it to take over completely."

This, too, is a matter of concern at the FCC. Some critics of cable TV — mainly broadcasters — have expressed the fear that cable television's ability to offer a wider variety of channels of information may end over-the-air free broadcasting.

He noted that another question would be access to broadcasting facilities in these "times of ferment." There have been complaints before the FCC that some segments of the population — mainly minority groups — have been foreclosed from access to broadcasting facilities to give their views.

Whitehead conceded that whatever his office said would have the weight of the President behind it — and this might be a very strong influence on a regulatory agency. But he added, "It's a fact of life that the President is not just any individual . . . and that he carries more weight than other people in this society."

But he contended that Nixon's views at the FCC would be no different from Secretary of Transportation John A. Volpe speaking about transportation before the Interstate Commerce Commission. He said either agency was free to accept or reject the administration's views.

Whitehead said his office's role before regulatory agencies will be "simply to tell them what we think."

Whitehead said also that while his office will have oral contact with FCC personnel, any formal recommendations will be made through memoranda — and such papers will be made public unless they deal with normally classified national security matters.

Whitehead also said his office would be "taking a fresh, a new look" at what the government should be doing in terms of communications in the event of natural or military emergencies. He plans also to seek more efficiency in the government's own communications.

He said current estimates are that the government owns between \$25 billion and \$50 billion worth of communications equipment. It spends between \$5 billion and \$10 billion a year on communications. "It's interesting that we cannot pin them down more closely," he said of the figures, adding that this would be one more area of study.

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Removal
If such step is now

5

QUESTIONS AND ANSWERS FOR CONFIRMATION HEARING

Q: During the five years of General O'Connell's tenure as Director of Telecommunications Policy, he did not see the President once. Now you are by definition the President's ^{Deputy} principal advisor on telecommunications matters. Do you foresee that you will have access to the President?

A: In his covering letter to Congress which accompanied Reorganization Plan No. 1 of 1970, the President indicated his feeling concerning the great importance of telecommunications technology -- its growing influence upon the people of this Nation as well as people throughout the world. I am convinced that the President has very deep concerns with the complex issues and problems which face us as a consequence of the rapid growth of this technology. I am of the opinion that the President will not hesitate to call upon his principal advisor on telecommunications whenever he wishes to discuss a matter of national importance which is within the competence, the responsibility and the authority vested in ^{our} my office.

Q: To what extent do you expect to draw upon the private sectors for assistance in the development of national telecommunications policy?

A: Again I refer, Mr. Chairman, to the President's Letter of Transmittal, in which he stated that "the speed of economic and technological

advance in our time means that new questions concerning communications are constantly arising" and "the Government must be well informed and well advised." The President then went on to say that this "Office will enable the President and all Government officials to share more fully in the experience, the insights, and the forecasts of Government and non-government experts."

I would hope that I can draw upon the wealth of expertise and counsel within industry and our educational institutions as well as within many departments and agencies of the Government. I consider the Joint Technical Advisory Council as one good example of the high quality of professionalism which has in the past been available to this office and which I hope will be equally available to me. There are many other such organizations, to say nothing of the major telecommunications industries whose officials have many times in the past made themselves available to the Government as and when their assistance was desirable. I see no conflict of interest involved in this kind of liaison. I do see it as a means of accelerating our progress toward national goals in telecommunication.

Q: How shall the U. S. develop policies and plans to foster the soundness and vigor of its telecommunications industry in the face of new technical developments, changing needs and economic developments?

A: I mentioned earlier, Mr. Chairman, that I am sympathetic to the idea of establishing and maintaining effective lines of communication between this office and the national telecommunications industry. I believe that this is a first step toward assuring continues at a high level. I am persuaded that this industry ourselves that the soundness and vigor of the industry/has for a number of years been unable to develop the mid-range and long-range plans which would give some assurance of orderly technical and economic growth. I am of the opinion that this lack of capability has stemmed from the lack of a body of enlightened national telecommunications policy -- one upon which industry could depend in making its own long-term evaluations concerning, for example, their rate and direction of growth. I believe that a close relationship with the telecommunications industry will assist us in identifying current or potential problems, in analysing alternatives, in developing policies and procedures for overcoming the problems, and in obtaining full cooperation of industry in implementing the policies.

The revolution in telecommunications technology is forcing us to re-think through many of the conventional approaches to applying new technologies and technological innovations to society's needs. I believe that we can no longer treat developments in telecommunications merely or even primarily from the question of technical

feasibility. We have learned, sometimes to our disappointment, that many things which are technically feasible and placed at the disposal of our people trigger a number of social, political and economic problems which were neither foreseen nor the potentials adequately studied. I feel that we need to go beyond the engineering phase and look at these things from a greatly broadened perspective, an interdisciplinary one if I may. This is, incidentally, one of the basic ideas behind the NECAF concept.

Q: Do you mean to suggest that the basic national guidelines for telecommunications -- as, for example, the Communications Act of 1934 and the Communications Satellite Act of 1962 -- are obsolete? Inadequate for today's needs?

A: Mr. Chairman, I would not describe either of these Acts as obsolete or inadequate. They certainly bear constant and analytical reviews -- as do other legislation and executive orders. If, in the course of our reviews it appears that changes need to be made in our framework for national telecommunications policy, I will certainly make such recommendations.

Q: One of my greatest concerns for many years has been the problem of the frequency spectrum. There are many who feel that the Federal Government is hogging frequencies -- that once it gets them, they never let go irrespective of whether they need them or not.

A: I have, of course, been briefed on many of the most pressing problems which faced General O'Connell and which will face me ^{US} in OTP. I am not as familiar as I would like to be on the entire frequency spectrum problem and as I expect to be within a very short time. I will say this, however: On the basis of my briefings and the short discussions I have had with knowledgeable members of the staff, I am of the opinion that very much progress has been made toward assuring that no such hogging of frequencies by the Federal Government can take place -- or, if it ever did take place -- could continue for an indefinite period of time. With the advent of a computerized operation for frequency management, the office now has the capability for reviewing with far greater accuracy and speed the entire assignment and control function. Moreover, the system for an automatic review of frequency use at least once every five years is now in effect. I can assure this Committee that we will be making every possible effort to assure all uses by the Federal Government of frequencies are valid, justified and of a continuing requirement.

Q: I understand that you intend to give the Commerce Department the responsibility for the frequency management activity. Do you feel that Commerce can run it better than your people can?

A: Mr. Chairman, there have been discussions in respect to ^{transferring} certain elements of the frequency management activity to the Department of Commerce. In general, the thrust of these conversations has been to determine just what portions of the frequency management which are routine in nature can be transferred. The responsibility for overall national planning and policy formulation and coordination in the frequency management area will remain with the Office of Telecommunications Policy. I cannot tell this Committee at this time how many and what kinds of people will be involved in this split.

Q: There has been much speculation from time to time regarding the advisability of placing the entire frequency management business -- both Government and non-government -- into your office. Do you have any views on this?

A: No, Mr. Chairman. Not at this time. I don't feel that I have sufficient background nor adequately analyzed the advantages and disadvantages of such an arrangement.

Q: How do you visualize your relationship with the FCC?

A: I see no area of contention between our respective offices. The President has defined very clearly the purpose of this office vis-a-vis that of the FCC and in a recent letter to Chairman Holifield, I ^{Dr. Whitehead}

iterated ^{his} my own view that the Office of Telecommunications Policy and the FCC were in no sense competitors in the areas of national and public policy. I consider that, in certain major areas -- for example, in our respective roles in managing the electromagnetic spectrum -- we need to consult with one another, assist one another if and when such assistance was indicated, and advise each other of actual or potential problems which might affect our national telecommunications posture. It is my understanding that the relationship between General O'Connell and Chairman Hyde -- as well as between their respective staffs -- was a very close and productive one in the sense that they cooperated closely and continuously on problems of mutual concern. I would hope that this relationship between our respective offices would not only continue but be progressively strengthened.

Q: Will more Presidential recommendations on FCC policy matters such as the recent domestic satellite policy be sent to the FCC?

A: Yes.

Q: Back in 1963, President Kennedy established the National Communications System. It was to be developed by linking together major government systems and eventually we were going to get a fully survivable, integrated, economical and dependable system for any kind of national emergency. Seven years later, there is a serious question in my mind as to whether any of these four objectives have been attained. Can you comment on this?

A: As you know, Mr. Chairman, the Director of the Office of Telecommunications Policy has a key policy role in guiding the development of the NCS. In exercising this authority, the Director must work very closely with the Executive Agent and the Manager of the NCS, who are respectively the Secretary of Defense and the Commanding General of the Defense Communications Agency. I am confident that the recent reorganization in DoD which has resulted in the establishment of the position of Assistant/Secretary of Defense for Telecommunications -- will enhance the capability of both this office and of DoD to move ahead in the development of this communication system, which I consider to be indispensable to the national interest and security. I can assure this Committee that I consider this matter an urgent one.

Q: I am upset by what I see happening in these INTELSAT negotiations. As far as I can see, we are trying to give the store away. It's not right to do this when you consider that these satellites are up only because the U. S. spent the taxpayers' funds on the R&D to get them up. What is going on down there anyway?

A: Mr. Chairman, as the Committee knows, this office has a key role to play in national policy formulation with respect to satellite communications in general and to the global commercial satellite system in particular. I share your view that we should not dissipate at the conference table all of the hard won and expensive progress which we have made in satellite communication. However, I am confident that you and the members of the committee are sympathetic to the concept of international cooperation in world-wide communication and that you are in accord with the principle that no one country or group of countries should be permitted to dominate completely an activity in which, by definition, the concept of international cooperation is prerequisite to progress. I can assure you, however, that while I firmly hold to the principle of international cooperation, I do not in any sense subscribe to the principle of international domination.

Q: Much has been written and spoken about the increasing dangers to our society of computerization. The question of individual privacy is becoming more urgent as we move into the area of teleprocessing. Do you have any views on this subject?

A: I am aware of the fears which have been voiced. The issues involved here are complex. It is a problem whose ultimate dimensions are not yet clear. In the sense that teleprocessing is a new technology, we are faced with the initial problem of getting the facts. We don't know yet how this technology is going to develop, what kind of markets will be created, what sort of hazards to personal privacy -- if any -- will emerge. This is one of those problems which, again, deserve the benefit of interdisciplinary research and analysis. There is no question in respect to technical feasibility. The real questions are what effects the large-scale introduction of teleprocessing techniques and equipments will have upon our society. Hopefully, I will have the resources to apply to this kind of problem solving.

JUNE 26, 1970

Office of the White House Press Secretary
✓ (San Clemente, California)

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UNITED STATES INDEPENDENT TELEPHONE ASSOCIATION

438 PENNSYLVANIA BUILDING WASHINGTON, D. C. 20004

Area Code 202

783-5300

MEMBER
COMPANIES

Letter No. 1157

July 14, 1970

WHITE HOUSE APPOINTS CLAY T. WHITEHEAD FORMER MIT INSTRUCTOR AND ARMY CAPTAIN AS DIRECTOR TELECOMMUNICATIONS POLICY

An announcement
from the San Clemente,
California, White
House on June 26th

revealed the name of the long-awaited first Director of the Office of Telecommunications Policy, thirty-one year old Dr. Clay T. Whitehead, Special Assistant to the President.

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CUSTOMER CAN SUE PHONE COMPANY
FOR \$\$\$ LOST DURING MALFUNCTIONING

The D. C. Court of Appeals has ruled that a Washington refriger-

ator repairman can sue the phone company for the money he lost while his new business phone was malfunctioning and driving customers to competitors.

The court overturned a ruling last year by Judge Charles W. Halleck of the D. C. Court of General Sessions that prohibited Manual G. Horwitz, owner of the Real Estate Refrigeration Service, from suing the C&P Tel. Co.

A local tariff regulation says the subscriber assumes all risks connected with interruption of phone service, but the appeals court said that "only after the subscriber has begun to receive adequate service does the company's liability for interruption in service become limited by the tariff."

COPPER "UP" AS WESTERN ELECTRIC
INCREASES COST OF CABLE AND WIRE

The Western Electric Company has issued the following state-

ment: "Recently, the producers' price of copper was raised for the sixth time since early 1969. The increase in the copper market has also resulted in further increases in costs in connection with outside purchase commitments of exchange cable made to meet the Bell System's unprecedented high level demand for cable in 1970.

"It, therefore, again becomes necessary for us to increase our price for cable and wire products approximately 3% effective June 1, 1970."

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POTENTIAL EFFECT OF HOTEL-MOTEL
SURCHARGES ON TELEPHONE COMPANIES

Have you heard
of "INTMS," (Internal
Message Service),

incoming message service and "MS," (Message Service)? These acronyms and terms are being used with increasing frequency by hotel-motel personnel in conjunction with a surcharge notation on the bill rendered to the guest. It is our understanding that these hotel-motels associate this type of service charge with certain answering, incoming message handling, internal calling, "wake up" and similar services they provide. Reasons for the charge seem to vary "all over the lot." However, some explanations imply that the surcharge is necessary because of charges made by the telephone company. We don't see it that way at all.

WE SEE:

1. these services as purely hotel-motel services the charges for which are not covered by telephone company tariffs,
2. an adverse effect upon the telephone industry from misleading explanations of the reason for these surcharges, and
3. a need to call the attention of our members to this developing situation in the hotel-motel field;

AND SUGGEST:

Consultation with hotel-motel executives whenever this situation becomes apparent. Ask them to make it clear to their guests that this is a charge for hotel-motel services and is not related to rates charged by the telephone company. Urge them to eliminate the charge. If this is not possible, encourage them to include it in their room rate and to refrain from listing it as a separate telephone surcharge.

With respect to surcharges and the Regulatory Commissions involved, these general comments apply:

1. INTERSTATE SERVICE -- FCC Tariff 263 which covers charges for interstate and foreign long distance calls specifically prohibits the application of any charge not filed in that tariff, i.e., no surcharges.
2. INTRASTATE SERVICE -- Some State Commissions do, some don't, permit the application of additional charges on intrastate calls.
3. LOCAL CALLS - In most states surcharges on guest originated local calls are not prohibited.

July 14, 1970

SUMMER MONTHS BRING "CROP" OF
ARTICLES WITH FLOWERY COMMENTS
REGARDING INDEPENDENT TELEPHONY

A number of financial reports relating to Independent telephony have appeared in recent

weeks. Member Letter 1155 contained a reprint from The Commercial and Financial Chronicle entitled, "Rapid Growth of Non-Bell Phone Firms Creates Problems of Meeting Huge Demand."

Financial World, the investment and business weekly, in a June 10 article, discussed "Utilities in Era of Change" and "Communications: Wide Horizons." A significant part of these two pieces was devoted to the Independent industry. Quick on the heels of these two articles is a just released report of Argus Research Corporation on the Independent telephone industry, giving an appraisal of the Independent's Historic Growth, The Outlook For Future Growth, Regulatory Framework, Auditing and Tax Considerations, Operations, Non-telephone Activities and Profitability. The Argus Report is directed to the Central Telephone System, Continental Telephone System, General Telephone System, Mid-Continent Telephone System, Rochester Telephone System and the United Utilities System, although in the booklet there is a great deal of general information on communications, past, present, and future.

Enclosed is the summary (pages 3 and 4) of the report which we thought would be of interest to the membership. A copy of the booklet can be obtained from the Argus Research Corporation, 140 Broadway, New York, New York 10005.

U. OF K. HAS CO-ED CLASS FOR
ADVANCED MANAGEMENT PROGRAM

The Management Development Program at the University of Kansas

went co-educational with the attendance of a woman at the Advanced USITA



Left to Right: Tex Reid, Chuck Wiley, Frank Pinet, Don Hill, Bill Mousner, Ron Olsen, Jack Brindley, Jean Brandli, Joe Ramsey, Jim Robinson, G. I. Ross, Lee Shaver, Earl Lawrence, Ted Wozny, Jay Ross, Arval Schultz, Pete Broikou, Charlie Lamm, Ed Leftwich, Larry Wigbels, and Jim Herbert.

July 14, 1970

Program for top telephone executives June 21-26. Mrs. Jean Brandli, President of the Coosa Valley Telephone Company in Pell City, Alabama, was one of the nineteen telephone executives attending the intensive one-week program ending on Friday, June 26.

Executives attended from Puerto Rico and Barbados in the West Indies.

In its second year, the Advanced USITA Program was developed by the K.U. School of Business at the request of USITA. The program is restricted to management personnel with major responsibilities in operating telephone companies who have graduated from the regular USITA management program at least three years ago.

Discussions focused on economic conditions, stabilization policy, management science and operations research, use of remote terminal computing, forecasting models, quantitative management decision-making, the changing urban environment, the revolution in values, and policy implications for the telephone industry.

Faculty included Professor Allen Spivey, Graduate School of Business Administration, University of Michigan; Professor James Clifton, Anthropology, University of Wisconsin; Professor Ronald R. Olsen, Chairman of the K. U. Economics Department; and Associate Dean Frank S. Pinet, and Professors Charles B. Saunders and Lawrence A. Sherr of the School of Business.

TWX TRANSFER TO WESTERN UNION VOTED BY FCC

The FCC has instructed the staff to prepare a decision authorizing transfer of the Teletypewriter Exchange Service (TWX) from the American Telephone and Telegraph Company to Western Union (Docket 18519). Western Union agreed to purchase the service from AT&T in January 1969, for a total of \$85 million.

The Commission designated the transfer application for hearing in an order adopted April 2, 1969 (FCC-69-333) and hearings were completed on February 18, 1970.

COMMITTEE ON COMMITTEES CONFERS AT USITA NATIONAL HEADQUARTERS

The Committee on Committees (USITA President Beinetti and Vice

Presidents Case, Day and Galloway) met in the Conference Room at the Headquarters Office on July 1 to review USITA's committee structure, make recommendations for committee assignments for next year, and take other actions.



Around the table: George Beinetti, Joe Galloway, Weldon Case, Bud Day, Admiral Mott, and Mary Lee.

One change in committee structure was in response to the growing importance of data communications and the recommendation of the Chairman of the Data Processing Committee. In this case, the Committee on Committees decided to recommend that the Executive Committee approve the establishment of two new subcommittees.

In other actions, the committee did complete the work of selecting personnel to serve on the Nominating Committees for the selection of new members for the Board of Directors and for the Officers of the Association for next year. The committee heard and accepted a report on the progress being made in following the 5 Year Plan and approved recommendations for the Distinguished Service Medallion and Pacesetter awards. All other agenda items were completed.

However, as you might well imagine from a meeting of this group, many ideas are born which should help to advance the progress of the Association toward its goal of promoting the general welfare of the member companies. Wait till you see the panel program on Wednesday at the National Convention in Hawaii this October. Much of the "message" from that proposed program was developed at this meeting.

**TAI SERVICE DOES OUTSTANDING JOB OF
PROVIDING MANY VALUABLE "HELP-AIDS"
FOR INDEPENDENT TELEPHONE COMPANIES**

(TAI), under the able and expert guidance of Phil Rouda of Chicago, has been producing numerous services to assist local companies in advertising and public relations. Phil has worked closely with the USITA Public Relations Committee in developing these numerous items of interest.

Since the early days of the Association, Telephone Advertising Institute

To subscribers, TAI issues a most attractive package of posters, office displays, sample news releases, bill inserts, and one, two, and three column ads. Here are samples of ads from a recent packet:



**Night owl
long distance special**
35¢ or less coast to coast

From 11 p.m. to 8 a.m., seven days a week, any out-of-state phone call you dial yourself to anywhere in the U.S., except Hawaii and Alaska, costs only 35¢ or less plus tax for one minute. Additional minutes 20¢ or less plus tax.

COMPANY IMPRINT



**The best value around
is at your fingertips**

When you touch that dial, you command service that's as thoroughly modern and efficient as we can make it. Yet you pay for it at rates that remain reasonable. And we're striving to make your phone service an even greater value in the years ahead.

COMPANY IMPRINT



**Kitchen
go-togethers**

Ever seen what happens to chili or spaghetti sauce when it doesn't get stirred, because the cook is in another room talking on the phone? Call our business office today and order a phone extension for your kitchen. The cost is low . . . the convenience great.

COMPANY IMPRINT



**Don't lose business
before you
get a crack at it**

A constantly busy telephone signal can drive your customers and prospects right up the wall . . . and into the arms of your competition. Make sure you have enough phone lines. Ask us for a no-charge survey of your telephone needs.

COMPANY IMPRINT



**Spare a minute
and save a couple of
shopping hours**

Ever go shopping and visit store after store, only to find none of them carry what you want? Next time, check the Yellow Pages first before you leave.

COMPANY IMPRINT

The mats, in various sizes, are reasonably priced as follows:

1 column x 5 inches	\$0.65
2 columns x 5 inches75
2 columns x 8 inches90
3 columns x 10 inches	1.25

Bill inserts and calendar cards are priced within the reach of any company, large or small. Here is a sample of bill inserts promoting long distance -- business calls, and yellow pages -- business calls.

The decorative posters come in the large size, 14" x 22" in full color, and a smaller one, 7" x 10-1/2".

We highly recommend this sprightly package of useful material. For further information, call or write Phil Rouda, Telephone Advertising Institute, 120 South Riverside Plaza, Chicago, Illinois 60606. Phone (312) 236.0870.

NEW BILL INSERTS PROMOTE THE NEW LOW LONG DISTANCE RATES -- BUSINESS CALLS -- BUSINESS PHONES -- YELLOW PAGES

Telephone
Talk



**After dinner speakers
get the bargains**

Did you know there's now a thirty percent discount on out of state long distance phone calls in the evening hours of 5 p.m. to 11 p.m.? For only \$10 a week plus tax for 3 minutes, you can call anywhere in the U.S., except Hawaii and Alaska. Call it a good time by chatting with a friend or relative!

S-7

Telephone
Talk



**Saying "hello"
costs less than "Dear Sir"**
--and is far more effective

To send an average business letter costs you about \$3.00. For just money you could make ten calls. So don't let the many cost of business phone up your communications bill. When you use Yellow Pages, you call, and direct.

S-8

BILL INSERTS ARE SOLD TWO AT A TIME. BOTH ARE PRINTED
AT THE SAME TIME AND DELIVERED AT THE SAME TIME.

SAVE AT THESE LOW PRICES

1 to 4,999 -- \$4.50 per thousand or fraction thereof of each insert	10,000 to 24,999 -- \$3.75 per thousand or fraction thereof of each insert
5,000 to 9,999 -- \$4.00 per thousand or fraction thereof of each insert	25,000 to 49,999 -- \$2.75 per thousand or fraction thereof of each insert

COMPANY IMPRINT: \$2.00 for each thousand or fraction. Special prices on larger quantities

HOW TO ORDER: Specify the quantity you would require for one bill insert. This will also represent your order for the second insert. Orders will be taken until August 1st. Both of your inserts will be delivered within three weeks.

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George S. Beinetti, USITA President, receives the first of the new USITA membership plaques.

An updated display plaque will be distributed to all members, old and new alike, to replace the old "chain" metal membership emblem used for many years by the Association. This new look gives USITA an attractive public relations vehicle and should be a popular item for lobby display.

**NEW FEE STRUCTURE APPROVED BY
FCC MAKES DRASTIC CHANGES TO
ENABLE "PAY AS YOU GO POLICY"**

Communications Commission has scheduled a five-fold hike in its filing fees effective August 1, 1970. The jump from a present collection of approximately \$4,500,000 annually to an estimated \$25,000,000 for 1971 is designed to recover and turn over to the Treasury as miscellaneous receipts the entire budget appropriation for Commission operations.

The Commission in developing the new schedule took into consideration not only "value to the recipient" and "public policy and interest served" criteria but also considered allocation of Commission costs per major activity. Thus, the estimate of some \$4,700,000 collections from common carriers approximates its \$4,631,400 budget allocation for common carrier activities, 18.6% of the total.

In its original proposal, the Commission had proposed a 2% of construction cost as one factor imposed on common carrier applications (Member Letter 1144). This approach has been dropped and replaced by a channel miles charge where appropriate. In addition, a new two-step "pricing policy" has been established: a filing fee and a grant fee for each application. For example, the existing fee for an authorization for a base station in the Domestic Public Land Mobile Service is \$75. In the new schedule a filing fee of \$100 must accompany the application and within 45 days following the grant

In the face of almost total opposition by its licensees, from broadcaster to amateur, the Federal

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a grant fee of \$150 must be returned to the Commission. Renewal of an existing base station license calls for a filing fee of \$25 (no change) plus a grant fee of \$125 after the license renewal is received.

Particular attention must now be paid to microwave authorizations. In addition to the filing and grant fees of \$50 and \$150 for initial construction a mileage fee of \$6.00 per 100 equivalent 4Kz channel miles will be required. However, it is our understanding that those Independent companies with existing microwave installations who will be required to renew their licenses within the next year need file only the filing and grant fees specified for renewal of license (\$25 and \$100).

WHAT GOES ON HERE AND THERE

Several key personnel changes within the United Telephone

Company of Ohio have been announced. **RAY D. ASKINS** has been named Manager of Revenue Requirements. **KENNETH SEYMOUR** will become Manager of the Mansfield Division. **GEORGE KNAPIC** will become Director of Personnel for the company, moving to the headquarters in Mansfield. **WENDELL B. STOCKDALE** will become Warren Division Manager Retirement plans of **OLIVER L. DAILY**, whose telephony career spans 48 years, have been announced by General Telephone Co. of Ohio **L. A. CORNING III**, District Public Relations Supervisor for Carolina Telephone & Telegraph Company, has been named Public Relations Manager for the Southeast Group of United Telephone System operating companies. I won't say pollution's getting worse, but did you hear about the gardener with a yard full of gray roses. Communication Equipment and Contracting Co., Inc. (CEAC), has opened a regional office in Charlottesville, Virginia; headquarters are in Union Springs, Alabama. **R. M. PIRNIE**, President, announced the appointment of **K. M. (Jack) HUDGINS** as Eastern Regional Manager Congratulations to our long time friends -- **JACK MCCARTHY**, who was recently appointed head of the Washington office of United Utilities, succeeding **LLOYD S. MILLER**, **JIM NAYLOR**, who was recently named Vice President of Continental Telephone - Northeast Service Corporation, and **BASIL J. BORITZKI**, Director of Tariffs and Settlements for United Utilities, Inc., who has been elected to the position of Assistant Vice President. We also tip the USITA hat to **JAMES R. PRICE** who has been appointed Assistant Vice President - Regulatory Relations of the GT&E Service Corp. Mr. Price will be a liaison with government agencies and other regulatory groups and will be located in Washington, D. C. **CLIFFORD E. PUCKETT** has been named Director of Industrial Relations for Stromberg-Carlson Corporation Mrs. Martha Mitchell, the often quoted wife of the Attorney General, believes women have been discriminated against. "I'm a perfect example of a woman discriminated against. If I were a man and say what I say, nobody in the world would pay one iota of attention to

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me," she states **CLARENCE H. ROSS**, President of Central Telephone & Utilities Corporation, has announced the engagement of **EUGENE P. ALFONSIN** as his Administrative Assistant. Mr. Alfonsin, formerly with the Bell System as Marketing Supervisor, served on the evening faculty of Long Island University conducting classes in Marketing and Business Organization and Management. He also served on the faculty of the State University of New York. The Kershaw Telephone Company of Kershaw, S.C., has been purchased by Mid-Continent Telephone Corp., according to a joint announcement by **WELDON W. CASE**, President, and **B. D. McDONALD**, Chief Executive of the Kershaw Company. Northern Ohio Telephone Company has entered into a letter of agreement to purchase The Spencer Telephone Company and The Chatham Farmers Mutual Telephone Company. The announcement was made jointly by Northern President **ROBERT M. WOPAT**, Spencer President **KENT D. FIRESTONE**, and Chatham President **ALBERT E. NOAH**. Completely up to date, Wide Area Telephone Service (WATS) maps are now available for all 58 WATS Service Areas in a convenient 5" x 8" bound edition. This comprehensive publication includes an indexed area code directory. Single copies - \$4.95; additional copies - \$3.95 each. Available through the Center for Communication Management, 67 South Franklin Turnpike, Ramsey, New Jersey 07446. **WALLACE E. JONES, Jr.**, is the new Assistant to **JULES A. MACK**, Marketing Manager for equipment products of Superior Cable and Equipment Division, Hickory, North Carolina. **WILLIAM F. SAILOR** of Dayton, Ohio, has been appointed Chief Engineer of The Western Reserve Telephone Company **GENE E. SAVAGE** has been elected Vice President and General Manager of United Telephone Company of the West, Scottsbluff, Nebraska. **WILMOT POESE** has been named General Traffic Manager of the United Telephone Companies - Midwest Group. The following have been elected Puerto Rico Telephone Company Officers: **GEORGE P. KNAPP**, President; **GEORGE H. ZOFFINGER**, Senior Vice President - Operations; **ROBERT F. BENTON**, Comptroller; **DAVID BEEKMAN**, Vice President - Administration; and **LUIS ROMERO**, Vice President - Operations Staff. A regional organization plan, designed to streamline the functions and operational activities of its Ohio subsidiaries, was recently announced by Mid-Continent Telephone Corporation. The state has been divided into eastern and western divisions in charge of a regional manager reporting to **F.J.W. HEFT**, Executive Vice President - Operations. For the state of Ohio, **NELSON H. CASE**, President of The Western Reserve Telephone Co., has been appointed Regional Manager. His administrative staff includes **THEODORE H. CASE**, as Ohio Marketing and Public Relations Manager. In the Eastern Division, three districts have been created. Northern District Manager is **TRUMAN H. BROWN, Jr.** Manager of the Central District is **F. H. WOOD**. In the Southern segment, **RICHARD R. MYERS** is District Manager. Manager of the Western Division is **BAXTER H. CASE**. **EUGENE GREENE** of Meadville, Pa., who has been heading the Western Ohio and Paulding companies, will devote all of his efforts to the Meadville Telephone Co., an operating subsidiary of

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the Mid-Continent System The nation's first free horoscope by telephone -- Dial (916) 544-8770 -- is now in operation in South Lake Tahoe, California. The automatic equipment was installed in the home of a retired manufacturer. Individual horoscope telephone numbers are listed with information under the zodiac signs. **L. E. TRAVIS**, Chairman of the Board of the United Telephone Company of Florida will become President of United System Supply, Inc., in Kansas City. Buckeye Telephone & Supply Co., Columbus, Ohio, has been purchased by Mid-Continent Telephone Corporation, it was announced jointly by **WELDON W. CASE**, Mid-Continent President, and **WILLIAM C. SNYDER**, Buckeye Chief Executive At last, Detroit knows how to make a good economy car. Now if it could only make good economy parts! **RAY H. DITTMORE**, President and Chairman of the Board of Universal Telephone, Inc., has announced the recent acquisition of Madison Valley Telephone Company at Ennis, Montana. The company's exchanges at Ennis and Harrison service about 718 dial stations. This is Universal's first acquisition in the state of Montana and raises its total utility subscribers to over 38,000. As of June 30, the end of the government's fiscal year, there were \$478.5 million dollars in loans on hand in the REA telephone program. To meet this loan requirement there will be between \$125 and \$140 million in appropriations available for loan purposes. Did you know that July First was the birthday of the first U.S. postage stamp printed in 1847? The reason I mention it is -- that the letter has just been delivered! The USITA Ad by U.S. Senator **HOWARD H. BAKER, Jr.**, is enclosed.



Washington Daily News

ARTHUR WOOD, JR.
Director of Information

Enclosures

Joint U.S., State Panel Formed On AT&T Rates

By Robert J. Samuelson
Washington Post Staff Writer

The Federal Communications Commission and state regulatory officials have formed a joint board to resolve a long-standing dispute over whether technological improvements in telephone service should result in relief for local or long-distance telephone rates.

The controversy was rekindled last fall when the FCC and the American Telephone & Telegraph Co. negotiated a \$150 million reduction in long-distance charges—at the very time when local AT&T affiliates were appealing to state regulatory officials for increases.

State regulators complained bitterly about the FCC's action. They claimed that the agency should have used the \$150 million savings, resulting from technological improvement in long-distance communications, to reduce upward pressures on local phone bills.

The latest FCC action appears to be an attempt to avoid Congressional action, requested by the state regulators, that would deprive the FCC of its power to determine the division of the phone company's total investment between local and interstate (long-distance) service.

That division indirectly affects the level of rates. As more investment is considered necessary to maintain local service, the higher phone rates must be to give the company a "fair" return (and vice versa).

The state regulators want the FCC to require AT&T to transfer more investment

from its "local" jurisdictions to long distance—instead of making cuts in long-distance phone charges.

The state bill, still pending before Congress, would create a joint state-FCC board (with an FCC majority) to determine the "separations" of investment plant between local and long-distance service.

By contrast, the new board established this month by the FCC, though it has a 4-3 majority of state regulators, can only make recommendations to the full seven-man FCC, which will still make the final determination.

The new board meets for the first time this week.

In an interview last week, Bernard Strassburg, chief of the FCC's Common Carrier Bureau, said "there are some possibilities (of 'separations' changes) by the end of the year . . . (but) whether they'll be substantial is hard to say."

Meanwhile last week, the FCC also affirmed a decision from the Common Carrier Bureau ordering AT&T to liberalize its offering of Telpak communication services—packages of communications circuits leased by large business users at low rates.

The decision will require AT&T to allow companies to join together to purchase such Telpak packages as a way of receiving cheaper service. Until now, only a few users—the government and other utilities—could share Telpak circuits.

comment

Interconnection Policy

Sir: "Observations" in the April 1 issue under the subheading "Interconnection Fallout" mentions, among other companies, Nippon Electric and Graybar. Although you do not specifically state that Graybar is selling NEC equipment for the interconnect market, some readers might construe this to be the case.

Our policy has been firmly established that Graybar is not involved in sales of switching equipment to the interconnect market for the following reasons:

1. We feel that the proper organization to supply switching equipment to subscribers is the telephone company servicing that particular subscriber. Telephone companies have been in business many years serving these customers and will for the most part do it better than someone who has just recently entered the field.

2. Maintenance on a par with that offered by the telephone company will be difficult to furnish.

3. If the "interconnecting contractor" is able to supply proper maintenance and well designed equipment, we do not see how this can be accomplished at prices comparable to those the telephone company can offer on a long-term basis.

For reasons outlined above, we believe that those customers who do buy for the purposes of interconnection will for the most part be unhappy with the arrangement in a few years and will reestablish their former relationship with their local telephone company.

The independent telephone company is the principal customer we wish to serve in the sale of NEC switching equipment, both PABX's and central office crossbar types.

R. B. Thompson
General Communications
Sales Manager
Graybar Electric

► In addition to firmly stating Graybar's position, TEC-M appreciates Bob Thompson's postscript "Keep up the fine work you are doing in bringing news to the telephone industry." Thompson is a member of the USITA's Convention Committee—Editor

(Over)

INSIDE THE MARKET

Are Independent Phone Firms Getting the Call?

BY ERNEST A. SCHONBERGER, Times Staff Writer

The trick has been to find companies that seem rather sure of growing faster than they did in the late 1960s—when a great many companies grew like Topsy only to flop like Humpty Dumpty.

Argus Research Co., the independent securities research organization in New York, thinks it has the answer: independent telephone companies.

Essentially, Argus calls attention to the industry's inability in the 1960s to boost profits as greatly as its revenues. Rising interest costs and lagging rate relief simply did not permit the revenues to flow through to profits.

Now, however, the interest rate trend should reverse and regulatory relief should pick up as Argus analyzes it.

Not everybody agrees with that analysis, however.

Many Near Lows

Many investors have been selling off their independent phone company holdings to the extent that many are hovering around their lows for many years. Part of this has been sensitivity to interest costs which has helped drive virtually all types of utilities to ever lower prices. But part of the selling pressure has also been disappointment with the earnings growth rates of the independents; they didn't live up to Wall Street's hopes and promises.

Not only that, some of the independent phone companies will be posting less than substantial growth rates in 1970 also. Walter French, Argus analyst who headed a team that just completed an in-depth study of the independents, says Mid-Continent Telephone and United Utilities will fall in this category this year.

Nonetheless, French believes United is attractive for intermediate to long-term growth at its Monday price of 15 7/8. And he sees Mid-Continent as reasonably priced at 15 1/4. United is expected to earn \$1.40 per share this year vs. \$1.32 last year; Mid-Continent is pegged at a likely \$1.25 net this year vs. \$1.24 in 1969.

Favorite Stock

But his favorite is Continental Telephone which closed Monday at 17 3/4. French thinks the company will grow at a 12% compounded rate through 1975—2 to 4% faster than the other independents. He estimates 1970 profits at \$1.45 per share vs. \$1.28 last year.

French also views General Telephone as attractive for income with a yield of about 6 1/2% and for intermediate to long-term growth. It closed Monday at 21 3/8, about 10 times French's estimate of \$2.10 profit per share in 1970 (down from \$2.23 last year).

He'll probably get his biggest argument on General Telephone. Its solvency, judged by the ratio of current assets for each dollar of all debt, is ranked fourth lowest in the nation in a report by Capitol Advisors Inc. of New York. And, of all the independents, it has been sold the most relentlessly by institutions.

Part of General Tel's problems have nothing to do with the telephone business, however. Much has to do with its general operations, notably slackening color TV sales at Sylvania. Declares the research chief at a major mutual fund group which unloaded its General Tel: "It's less of a phone company than the others—and more of a manufacturer."

But the same mutual fund research chief agrees that the independent phone companies relying heavily on the telephone business are "well worth looking at. They won't have a good move in the stock market unless interest rates come down. But even if interest rates stand still, they'll gradually be getting rate relief, you know." The prices of most of the independents have dropped sufficiently to discount all but a widespread national financial panic, he feels, "but I don't think we'll come to that situation."

French believes major social and economic changes in the nation foretell more rapid growth for the independent phone companies compared to AT&T and many of its subsidiaries. This includes an increasing movement by population from crowded central cities to suburbs and rural areas—the bailiwick of the independents. Similar movement by industry means more "computer talk" on the lines of independents.

Negative Factor

Some analysts would view the increased computer talk as a negative, however. One of Wall Street's top electronics analysts says the return on investment is much lower for phone companies who must cope with technological demands of computer talk in comparison to the return on investment for ordinary voice communication.

Regulatory decisions will play a big part, French says. And this definitely varies from state to state.

One of the reasons French prefers Continental Tel is that it serves suburbs and rural areas in almost every state—so that some rate increases are bound to come through. Thus earnings would benefit even if some states opted for very low awards.

Service Question

Part of the problem, however, is service of the independents. As a general rule, analysts concur, the independents don't give the level of service obtainable through Ma Bell and its subsidiaries. And some states want to see the service improve before they grant rate increases. Thus, a vicious negative cycle of poor service but no rate relief as a way to pay for better service could be brewing.

The alternatives for those firms who can't get rate increases are to sell bond issues or float more stock. Bond interest rates cost them well above the allowed rates of return. More stock means dilution of the earnings over the number of shares outstanding — something that scares away rather than attracts new equity investment.

Argus recognizes much of the potential negatives for independents. But it still projects a growth rate not only much better than AT&T's but far better than the economy as a whole.

Others recommended by Argus are Central Telephone and Rochester Telephone, although French sees them as having less appeal than his top four, based on current prices. Nonetheless, he thinks they'll "work out" over the medium to long term. In all, there are almost 2,000 independent phone companies in the nation, a great many of which are not publicly held.

AT&T Unit to Provide Bilingual Operators For Emergency Calls

Pacific Telephone Says Service
By New Translation Bureau
Will Start Next Month

By a WALL STREET JOURNAL Staff Reporter

SAN FRANCISCO — Pacific Telephone & Telegraph Co. said it will provide bilingual operators to assist in routing emergency calls from Spanish-speaking persons "on or before July 30." The new translation service will be provided 24 hours a day, seven days a week, a spokesman for the utility said.

Pacific Telephone's announcement came at a hearing before the California Public Utilities Commission, where the company is seeking a record \$185 million rate increase.

In April, California Rural Legal Assistance, a Federal antipoverty agency, filed a claim with the California commission requesting that Pacific Telephone, about 90% owned by American Telephone & Telegraph Co., be compelled to provide full bilingual services. This claim will be heard by the California agency beginning tomorrow.

The antipoverty agency claim, filed on behalf of an estimated 300,000 Pacific Telephone subscribers, asserts that Spanish-speaking subscribers are denied "basic services," such as information and emergency services, because of the lack of bilingual operators.

Pacific Telephone said that on or before July 30 it will have established a "translation bureau" that will handle emergency calls for Spanish-speaking persons. A spokesman for the utility said calls from Spanish-speaking individuals would be routed to Spanish-speaking operators in the offices where such operators are working. If the particular office doesn't have a Spanish-speaking operator, the spokesman said, or the operator is off-duty, then the call will be automatically trunked to the new translation bureau.

The complaint filed with the Public Utilities Commission alleges that Spanish-speaking sub-

scribers' safety and health is endangered "due to their inability to communicate with police, fire department or hospitals" because of the lack of bilingual operators.

The bilingual operators provided by the translation bureau will be handling these types of problems, the utility said. A spokesman at Pacific Telephone conceded that "as a practical matter, some of the calls that will be processed won't be emergency calls." This results from the fact that the bilingual operator won't know if the call involves an emergency until he begins to speak to the caller. A spokesman for the antipoverty agency said the "confusion" that will result from such a procedure is a "strong argument" for full bilingual service.

In support of its contention, the legal assistance agency's petition noted that Canada and Mexico have bilingual operators and estimates such operators would cost Pacific Telephone, "only about \$50,000 per annum." The legal group's spokesman added that it would cost the typical subscriber, "only about a penny a year."

Pacific Telephone, largest of the Bell System operating companies, has a total of 5.8 million customers. It has a little over 5,000 employees with Spanish surnames. The Federal agency specified Spanish-speaking customers in the petition because Spanish-speaking residents make up the largest non-English speaking in California.

SERVICE IS OUR BUSINESS—

Speak Up, Senator...AT&T Is Listening In

By RONALD KESSLER
The Washington Post

WASHINGTON — The Chesapeake & Potomac Telephone Co. monitors portions of 33,000 local and long - distance calls each month from throughout metropolitan Washington to determine the quality of telephone service.

The company, part of American Telephone & Telegraph Co., says the procedure is necessary to maintain high telephone system standards and contends no one's privacy is invaded by the practice.

"Service is our only product, and if we can't examine it, we're in pretty bad shape," a C & P spokesman says.

White House Only

Only the lines at the White House are completely exempt from monitoring, C & P says. Monitoring of local calls from the Capitol was discontinued in 1962, the company says, but long - distance Capitol calls continue to be included in the procedure, which the telephone company calls "service observing."

Other lines monitored are the home telephones of senators and congressmen, those serving the Departments of De-

fense, State and Justice, the Federal Bureau of Investigation and the Federal Communications Commission, which regulates the telephone company.

Also included is the government leased - line network, called Federal Telecommunications System (FTS), that connects all agencies of the government. (The Defense Department has a separate communication system that isn't monitored).

When informed of the practice, Sen. Abraham A. Ribicoff (D - Conn.) termed it an "outrage." An official of Sen. Edward Kennedy's administrative practice and procedure subcommittee said the subcommittee intends to take a "close look" at the C & P operation.

Management Decision

A C & P spokesman says exemption of White House lines and partial exemption of Capitol calls was a telephone company "management decision to avoid any misunderstanding among people not knowledgeable about service observing and what it accomplishes." No request for exemption was made by the White House or Capitol, he says.

Service observers who monitor the



calls are instructed to cut themselves out of a call as soon as "satisfactory conversation" has begun, indicating to the listener that the caller has reached the party he wanted. Until June 1, 1966, observers were instructed to listen to each call for 10 minutes to note transmission quality and whether cutoffs occurred.

Observers insist they do not listen to calls longer than necessary and do not recognize or remember the names of senators, congressmen or other government officials while determining if satis-

factory conversations have begun.

No Intelligence

Even when observers were instructed to listen to toll calls for 10 minutes, no intelligence was picked up, observers say.

"It went in one ear and out the other." Mary Frances Beverage, assistant chief observer in Washington, says. "The only thing we were interested in was transmission quality, interruptions, cutoffs and equipment failures. You never repeated anything."

A former C & P long - distance observer, now an operator at a Washington hotel, says "No one is going to admit that she listens to calls."

Asked why quality - control checks could not be conducted by making test calls or by scrutinizing complaints, a C & P spokesman said these approaches would not be feasible because trouble on a line could be caused by a customer's telephone, which would not show up by using test calls, and because "many customers have different standards. We have a standard of what service should be like, and we want to measure up to it."

High Cost Of Hiding Phone Wires Irritates Builder

By ELIZABETH WHITNEY

Of The Times Staff

Installation charge for
new telephone -----\$10
Cost for
installing conduit -----\$50

Total installation cost for
condominium apartment
owner -----\$60

Only the \$10 installation charge is on the bill the buyer of a new apartment gets for his phone installation, but the total amount he pays is more like six times that much, according to C. A. Brown Jr., assistant to the executive vice president of the Imperial Land Corp., Clearwater-based homebuilding giant.

THE ISSUE that has Charlie Brown's dander up is the recently passed tariff provision of General Telephone Co. that requires builders of one- and two- and three-story apartment buildings to install conduit pipe to provide concealed telephone wires for individual apartment owners. (The only alternative permitted is exposed wiring.)

Until the new regulation was approved by the Public Service Commission on May 2, wiring customarily had been installed in the walls during construction and later was covered up by the outer walls.

The previous regulation stated, "When concealed wiring and outlet boxes are installed by the telephone company . . . no charges shall be made."

THE COST per apartment for installing conduit, Brown says, requires "between \$40 and \$60." That isn't the entire cost, Brown notes, for thicker furring is required to accommodate the conduit.

"Builders don't absorb this added cost," Brown points out. "We're not in business for our health. We can't just absorb \$2,000 more on a building. Of course, we pass it on to the buyer."

Brown feels the purpose of the conduit requirement is easier and cheaper installations and maintenance for the telephone company. "If it's a profitable move for the phone company," he opines, "then the phone company should absorb the cost."

BROWN concedes the desirability of conduit for high-rise buildings that use lots of steel but, he says, "the conventional CBS (concrete block and stucco) garden apartment is built just like a house. Next they'll be insisting on conduit for houses."

"The honest way to do it," he continues, "would be to bill the individual apartment owner for the conduit but, of course, the homeowner would object. This way the conduit cost is buried in the builder's electrical costs."

Brown does not stand alone. Dann Dees, executive vice president of the Contractors and Builders Association of Pinellas County, says a subcommittee of the association's legislative committee is studying the phone company's new tariff.

WHEN THE matter was discussed at a recent board meeting, however, Dees noted, "There seemed to be a consensus that this is another way for General Tel to get a rate increase. Other multifamily builders are concerned; they'll have to pass this cost on to the consumers. With all the other price increases, builders fear they soon may price themselves out of the market."

That's the builders' side. What do General Telephone and the Public Service Commission (PSC) say?

Don Wilson, Clearwater northwest division manager for the phone company, says, "The main reason for the conduit requirement is changes in the art of telephony. Picture phones, home computers, newspaper print-outs in the home are all on the horizon. We're trying to modernize."

ASKED WHEN General Telephone Co. expected to have television telephones on the Suncoast, Wilson said, "Our target date is the mid-70s. We're making engineering plans for it now. We already have a master plan."

Another reason, Wilson said, is "damage to our facilities. When someone puts a nail in a wall, he may puncture the wire in two or three apartments. This means we have to tear the wall apart. If they don't want us in their apartments or if they're not at home, it makes for delay. Or if we run the wires down the hallway, people object because it looks bad." Also, he adds, conduits permit "quick maintenance."

Asked how frequently damage occurred to telephone wires, Wilson declined to make even a rough estimate, but he said, "It's a problem."

Brown, noting that his firm has 387 apartment units under construction, comments, "I personally have never seen them (the phone company) have to tear up a wall or put exposed wiring in the hallways after construction has been completed."

"THEY RUN the conduit from a central switch down to the first outlet in each apartment. Then they prewire from those outlets just as they did before. This is where their logic breaks down because many wires are still in the walls, still exposed to the persons driving a nail."

Furthermore, Brown feels that the phone company's professed concern for protecting the wires from damage lacks credibility when the alternative permitted under the tariff is exposed wiring "which the dog can chew or children run into with a tricycle."

B. H. Overton, director of the PSC rate department, and James Parks, PSC rate analyst, noted that Brown had been sent copies of the proposed changes well before the

commission approved them. Brown, they said, had discussed the question with them several times by phone "but never gave us anything specific."

BOTH NOTED that the new tariff "was practically verbatim what's been in the Bell Telephone tariff for some time."

Overton was asked to comment on a sentence of the new tariff: "The final decision as to the feasibility of preinstalling interior wire within all or any portion of a building and the type and method of such pre-installation will rest at all times with the telephone company."

He responded, "Regardless of this provision, if there is any unreasonable action by the phone company, we'll investigate it."

Call Right Number — You'll Get Your Phone Fixed

By CLAYTON REED

Times Business Editor

The trouble with most people, as I guess you've heard often enough, is that they have no imagination.

You take these Florida West Coast telephone rate hearings, for example. Think of it — on a hot summer's day, all those people drag themselves down to some auditorium to speak their piece about their own particular version of lousy telephone service.

The lure, of course, is that the People Who Count are there. Members of the Public Service Commission, and high General Telephone Co. officials, out in the open where you can get at 'em.

BUT DOES it pay? The chances of your getting a chance to sound off are not very strong to start with; there are all those retired folks with lots of time, and

the hoppity-hop television people, and Jim Fair, Tampa's nominee for Public Embarrassment, No. 1, wanting to be ringmaster of the circus.

Beside, you might not get on TV, anyway.

If you really want something done about your telephone service — or your busted brand-new air-conditioner or your car that's a lemon or whatever — there's a better way: Go to the top. Directly. Get the top man on the phone at home.

I REALLY can't say it was my imagination that devised this scheme. It was a revelatory article in last Friday's Wall Street Journal.

It disclosed that not all company presidents and board chairmen have unlisted telephone numbers. True, many of them, like Time Inc.'s Hedley Donovan, get their wives to take all calls

and screen them.

But in Pittsburgh, the Journal says, the many members of the H. J. Heinz family don't want to be missed. Their numbers, all have a 57 in them, as in 57 varieties.

"A goodly number of executives believe," says the WSJ, "that they should always be available to anyone who wants to talk to them. They have listed numbers, they answer their own phones and they patiently and willingly talk to anyone — drunk or sober — who calls with an idea, a complaint, a threat.

How's Business?



Sometimes the calls are collect and the executives end up paying to hear themselves cursed out."

THERE, you see? It is American business democracy at work, by gum, so why get yourself mashed at some public hearing? And there are some examples of how it can get results:

A California magazine reporter called the president of a telephone company (ah, ha!) at night.

"I want you to fix my telephone," he said.

"There must be some mis-

understanding," said the prez. "I'm not the person who fixes phones."

"I want YOU to fix my phone."

"You don't understand. I haven't fixed a phone in 15 years."

"You are the president of the company. If you rose that high, you must know something about telephones. I want you to fix mine or you're going to hear about it in my magazine."

Within 30 minutes, the writer said, seven servicemen arrived at his house.

ALL RIGHT, let's see if there's anything in the article about the really top people in telephones. You'd think that they would be somehow obligated to have listed numbers. They owe it to us, don't they?

Sure enough. Here's Mrs. H. I. Romnes quoted; she's the wife of the AT&T chair-

man. She says she has been "awakened in the middle of the night when Mr. Romnes is away, and I assure you it's most disturbing." She says she solves the problem by "disconnecting the telephone bell."

Humph.

"LESLIE WARNER, president of General Telephone & Electronics" — hey, we're home! — "says he only gets about one call a year at home. But when he does he says he tries 'to be nice to them and calm them down and do what you can.'"

I've got to get that number.

The WSJ continues: "What the callers want, he says, 'is a good, strong argument. So you don't give them the satisfaction.'"

Oh, well, gee . . .

Where did the paper say those hearings are being held?

6-24-70

Network Holdings In CATV Barred; Growth Proposed

FCC Master Plan Is Hailed By Industry; Public TV Would Get Profit Share

Distant-Signal Ban May Ease

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—The Federal Communications Commission formally announced its master plan for regulating the controversial cable-television industry.

The package of FCC actions and proposed actions, most of which already had been reported unofficially, focuses primarily on cable-TV programming and the question of who should be allowed to own the nation's cable-TV systems. It also deals with technical standards and the FCC's relationship with state and local agencies in regulating cable TV.

In the ownership area, the FCC barred the three major broadcasting networks from the cable TV field and prohibited the joint ownership of cable-TV operations and over-the-air TV stations within the same community. Dual owners were given three years to divest themselves of one of the units or swap it for one in another town.

Columbia Broadcasting System Inc. and National Broadcasting Co., a division of RCA Corp., which own cable systems in the U.S., declined immediate comment on these two actions that have a direct effect on their operations. The two actions—though final—are still subject to petitions for reconsideration and court appeals should the networks decide to take moves along these lines.

CBS operates a number of West Coast CATV systems serving over 100,000 subscribers; NBC has five cable systems serving a total of just under 20,000 subscribers in Kingston, N.Y., and the Seattle, Wash., and Los Angeles areas. American Broadcasting Cos., the third major television network, doesn't operate any CATV systems.

CATV Firms Jubilant

As expected, the CATV companies were jubilant over the FCC rulings. Irving B. Kahn, chairman and president of TelePrompTer Corp., New York, described the FCC proposals as "a creative, far-sighted package designed to assure maximum service to America's viewing public."

James T. Ragan, president of Athena Communications Corp., New York, a Gulf & Western Industries Inc. subsidiary, said the FCC action "should be an important stimulus to important growth" by the CATV concerns. William Bresnan, executive vice president of H&B American Corp., Beverly Hills, Calif., said "it's the first time the FCC has taken positive action to develop cable. Historically, they just restricted us. Now they're allowing us to grow and take a place."

In Denver, American Television & Communications Corp., another major CATV operator, said it was "delighted" by the FCC ruling. "It's a great recognition that CATV is going to be an important industry," one official of the company said.

The commission asked for public comment on additional proposed rules that would bar joint ownership arrangements among cable TV, over-the-air radio stations and newspapers. It also sought comment on several alternative proposals that would limit the total number of cable-TV systems any one owner could hold.

In the programming area, the commission proposed new rules aimed at allowing cable-TV systems to expand their operations in the nation's 100 largest cities while offering financial protection to educational and ultra-high-frequency, or UHF, TV stations in those markets.

Cable TV, sometimes called community antenna television, or CATV, involves the use of large master antennas to pick up signals of TV stations; the signals are amplified and transmitted by cable or microwave to a central community point and distributed by wire into homes of subscribers. Original CATV systems in the early 1950s served mostly small towns and rural areas where over-the-air TV reception was poor. But the industry later began expanding into larger cities, stirring bitter opposition from commercial broadcasters.

Existing FCC policy, with some exceptions, has barred CATV operators in large cities from carrying programs that originate from broadcast stations in other cities. In December 1968, the FCC proposed to change that by requiring systems in the top 100 markets to get permission from the TV station originating the signal before bringing it into the market. The latest FCC programming action, if adopted, would considerably ease restrictions on such distant signals.

Conditions Listed

The FCC proposes to allow CATV systems in the top 100 markets to carry local programming, plus the programs of four out-of-town independent TV stations. But there would be two conditions:

—To aid educational TV, CATV operators would be required to pay 5% of their gross income to the Corporation for Public Broadcasting, which oversees the production and distribution of cultural and educational TV programs to independent TV stations. The commission estimated that this would raise about \$30 million a year from each 10 million CATV subscribers.

—To protect struggling UHF TV stations, CATV operators would be required to delete the commercials from out-of-town programming and replace them with the local commercials that UHF stations carry. This is aimed at offsetting the contention of UHF stations that CATV systems will fragment their viewing audiences and, in turn, drive off their advertisers.

In a slight concession to the more powerful very high frequency, or VHF, broadcasters, the FCC also proposed that such commercial substitutions be offered to any local station that could demonstrate that its ability to serve the public is threatened by the CATV competition.

Plan Isn't Spelled Out

The FCC announcement didn't say how this commercial-switching would be accomplished, noting only that "new technology would be useful" in working it out.

All the programming proposals are contingent on Congressional approval of a related FCC proposal to require cable-TV operators to pay copyright fees on distant signals brought into the top 100 cities.

On another aspect of its programming proposals, the FCC asked for comment on whether CATV systems should be required to make additional channels available, free of charge, for specified uses—airing the gripes of local citizens on various issues and political broadcasts, for example.

The FCC generally reaffirmed action it took last October requiring CATV systems with more than 3,500 subscribers to begin originating a "significant" amount of their own programming, rather than just relaying over-the-air signals. However the FCC delayed the effective date of that order to April 1, 1971, from Jan. 1, 1971.

On other matters, the FCC asked for comment on the question of how CATV regulation should be apportioned among the FCC and state and city agencies. Some regulation—of franchise awards and subscriber fees, for example—is currently handled by municipalities and state utility commissions. The FCC proposals include one that would call for direct Federal licensing of all CATV systems. Also in this area, the FCC sought comment on a proposal that would bar CATV systems from paying more than 2% of their gross income to cities as franchise fees.

In another part of its CATV package, the FCC adopted new rules that in limited instances would impose programming restrictions on CATV similar to those the FCC previously imposed on over-the-air pay-television systems.

The restrictions would apply only to CATV channels where the operator is originating programs and selling them to subscribers on a per-program or per-channel basis. The restrictions generally prohibit the showing of films more than two years old and of sports events carried in the same community within the previous two years by free over-the-air TV stations. The FCC said the action was designed to prevent the CATV industry from "siphoning" off programs from free TV.

In a separate action, the commission proposed to lengthen this time restriction on sports events to five years for both CATV and pay-TV.

The FCC also asked for comment on proposals to impose minimum technical operating standards on cable-TV systems.

The FCC said it would specify later the deadline for comments to be filed on each of the proposed actions. Normally, the commission allows 60 to 90 days for comments and further time for reply comments. After the comments are in, the commission will decide whether to adopt, reject or revise the proposals.

(Over)

Liberal Guidelines Proposed for CATV

By Robert J. Samuelson
Washington Post Staff Writer

The Federal Communications Commission yesterday laid down the broad guidelines for the national regulations of cable television (CATV).

In a series of documents, the FCC formally:

- Proposed that cable systems — which transmit programs directly into subscribers' homes—be permitted to carry signals from four stations in addition to local stations.

- Prohibited-television stations from owning cable systems in the same locality. Networks were also excluded from controlling CATV systems.

- Proposed that newspapers and radio stations also be barred from owning cable systems in the same area.

- Set April 1, 1971 as the date when cable systems with more than 3,500 customers must begin originating their own programs—instead of merely retransmitting either local or distant television programs via cable.

The CATV package also contained a proposal for providing permanent, longterm financing for educational television by assessing a 5 per cent annual levy on the gross revenues of cable systems. The money would go to the Corporation for Public Broadcasting, and, for every 10 million CATV subscribers, the FCC estimated, the CPB would receive \$30 million.

At the end of 1970 there were about 2,400 CATV systems, covering 4.5 million households, or about 7 per cent of the total U.S. television audience, according to the National Cable Television Association.

Nevertheless, the FCC's proposals—if and when they are finally adopted—could spur the growth of the industry and make it a major competitor of the existing over-the-air broadcasting system.

The key issue in the FCC's proposals is regarded as the authority for CATV systems to add "distant" television sig-

nals to the local programs already offered customers.

By adding these programs, the CATV systems theoretically should be able to attract more customers, who pay an average of \$5 a month for receiving the cable service.

With CATV households having a choice between local and "distant" programs (a Chicago station being shown over a Washington cable system, for example), local over-the-air broadcasters fear that their audiences will decline.

In the past, the FCC has been sympathetic to this position.

The agency now appears ready to make a quick reversal in its policy. It has called for comments on its "distant importation" proposal within 90 days and for reply comments 45 days after that; a final decision appears possible this year.

Other proposals will be handled on a more leisurely schedule, but yesterday's one final order—regarding CATV ownership—could have a wrenching effect on the fledgling industry.

In that order, television networks are given three years to dispose of any existing cable properties they own; both the Columbia Broadcasting System and the National Broadcasting Company have purchased CATV system as an apparent hedge against a decline in the value of over-the-air stations.

Moreover, according to the latest figures, television broadcasters have interests in 38.7 per cent of all existing CATV systems. The station owners, too, would have three years to eliminate conflicting holdings of cable and television properties in the same area.

Yesterday's FCC announcements also included a proposal to limit franchise fees imposed by the local governments to 2 per cent of a CATV system's gross revenues—a recommendation that is almost certain to be opposed by cities in search of new sources of funds.

The Commission's proposals on distant signal importation

could not take effect until Congress passed copyright legislation, giving copyright owners (such as movie studios) payments for programs snatched from the air by cable systems. Such a bill is now pending in the Senate.

The FCC suggested a copyright fee of .7 per cent (of gross revenues) for each additional "distant signal" used by a CATV system. If that formula were to be adopted by Congress, cable owners would face a 10 per cent charge on their incomes for various fees. The breakdown is as follows:

5 per cent for educational television; 2 per cent for local franchise fees; 2.8 per cent for distant signals (four distant signals at .7 per cent for each one).

June 29, 1970

*Something to Make the Neighbors Jealous***Picturephone Scheduled for 'Regular Service' in Pittsburgh at \$160 Monthly**By Bill Allan
FROM PITTSBURGH

Picturephones go into "regular service" here next month for the first time anywhere, according to Bell Telephone Co. of Pennsylvania, a subsidiary of the American Telephone and Telegraph Co. of New York.

For \$150 for installation plus a minimum of \$160 a month, some Pittsburghers will both see and hear those whom they "call."

A combination of telephone and small, closed-circuit television, the Picturephone dates back to research in the 1920s, to experimental models in the 1960s, and to long-distance testing more recently.

For now, regular service here means Picturephones are available only within the city's downtown Golden Triangle, a major shopping, hotel, and business area that also includes several high-rise apartment buildings and some other residential housing. Presumably, the service eventually may be extended to other areas of the city.

Because of the high costs and because both parties must have a Picturephone for a call to take place, Bell Telephone Co. officials say the new device probably will catch on rather gradually.

"The situation is directly analogous to the 1880s when the telephone was being installed," reports Noah Halper, company spokesman in Pittsburgh. "It takes two instruments to make one call."

Actually, service was to have begun in both New York City and Pittsburgh. But the New York Telephone Co. delayed its participation to concentrate on a telephone-service-improvement program, according to Lawrence J. Barnhorst, a Bell vice president.

He says Bell plans to extend the service to a number of other cities—including Chicago, Washington, D.C., New York City, Philadelphia, Detroit, Cleveland, and Newark—by mid-1973.

New York City, Chicago, and Washington, D.C., already have limited Picturephone service for long-distance service only between these cities. In each of these cities, Bell maintains a downtown office where Picturephone instruments are available. By appointment, a person can make a call from the Picturephone center to a similar center in either of the other two cities. Of course, the person who is to receive the call must agree to be at the Picturephone center in his city to receive it at a prearranged time.

In Pittsburgh, subscribers may have Picturephone equipment right on their office desks. Residential subscribers, if any ever sign up, could have Picturephones in their homes. For now, Picturephone calls cannot be made from Pittsburgh to the Picturephone centers in other cities, a Bell spokesman said.

The company reports "several" orders for the new service in Pittsburgh, but declines to say how many or exactly who the customers are. The company does say they are all businesses so far.

Spokesmen for Westinghouse Electric Corp. acknowledged it is among the first regular customers. Westinghouse tested the Picturephone for Bell for more than six months last year. Company officials say the Picturephone is useful for displaying charts, pictures, and the like, as well as for seeing each other. Additionally, salesmen say they like the system because the picture gives them the reactions of persons to whom they are speaking. Westinghouse says it will have about a dozen sets installed in a new building it has constructed.

Installation charges are \$100 for each service line and \$50 a set. In addition, monthly charges are \$110 for the service line and \$50 for the set. These fees include 30 minutes of Picturephone use per month; extra time costs 25 cents a minute.

Widespread residential use probably will come only after charges are reduced substantially. Bell engineers supposedly are working on several ideas aimed at doing this.

Mr. Halper scoffs at the idea that the Picturephone will be an invasion of privacy. "There is a device that blanks out the picture until you are certain who is calling," he explains. Under development is another device that would allow users to view themselves before "going on camera."

Eventually, Bell envisions housewives getting recipes over the Picturephone, ordering, say, from the supermarket over the phone after "seeing" the merchandise, and perhaps even using a Picturephone to hold a job while staying at home.

Bell, however, doesn't predict major residential use before the 1980s, although there may be some early status-seeking subscribers.

(Over)

7. Oppose continuation of the income tax surcharge beyond its present expiration date of June 30.

8. Support actions by the Administration educating the public to the dangers of excessive wage and price increases, and that the National Chamber support actions by the Administration appealing in general to labor and management to exercise restraint in forthcoming wage negotiations.

9. Urge appropriate committees to expedite their activities relating to labor law reform, in recognition of the great significance of this question both to short-term cost-push inflation and long-term stable economic growth.

Highlights of other actions:

State Taxation of Interstate Commerce: Voted support of a compromise bill provided it is endorsed by state tax administrators.

Export Income Tax: Gave support for creation of a Domestic International Sales Corp., which would change the tax treatment of export in-

come to give U.S. firms the same tax deferral rights now accorded foreign subsidiaries of American companies.

Tax on Leaded Gasoline: Opposed it, saying the tax system should not be used in an indirect means of achieving social change, in this instance—to reduce air pollution.

Estate and Gift Tax Payments: Opposed the Administration's proposal to accelerate the payment of estate and gift taxes to produce added revenues for fiscal 1971.

Summer Jobs: Supported President Nixon's request for an additional \$50 million for the summer job program for youth for the current fiscal year, but indicated that next year the Administration ought to plan earlier.

Accreditation: Approved for chambers in Glasgow, Mont.; Hattiesburg, Miss.; Minneapolis, Minn.; Omaha, Neb. Five-year reaccreditation for chambers in Concord, N.H.; Fergus Falls, Minn., and Gastonia, N.C.

Warranty Legislation: Approved

legislation requiring disclosure of warranty terms and conditions; appropriate relief for such failure or noncompliance; protection for businesses through public FTC hearings on proposed rules, and specific limits on scope and coverage.

Social Security: Supported bill increasing benefits 5%; raising exempt earnings of retirees to \$2,000, and raising tax rates instead of increasing the \$7,800 tax base to \$9,000. Opposed any changes in automatic Social Security benefit changes financed by automatic wage base increases, plus permitting disabled worker to collect combined payments from Workmen's Compensation and Social Security equal to 100 % of his prior pay.

Medicare: Supported option of a prepaid group health plan as an experiment only; approved limitation of federal payments to physicians if the government does not attempt to fix fees, and urged efforts to keep costs at a minimum consistent with essential services.

Postal (continued)

in labor-management disputes. Any impasses can be resolved under the Taft-Hartley Act (Title II), he declared, which gives Congress final arbitration rights in certain national labor disputes.

(3) Removal of automatic checkoff system of union dues collection. This is a negotiable issue, he argued, agreed to by management for some union concession. Let management under the reformed postal system have the right to negotiate this issue, he said.

(4) Deletion of provisions permitting supervisory personnel to participate in union activities. Such participation is an obvious conflict of interest and limits management's operating effectiveness.

Mr. Booth concluded by calling on Congress to work for these changes and still preserve those features demanded for true postal reform. If the changes are not made, he declared, defeat of the bill would be preferable to deluding the public that such reforms had been made.

A tale of two systems

■ The postal service and the telephone system are two of the most widely used means of communication today.

The cost of communicating between two cities such as Chicago and Los Angeles by first class mail has risen 300% since 1932, and the possibility exists rates may be raised again to 8¢ an ounce.

Telephone costs, in contrast, have dropped dramatically over the same period, and today the cost of a three-minute daytime call between these cities is about one-fourth the cost in 1932.

The postal service was one of first and most important functions of the Federal Government when the republic was founded.

Telephone service, on the other hand, has been left in the hands private enterprise.

One can only wonder what would have happened if our founding fathers had telephones and had decided that only the government could make them work.

Telephone rates*

\$1.55	1970
\$1.80	1968
\$1.95	1963
\$2.20	1959
\$2.25	1952
\$6.25	1933
\$6.25	1932

Postal rates**

6¢
6¢
5¢
4¢
3¢
3¢
2¢

* 3-minute daytime rate between Chicago and Los Angeles
** First class surface mail



Transparent veto

The attempt to place a limit on what candidates for major state and national office spend on radio and television has failed. President Nixon has vetoed the bill passed by Congress last month and, while Congress could override the veto, it is unlikely to muster the votes to do so. The bill would have limited spending by candidates to a sum equal to seven cents for each vote cast for the same office in the preceding election. It would also have repealed the law which compels broadcasters to give equal time on the air to all candidates, even minor ones, for the same office. The *Washington Post* felt that the reforms embodied in the bill were worth having, even if imperfect, as a first step in coping with the danger that only the rich may be able to afford running for office. But Mr Nixon argued that the Bill would encourage more rather than less spending and would only shift political advertising to other media.

No one is likely to believe his arguments. Both Republicans and Democrats know that the Republicans have more money. And both sides are convinced (perhaps wrongly) that television works, that unlike other forms of publicity, television actually influences the voter's choice. It would seem clear that Mr Nixon was simply reluctant to limit his party's use of the most potent medium available. And it is hard to imagine that Mr Nixon thinks that the kind of money being poured into television campaigning (Governor Rockefeller is spending \$2 million on television alone in his re-election campaign in New York) could be absorbed by newspaper advertisements, pamphlets, letters through the post, even if candidates thought that these did any good.

In his message to the Senate to explain his veto, Mr Nixon identified a number of questions which he said the bill left unanswered. If broadcasters charged candidates rates no higher than the lowest at which they sell time to commercial advertisers (one of the bill's provisions), would this not violate the tradition that Congress does not set rates by legislation? And how would the spending of organisations not directly connected with a particular candidate be accounted for? Mr Nixon's message was so detailed and academic as to suggest the handiwork of Dr (from the Massachusetts Institute of Technology) Clay Whitehead, Mr Nixon's new director of telecommunications policy. The 32-year-old Dr Whitehead, who drew up the plan for giving much more power to the White

House's office of telecommunications policy, only to find himself appointed to run it, looks like becoming, in matters of communications policy, Mr Nixon's bland, pink-cheeked Rasputin.

Public transports

Cars are still considered more important than buses, underground systems and commuter trains in America. The Senate has just approved a bill which will provide \$4 billion a year for two years to help finish the interstate motorway system which it is estimated will have cost around \$70 billion by the time of its completion in 1977. But Congress on the other hand will only give the struggling public transport services a \$10 billion handout for 12 years; a mere \$3.1 billion of this is to be spent within the next five years. Public transport is still the poor relation. Nevertheless the new programme, which now awaits the President's signature, will give public transport a much needed shot in the arm, as will a bill creating a government backed corporation to keep alive some inter-city train services.

In recent years the federal government has been spending a meagre \$200 million a year on better bus, underground and rail facilities. The new federal programme is, therefore, a large financial leap forward. But it is more than this. It is also the first admission made by the federal government that it has a long-term responsibility to prevent the demise of public transport. Under the five-year contract authority which has been approved, the Secretary of Transport can make agreements with local communities immediately the bill is signed into law for grants and loans of up to the five-year limit of \$3.1 billion. In the past the money which has been authorised for public transport has been subject to annual appropriations and the dangers of the periodic congressional economy drives. Now that they are assured of long-term financial aid cities and urban communities will be able to plan on a more rational basis. Funds will be available for both small and large cities but it is expected that the money will be concentrated in the more heavily populated states such as New York. Rail services will get 80 per cent of the aid and buses 20 per cent.

The bill signals the first shift away from the preoccupation with road-building which dominated the last decade. What is apparent from the alignment of forces behind the bill is that Congressmen have at last realised that public transport is now a nationwide problem.

Bell faces life

The American Telephone and Telegraph Company, the biggest corporation in the United States in terms of assets, revenues and number of employees, feels threatened from all sides. It is responding aggressively. It has installed a vigorous new president in its New York subsidiary, promised to build a special network for the transmission of computer data and vigorously begged the Federal Communications Commission to hurry and give it permission to lay a sixth telephone cable across the Atlantic Ocean. And boldest of all, it plans to ask the FCC to allow it to raise its long-distance telephone rates for the first time since 1953.

September was a hectic month, one in which AT&T had to announce lower earnings, in part because of the sluggish economy and in part because of the fantastic amount of capital—\$7 billion—which the company is having to pour into the Bell telephone system. (AT&T owns, wholly or in part, 24 subsidiaries which comprise the Bell system, supplier of 85 per cent of America's telephone service.) It had to do something about New York's telephone service for that has become so bad that it is a national joke. The suggestion that computers need a special network quite apart from the ordinary telephone lines came only when new competitors, encouraged by the FCC and the Justice Department, applied for permission to build networks of their own.

Mr William Ellinghaus, who is taking over the New York Telephone Company, could, if he succeeds in curing its problems, become the next president of the parent company. Mr Ellinghaus is confident that he can end New York's crossed lines and missing dial tones by next year. Outsiders are not so confident. The New York company badly underestimated the growth in demand for telephones in the late 1960s (or deliberately reduced its investment in new plant to keep profits



Ellinghaus: new man's cross

WHITEHEAD'S EARLY CONFIRMATION AS HEAD OF OTP ASSURED AS SENATE GROUP HOLDS BRIEF HEARING ON NOMINATION; PASTORE EMPHASIZES NEED FOR ACTION ON DEVELOPING POLICY; WHITEHEAD IS ADVISED TO REACH PRESIDENT'S 'EAR'

Dr. Clay T. Whitehead, at a relatively brief confirmation hearing Thursday, July 16, on his nomination to be the Director of the Office of Telecommunications Policy, got a pat on the back as "one of the most brilliant young men to come to Washington in a long time," then was furnished a long list of things that need doing in the telecommunications area as a challenge to his talents.

Sen. John O. Pastore (D., R. I.), Chairman of the Senate Commerce communications subcommittee, held the floor for much of the 35-minute session with a recitation of items which, he said, need resolution but where there has been little or no progress in the past. Blaming this largely on the fact that previous advisors on telecommunications policy were unable to get the President's ear, Senator Pastore said he believes Dr. Whitehead "can accomplish something if you can reach the oval room."

HIGHLIGHTS: Subcommittee Chairman, in opening remarks, spells out what he expects new office to do. . . Gets assurance from nominee that White House recognizes and shares concern about lack of policy. . . Does not see "spectrum crisis," but "We have reached a point of critical concern". . . Pastore recites developments, without resolution of problems in some areas, in recent years. . . Urges look at DoD use of frequencies.

Confirmation of the 31-year-old Special Assistant to the President for the OTP post was clearly indicated at the hearing and is expected to come soon. Aside from Senator Pastore, the only subcommittee member on hand to raise any questions was Sen. James B. Pearson (R., Kans.). He asked only one and joined with his fellow Kansas Republican, Robert J. Dole--Kansas is Dr. Whitehead's native state--and Sen. George Murphy (R., Calif.), the nominee's present legal residence, in heaping praise on President Nixon's choice as first head of the new office.

The executive order spelling out the duties of the Director and the functions of the new OTP was not yet issued by the end of last week, and it is not expected to be forthcoming until after confirmation and the swearing in of Dr. Whitehead.

But what the office is expected to do was clearly spelled out by Senatore Pastore in his opening comments and by Dr. Whitehead's response, agreeing that actions must be taken on a wide range of telecommunications items, and the latter's added comments of how he views the office.

He said the White House recognizes the importance of telecommunications, its impact on the nation's society and economy, and the seriousness

of not having a policy. 'We are disturbed by lack of a policy, but confident we can make progress.

"We will do all we can to come up with a telecommunications policy," he continued, "but in an industry like this which is so complex, you just cannot come up with a piece of paper and say this is policy. We will try to develop policy on an individual basis."

In response to a question about the spectrum, Dr. Whitehead repeated an earlier view that he does not see a "spectrum crisis," but that "we have reached a point of critical concern." He said that a "cooperative spirit" between the Federal Communications Commission and the Executive Branch is deemed "adequate" rather than the alternative of a merger in the area of frequency management.

On this point of frequency management, Senator Pastore commented that he "hopes someone in the White House at some point will be strong enough to ask the Defense Department about its use of the spectrum." The subcommittee Chairman said he has been "disturbed for a long time" by the DoD practice of holding frequencies for "eventual need" while they could be used elsewhere, when it knows that in the event of a national emergency the Defense Department could take over the whole spectrum.

These frequencies "should not be held in reserve," Senatore Pastore declared, "But no one has had the guts to raise the question. They (DoD) must be told that we must be concerned with the rest of the economy."

Dr. Whitehead was asked by Senator Pastore to write a memorandum supporting the importance of frequency spectrum studies that can be used when Senate-House conferees meet on the appropriations bill dealing with funds for OTP. The House reduced the amount of money that would go to OTP from \$3,300,000 to \$1,795,000, but the Senate has voted to restore the funds, largely affecting frequency management studies.

Senator Pastore also asked if Dr. Whitehead was familiar with an article in the recent Federal Communications Bar Journal critical of the creation of the new office, and raising questions about its relationship and influence on the FCC. He replied that "We feel this is not a matter of concern as long as we are aware of it," and that (FCC Chairman) Dean Burch shares this view.

The "goal I see for my office," Dr. Whitehead said at another point, is a "better partnership with Congress and the FCC."

Senator Pastore's opening statement recited some recent history in the telecommunications area. "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," he declared.

"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," Senator Pastore continued. "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 communications facilities continues to be in the public interest," he went on. "Divided ownership has resulted in the construction and maintenance of expensive, duplicating communications 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 Intelsat.

Also, Senator Pastore commented, "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," the Chairman said, "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 FCC. . .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."

-End-

FCC FORMALLY TERMINATES PROCEEDING IN ANCHORAGE INTERCONNECTION CASE

The Federal Communications Commission last week formally terminated the interconnection hearing and temporary stay of construction in connection with the recently resolved dispute between the Anchorage Telephone Utility and RCA Alaska Communications (TELECOMMUNICATIONS, June 29). The FCC had ordered the hearing and stay at the request of the two parties, but before it reached the hearing stage, they worked out an agreement.

-End-

6/27/1970 The Washington Post

Whitehead Gets New Position

The White House yesterday nominated Clay T. Whitehead, 31, special assistant to the president, to become the first head of the new Office for Telecommunications Management.

The new office is supposed to oversee the government's communications needs and make policy recommendations to the Federal Communications Commission.

Whitehead's nomination must still be approved by the Senate.

For the last year, Whitehead has been the White House's communications expert, making recommendations on the new office and on domestic communications satellites.

Before joining the Nixon Administration, he worked at the Rand Corp.; he received B.S. and M.S. degrees in electrical engineering from the Massachusetts Institute of Technology, and a Ph.D. from M.I.T. in management.

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Office of Telecommunications Policy

Announcement of Intention To Nominate Clay T. Whitehead as Director. June 26, 1970

The President today announced his intention to nominate Clay T. Whitehead, Special Assistant to the President, as the first Director of the Office of Telecommunications Policy.

The OTP is a new office in the Executive Office of the President, created by Reorganization Plan 1 of 1970. The Director is the principal adviser to the President on all telecommunications policy issues. His responsibilities also include: (1) coordinating and formulating executive branch positions on national telecommunications policy issues and communicating executive branch recommendations to the Federal Communications Commission and the Congress; (2) coordinating the procurement, standards, and effectiveness of the Federal Government's own telecommunications, including national security and emergency preparedness communications; (3) exercising final authority over the usage of those parts of the radio spectrum allocated for Federal use.

Whitehead has been the principal White House staff member concerned with telecommunications issues. He has coordinated the formulation of Reorganization Plan 1 and the administration's recommendations on domestic satellite policies. In addition, he has been the White House contact for the INTELSAT negotiations and for industry and public on telecommunications matters.

Mr. Whitehead, 31, was born in Neodesha, Kans. He received his B.S. and M.S. degrees in electrical engineering from the Massachusetts Institute of Technology. He later received his Ph. D. in management, also from M.I.T. with concentration on policy analysis, economics, and research and development management. While at M.I.T., he taught courses in electronics and political science.

Mr. Whitehead has served in the U.S. Army, attaining the rank of captain. Both before and after receiving his Ph. D., he was with the Rand Corporation in California where he worked on arms control, air defense, and spacecraft systems engineering studies, and 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 1968, Mr. Whitehead served on the President-elect's task force on budget policies and assisted on transition matters. He has been on the White House staff since January 1969.

NOTE: The announcement was released at San Clemente, Calif. For the text of Reorganization Plan 1 of 1970, see page 156 of this volume of the Weekly Compilation of Presidential Documents.

Disaster Assistance for Texas

Announcement of Amendment of Disaster Declaration and Assistance Following Floods in Hays County. June 26, 1970

President Nixon today amended his May 13 major disaster declaration for Texas due to heavy rains and flooding on May 15 in Hays County. Today's action was made at the request of Governor Preston Smith.

Noting a report from George A. Lincoln, Director of his Office of Emergency Preparedness, that cited heavy damage to public buildings, streets, and utilities from the rampaging San Marcos River, the President declared that those areas affected by the flood now are eligible for Federal assistance.

The Small Business Administration already has declared San Marcos a disaster loan area under that agency's emergency statutes. Thus far, nearly \$600,000 in long-term, low-interest loans have been approved for repair of homes and businesses.

Federal assistance that will be provided to San Marcos as a result of today's action may include: repair of public housing damaged by the flood; repair of flood-damaged schools of the San Marcos public school district; repayment of eligible costs incurred by local government in debris clearance activities in San Marcos and adjacent areas of Hays County; channel clearance in the San Marcos River; repair of the damaged portions of Southwestern State Teachers College; public health and sanitation measures; repair of damaged streets and roads, and recreation facilities, and sewerage systems.

The regional staff of the Office of Emergency Preparedness in Denton, Texas, under Regional Director George Hastings, is administering the funds allocated for this disaster and will direct Federal disaster relief measures in the flood-stricken area.

NOTE: The announcement was released at San Clemente, Calif.

Citizens' Advisory Committee on Environmental Quality

Announcement of Appointment of Four New Members and Reappointment of One. June 26, 1970

The President today announced the appointment of four new members to the Citizens' Advisory Committee on Environmental Quality, and the reappointment of one member. All appointments are for a term of 3 years, to expire May 3, 1973.

JUNE 26, 1970

Office of the White House Press Secretary
(San Clemente, California)

THE WHITE HOUSE

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June 30, 1970

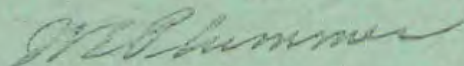
Dr. Whitehead's visit with Staff

Mr. Ralph Clark (Absent)
Mr. John O'Malley
Mr. Lee Fishkin
Mr. J. R. O'Connell
Mr. Will Dean
Mr. George Stelzenmuller
Mr. L. R. Raish
Mr. Richard Gould
Mr. Jack Cole
Mr. Don Jansky
Mr. Dave Hall
Mr. Charles Culpepper
Mr. Arthur Cooke
Mr. Henry Jones
Mr. Charles Lathey
Mr. Dalton Ward
Mr. Lyman Hailey
Mr. Chester Kirkevold

Dr. Whitehead will meet with those indicated Thursday, July 2, in Room 742 between the hours of 1 P.M. and 2 P.M. to get acquainted.

After the general staff meeting, Dr. Whitehead would like to meet with the following members of the staff concerning their current activities:

Messrs. Gould, Cole and O'Malley from 2 - 2:30 P.M.
Messrs. Hall, Cooke, Culpepper and Jones from 2:30 - 3 P.M.
Messrs. Lathey and Ward from 3 - 3:30 P.M.
Messrs. Dean, Hailey, Jansky, Kirkevold, Raish and Stelzenmuller from 3:30 - 4:30 p.m.



W. E. Plummer
Acting

7-2-70 (*Retyped to change schedule*)
WEPlummer:hmy
cc: Reading File
Subject File ✓

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PREPAREDNESS
OFFICE OF TELECOMMUNICATIONS MANAGEMENT

Date **June 29, 1970**

Subject:

To **Dr. Clay T. Whitehead**

**Congratulations on your nomination as
Director of the Office of Telecommunications
Policy and best wishes for a speedy confirma-
tion.**

**Now that we know the nominee, we have
rewritten (attached) the possible questions
and answers for the confirmation hearing.
As I mentioned last Monday, it should be
helpful to you if we could spend a couple
of hours to discuss some of the problems.**

From: **W. E. Plummer**
Acting

QUESTIONS AND ANSWERS FOR CONFIRMATION HEARING

Q: During the five years of General O'Connell's tenure as Director of Telecommunications Policy, he did not see the President once. Now you are by definition the President's principal advisor on telecommunications matters. Do you foresee that you will have access to the President?

A: In his covering letter to Congress which accompanied Reorganization Plan No. 1 of 1970, the President indicated his feeling concerning the great importance of telecommunications technology -- its growing influence upon the people of this Nation as well as people throughout the world. I am convinced that the President has very deep concerns with the complex issues and problems which face us as a consequence of the rapid growth of this technology. I am of the opinion that the President will not hesitate to call upon his principal advisor on telecommunications whenever he wishes to discuss a matter of national importance which is within the competence, the responsibility and the authority vested in my office.

Q: To what extent do you expect to draw upon the private sectors for assistance in the development of national telecommunications policy?

A: Again I refer, Mr. Chairman, to the President's Letter of Transmittal, in which he stated that "the speed of economic and technological

Prepared by: LJFishkin:hmy
6/29/70

Timmie: Mr. Fishkin has the original.

advance in our time means that new questions concerning communications are constantly arising" and "the Government must be well informed and well advised." The President then went on to say that this "Office will enable the President and all Government officials to share more fully in the experience, the insights, and the forecasts of Government and non-government experts."

I would hope that I can draw upon the wealth of expertise and counsel within industry and our educational institutions as well as within many departments and agencies of the Government. I consider the Joint Technical Advisory Council as one good example of the high quality of professionalism which has in the past been available to this office and which I hope will be equally available to me. There are many other such organizations, to say nothing of the major telecommunications industries whose officials have many times in the past made themselves available to the Government as and when their assistance was desirable. I see no conflict of interest involved in this kind of liaison. I do see it as a means of accelerating our progress toward national goals in telecommunication.

Q: How shall the U. S. develop policies and plans to foster the soundness and vigor of its telecommunications industry in the face of new technical developments, changing needs and economic developments?

A: I mentioned earlier, Mr. Chairman, that I am sympathetic to the idea of establishing and maintaining effective lines of communication between this office and the national telecommunications industry. I believe that this is a first step toward assuring continues at a high level. I am persuaded that this industry ourselves that the soundness and vigor of the industry has for a number of years been unable to develop the mid-range and long-range plans which would give some assurance of orderly technical and economic growth. I am of the opinion that this lack of capability has stemmed from the lack of a body of enlightened national telecommunications policy -- one upon which industry could depend in making its own long-term evaluations concerning, for example, their rate and direction of growth. I believe that a close relationship with the telecommunications industry will assist us in identifying current or potential problems, in analyzing alternatives, in developing policies and procedures for overcoming the problems, and in obtaining full cooperation of industry in implementing the policies.

The revolution in telecommunications technology is forcing us to re-think through many of the conventional approaches to applying new technologies and technological innovations to society's needs. I believe that we can no longer treat developments in telecommunications merely or even primarily from the question of technical

feasibility. We have learned, sometimes to our disappointment, that many things which are technically feasible and placed at the disposal of our people trigger a number of social, political and economic problems which were neither foreseen nor the potentials adequately studied. I feel that we need to go beyond the engineering phase and look at these things from a greatly broadened perspective, an interdisciplinary one if I may. This is, incidentally, one of the basic ideas behind the NECAF concept.

Q: Do you mean to suggest that the basic national guidelines for telecommunications -- as, for example, the Communications Act of 1934 and the Communications Satellite Act of 1962 -- are obsolete? Inadequate for today's needs?

A: Mr. Chairman, I would not describe either of these Acts as obsolete or inadequate. They certainly bear constant and analytical reviews -- as do other legislation and executive orders. If, in the course of our reviews it appears that changes need to be made in our framework for national telecommunications policy, I will certainly make such recommendations.

Q: One of my greatest concerns for many years has been the problem of the frequency spectrum. There are many who feel that the Federal Government is hogging frequencies -- that once it gets them, they never let go irrespective of whether they need them or not.

A: I have, of course, been briefed on many of the most pressing problems which faced General O'Connell and which will face me in OTP. I am not as familiar as I would like to be on the entire frequency spectrum problem and as I expect to be within a very short time. I will say this, however: On the basis of my briefings and the short discussions I have had with knowledgeable members of the staff, I am of the opinion that very much progress has been made toward assuring that no such hogging of frequencies by the Federal Government can take place -- or, if it ever did take place -- could continue for an indefinite period of time. With the advent of a computerized operation for frequency management, the office now has the capability for reviewing with far greater accuracy and speed the entire assignment and control function. Moreover, the system for an automatic review of frequency use at least once every five years is now in effect. I can assure this Committee that we will be making every possible effort to assure all uses by the Federal Government of frequencies are valid, justified and of a continuing requirement.

Q: I understand that you intend to give the Commerce Department the responsibility for the frequency management activity. Do you feel that Commerce can run it better than your people can?

- A: Mr. Chairman, there have been discussions in respect to ^{transferring} certain elements of the frequency management activity to the Department of Commerce. In general, the thrust of these conversations has been to determine just what portions of the frequency management which are routine in nature can be transferred. The responsibility for overall national planning and policy formulation and coordination in the frequency management area will remain with the Office of Telecommunications Policy. I cannot tell this Committee at this time how many and what kinds of people will be involved in this split.
- Q: There has been much speculation from time to time regarding the advisability of placing the entire frequency management business -- both Government and non-government -- into your office. Do you have any views on this?
- A: No, Mr. Chairman. Not at this time. I don't feel that I have sufficient background nor adequately analyzed the advantages and disadvantages of such an arrangement.
- Q: How do you visualize your relationship with the FCC?
- A: I see no area of contention between our respective offices. The President has defined very clearly the purpose of this office vis-a-vis that of the FCC and in a recent letter to Chairman Holifield, I

iterated my own view that the Office of Telecommunications Policy and the FCC were in no sense competitors in the areas of national and public policy. I consider that, in certain major areas -- for example, in our respective roles in managing the electromagnetic spectrum -- we need to consult with one another, assist one another if and when such assistance was indicated, and advise each other of actual or potential problems which might affect our national telecommunications posture. It is my understanding that the relationship between General O'Connell and Chairman Hyde -- as well as between their respective staffs -- was a very close and productive one in the sense that they cooperated closely and continuously on problems of mutual concern. I would hope that this relationship between our respective offices would not only continue but be progressively strengthened.

Q: Will more Presidential recommendations on FCC policy matters such as the recent domestic satellite policy be sent to the FCC?

A: Yes.

Q: Back in 1963, President Kennedy established the National Communications System. It was to be developed by linking together major government systems and eventually we were going to get a fully survivable, integrated, economical and dependable system for any kind of national emergency. Seven years later, there is a serious question in my mind as to whether any of these four objectives have been attained. Can you comment on this?

A: As you know, Mr. Chairman, the Director of the Office of Telecommunications Policy has a key policy role in guiding the development of the NCS. In exercising this authority, the Director must work very closely with the Executive Agent and the Manager of the NCS, who are respectively the Secretary of Defense and the Commanding General of the Defense Communications Agency. I am confident that the recent reorganization in DoD which has resulted in the establishment of the position of Assistant/Secretary of Defense for Telecommunications -- will enhance the capability of both this office and of DoD to move ahead in the development of this communication system, which I consider to be indispensable to the national interest and security. I can assure this Committee that I consider this matter an urgent one.

Q: I am upset by what I see happening in these INTELSAT negotiations. As far as I can see, we are trying to give the store away. It's not right to do this when you consider that these satellites are up only because the U. S. spent the taxpayers' funds on the R&D to get them up. What is going on down there anyway?

A: Mr. Chairman, as the Committee knows, this office has a key role to play in national policy formulation with respect to satellite communications in general and to the global commercial satellite system in particular. I share your view that we should not dissipate at the conference table all of the hard-won and expensive progress which we have made in satellite communication. However, I am confident that you and the members of the committee are sympathetic to the concept of international cooperation in world-wide communication and that you are in accord with the principle that no one country or group of countries should be permitted to dominate completely an activity in which, by definition, the concept of international cooperation is prerequisite to progress. I can assure you, however, that while I firmly hold to the principle of international cooperation, I do not in any sense subscribe to the principle of international domination.

Q: Much has been written and spoken about the increasing dangers to our society of computerization. The question of individual privacy is becoming more urgent as we move into the area of teleprocessing. Do you have any views on this subject?

A: I am aware of the fears which have been voiced. The issues involved here are complex. It is a problem whose ultimate dimensions are not yet clear. In the sense that teleprocessing is a new technology, we are faced with the initial problem of getting the facts. We don't know yet how this technology is going to develop, what kind of markets will be created, what sort of hazards to personal privacy -- if any -- will emerge. This is one of those problems which, again, deserve the benefit of interdisciplinary research and analysis. There is no question in respect to technical feasibility. The real questions are what effects the large-scale introduction of teleprocessing techniques and equipments will have upon our society. Hopefully, I will have the resources to apply to this kind of problem solving.

6/29
OTF

HOLD FOR RELEASE UNTIL DELIVERED TO THE SENATE
OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

NOMINATION SENT TO THE SENATE ON JUNE 29, 1970:

Clay T. Whitehead, of California, to be Director of the Office
of Telecommunications Policy. (New Position)

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Refer'd to Sen. Com. on Commerce - on 6/29/70

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NOMINATION SENT TO THE SENATE ON JUNE 29, 1970:

Clay T. Whitehead, of California, to be Director of the Office
of Telecommunications Policy. (New Position)

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON, D.C. 20504

DIRECTOR

CLAY THOMAS WHITEHEAD

Clay T. Whitehead was born on November 13, 1938, in Neodesha, Kansas, and graduated from Cherokee County Community High School in Columbus, Kansas. He received his B.S. and M.S. degrees in electrical engineering from the Massachusetts Institute of Technology, majoring in systems engineering. He later received his Ph.D. in management, also from M. I. T., with concentration on policy analysis and economics. While at M. I. T., he taught courses in electronics and political science and was elected to the engineering and science honorary societies of Tau Beta Pi, Sigma Xi, and Eta Kappa Nu.

Mr. Whitehead served in the U.S. Army for two years, attaining the rank of Captain, where he worked on Army chemical defenses and the threat to the U.S. from biological warfare.

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WEAM - Sunday Inte 8:30

NEWS

Chamber of Commerce of the United States

1615 H Street, N.W./Washington, D.C. 20006

FOR MORNING RELEASE
FRIDAY, Sept. 3, 1971

Contact: Guidi
(202) 659-6232

WHITE HOUSE SPOKESMAN SAYS COMMUNICATIONS TECHNOLOGY REQUIRES SHIFTING AWAY FROM DETAILED REGULATION

WASHINGTON, Sept. 2 -- Rapidly changing communications technologies may require a shift away from detailed regulation, Dr. Clay Tom Whitehead, director of the White House Office of Telecommunications Policy, told a nationwide radio audience Thursday night.

Referring to the great number of businesses government agencies regulate, Dr. Whitehead said: "The problem we find in all these industries -- and I happen to think we find them most pressingly in the communications industry -- is that the rate of change brought about by technology is simply outstripping the ability of the regulatory machinery to deal with this. The old days when the FCC was able to regulate the industry in a great amount of detail, simply have passed.

"What we need therefore," Dr. Whitehead continued, "is to adopt instead a regulation that emphasizes what this industry should be seeking to achieve; what are the limits beyond which it may not go in the public interest. And then, within those firm but not meddlesomely-stated limits, let the industry proceed to develop the services and to develop the scope that it knows how to develop. The communications industries themselves, when you get right down to it, are the people who know best how to do that."

Dr. Whitehead and Earl Hilburn, president of Western Union, appeared on the weekly MBS public affairs radio program, What's the Issue?, produced by the Chamber of Commerce of the United States.

Moderator was Jack Oslund, executive of the National Chamber's Communications Committee, chaired by Mr. Hilburn. The committee develops policy recommendations in the entire field of communications.

With respect to the Communications Act of 1934, Dr. Whitehead called for another look at it in the light of the immense changes which have taken place since it was enacted. He called for guidance from the general public to the Congress and from the Congress to the Federal Communications Commission in terms of needed revisions in the law.

Mr. Hilburn agreed with Dr. Whitehead that the communications industry -- with emphasis on television -- has to be considered more than a "technological wrinkle."

"It is more and more shaping our lives, affecting us as a people, becoming a social force," he said, predicting that "there will be as many new breakthroughs in communications technology in the 20 years ahead as there have been in the 20 years behind -- and I'm sure these are going to be very powerful forces in shaping the social factors in this country."

(1558)

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NOTE EDITORS: Edited transcript is either attached or available from the National Chamber's News Department.

NEWS

Chamber of Commerce of the United States

1615 H Street, N.W. / Washington, D.C. 20006

FOR MORNING RELEASE
Friday, Sept. 3, 1971

Contact: Guidi
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TRANSCRIPT

"WHAT'S THE ISSUE?"

Public Service Program of the
Chamber of Commerce of the United States
Mutual Broadcasting System
September 2, 1971

Dr. Clay Tom Whitehead, Director
Office of Telecommunications Policy
Executive Office of the President

and

Earl D. Hilburn, President
Western Union Telegraph Co. and
Communications Committee Chairman
Chamber of Commerce of the United States

discussing

- Possible shifts in regulation
- Communications as a social force
- Problems and potentials of communications technologies

(1558)

"WHAT'S THE ISSUE?"

REGULATION OF COMMUNICATIONS INDUSTRIES

(Edited transcript of discussion on regulation of communications industries between Dr. Clay T. Whitehead, Director, Office of Telecommunications Policy, and Earl D. Hilburn, Communications Committee Chairman of the Chamber of Commerce of the United States. This program was broadcast over the Mutual Broadcasting System on Thursday, September 2, 1971.)

MR. PARSONS: The need to communicate with each other is basic to our society. Individuals need to talk to other individuals; organizations need channels of communication to reach the various groups they deal with -- and governments need communication devices and techniques to disseminate important information. The trouble is, our civilization has become so complicated that simple means of communication will no longer do; the more complex the information, the more sophisticated the communication devices must be. Somewhere along the line, it becomes necessary for government to regulate the use of communication channels, so that everyone who has the right to use them, gets a fair chance. To explore this matter of federal regulation of communications -- with emphasis on telecommunications -- we have invited Dr. Clay Tom Whitehead, Director of the Office of Telecommunications Policy in the White House, and Earl Hilburn, President of Western Union and Chairman of the National Chamber's Communications Committee. Also with us is Jack Oslund, the National Chamber's Communications Committee Executive. I'm Edgar Parsons of the National Chamber Staff. Jack -- let's define our terms so that we can narrow the discussion to some specific things. What do we mean by "telecommunications"?

MR. OSLUND: Thank you Ed. For the purposes of this program, let us turn to Webster's dictionary. Webster defines "telecommunications" simply as being communications over distances. Dr. Whitehead, what exactly is the function of the Office of Telecommunications Policy in the White House?

FUNCTION OF OTP

DR. WHITEHEAD: Our function is to provide a policy perspective on communications within the government and to be the voice of the Executive Branch in discussions of communications policy with the public, Congress, and the FCC. I might say in regard to the definition of the word "telecommunications" that we do not include under our working definition all communications at a distance. The Postal Service, for instance, is not something that we are intimately concerned with. The definition of telecommunications that we use is principally electronic communications. This is broadly consistent with the international definition of the word.

MR. OSLUND: Thank you. Dr. Whitehead, you've touched on a very interesting point -- the Postal Service. The Postal Service, of course, is a government-owned communications monopoly. Mr. Hilburn, for our

listeners, would you outline what makes the United States' communications systems so unique in terms of who owns what communications channels?

MR. HILBURN: I think that in addition to the size and the degree of sophistication of the communications systems that we have in being in the United States, the other thing that really makes them unique is the private ownership aspects. As, I'm sure you know, in other countries communications is generally a government monopoly in terms of broadcasting, telephone and telegraph. These are the factors that make our system rather unique.

MR. OSLUND: Thank you. Dr. Whitehead, to the layman, many of the things being debated in Washington, such as communications satellites, cable television, and computers, are really big technological question marks. Before turning to these specific technologies, I would like to ask about a recent statement you made concerning communications technology in general: "It is a somewhat wrenching thought that telecommunications is no longer just a technology; it is no longer just a service; it is becoming a social force of the first magnitude." Would you enlarge upon this for our listeners?

COMMUNICATIONS AS A SOCIAL FORCE

DR. WHITEHEAD: Certainly. The word "telecommunications" has a technical ring about it; it's a word that tends to put many people off. I think we tend to think of it in terms of all those vacuum tubes behind the back of our television screen. But it's becoming clear that the accelerating rate of change in communications technology is producing a lot of very fundamental changes in our society.

First of all, the kinds of communications services you can get are expanding very rapidly. At one point in time, electronic communications meant simply telephone, telegraph, or radio broadcasting. We now have television broadcasting. We have cable television on the horizon which promises more and more channels. We have the computer which can now communicate with the home, and the home owner can communicate with computer, by telephone lines, and other means. Communications satellites are making it possible to communicate around the world such as through the direct-distance-dial to Europe.

The point of all this is that we can no longer think of communications just in terms of a technological wrinkle. Nor can we think of it as a simply well-defined service, such as telephone service, where we worry principally about rates and quality of service. We now have to think of communications in terms of what all these new services are doing to us as a people. We have a lot of concern today about what violence on the television screen is doing to our youth. Is the outlook of our youth in this country today really changed, is it really different, as a result of what these children have seen growing up watching television? Is our view of the world around us shaped by the fact that we now watch programs live by satellite from other countries or because we can now

make telephone calls on an inexpensive basis to other countries? The point is that communications is changing from just a technology, from just something we use, to something that is shaping our lives, that is affecting us as people.

MR. OSLUND: Mr. Hilburn, speaking as a leader in the communications industry, does industry view this telecommunications explosion as a social force?

CHANGING TECHNOLOGIES

MR. HILBURN: I agree thoroughly with what Tom has said with regard to the importance of this force in our rapidly evolving society. In order to underscore the explosive rate that technology is moving in the communications field, it might be useful just to recall a few dates. I'm sure that many of our listeners today can remember when it wasn't possible to make a trans-continental telephone call in this country; it was considered a miracle in 1940 when you were able to do that. Then, with the help of coaxial cables and terrestrial microwave lengths, we were able to bring television across the country in the '50's. With the advent of Telstar and Early Bird satellites in the early 1960's we were able to provide trans-oceanic television. Today, you can sit at home in front of your color television set and watch an astronaut walking on the surface of the moon a quarter of a million miles away. This shows you the extremely rapid rate that technology is enabling us to do things that were unheard of -- or unthought of -- a few years ago. And the rate is continuing. There will be just as many new breakthroughs in communications technology in the 20 years ahead as there have been in the 20 years behind. And I'm sure these are going to be very powerful forces in shaping the social factors in this country.

MR. OSLUND: Your tracing chronologically the evolution of communications technology raises a fundamental question. The Communications Act of 1934, which governs how communications ought to be regulated, came before the advent of many of the technologies you discussed. Dr. Whithead, many people have said that since 1934 we have used a "bandaid approach" to amend the basic act as a way of trying to get a handle on how to regulate the new technologies. Do you think the Communications Act of 1934, even as amended, is a sufficient enough mandate by which to regulate the evolving communications technologies?

ADEQUACY OF LEGISLATION

DR. WHITEHEAD: I think it's very clear that the 1934 Communications Act has to be reviewed. The basic structure of that act was to give to the FCC the responsibility to regulate the communications industry. The industry, of course, as conceived then, was quite different than the industry we have today. However, one of the reasons that the Act has survived as long as it has is that it gives the FCC only the very broadest guidance; the FCC is generally told to regulate the industry in the public interest, convenience, and necessity. That gives the FCC tremendous

latitude and tremendous freedom in how they regulate. The problem arises because we have more and more new kinds of services being brought about by technology, and communications affects us more in our economy and more as a people. In other words, it is becoming a sort of victim of its success: we really have these problems only because we do have such a fantastic, successful communications system.

I think Congress and the public generally have to consider how they want communications regulated. They have to consider whether or not the FCC should be given more concrete guidance in particular areas. So, rather than completely restructuring the '34 Act, what we will be looking for in the future is guidance from the Congress, through them from the public, as to how this industry should be regulated. That may require some new legislative changes.

MR. PARSONS: We're talking with Dr. Tom Whitehead, Director of the Office of Telecommunications Policy, and with Earl Hilburn, President of Western Union, and Chairman of the National Chamber's Communications Committee. Jack Oslund, the Committee Executive, is serving as moderator for the discussion.

The National Chamber believes that soundly conceived programs of scientific and technological development are vital to the economic growth and to the welfare and security of the United States. It is essential that policies and programs designed to further progress in scientific knowledge and application take full advantage of research capabilities and technical competency of private enterprise, educational institutions, and research institutes. Now back to our guests, Earl Hilburn, Dr. Tom Whitehead, and Jack Oslund.

MR. OSLUND: Thank you, Ed. Just before the break, Dr. Whitehead, you were talking about the need to review the Communications Act of 1934. At a recent international conference, you spoke of the need for more flexible, less detailed regulation of communications -- I believe you called it "regulation by policy." Does this mean that a shift in regulation of communications is being considered? What did you mean by "regulation by policy?"

"REGULATION BY POLICY"

DR. WHITEHEAD: Well, I think a shift is being considered in regulation generally; it goes beyond just communications. The Federal Government regulates a number of industries in great detail, such as transportation, the power utilities, and so on. The problem we find in all these industries -- and I happen to think we find them most pressingly in the communications industry -- is that the rate of change brought about by technology is simply outstripping the ability of the regulatory machinery to deal with this. The communications industry is growing in scope; it's growing in size; it's growing much more rapidly. The old days, when the FCC was able to regulate the industry in a great amount of detail, simply have passed. It is almost impossible for a Washington bureaucracy to regulate something like our communications industry today in a high amount of detail, and

still reflect the public interest. When you're making very detailed decisions in a very short time frame, which is being forced by this new technology, it simply becomes impossible for human beings, no matter how competent they are, to reflect adequately what does contribute to the public interest and what does not, in the longer run, in the broader perspective.

What we need, therefore, is to move away from the regulation of this industry in great detail, and to adopt instead a regulation that emphasizes what do we want from this industry; what this industry should be seeking to achieve; what are the limits beyond which it may not go in the public interest. And then, within those firmly but not meddlesomely stated limits, let the industry proceed to develop the services and to develop the scope, that it knows how to develop. The communications industries themselves, when you get right down to it, are the people who know best how to do that.

MR. OSLUND: Mr. Hilburn, as a representative of industry, what would be your response to a more flexible regulatory approach?

MR. HILBURN: I certainly would applaud it.

MR. OSLUND: If I'm not mistaken, one of the big question marks regarding communications has to do with the question of domestic communications satellites, which Mr. Hilburn referred to earlier. Hasn't the question of the establishment of a domestic communications satellite system been before the FCC for a long period of time? Just how long has industry been trying to launch a domestic communications satellite system?

DOMESTIC COMMUNICATIONS SATELLITES

MR. HILBURN: We in the United States are in a rather peculiar position. It was our scientists and engineers who developed the space technology that made communications satellites and other type of satellite hardware practical. Yet we haven't achieved the benefits at home of satellite services. There have been various proposals before the FCC going back more than five years, for demonstration systems, for trial systems, or for pilot systems. Unfortunately, for a variety of reasons, these have gotten swept up in general studies of the question as to what direction we should move in this country with regard to not only our systems and services, but the way in which we regulate those services and authorize their existence. So, through a series of delays, we find ourselves still in a position of the man who invented the machine but isn't able to use it himself.

MR. OSLUND: Dr. Whitehead, earlier you referred to the function of OTP as being the formulator, if you will, of Administration policies on national communications questions. Would you explain for us the position that OTP has taken on the question of domestic communications satellites?

OTP'S SATELLITE POSITION

DR. WHITEHEAD: Our position is that this technology ought to be allowed to grow, to develop pretty freely so as to provide the applications to the public that we think it can. Our policy statement really addressed two separate areas. One is the use of satellites by common carriers, such as ATT. There we said that the Commission should approve satellites for use by the common carriers whenever the common carrier can convince them, through the normal regulatory process, that this is the best way to provide service to the public. In other words, what's so special about satellites that they can be applied by the common carriers for the benefit of the public and service. On the other hand, there are a number of specialized uses of communications satellites which would not necessarily fall under the common carrier wing. There we said that the FCC basically ought to let people proceed to develop systems and offer specialized services on a competitive basis.

Our policy also laid down a number of restrictions as to things industry should and should not be allowed to do, so that the development of this technology would reflect the public interest, so that normal incentives of the business process -- the normal incentives of competition -- would work toward providing services that the public would benefit from rather than producing problems or anti-competitive situations. This is an example of what we mean by "regulation by policy": laying down a few broad guidelines with some pretty tough teeth, and then leaving it to industry to go ahead and offer services to the public.

MR. PARSONS: A lot of people around the country are worried about the use of computers, the invasion of privacy, and the amount of information that's stored on computers. I have really two questions. One is: are we collecting too much information on individuals and storing it on computers? Second: what can government do about regulating this sort of thing? Are there any regulatory safeguards?

COMPUTER ISSUES

MR. HILBURN: This is a question of some concern to members of Congress; it's a subject of editorial comment from time to time in the papers; and I know that industry is concerned about it. We in the communication business take particular steps to insure that the privacy of communications is maintained and that the data stored in the computer is not made available to third parties. Tom, you may correct me on this, but I don't believe that there are any specific government laws, rules or regulations at the present time with respect to this matter. But it's one that I'm sure will receive increasing attention.

DR. WHITEHEAD: I think that's right, Earl. It's a very complex subject and there are many areas of it. One is the government's own use of information. Government keeps extensive amounts of information files on people. I think the government simply has to buckle down and address the question of how they're going to keep that from being misused. More

broadly, though, the technology is making it possible for private individuals and private corporations to keep and exchange large amounts of information which either individuals would not like to have spread around or which have some high proprietary value which should be safeguarded. I think it's quite possible that some kind of government policy -- possibly regulation, or guidelines, or standards -- will be required in this area. One thing we will have to see fairly early is much more talk between the computer people and the communications people, so that we have an integrated safeguard system. The real problems arise when people have access to computers through communication.

MR. OSLUND: I'd like to address this last question to both of our guests. We have a communications satellite, which literally negates the factor of distance in transmitting any kind of communications. We have a developing computer technology. And we have cable television which, as Dr. Whitehead said, can offer many channels of information. Do we see here possible evolutions of new national networks of communication systems?

WHAT LIES AHEAD

MR. HILBURN: I think these are bound to come ...

MR. OSLUND: A fourth, fifth, twelfth network so to speak, for broadcasting, computers, and so on?

MR. HILBURN: Well, I was using the term "network" in a broader sense than merely TV broadcasters. I was assuming you were talking more about kinds of services that could be offered.

DR. WHITEHEAD: I think you will see many different kinds of networks. You'll see networks for data communication; you'll see networks for voice communication; you'll see networks for television distribution. I think you'll see national networks; I think you'll see local networks. I think that the watchword in the future of communications is going to be flexibility and diversity. And it may not look much like what it looks like today.

MR. PARSONS: We've been talking with Dr. Tom Whitehead, the Director of the White House's Office of Telecommunications Policy, Earl Hilburn, President of Western Union, and Jack Oslund, of the National Chamber's Washington staff, about some of the developments that are taking place in the field of telecommunications. Thank you gentlemen for being with us today.

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JAN 24 1972

Honorable Sam J. Ervin, Jr.
Chairman
Subcommittee on Constitutional Rights
United States Senate
Washington, D.C. 20510

Dear Senator Ervin:

I am pleased to accept your invitation to present testimony before the Senate Subcommittee on Constitutional Rights on February 2, 1972.

It is my understanding that you expect me to discuss with the Subcommittee the Administration's policy toward the public broadcasting system and the potential inherent in cable television as well as the possible impact of its development on First Amendment considerations.

I look forward to seeing you on February 2.

Sincerely,


Clay T. Whitehead

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January 18, 1972

MEMORANDUM FOR MR. PETER FLANIGAN

Senator Sam J. Ervin, Jr., Chairman of the Senate Subcommittee on Constitutional Rights has invited me to testify before his Subcommittee on Wednesday morning, February 2, 1972. Senator Ervin has asked me for my views on "the Administration's policy toward the public broadcasting system" and the potential of cable television and its possible impact on first amendment considerations.

As I am sure you will remember, Senator Ervin began his hearings on the broadcast and printed press and their relationship to the first amendment last October. During the first set of hearings, which received considerable public attention, the following testified: Dean Burch and Nicholas Johnson, Frank Stanton and Walter Cronkite, Julian Goodman and David Brinkley, Fred Friendly, Congressman Ogden Reid, a representative of the New York Times, two working journalists from Nebraska, broadcasting representatives from North Carolina, and various professors who discussed both the history of the first amendment and the Fairness Doctrine as it now relates to the broadcasting industry. Senator Ervin has asked several members of the White House staff to testify including Herb Klein, Fred Malek, and Chuck Colson. All have declined invoking executive privilege. RNC Chairman, Dole, was asked and declined. Attorney General, John Mitchell, declined but suggested the Committee hear from Assistant Attorney General, William Rehnquist. Ervin turned him down as not being sufficiently authoritative.

I have discussed this request with Clark MacGregor's office. They find no objection and feel it would be difficult to turn them down because it's not possible for me to invoke executive privilege. I have been assured by Senator Hruska's staff that both Senator Ervin and Senator Hruska do not expect, and will not ask, me to answer questions concerning the several instances regarding this Administration and freedom of the press. If we accept Senator Ervin's invitation, it will be necessary for us to sort out within the White House our position on the Fairness Doctrine, but I think that this is important and now would be a good time.

Clay T. Whitehead

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REMARKS OF

Clay T. Whitehead, Director

Office of Telecommunications Policy
Executive Office of the President

at the

47th Annual Convention
National Association of Educational Broadcasters

Miami, Florida
October 20, 1971

It would be refreshing for you, I'm sure, to hear a convention speaker dwell on all the good things that public broadcasting has accomplished--after all the accomplishments are real. But government policy making doesn't usually concern itself with good news, it deals with problems and policy is my topic today.

Public broadcasting occupies a very special role in my Office and in the Executive Branch generally. It is one of the few elements in our communications system that has had a policy blueprint. The policy for public broadcasting--even its very name--was the result of deliberate study, public discussion, and legislation in the form of the 1962 ETV Facilities Act and the 1967 Public Broadcasting Act. Much of the policy has been developed and administered by the Executive Branch.

The process of developing policy is a continuing one. After four years of experience with the system created by the Act, you and OTP are asking whether the policies that guide public broadcasting work--where they have taken us and where they are taking us. The process has taken much longer than we all wanted it to take. But now I'd like to talk to you about the factors that have shaped our thinking about public broadcasting and how we view the policy questions.

I honestly don't know what group I'm addressing. I don't know if it's really the 47th Annual Convention of NAEB or the first annual meeting of PBS affiliates. What's your status? To us there is evidence that you are becoming affiliates of a centralized, national network.

For example, CPB calls PBS our fourth national TV network--and the largest one at that, with over 210 affiliates. Don Quayle's National Public Radio may be the only real national radio network we have--I half expect Arthur Godfrey--or maybe David Susskind--to be hired to do a "morning magazine" show for NPR. I see NAEB's ETS Program Service transferred to PBS and NPR. Because of CPB's method of funding program production, it's less than candid to say the production system is a decentralized group of seven or eight regional centers. Who has real control over your program schedules?

On a national basis, PBS says that some 40% of its programming is devoted to public affairs. You're centralizing your public affairs programs in the National Public Affairs Center in Washington, because someone thinks autonomy in regional centers leads to wasteful overlap and duplication. Instead of aiming for "overprogramming" so local stations can select among the programs produced and presented in an atmosphere of diversity, the system chooses central control for "efficient" long-range planning and so-called "coordination" of news and public affairs--coordinated by people with essentially similar outlooks. How different will your networked news programs be from the programs that Fred Friendly and Sander Vanocur wanted to do at CBS and NBC? Even the commercial networks don't rely on one sponsor for their news

and public affairs, but the Ford Foundation is able to buy over \$8 million worth of this kind of programming on your stations.

In other kinds of programming, is it you or PBS who has been taking the networks' approach and measuring your success in rating points and audience? You check the Harris poll and ARB survey and point to increases in viewership. Once you're in the rating game, you want to win. You become a supplement to the commercial networks and do their things a bit better in order to attract the audience that wants more quality in program content.

The temptation to make your mark this way has proven irresistible. The press is good. You've deserved the limelight much sooner, but it's coming now with truly outstanding efforts in the up-coming "Electric Company" and "Sesame Street" and "Forsyte Saga" and the BBC's other fine dramatic and cultural shows. You do this job brilliantly. You can pick up where the commercial networks leave off. You can do their children's shows, their drama, their serious music, their in-depth informational programs--you can even be their "farm system" and bring up young, minority-group talent to work in the "majors" in New York and Los Angeles.

You can program for the Cambridge audience that WGBH used to go after--for the upper-middle class whites who

contribute to your stations when you offer Julia Child's cookbook and Kenneth Clark's "Civilisation." It also has the advantage of keeping you out of the renewal and access conflicts now faced by commercial broadcasters. With a few notable exceptions, maybe the community activists don't think you're meaningful enough in your own communities to warrant involving you in these disputes.

As the fourth national network, things are looking pretty rosy for you. Between 1968 and 1970, national broadcast hours went up 43%. This year alone PBS is sending an average of two hours a night down the interconnection lines. But local production of instructional and "public" programs continue a decreasing trend--down 13% from 1968 to 1970. The financial picture at the local stations looks bleak, even though CPB can now raise the range of its general support grants to between \$20,000 and \$52,000 per TV station. But it's still not enough. The average TV station's yearly operating costs are over \$650,000 and the stations are suffering--Delaware may be without a state-wide system, local programs are out on WHYI in Philadelphia, things look bad elsewhere--even at the production centers.

Money alone--great bales of it--would solve a lot of the problems. CPB would be able to fund programs on America's civilization and programs on the Adams family instead of the Churchill and Forsyte families. The production centers could be more independent and the other local

stations could devote more energy to programming, ascertainment and community service instead of auctions, fund-raising gimmicks and underwriting grants. More money could even lessen the internal squabbling that seems to occupy so much of your attention.

But money alone won't solve the basic problems that relate to the structure of public broadcasting--a structure that was to be built on a bedrock of localism. I've read Arthur Singer's speech last June at Boyne Highlands and I've read the Carnegie Commission Report and the legislative history of the '67 Act. Singer wins--the reality of 1971 doesn't match the dream of 1967.

Do you remember that the Carnegie group put its principal stress on a strong, financially independent group of stations as the foundation of a system that was to be the clearest expression of American diversity and excellence; that the emphasis was on pluralism and local format control instead of a fixed-schedule, real-time network, and that this view was reflected in the House, Senate and Conference reports on the '67 Act; that CPB was supposed to increase options and program choices for the stations; and that the Carnegie Commission wanted general operating funds to come from HEW because of the concern that the corporation not grow too big or become too central. As Dr. Killian put it, if stations had to look to the corporation for all their requirements, it would lead "naturally, inevitably,

to unwise, unwarranted and unnecessary centralization of educational broadcasting." The concept of dispersing responsibility was essential to the policy chosen in 1967 for public broadcasting. Senator Pastore said on the floor of the Senate that, "since the fundamental purpose of the bill is to strengthen local noncommercial stations, the powers of the Corporation itself must not impinge on the autonomy of local stations."

The centralization that was planned for the system--in the form of CPB--was intended to serve the stations--to help them extend the range of their services to their communities. The idea was to break the NET monopoly of program production combined with networking and to build an effective counterforce to give appropriate weight to local and regional views.

In 1967, the public broadcasting professionals let the Carnegie dreamers have their say--let them run on about localism and "bedrocks" and the rest of it--let them sell the Congress on pluralism and local diversity--and when they've gone back to the boardrooms and classrooms and, union halls and rehearsal halls, the professionals will stay in the control room and call the shots. The professionals viewed the Carnegie concept of localism as being as naive and unattainable as the Carnegie excise tax financing plan. They said that no broadcasting system can succeed unless it appeals to a mass audience in one way or another;

that networking in the mold of the commercial networks is the only way to get that audience; that a mass audience brings a massive reputation and massive impact; that it's cheaper, more effective, more easily promoted, simpler to manage, and less demanding on local leadership than the system adopted by the Congress; and they are right. But is that kind of public broadcast system worth it? Is it what you want? What your community needs? What's best for the country?

You've been asking yourself that question. For you, the past few months have been a time for self-analysis and hard questions--from Singer's Boyne speech, to the Aspen meetings; the Jack Gould-Fred Friendly debate on the pages of the Sunday New York Times; the discussion that's been going on between my Office and CPB; and the emotional debate within public television over the FBI sequence on "Dream Machine." Your public debate has focussed on the fundamental issues and you're to be admired and respected for it.

You are grappling with the policy imposed on a going enterprise in 1967. That policy was not only intended to change the structure of ETV, it was also supposed to avoid the structure of commercial TV and to steer clear of a government-run broadcast system. There are trade-offs in this policy. For example, if you imitate the commercial structure, all we have is a network paid for by the government and it just

invites political scrutiny of the content of that network's programs. We're asking a lot of you when we expect that you implement the policy chosen for public broadcasting. But some of you haven't succumbed to despair yet. Some of you don't want to be a fourth network. Some of you are trying to make the policy work.

For example, PBS will be trying to use its interconnection for program distribution as well as networking; it's trying to broaden the base of small station representation on its Board; CPB is trying to devote more funds to general operating grants; as long as there is a centralized network, Hartford Gunn is trying to make it work in a responsible manner despite the brickbats and knives that come his way; some local stations are really trying to do the job that must be done at the community level. I recognize this. I appreciate the problems you face.

CPB seems to have decided to make permanent financing the principal goal and to aim for programming with a national impact on the public and the Congress to achieve it. But look at the box that puts you in. The local station is asked--and sometimes willingly accedes--to sacrifice its autonomy to facilitate funding for the national system.

When this happens, it also jeopardizes your ability to serve the educational and instructional needs of your communities. All the glamor is packed into your nighttime schedules and the tendency is to get more public attention

by focusing on the news, public affairs and cultural programs that are aimed for the general audience. But there must be more balance in your service to your communities. In quantitative terms, your schedules are already split equally between instructional and general programming. But in qualitative terms, are you devoting enough of your resources to the learning needs of your in-school and in-home audiences?

Do any of you honestly know whether public broadcasting--structured as it is today and moving in the direction it seems to be headed--can ever fulfill the promise envisioned for it or conform to the policy set for it? If it can't, then permanent financing will always be somewhere off in the distant future.

The legislative goals for public broadcasting--which I hope are our common goals--are:

- (1) to keep it from becoming a government-run system;
- (2) to preserve the autonomy of the local stations; and
- (3) to achieve these objectives while assuring a diversity of program sources for the stations to draw on in addition to their own programs.

When you centralize actual responsibility at a single point, it makes you visible politically and those who are

prone to see ghosts can raise the spectre of government pressure. When you, as local stations, are compelled by the system's formal structure, its method of program distribution, the mere lack of a programming alternative or simple inertia to delegate formulation of your program schedules to a central authority, how can you realistically achieve the objective of local autonomy. All we are left with is the central organization and its national programs and that was never intended to be an end in itself. When the struggle is simply between the Washington center and the New York center, it doesn't much matter who wins. It probably isn't even worth the effort.

You've been told at this convention all that you should do--that you should be--as cablecasters, minority group employers, public telecommunications centers and the lot. But is enough is expected of you when you are branch offices of a national, public telecommunications system? It would be a shame for you to go into the new world of electronic education centers offering a dazzling array of services without engaging in the most exciting experiment of all--to see if you as broadcasters can meet your wide responsibilities to your communities in instructional and public programming. It's never been tried and yet, as a policy, it's America's unique contribution to broadcasting--it's our concept of mass communications federalism.

Your task then is one of striking the most appropriate balance in determining the local station's role in the public broadcast system--a balance between advancing the quality of electronic instruction and the quality of programs for the general public and, ultimately, the balance between the system's center and its parts. You have to care about these balances and you have to work for them.

We in government want to help, but the initiative must come from you.