



ON FLATHEAD RIVER OUTING
aboard Jack Thompson's air boat Sunday were: Larry Stuart, University of Montana information director; Prof. Phil Hess of UM journalism school;

Jack Thompson, Robert Pierpoint, CBS White House correspondent; Clay T. Whitehead, director of Office of Telecommunications Policy at White House; Dean Warren J. Brier of UM journalism.



Bystander — Flathead Visitors

By Mel Ruder

Robert Pierpoint, who has covered the White House for CBS news for the last 13 years, spent the weekend in the Flathead and Glacier National Park.

He'd been the speaker at the annual Dean Stone Night awards banquet Friday evening at the University of Montana School of Journalism.

First of all, Pierpoint liked the area: He commented on "the great country, beautiful scenery and friendly people . . . We drove up to Logan Pass after dinner and it is gorgeous. Saw a couple of black bear or one black bear twice, a cow moose and miles of wonderful mountains."

With Pierpoint were Clay T. Whitehead, Kansas native and

MIT graduate, who is director of the Office of telecommunications Policy at the White House; Dean Warren J. Brier of the UM school of journalism; Prof. Phil Hess and Larry Stuart, UM information director.

The men much appreciated The Village Inn at the foot of Lake McDonald. Pierpoint telephoned his wife: "You've got to see this. The prettiest place . . ."

Disappointing was lack of fish, but every angler in the Flathead knows it's too early.

Muggs Huff guided the visitors to fishing spots up the Swan with some results, and Jack Thompson gave them the interesting experience of an air boat ride on the Flathead River. Monday evening Pierpoint concluded his stay by catching "two splendid" rainbow on Flathead Lake.

Jack Thompson gave Whitehead a Dolly Varden from his freezer to take back east.

Pierpoint has high regard for Senator Mike Mansfield, "a man whom everybody in Washington respects."

He wondered about the re-

action to Senator Mansfield's bill to reduce the number of American servicemen in Europe.

Our comment was that Montanans tend to be isolationist.

Pierpoint, who incidentally was raised in California, commented about the high dollar export to sustain armed forces and dependents in Europe, and that the Russian indication to talk reduction of forces hurt Mansfield efforts.

By coincidence we received a letter from a Montanan who is a world traveler, and showed it to Pierpoint.

The letter read in part: "Hasn't Mike Mansfield's latest move been interesting? I wrote him about six years ago stating my agreement in pulling troops from Europe. He said he was anything but right, though I'm sure the vote tomorrow will be against him."

The letter continued: "You can be sure the generals in Europe would hate to see a troop reduction — they want an increase to provide another star."

Pierpoint also wondered if Senator Mansfield wasn't aware that history might judge him correct in wanting to reduce the number of Americans servicemen in Europe.

Father Robert J. Hartman returned Monday from a three weeks stay in Mexico.

He reported weather "excellent with cool nights," and "hundreds of interesting experiences."

Father Hartman spent two days in Cuernavaca, and three in Taxco, and the rest of the time in Mexico City.

The Hungry Horse News editor had a picture of an interesting restaurant in Cuernavaca with flamingo in the courtyard. We lacked the name of

the place, and found that Father Hartman had stayed there. It was "Los Manantiales" and rates are moderate.

At the hotel he chatted with Peter Ustinov, the stage and motion picture star, who spends considerable time in Mexico.

Father Hartman commented on eagerness of the children, faith of the people and their craftsmanship. He didn't encounter a single anti-American incident, and told of people wanting to help, "an attitude one expects in a small town."

He noted the smart and clean dress of people in the city. "You don't see dirty shoes or unkempt hair or attire."

Priests in Mexico do not wear religious garb away from the church.

Father Hartman was aware of Mexico's lack of rainfall and poverty.

May 22 issue of The New York Times had an article by Roy Reed on pollution aspects of the Anaconda Aluminum Co. plant.

The story didn't present anything particularly new for a Montana reader.

To be noted is that the Los Angeles Times story by Philip Fradkin last February resulted in a number of letters. So far, the New York Times article hasn't.

Ted Hiatt, Whitefish, brought a clipping he'd received from New York City. It was interesting that the lady who sent the clipping was a roommate of Mrs. Hiatt's at Oberlin College in 1921.

Publisher Hal Stearns in his Harlowton Times editor's column last issue had this comment:

Libraries now have copies of a book of cartoons about Senator Burt Wheeler. Only 106 copies were printed, so it is rare. What a rare guy he was.

We will always cherish a letter he wrote in which he predicted all too correctly how the United Nations would prove to be a failure, and how Russia would be a real menace to the peace.

He wrote us in 1948, and we didn't want to believe his cynical prognostications, so we opposed his re-election to the Senate. We wuz wrong and BK was a seer.

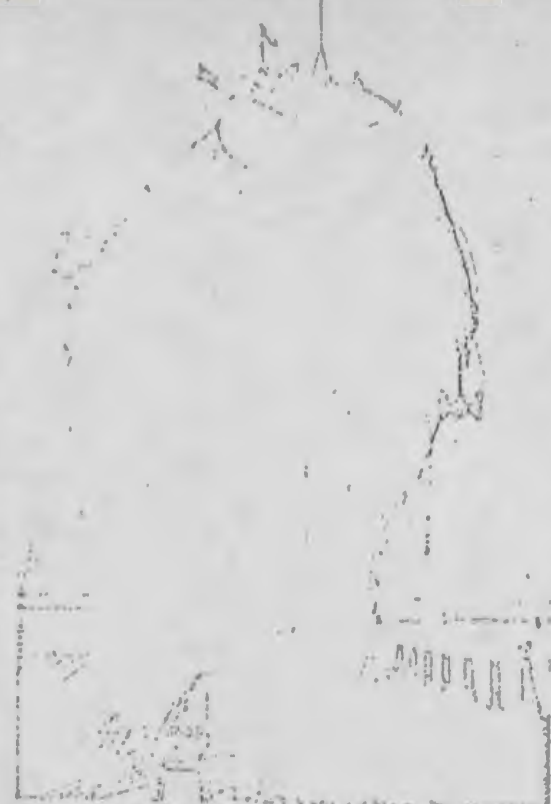
We were talking by telephone to Jack Thompson Friday at 10:15 a.m. Topic was bull trout fishing.

From fish talk, he exclaimed: "I've got a moose out in my front yard, 30 feet from the front door. Can you hear the dog barking?"

National Geographic Society Bulletin for May 10 features a color photo of the Garden Wall trail in Glacier National Park on its cover.

Lead article is "Sharing Hiking Adventures in Glacier Park's Chalet Country" by Janis K. Wheat, the Bulletin's assistant editor. There are six color photographs.

Signs Now Point to Action On Modernizing Merchant Marine



Delta Steamship Lines' DELTA MEXICO being launched at the Ingalls Shipbuilding Division of Litton Industries, at Pascagoula, Miss., in October, 1968.

With Nixon Administration and Congress 'Gung Ho' for 30-ship a Year Building Program, Prospects Seem Good; But Author Also Warns Opponents and Industry Dissension Could Be Roadblock

By HELEN DELICH BENTLEY

Navy Magazine

July/Aug. 1968

THE country no longer has any choice. It is three years away from disaster. We have to do something whatever the price." That is the way the new Maritime Administrator, Andrew E. Gibson, described the thinking of the Nixon Administration in relation to the merchant marine.

And it appears that the Republicans at long last are going to do something about this extremely weak reed in our sea power chain—even though it costs money. At least that is what all of the signs point to now. When the final costs are calculated, the decision may be changed due to pressing domestic issues (what could be more pressing than no ships in three years?) and Viet Nam war costs. But presently, the signs all point "go" for a new long-range program.

It is likely that the new program will call for no less than 30 new merchant ships annually to be built in American yards—at least for the present. These, of course, would be divided proportionately between general cargo (container, LASH, Seabarge types) and break bulk types.

Some sources undoubtedly will say that there be a minimum of 50 ships a year because of the critical

condition of the merchant fleet. Actually, if it were possible, both physically and monetarily, the United States needs a minimum of at least 100 new merchant ships a year for the next three years. But since that is impossible—regardless of where they are built—everyone will accept the 30 or 35 ships a year figure.

New Ships Are Different Breed

One must also remember that modern ships are a different breed from the World War II vintage which still makes up two-thirds of this nation's fleet—and the reason Gibson remarked that the United States is only "three years away from disaster." In that time, all of the World War II vessels—or a substantial portion of them—will have seen their last days. Right now they are kept going by the high rates obtainable from the Viet Nam sealift or as a result of the Viet Nam sealift. Otherwise, the shipowners could not afford the high insurance rates imposed on these old tubs along with the exceedingly high costs of repairs just to keep them "bailing wired" together to slip under Coast Guard rules.

But the new ships will have a productivity ratio of three-to-one or five-

to-one in relation to those vessels the containerliners and the Seabarge types will be replacing. Shipowners report that a containerliner of about 15,000 deadweight tons with a 22-to-24 knot speed can do as much as three C-3 type general cargo freighters, while the Seabarge design of Lykes Bros. Steamship Company is expected to replace five C-2 ships. Therefore, the new merchant marine will not be a one-for-one replacement—productivity does not warrant it at this time.

This probably is fortunate, because there appears to be only enough interest from private shipowners to build about 70 more dry cargo vessels of various types—container, LASH, Seabarge, bulk. This would be the equivalent of approximately 250 World War II ships. It would actually take at least 260 new dry cargo vessels to provide about the tonnage now available under the United States flag.

Investors Have Lost Interest

As indicators improve the potential cargo market for American bottoms, it is highly likely that other American owners will become interested. Another influencing factor will be whether the Administration finally



An artist's conception of the profile of the new Seabee Class barge and inter-modal carriers to be built for Lykes Bros. Steamship Co., Inc.



Bath Iron Works' new 15,600 DWT container ship STAG HOUND.



Artist's conception of the Lykes Lines barge and inter-modal carriers, new all-purpose cargo ships. While designed primarily for commercial operations, they can serve in a military emergency. Not only will they be able to transport landing craft, but also carry the fuel for them in their deep tanks.

does come out with a program, after all, the country has been on the verge for so long that many investors have lost their interest in a program that never came to fruition. There are other areas where investments can fare better, without suffering because of indecision by the government and bitter in-fighting within management and labor and between management and labor.

All these deterrent factors must come to an end if the United States is to regain its prestige on the high seas. There are some who believe this country never really had it and certainly doesn't now. For instance, at the 67th annual Navy League Convention, O. William Moody, Jr., administrator of the AFL-CIO Maritime Trades Department, stated:

"Probably the most repeated—and least accurate—of the views prevalent today, is that the United States is a major maritime power. Some of this misconception stems from this Maritime Day observance itself. Today is the 150th anniversary of the historic trans-Atlantic crossing by the S.S. Savannah—the vessel which introduced steam propulsion to the oceanic routes of the world.

"Since we annually hark back to this historical fact, people can be forgiven the assumption that this is evidence of our maritime prowess. But just because we have a maritime past is no assurance that we have a maritime present—let alone a maritime future.

"Despite a seagoing tradition that reaches back to the earliest days of the Republic, the fact is that we have—through neglect and indifference—allowed our maritime fortunes to sink, and we have allowed our flag to appear less and less frequently on the high seas. Today we are fifth among the fleets of the world, and somewhere around eleventh among the shipbuilding nations of the world—and those standings hardly justify any myths about being a major maritime power."

The Downward Trend

On that same symposium, panel member Vice Admiral Lawson P. Ramage, USN, Commander of the Military Sea Transportation Service, described the downward trend of this country's Merchant Marine when he remarked,

"We're ready to fall on our face one way or the other."

Rather than to continue giving "mouth to mouth resuscitation" to a



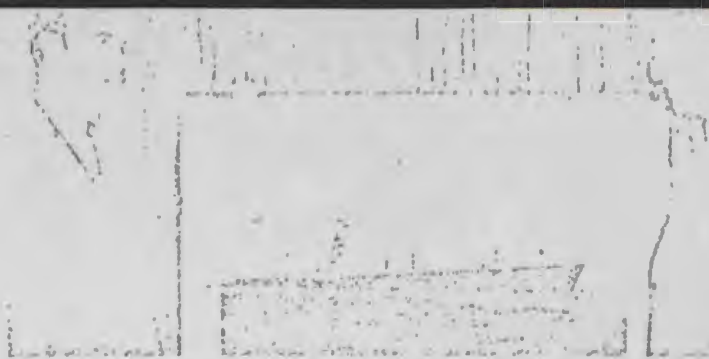
Under Secretary of Commerce Rocco C. Siciliano (right) with Sen. George Murphy (R-Calif.).

bunch of rustbuckets, Admiral Ramage called upon this nation to build new ships. His reference to the "mouth to mouth" revival was the reactivation of World War II ships for seelifts like Viet Nam and the conversion of quarter-century old ships from regular cargo ships and passenger craft to container vessels at costs of some \$9 million per ship. For \$9 million overseas, one could have a 24,000 deadweight ton container-ship—which is one of the reasons shipowners have felt they could not afford to build in this country without government assistance. The same containership in the United States will run about \$20 to \$22 million.

Although Admiral Ramage and others in the military service shout about the desperate plight now overtaking them in conjunction with movement of military cargoes in the future, the one area where support for a vast Merchant Marine program may be lacking is from the Defense Department.

Some Problem Areas

Some knowledgeable sources feel that this could be a problem. Another problem area might be Peter J. Flanigan, the special assistant to President Nixon under whose jurisdiction the maritime sector falls at the White House. As a successful investment banker, Mr. Flanigan is well aware of all the shortcomings of steamship lines for investment reasons, but at least is willing to listen. And he does recognize the critical period facing the Nixon Administration because the two previous administrations did nothing and refused to do anything to prevent this massive bloc obsolescence—predicted since 1954—from overtaking the nation.



Maritime Administrator Andrew E. Gibson (left) with Dr. John J. McMullen, president of the United States Lines, Inc. view an artist's conception of the PIONEER MAIN, a C-4 Mariner being converted to a full container-ship for the company's Far East service.

His legman, Thomas Whitehead, who has been doing most of the direct talking with persons in the industry, is a naive young man totally unfamiliar with anything to do with the complex industry except what he has picked up since he began at the White House six months ago. He is trying hard, however.

The knowledgeable Maritime-backgrounded persons within the Nixon Administration—such as Gibson—a former Grace Line senior vice president, and Rocco Siciliano, Under Secretary of Commerce and former president of Pacific Maritime Association—would like to circumvent the so-called Interagency Task Force established in March and come up with a long-range program for President Nixon because of the composition of the task force and the problems that resulted from the 1965 Interagency Maritime Task Force set up under Alan S. Boyd, then Assistant Secretary of Commerce for transportation.

Certainly Dr. Laurance Lynn, who was transferred to the National Security Council from the Pentagon by the new Administration, is not considered a friend of the American Merchant Marine in any way. In fact, he sees nothing but air power, and was one of those who had convinced Secretary of Defense Robert S. McNamara that this country could handle all cargo and troop movements in the future by air. When Viet Nam began building up, Secretary McNamara found out differently and had to resort to the sea once again. Even as late as December, 1966, Dr. Lynn had prepared an in-house report which said that the ships in the reserve fleets then would be adequate for another 25 years of emergency service—that the United

States had an adequate Merchant Marine.

Another member of the task force who worked alongside Dr. Lynn was Frank A. Nicolai, whose thinking is said to be clouded by that of Dr. Lynn when in his presence or under his influence. Otherwise, it is said that Mr. Nicolai has some feelings about the needs of the Merchant Marine and the nation in this regard.

The chance of a program being put across now is much stronger because there is a Cabinet officer who believes along this line as well. He, of course, is Maurice Stans, the Secretary of Commerce, in whose department the Maritime Administration is still located. And if he has his way, it will remain there. He intends to do something about its plight, which should satisfy those backers of an independent agency.

When the snowball began rolling for an independent agency in 1957, it was due to lack of interest in the Merchant Marine and Maritime Administration within the Department of Commerce, and the fear that the same lack of interest would result in an overburdened Department of Transportation to which President Johnson wanted the agency transferred. Since DOT has inherited the Bureau of Highways and the St. Lawrence Seaway from Commerce, the Maritime Administration now is the only major agency left within Commerce. Therefore, Secretary Stans and his associates are anxious to do everything possible to keep it there.

DOT Prepares Program

An interesting sidelight is that some of the personnel within the Department of Transportation are preparing a maritime program of their

concept that they don't have task force or the Commerce Department will be able to do so. That the final outcome of the dual projection will be is unknown, but there is no feeling the two will clash or clash so hard that once again a split within ranks will thwart a program. This move might be described as typical bureaucratic desire to grab hold of a project and hang on to it in order to build up your own bureau.

But the Senate Commerce Committee headed by Senator Warren G. Magnuson (D., Wash.), and the House Merchant Marine and Fisheries Committee, chaired by Representative Edward A. Carmatz (D., Md.) are looking to the Commerce Department and Secretary Stans for the program that will be presented to Capitol Hill. And they would like to get hearings underway in September so that legislation can be enacted either late in the first session of the 91st Congress or early in the second session.

With both the Nixon forces and Capitol Hill "gung ho" for doing something about the Merchant Marine, there should be no real difficulty getting a program through, provided once and for all, the selfish interests within the shipowners groups and labor will forget about themselves for a while and consider the overall picture. Naturally, every one will be able to find some faults with whatever is presented, but if the nit-picking begins as it has in the past, the "disaster" Gibson spoke about will be here and the country will suffer.

Who Really Wants It?

This will be the opportunity to find out who really wants a program and who is only mouthing support for one. Those who nit-pick the program to death will fit into the latter category and will find that niche on their own. The others will make a real effort to accept facets they don't particularly care for, but realizing a crisis is here, will forget about them.

In order not to let the whole program get sidetracked on any particular issue, the Administration is not going to open Pandora's box on where the ships are to be built, even though there is some question in their minds as to whether American yards can turn them out rapidly enough. However, the American yards are going to be given the opportunity to prove themselves on the basis of price, bidding practices, and delivery times. If the merchant marine's revival is stalemated and bogged down some-

where along the way because the yards can't produce, then a Presidential Commission should be established to determine what the next course should be.

One way to make certain no program would finally begin would be to weigh it down from the start with a controversial issue such as that of foreign building.

American shipyard experts like John H. Gilbride, president of Todd Shipyards, Inc., say, "give us an idea of what the program is going to be so we can go ahead and expand our yards accordingly. But until the Government lets the public know what its attitude on foreign building is go-

ing to be, we can't borrow money for expansion and ship owners can't get money for new building. We're all in trouble. We'll provide the facilities when we know."

Bath Industries recently announced plans for a \$60 million yard in Maine if it gets the Navy's contract for the DD-963 destroyer. Merchant shipping would benefit as a natural fall out.

At this writing, it appears certain that President Nixon intends to live up to his 1968 campaign promise of rescuing the Merchant Marine from rusting into the ocean. After years of neglect, it is gratifying to know that the White House has assumed leadership in this important area.

Equipment Engineering

White House acts on a domestic bird

Special committee includes Rosel Hyde;
Clay T. Whitehead will head the group

The White House working group that will review all aspects of the domestic communications satellite issue was being assembled last week, in preparation for its first meeting, scheduled for Friday (Aug. 15).

The group is being put together by Dr. Clay T. Whitehead, a White House aide with responsibilities in the communications field, who will serve as chairman of the group.

Others who have been named as of Thursday are FCC Chairman Rosel H. Hyde, Dr. Russell Drow, technical assistant to Dr. Lee A. DuBridge, the president's science adviser; Dr. Thomas Moore, of the Council of Economic Advisers; William Morrill, deputy director for programming, National Securities Division of the Budget Bureau; Colonel Ward T. Olsson, Air Force satellite communications specialist, on detail to the Office of Telecommunications Management as special assistant to the director; Donald Baker, of the Department of Justice's antitrust division; and Dr. Willis Shapley, associate deputy administrator of the National Aeronautics and Space Administration.

Dr. Whitehead's office said that Richard McLaren, chief of the Justice Department's antitrust division, was expected to attend the Friday meeting. Bernard Strasburg, chief of the commission's Common Carrier Bureau, was also scheduled to attend the meeting with Chairman Hyde.

Still to be named were representatives of the Departments of Commerce and Transportation. The Post Office Department will have an observer present, Robert Scherr, of the transportation division of the general counsel's office.

Creation of the committee, plans for which were disclosed last month (BROADCASTING, July 28), means a delay of at least two months in final FCC action on policy governing the establishment of a domestic communications satellite system.

The White House, in creating the committee, has stressed the administration's concern that the best possible choice of system be made. The commission's responsibility and authority in the field are not questioned, but the White House feels the administration has a large stake in the system that is established.

Dr. Whitehead, in informing the commission of plans for the committee, said it would complete its work and submit its findings by Oct. 1.

Lee looks for assurance

FCC Commissioner Robert E. Lee is calling on commission to give broadcasters assurance that it will bar direct satellite-to-home broadcast system, which would reduce need for terrestrial broadcasting system and eliminate many UHF stations.

Commissioner is issuing call in statement this week in which he concurs in commission action issuing fifth notice of inquiry in preparation for World Administrative Radio Conference of International Telecommunication Union. Conferences, on radio and astronomy and space services, will be held in June 1971.

Commission in notice indicates it is standing by previous proposal to recommend that frequency band 614-890 mc—UHF channels 38 through 83—be set aside for direct satellite broadcasting, subject to policy decision by individual nations as well as to coordination among affected nations (BROADCASTING, Feb. 2). Commission recommendations are being forwarded to State Department as preliminary step in formulation of U. S. position.

Commissioner Lee does not oppose reservation of frequencies for direct-satellite broadcasting. But he says it would be unfair of commission to establish system that would cause UHF stations to lose millions they have invested at commission's urging.

Articles

March 24, 1972

Brian Lamb

Bruce Owen


The Article for TV Guide

Your comment that the article lacks "punch" is certainly valid. The problem is that in order to have "punch" in this field, an article must either be frivolous or it must contain arousing criticism of someone or something. I don't think that our interests in this area are served particularly by a frivolous article. We need to make serious points. But we also seem to be seeking a low profile this year in such matters, and that would appear to rule out articles which are sufficiently critical of the industry or the FCC to be labelled punchy.

The only alternative seems to be serious, and hence dull pieces. I am not at all sure that we should have to apologize for such efforts. It is neither profitable nor responsible to mimic Nick Johnson in this area.

The article for Saturday Review has more punch, but that is made possible only because it criticizes an idea. The idea is reasonably abstruse, and while it may be accessible to readers of S.R., I doubt that readers of TV Guide would find it very interesting.

cc: Tom Whitehead



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

March 23, 1972

To: Tom
From: Bruce
Subject: Article for TV Guide

Attached is a short article which you may wish to consider for submission to TV Guide. The limit is 2000 words, which means that there is room for one more page, maximum.

cc: Brian Lamb

DRAFT
B. M. Owen
3/23/72

A PRESIDENTIAL VOICE IN COMMUNICATION POLICY

by

Clay T. Whitehead
Director, Office of Telecommunication Policy

When you turn on your television set tonight, what you see will be determined by your local TV station and the network with which it is affiliated. But what you see will also have been determined, indirectly, by Government communication policy.

Most Americans probably don't realize the extent to which the communication media they use are influenced by Washington officials. I'm not talking about direct influence in the area of news and public affairs, but indirect influence which determines the very structure of the mass media. Not only does Washington decide how many local TV stations your community can have, it also decides who can own them and how their programming decisions should be made. We decide in Washington such questions as whether there will be domestic communication satellites and when, if ever, you will be able to subscribe to cable television.

There are very few activities more central to social order than communication. In this age of magic technology, the means of communication are undergoing rapid change. Only fifty years ago most mass communication took place by means of the printing

press -- newspapers and magazines. Then came radio, and later, television, with their enormous impact on our daily lives. Today we are coming to grips with even more exotic technologies: cable television, satellites, videorecorders, and the like. Who knows what tomorrow will bring?

In most sectors of the economy this rapid technological progress would be taken for granted, and would spread according to the laws of the marketplace. But in the United States, as in most countries, communication is regulated by the government. This means that there has to be a conscious public policy decision to allow the adoption of each new technology. Government officials must in each case weigh the counter-benefits of the new technology against the inevitable/claims of vested interests.

The agency set up by Congress to make these decisions is the Federal Communication Commission, founded in 1934. It's original purpose was to prevent interference among users of the radio spectrum and to regulate the profits of the telephone industry. Today, it is responsible for promotion of the public interest in a very wide range of communication activities.

The FCC has two basic functions: to make policy (rules) and to administer them. The administrative function involves such things as choosing among alternative competitors for a broadcast license. The policy or "rule-making" function involves broader and more basic questions, such as how many TV stations there should be, and whether

newspapers should be allowed to own them.

The administrative process is much like our judicial system. There are judges (called hearing examiners), appeal procedures, and so on. The policy or rule-making is carried out on a different level -- it is essentially a legislative function, in which the agency applies its broad statutory mandate to more specific issues.

There is no place in this formal process for the President and the Executive Branch of the government. The regulatory agencies -- including the FCC -- are regarded as arms of Congress. Of course, the President can appoint Commissioners, subject to the advice and consent of the Senate, but this influence is very indirect.

This arrangement sometimes leads to difficulty. In such matters as domestic communication satellites and cable television, initial policy decisions by the regulatory agency may be important social and economic decisions with far-reaching effects on the programs of the Administration. Moreover, the regulatory commissions are not single-headed, consistent agencies with the usual clear lines of organizational authority. They are collegial in structure, with 3,5,7 or more commissioners. Shifting majorities can change basic policy positions overnight.

Over the years, a number of high level task forces have been appointed to study this regulatory process and to make recommendations for improvement. They have been almost unanimous in recommending the creation, within the executive branch, of policy agencies for the regulated sector. Professor Landis of the Harvard Law School made such a recommendation to President-elect Kennedy in 1961. A special

task force headed by Eugene Rostow made a similar recommendation to President Johnson in 1968, specifically in the communication field. The Department of Transportation was created for a similar reason.

Finally, in 1970, President Nixon created the Office of Telecommunications Policy in the Executive Office of the President. The Director of OTP was to be the President's principal advisor on communication policy.

OTP was created in order to give the Administration a single voice in the debate on communication policy, and in dealing with Congress, the public, and the FCC. It's purpose is to see that the President and his programs are represented in the formulation of important decisions in this critical area. The creation of OTP did not -- could not -- in any way reduce the role of the FCC or the Congress. The OTP does not, in fact, have any statutory power at all. It can only attempt to persuade and convince, speaking with the voice of the President.

In addition, OTP has important responsibilities to improve the effectiveness of the government's own internal communication networks.

As the first Director of OTP, I have tried to emphasize the persuasive powers of the office in major policy issues. Working with the public, the industry, and the Congress, we have sought out sound answers to the problems we face in telephone and broadcast regulation, cable television, public broadcasting, spectrum management, and international communications. By opening up a new source of dialogue on these issues, we hope that the public and the Congress can be made more fully aware of their importance.

The crucial role of communication in American society justifies the fullest possible public debate on basic policy decisions. These decisions are simply too important to be left to the backwaters of regulatory rule making, where the vested interests and cognoscenti too often have an unfair advantage. The creation of OTP means that the President -- any President -- has an opportunity to evolve a sound, ~~far~~ forward-looking, coordinated Administration position on the critical communication issues of the day. This was never possible before. A wider debate on these issues, with their critical importance to the American people, can hardly reduce the wisdom with which decisions are made.

But what is communication policy? The standard regulatory approach is to make decisions which are in the "public interest," as defined by the regulatory commission. This is a little vague. I think that the goal of communication policy should be to employ the available resources of our society in such a way as to produce the maximim benefits for consumers of communication services. In order to do this, we need to employ the latest and most efficient technology that science has made available to us. We also need to find a set of rules to govern the behavior of private firms which will lead them to seek these same goals. ^{traditional} Regulation forces industry to do specific things in specific ways, as defined by bureaucrats in Washington. Regulation by policy involves the discovery of those structural settings which lead the industry to produce results which are beneficial to society. If such a structural framework can be found, we minimize the extent of direct government intervention

in the day-to-day operation of the economy. And that is an important policy goal in itself.

Let me give just one example of what I mean. The public would clearly benefit from an efficient domestic satellite communication system. We have had one in the international field for years. Many firms are interested in providing a domestic system. If we had such a system today, communication costs would be significantly lower in many markets. The government has delayed the introduction of ~~such~~ a domestic system for ~~many~~ years, while it wrestled with the alternative structures such a system ought to take.

There are two possible approaches to this problem. The first is to franchise a single monopolist or a cartel to provide this service, under strict government regulation. The other is to open up the market to competition among a number of suppliers. In the latter case, the forces of the marketplace would keep prices down to competitive levels, and would require each competitor to serve his customers well, for fear of losing them. But a monopolist has no such incentives, and behaves properly only under detailed government regulation. If competition is possible (and our careful analysis has convinced me that it is) then we can achieve maximum benefit for the public without the need for government intervention. There are a number of firms who have in fact already applied to the FCC for an opportunity to compete in this new market. Clearly the public will best be served by allowing them to do so. Surely this "regulation by policy" is the better route, especially in view of the dismal

history of regulatory failure to protect the public from monopoly in other areas. We must seek ways to make the communication industry directly responsive to the needs of consumers, instead of orders from Washington.

We have had nearly a century of experience with regulation of private business from Washington. I think that the history of that experience tells us that better ways must be found to protect the interests of the public. And I think that one important way to do this job is to use the natural economic incentives of the private business sector, through greater competition, to serve the needs of consumers.

The same sort of approach can be made to work in other areas, such as public broadcasting and cable television. We have had enough of big government and big business; we know that there has to be a better way. We must seek ^{to} turn both government and business around, to make both more responsive to the needs of the people. In a diverse society, that means making government and business more diverse, more localized, more flexible, and more directly subject to the ^{test} ~~laws~~ of the marketplace where the consumer is sovereign.

OTP has to think of the problem in this way, because we do not have any power to promulgate detailed regulations for industry. And that may end up being one of the principal long-term advantages of a Presidential voice in communication policy.



Mr. Whitehead

Telecommunications: Its Growing Importance

By Clay T. Whitehead

Director, Office of Telecommunications Policy, Office of the President

Long range or "tele-" communications has never been unimportant. To avoid annihilation African tribes depended on the advance warning of the tom-tom.

But, for this generation and the future, telecommunications has become and will continue to be a vital and indispensable part of our technological society—inseparable from our broader concerns of society because it interacts so heavily and in so many ways with all aspects of our lives and our industry. TV, satellites, telephones for an increasingly mobile society, electronic media and news dissemination, national security, air traffic control, data processing and its communications needs—all are indicators of this present and future importance.

Modern communication is on the threshold of a future identical to the recent past of its creator—electricity. Fifty years ago, an electric power failure was a minor irritant for a few; today it is a catastrophe of monumental proportion, disrupting every phase of life, and posing a serious threat to national security.

The history of transportation is also illustrative of the future of telecommunications.

The automobile, once little more than a noisy, uncomfortable status symbol for the elite, has completely transformed society and the daily habits of every individual.

Similarly, the airplane: Who, on witnessing that first feeble effort of man to get off the ground at Kitty Hawk in 1903, would believe that within 66 years man would travel to the moon, watched by all of us through the miracle of telecommunications? Furthermore, air transportation is no longer a novel industry. It is an entirely new way of life.

Just as electricity, the automobile and the airplane have been social innovators, so telecommunications has been and will be. Over and above technological developments that are nothing less than fantastic, there are social, cultural and ideological ramifications that elude even the most perceptive crystal-ball gazer.

One indication is this:

For the soldier, war has always been what General Sherman said it was. Now, however, combat is "waged" not only amidst the dangers of the battlefield, but in the safety and comfort of every living room in the nation. An entirely new dimension has been added to public attitudes. Being "not involved" is forever more impossible.

In a more perilous time on a most perilous issue Abraham Lincoln observed:

"If we can but know where we are and whither we are tending, we can better tell what to do and how to do it."

The need to know "where we are" and "whither we are tending" in telecommunications is of the highest priority.

In transmitting to the Congress his plan for creating the Office of Telecommunications Policy, the President wrote:

"We live in a time when the technology of telecommunications is undergoing rapid change which will dramatically affect the whole of our society. The public interest requires that government policies concerning telecommunications be formulated with as much sophistication and vision as possible."

The Congress is urgently calling for policy formulation. Senator Pastore has said:

"The rapid advance of communication technology including satellite communications and the concomitant increase in the use of communications services have made the formulation of an overall telecommunications policy imperative, if we are to achieve our goal of a nationwide and worldwide wire and radio communication service with adequate facilities at reasonable charges."

The creation by this Administration of the Office of Telecommunications Policy is the important first step in the formation of an overall telecommunications policy for the United States.

Before the Commerce Committee of the United States Senate, I said:

"We will do all we can to come up

with a telecommunications policy, 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."

I would like to emphasize this. Telecommunication in the United States is as complicated and delicate as the nerve system of a man's body. There is virtually no area of our society or economy not touched importantly by telecommunications. And the emphasis is shifting from simple and well-defined communications "needs" to an increasing interaction between communications systems capabilities and the problems and potentials in society and business. Telecommunications has changed from an industry that *facilitates* commerce to an industry that is *inseparable from* the commerce of the United States. It has changed from an industry that *supports* our defense effort to one that our national security is *predicated* upon. From *support* of public safety to *part of* public safety.

With these changes, a new perspective is imperative. My firm conviction is that it is just as important to get the right perspective as it is to get the right facts.

No longer is electronic communication merely a gadget to be tinkered with or a mechanism to be patched up. Telecommunications today must be regarded as both the "created" and a creator. We have only dimly perceived the implications of the "information economy," wide band cable access to the home, and truly widespread mobile communications. This will help shape the future of our society and economy, as well as serving us in that future. Other potentials are even more hidden in the future.

We are in a "new ball game" in telecommunications. All of us who are intimately involved with and responsible for telecommunications need to recognize that recent change has been not only quantitative but fundamentally qualitative. Our perspective must be adjusted accordingly.

It would seem to be unnecessary to assert that our nation's telecommunica-

tions policy must be positive. But a vocal minority, frightened by complexity and fearful of the unknown, would have us stultify the creative genius of our technological advance. Technology, they say, has created more problems than benefits and has become a veritable monster that ultimately will destroy us. May I suggest, a nation that harnessed the natural resources of a vast continent shall never become the cowering victim of its own creation. The overwhelming impact of communications will be beneficial. Accordingly, our policy will be positive.

Before the Armed Forces Communications and Electronics Association Convention last June, I said, telecommunications policy "must be broad—as broad as the users of telecommunications together with the providers." On that occasion, I also talked of another dimension of broadness. Telecommunications policy can no longer be isolated, "pigeon-holed," or put off into some obscure corner. It is part and parcel of the total process of government policy making. Communications are too important for the policy generalists to continue to ignore. We all must accept the responsibility thrust upon us by our communications specialists, whose diverse creativity has made the formulation of policy both essential and urgent.

It is possible to be broad and shallow. Our nation's telecommunications policy must have not only breadth, but depth. In this matter of seeking out and defining a national policy for telecommunications, there is nothing of more importance than the difficult mastering of the complexities of this industry.

A French revolutionary once observed, "There goes the mob. I am their leader. I must find out where they are going." Telecommunications policy cannot afford to "lead" in that style. We must be "ahead," not "behind."

President Nixon has recently said:

"The power of new technologies to impose change is beyond dispute. . . . Perhaps, for the first time in history, we are aware that the time to think about the consequences of a technology is before it is very nearly beyond reconsideration."

And Rep. Emilio Daddario, chairman of the Science, Research and Development Subcommittee of the House Science and Astronautics Committee said:

"Our goal is a legislative capability for policy determination in applied science and technology which will be anticipatory and adaptive rather than reactionary and symptomatic."

Telecommunications policy must be anticipatory.

If that policy is not as dynamic as the industry it encompasses, it will

bounce like a shuttlecock from one *ad hoc* decision to another. Without dynamic thinking to match dynamic creativity, we will be saddled with a series of rationalizations, not policy.

Like policy in any field, telecommunications policy must have internal integrity. It must be consistent. It must make sense. It must not be self-contradictory.

However, policy should not be a straightjacket—it must be flexible. This is not the flexibility of a tattered rag flapping in the wind. But it must be the flexibility of an open mind and of constant review.

The formulation of policy must be a cooperative effort. Fratricidal jealousies over vested prerogatives lead only to impotency. A telecommunications policy worthy of this nation and its people will evolve only as those of us in the Office of Telecommunications Policy work in harmony with the Federal Communications Commission, private industry, the Congress, other interested departments of government, state and local organizations, and the public.

The Office of Telecommunications Policy will:

- Be the President's principal adviser on telecommunications issues;
- Enable the executive branch to speak with a clearer voice and be a more responsible partner in policy dialogues with industry, the FCC, Congress and the public;
- Formulate policies and coordinate operations for the Federal Government's own telecommunications activities.

OTP will not attempt to compete with the FCC or to perpetuate on a grander scale the policies of the past. Issues for major concern or policy statements will be picked with care, not in large numbers. OTP will be engaged in in-depth studies of particular problems as they arise or as policy initiative becomes timely.

The emphasis will be on cooperation and coordination. We will seek to bring communications and communicators into close touch with overall national policy and policymakers.

We will be concerned with developing Federal policies in conjunction with the FCC and the Congress that will encourage vigorous and innovative realization of the potential of telecommunications.

In our responsibility for the Federal Government's own communications, OTP will be much concerned with the problem of getting the most effective communications at the least cost to the taxpayer.

There will be a great many barriers to accelerating our progress. For example: Much needs to be done to alleviate the scarcity of frequencies for land mobile purposes. I consider this to be one of our most important problems, and I expect to devote considerable attention to this matter. I am confident that—in consultation and cooperation with the FCC—further steps can be taken to ease this problem on both a short-range as well as long-term basis. More flexible and responsive spectrum management—by both OTP and the FCC—can do much to alleviate these pressures and to permit more direct communication between Federal and local authorities in time of emergency.

You may expect from OTP lots of questions, interactions, and concern about the uses, capabilities and costs of alternative communication technologies; lots of concern about how we can build an even stronger, healthier, more innovative and more competitive industry; lots of attention to the purposes of telecommunication and its potential for application in defense, domestic and civilian uses; and lots of attention to permitting communications to innovate and to do its job with a minimum of second-guessing or peeping over the shoulder, but coupled with a constant concern that communications are consonant with the country's needs.

We hope the new OTP will make it possible for the United States to take full advantage of what telecommunications technology can do for all our people.

Tuesday 10/20/70

CTW
articles

5:15 Charlie McWhorter said the article referring to you as a "Bland Rasputin" is in the Oct. 17 issue of the The Economist and he will send over a copy to you.

In the weeks following President Nixon's nomination, on June 26, of Dr. Clay T. (Tom) Whitehead as the first director of the new Office of Telecommunications Policy, government officials in the communications field and communications-industry representatives speculated among themselves on the kind of role the 31-year-old ex-Rand staffer would play. Among those who had had an opportunity to watch Dr. Whitehead in his job as a White House aide with responsibilities in communications, there was a feeling he would be an "activist," that he was, at bottom, "aggressive"—a feeling that Dr. Whitehead did much to reinforce when he briefed reporters on his concept of the job a day after he was sworn into it, on Sept. 22 (BROADCASTING, Sept. 28).

But the speculation had heavy going, for in a city known for its operators, where brilliance and accomplishment are worn on one's sleeve and ambition is not camouflaged, Dr. Whitehead is something of an enigma. He is one of the youngest men to head a federal agency. And he applies himself with energy and, in the view of those from Capitol Hill and the FCC, considerable skill, to the many projects of national importance that fall to him.

But he does not come on as the whiz-kid type familiar to Washington. ("He is cautious, very conservative," says one Department of Defense communications expert.) And he expresses a respectful, almost old-fashioned feeling for those older than he with whom he deals—which is almost everyone—although he is not intimidated in talking to industry senior vice presidents or high government officials. "I respect their experience and knowledge. I don't have 30 years experience," he says, "but I can organize information, find out what is needed and get it."

Indeed, perhaps the most striking thing about him is his reserve. He is usually described as "introverted," "cool," "withdrawn." But whatever the precise adjective, the effect of the characteristic can be disconcerting. "We went to see him [Dr. Whitehead] about some matter related to domestic satellites," one FCC official recalled recently about a meeting when Dr. Whitehead was on the White House staff. "We explained our position for 20 minutes, and got absolutely no reaction in all that time—not a word, no change in expression. When we finally stopped talking, there was a pause, then he said, 'Is that all?' We left thinking we had blown that one. But that's just the way he is."

But as one begins to form a picture of Dr. Whitehead as a withdrawn, perhaps mechanistic young man, other facts about him surface in conflict with that image. There is, for instance, the matter of a hobby he pursued while an

A quiet young man with power and the will to use it

Army lieutenant at the Edgewood, Md., arsenal, working on defenses against chemical and biological warfare—sky-diving. He made 20 or 25 jumps, and found the experience extraordinary. ("It's very peaceful, incredibly quiet.")

And for a man who, although young and tall (about 6 feet), is soft-cheeked and sufficiently concerned about his waistline to skip all lunches except those forced on him in the line of duty, his idea of getting away from it all comes as something of a jolt. Following his Senate confirmation hearing in July, he spent five days canoeing and camping in the wilderness of northern Minnesota and southern Canada.

Dr. Whitehead's background is similarly filled with incongruities. He began life in Neodesha, Kan. (population

3,500), and graduated from Cherokee County Community High School in Columbus, Kan., but then went on to prestigious Massachusetts Institute of Technology. There he not only earned B.S. and M.S. degrees in electrical engineering and a Ph.D. in management, but he found time to teach courses in electronics and political science.

Dr. Whitehead first made contact with the Nixon forces in the summer of 1968 in Washington, when a mutual friend introduced him to Robert Ellsworth, who had been Richard Nixon's preconvention campaign manager and who was to become top White House staff man before being appointed to his present post of ambassador to the North Atlantic Treaty Organization. At the time, Dr. Whitehead was associated with the Rand Corp., in Santa Monica, Calif., planning and organizing a policy research program on health services and other domestic-policy areas.

Following the election, Dr. Whitehead accepted an invitation to serve on the President-elect's task force on budget policies and to aid in transition matters. And in January 1969, he joined the White House staff as an aide to Mr. Ellsworth (later to Peter Flanagan, who succeeded Mr. Ellsworth when he took the NATO post), attending to a wide variety of responsibilities.

In the briefing he gave reporters, he surprised them with the candor with which he discussed the broad powers that are vested in OTP as the President's arm in telecommunications matters—powers that he intended to use. There was no tone of aggressiveness in his recital; rather one of considerable self-confidence.

This kind of confidence was evident, also, in a private interview in which he discussed not so much the nuts-and-bolts aspect as what might be called a cosmic view of OTP. "Our primary contribution will be in laying out the interconnection between the broader objectives of society and communications," he said. "We need more attention, more systematic thinking through the whole range of problems to make sure communications policy makes sense in terms of the bigger picture."

He also feels there is another role OTP can perform for, as well as in government. Governmental policy statements that are not related to a central theme are "meaningless," he said. "If you have decisions that are related, you have policy, and a policy process that makes sense. Developing policy and a policy process in the telecommunications area," he added, with a slight, self-deprecating smile, "can be a model for broader policy-making processes in government."

Dr. Whitehead's vision of his job, it is clear, is not limited.

Week's Profile



Dr. Clay Thomas Whitehead—director, Office of Telecommunications Policy; b. Nov. 13, 1938, Neodesha, Kan.; B.S. (1960), M.S. (1961) and Ph.D. (1967), Massachusetts Institute of Technology; taught courses in electronics and political science while graduate student; consultant at Rand Corp., Santa Monica, Calif., over 18-month period between 1961 and 1963, and member of Rand staff, 1967-68; U.S. Army, 1964-65; consultant to Bureau of Budget, 1966; member of President-elect Nixon's task force on budget policies and aided in transition, 1968; White House staff, 1969-1970; member Tau Beta Pi, Sigma Xi, and Eta Kappa Nu, engineering and science honorary societies; hobby—camping.

Article
Interview

OTP Chief Interested in Instructional Technology



In July, the Senate confirmed President Nixon's nomination of Clay T. Whitehead as director of the new Office of Telecommunications Policy established as an arm

of the White House. Whitehead, 31, is a graduate of Cherokee County High School, Cherokee, Kansas, and holds bachelor's and master's degrees in electronic engineering and a Ph.D. in management from MIT. He taught at MIT, worked for the Rand Corporation in Santa Monica, California and became a White House aide in January 1969. His deputy director is George Mansur. Stephen Doyle is special assistant.

The main functions of the new office, which will have a staff of 60, are to formulate policy on domestic and international telecommunications matters and to help develop plans and programs to capitalize on the nation's present and expanding technological potential. (See story in *The School Administrator*, June 1970.)

Dr. Whitehead granted an interview for this publication to discuss the relation of OTP to educational aspects of telecommunications, in which he is deeply interested. He expressed his belief that instructional technology offers enormous opportunities to improve the education process and the hope that educators learn to utilize the potential. He said, "This office is interested in encouraging dialogue between educators and those in the communications business. We want to make sure that services are available in response to users' needs, and then get out of the way." To this end, he indicated that reserved channels for education on 2500 MHz bands, cable TV, and satellite transmission, the possibility of an instructional technology wing in the proposed National Institute of Education, and the use of computers in education are among topics to be considered. He also envisions relationships with the Corporation for Public Broadcasting and the USOE.

Dr. Whitehead is well aware of the cost-effectiveness risks to administrators in initiating uses of instructional

technology. He expressed the thought that performance contracting may shift the risk element from the schools to private enterprise. Thus, techniques that are proved to be effective may be applied with greater assurance by administrators.

Concerning the general operation of the office, Dr. Whitehead emphasized that it will not take over the functions of the FCC. Rather, it will serve in an advisory capacity to the Executive Branch, similar to a cabinet relationship.

Dr. Whitehead reflects quiet reserve. He listens. One gets the impression that he will analyze carefully before making decisions and will act as a catalyst by bringing together combinations of human expertise that will generate responsive action. The OTP seems destined to become a major influence in the shaping of telecommunications in this country. Its interest in education appears to be sympathetic and positive.

Administrator Recruitment from Noneducation Fields

Five institutions of higher education that offer courses in educational administration are undertaking a federally funded five-year project designed to attract and train 100 successful administrators outside of education to become school superintendents. In response to the recognized need for a different kind of training for today's school administrators, and in an effort to tap the best of human talent wherever it is, USOE has approved a proposal which will provide up to two years of on-site, in-depth experience for 20 competent leaders selected each year from such fields as business, law, government, private and public service, civil rights, banking, etc.—experience designed to prepare them to serve successfully in the enlarging arena of the school superintendency. The search for likely candidates will focus on individuals from urban centers and various ethnic groups, individuals who are aware of the burgeoning problems and are willing to risk a change of career into education after achieving considerable success elsewhere.

Stipends will be generous, although in some instances they will be less than the salaries being received by the participants.

Each of the five institutions has selected the first of its four superintendent-candidates, who will assist advisory groups in developing criteria for recruitment and the procedures and processes of the program. Training, to begin early in 1971, will be individualized, based on each candidate's background. A few courses, planned to develop an understanding of the education process, will be conducted on campus. Most of the time will be spent working with practicing superintendents in a variety of situations. No degrees will be granted. Some course credit may be given, possibly toward certification equivalency.

Co-directors of the project are Luvern L. Cunningham, dean, School of Education, and Richard Snyder, professor of political science, both of Ohio State University. Raphael Nystrand, associate professor of education, Ohio State University, is associate director.

Area coordinators are Robert Coughlan, assistant professor, educational administration, Northwestern University; Robert Stout, associate professor of education, Claremont College; Michael Thomas, associate professor, educational administration, University of Texas; and Michael

Usdan, professor of educational administration, City College of New York.

Dr. Cunningham envisions the project in two phases. The first offers a change of career to noneducation administrators, as described above. Phase II, to be planned later, will offer training to prepare interested school administrators for leadership positions in other areas of endeavor.

In the development of the project, Dr. Cunningham emphasized that discussions have involved representatives of colleges of education, business and civic leaders, school boards, civil rights officials, certification bureaus, and a large cross section of decision makers. He expressed the hope that the project will lend momentum and substance to the changing patterns of school administrator preparation. Dr. Cunningham said, "This project has an enormous potential which expands as we proceed. We are studying intensively the selection of administrators, the kinds of preparation necessary, and certification standards relevant to now and the future. We recognize a degree of risk as we depart from the traditional; but the needs warrant the gamble."

Off the Press...

The Black People of America meets the need for providing a background of events in black history which have brought about the current chain of sociological and political events in America.

Educators are looking to comprehensive histories such as this one as a means of presenting the historical contributions and advancements of black people.

This 387-page paperback book is a sensitively written tool designed to inform and up-date students, both black and white, on the effect black people have had on the destiny of this country.

The textbook is written in a manner which makes it best suited for advanced junior high or high school students.

The author, Ethel Dennis, offers a new depth to the reader by departing from the ordinary in emphasizing the events of importance to black people.

The chapter on Folk Music and Popular Songs, admittedly a sensitive area to document without assuming a personal position, seemed incomplete to this reviewer.

An advantage of this book over others is that events as recent as six months ago are included. It should be useful to students and teachers.

It is available from Readers Press, Inc., 130 Bristol Street, New Haven, Connecticut 06511, for \$6.95 per copy.

American Majorities and Minorities: A Syllabus of United States History for Secondary Schools (219 pages) was made possible through a grant from the Rockefeller Family Fund to the National Association for the Advancement of Colored People. The authors are Warren J. Halliburton and William Loren Katz. The Preface states that the Syllabus "integrates into the course of study the contributions of Afro-Americans and other minorities to our common heritage. Its aim, like any school course in social studies, is the preparation of good citizens." The text is presented in 38 units, each with factual information, bibliographies for teachers and pupils, listings of audiovisual materials, and suggested classroom activities. The NAACP urges school districts throughout the country to use this text in the social studies curriculum. It is published by Arno Press of the New York Times, New York City, and is available for \$2.95 per copy.

Procedures used by some local school systems to formalize the evaluation of teachers by students, principals by teachers, and central office staff by teachers and principals are included in the new ERS Circular No. 5, **The Evaluatee Evaluates the Evaluator**. The study presents information for each of 29 school systems on the frequency of such "client-oriented" evaluations, the extent of this practice in the schools of the system, and the disposition of the completed evaluations. The evaluation instrument used by each system is reproduced to make clear the scope of the evaluations.

ERS subscribers have received copies of ERS Circular No. 5, 1970. Nonsubscribers may purchase the 52-page report for \$1.50 from the Educational Research Service at AASA headquarters.

Two studies, one highlighting current practice in granting full-year contracts to teachers, and the other reporting some experiments with mini-courses, have been recently published by the Educational Research Service. ERS Information Aid No. 5, **Full-Year Contracts for Teachers**, tells of practices in 18 school systems which offer 11- or 12-month contracts to classroom teachers.

Experiment in Free-Form Education: Mimi-Courses, ERS Information Aid No. 6, focuses on the experiences of 17 schools in conducting short-term courses and subjects selected and planned by students.

Both Information Aids have been sent to ERS subscribers. Copies are available at 50¢ apiece from ERS at AASA headquarters.

STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION

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2. Mail subscriptions	17,880	17,882
C. Total paid circulation	17,880	17,882
D. Free distribution (including samples) by mail, carrier, or other means	790	800
E. Total distribution (sum of C and D)	18,670	18,682
F. Office use, left-over, unaccounted, spoiled after printing	350	350
G. Total (sum of E and F—should equal net press run shown in A)	19,020	19,032

I certify that the statements made by me above are correct and complete (signature of editor, publisher, business manager, or owner).

William J. Ellena, Deputy Executive Secretary, AASA

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New York, New York 10027
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December 9, 1970

Fred Knubel, Director

MEMO TO EDITORS:

Clay T. Whitehead will deliver his first major address as director of the White House's new Office of Telecommunications Policy on Wednesday, December 16, at Columbia University. He will speak at 5:30 P.M. in the Rotunda of Low Memorial Library on the University's Morningside Heights campus, Broadway and 116th Street.

The occasion is the presentation of the second Alfred I. duPont-Columbia University Awards in Broadcast Journalism. Six silver sculptures by architect Louis Kahn will be presented to individuals, stations and networks for excellence in broadcast journalism in the 1969-1970 season.

Mr. Whitehead, 32, is a former Special Assistant to President Nixon. Following the 1968 election, he served on the President-elect's task force on budget policies and assisted in transitional matters. He joined the White House staff in January 1969, where his responsibilities included the space, atomic energy and other technically related programs, maritime affairs, liaison with regulatory agencies and several economic and organizational matters. He was appointed first director of the Office of Telecommunications Policy in September 1970.

At the first DuPont-Columbia Awards presentation in November 1969, Dean Burch delivered his first major public address as the new chairman of the Federal Communications Commission.

You are invited to cover.

EVENT: Address by Clay T. Whitehead, his first as director of the new Office of Telecommunications Policy.

TIME: Wednesday, December 16, 5:30 P.M.

PLACE: Rotunda of Low Memorial Library at Columbia University, Broadway and 116th Street.

*Tab
Article*



Don Oberdorfer

A Rising New Power

TROOPING in and out of a thickly carpeted government office last week were television broadcasters, representatives of movie makers and other program owners, and operators of the cable television systems which are bidding to bring revolutionary changes to communications among Americans in years ahead. The aim was to break the deadlock among competing groups which has stymied the extension of cable systems into the big cities.

The official who called these groups into a mediation effort is not the chairman of the Federal Communications Commission or the chairman of a committee of Congress — those men have tried before and failed — but a 32-year-old White House official named Clay T. Whitehead. Most people in this capital have never heard of him nor his burgeoning staff of 55 people working under presidential auspices. The chances are, though, that this little-known unit will be far more important to the future of communications in this country than Spiro Agnew or many other well-chronicled figures.

The rise of Tom Whitehead (as he prefers to be called) and his Office of Telecommunications Policy is an intriguing example of the growth of presidential power. In this case, the flow of power to the White House has been brought about by a staff aide's mastery of technology, his free-swinging style and the failure of other institutions to keep pace with the times.

WHITEHEAD was a researcher at the Rand Corporation, a recent Ph.D. graduate of MIT, when the presidential campaign staff of Sen. Hubert Humphrey asked him in mid-1968 to make studies of the federal budget as an instrument of national policy. He liked the idea but not Humphrey, so he offered his services to the Nixon camp. The offer was accepted.

Once in the White House

as a staff assistant, he drafted an organization plan to create a new Office of Telecommunications Policy to deal with a host of unresolved issues. When other candidates were eliminated, he was selected to fill the job he had devised.

The new telecommunications office is partly an outgrowth of long-standing White House responsibility for the allocation of frequencies in the government communications spectrum, and partly a response to congressional insistence that one agency speak for the entire executive branch in certain communications matters. But Whitehead has gone beyond what was generally expected.

In cable television, for example, the President named a top-level government task force—headed by Whitehead—to find the answer to the tangle. Congress is waiting for word from the FCC, which is now waiting for word from the White House.

REGARDING domestic communications satellites, another highly important communications change, Whitehead drafted a White House study which was the basis of an FCC decision to put satellite franchises up for grabs. And last month Whitehead wrote the FCC to say his office had reviewed all the major applications pending before the regulatory agency for decision. He gave his stamp of approval to all, and recommended that the FCC move ahead. He even enclosed a seven-point plan of procedure which the agency could use to do the job.

In the area of public broadcasting, which depends heavily on federal funds, Whitehead proposed a system to channel the U.S. money directly to the individual stations. This would reduce the power of the predominately liberal public network programmers. After the newly opened National Public Affairs Center for Television hired former NBC newsman Sander Vanocur to report the 1972 election—much to the displeasure of the White House—Whitehead again proposed a dispersal of program-

ming power in the public broadcast field. This battle has just begun.

All of which is not to say that this young man and his new White House empire will get their way in every case. The FCC is still around, Congress still sits at the Capitol, and broadcasters and other elements of the communications industry still wield great power.

Still, an active new participant has been added in an area of great political sensitivity, and of great importance to the future of the nation.

Office of Telecommunications Policy
Route Slip

To

6/21/71

~~Clay T. Whitehead~~

George F. Mansur

Nino Scalia

Will Dean

Walt Hinchman

Charlie Joyce

Jack Thornell

Frank Urbany

Steve Doyle

Bill Lyons

Brian Lamb

Linda Smith

Eva Daughtrey

Timmie White

Judy Morton

Elaine Christoff

SUSPENSE: COB

REMARKS:

Marked "Personal" for cmw

sold. Insiders like Fred Friendly, former CBS News chief and now TV adviser to the Ford Foundation, expect the Nixon Administration to resolve the issue before the 1972 elections. "But the creative plight of the commercial networks is such now," concludes Friendly, "that if there weren't a public TV system, it would have to be invented."

It is cable TV, however, that network brass regard as the only developing heavyweight capable of giving them a real fight. That innocuous coaxial cable that runs under subscribers' windows in more than 4,300 U.S. communities possesses the theoretical potential to carry an almost unlimited number of new channels (not to mention the capability of printing out newspapers and magazines, operating fire and burglar alarms, even placing orders at local supermarkets).

Still, for all the gee-whiz speculation, not even CATV's most partisan promoters believe it will pose a real economic threat to the networks. Even if a community could somehow support 70 or 80 cable channels, the same six-figure production costs that plague the networks would virtually preclude competition on a grand scale from such small and locally oriented neophytes. And while some national advertisers might decide to zero in on a regional audience by beaming their messages through cable, the largest portions of the ad pie would almost certainly continue to fall to the networks.

But there is at least one area in which an organized CATV industry could wield considerable clout. In competition with a handful of powerful cable operators with systems interconnected by commercial satellite, the networks could conceivably find themselves being regularly outbid for the rights to cover major events. Accordingly, a chill breeze rippled across TV Row this winter when a flashy team of closed-circuit sports entrepreneurs outbid the Big Three for the Ali-Frazier fight telecast. "I can easily envision some cable conglomerate pulling off the same thing some day," moans a network official.

Betting on Cable

The sobering fact is, however, that CATV's future depends entirely on its ability to offer something new and different on a regular programing basis. And to date, the industry's record on this count is reminiscent of the amateurish performance of early educational TV. In Manhattan, which is steadily being wired at the rate of 200 households per day, the cable stations have held onto subscribers by offering the blacked-out home games of the city's pro basketball and hockey teams. But in smaller hamlets lacking such attractions, the quality of most cable programing has yet to rise above ground. A typical example is the local CATV operation in Warner-Robins, Ga., which is running deep in the red after eight months of existence. The system's only hit is "Lazy Lollipop," a kiddie show. "We haven't exactly knocked them dead," allows an official of the

cable chain that operates the outlet.

At least the idea for "Lazy Lollipop" sprang full-blown from some aspiring Misterogers in Warner-Robins; in contrast, too many CATV stations today beam nothing more than syndicated network castoffs. But that situation is expected to change radically under the pressure of a determined new drive by the FCC to force cable systems with more than 10,000 subscribers to originate most of their own programing. The CATV industry has angrily interpreted the commission's move as an attempt to protect established broadcasters by coercing cable operators into programing competition with commercial fare before they can afford the talent and manpower to be competitive.

WHO WILL MAKE TV'S NEW RULES?

Whatever happens to television or to Richard Nixon after 1972, the Nixon regime will surely be remembered as the nation's first full-fledged TV Administration. Historians will make much of the cynical image-making reported in Joe McGinniss's "The Selling of the President 1968" and of Spiro Agnew's spirited jousts with the networks. Hopefully, they will also note that, behind the Vice President's partisan fireworks, the Nixon Administration was making a serious attempt to comprehend, redefine and restructure the glamorous industry that will certainly dominate the '70s even more than it did the '60s.

Apart from Agnew's assaults on TV news credibility, broadcasting politics in Washington—the arduous task of shaping policy on such thorny issues as cable TV, communications satellites, licensing rules and the "fairness doctrine"—actually revolves around two crucial Nixon appointments. The first, in the fall of 1969, installed former Republican national chairman Dean Burch as chairman of the Federal Communications Commission. The second, made last summer, attracted much less interest but may turn out to be just as important. To head a newly created Office of Telecommunications Policy in the White House, Mr. Nixon named Clay T. (Tom) Whitehead,



Burch: Feeling no pain?

Similar charges of protectionism were leveled against the FCC when it earlier banned cable from TV's top 100 markets and prohibited cable operators from importing distant signals (many of them carrying network shows) for their subscribers. "That sort of policy is like a Federal law protecting the horse and buggy against the automobile," fumes one Los Angeles cableman. But in the past year, a considerably more permissive philosophy toward CATV has seemed to prevail at the FCC. As chairman Dean Burch told a convention of disgruntled broadcasters last month: "We're not in the business to guarantee the broadcaster an easy ride or an automatic profit."

Buoyed by the commission's new tone, blue-chip investors are getting their bets

a young, briskly efficient bureaucrat with think-tank credentials and a reputation for brilliance.

In Burch, the man who managed Barry Goldwater's 1964 campaign for President, broadcasters expected to find a friend and kindred spirit. Off his reputation as a consistent economic conservative, they had every reason to believe that Burch would leave them alone or at the very least continue the "We'll protect you if you're good" policies of the Johnson years. But once settled at the FCC, Mr. Nixon's man became very much his own man—and probably the most activist chairman in the commission's history. Under Burch, the FCC has attacked monopolistic practices, adopted strict criteria for station-license renewals, banned cigarette commercials, reduced network prime time (although Burch himself voted against that ruling), relaxed restrictions on cable television and chased the networks right out of the budding CATV industry.

Chief: Burch's achievements have won him few fans among broadcasters, but they have gained him one very important supporter on Capitol Hill. John Pastore, the powerful chairman of the Senate Communications Subcommittee, ranks Burch with Newton Minow as the best FCC chief he has ever dealt with. "Burch is a hard-working, level-headed individual who strives for fairness," declares the energetic Rhode Island Democrat. Characteristically, however, Pastore is quick to point out that his goodwill does not mean that the subcommittee will serve the FCC as a rubber stamp, particularly in the sensitive area of government control of CATV, which the commission is now considering. The senator expects to have the last word himself. "I would hope that our subcommittee will not find itself with a fait accompli," Pastore said recently. "After all, the FCC is an administrative body—and it was created by the Congress."

There has been talk in the past few months that Burch's stock may not be as

down on CATV in proliferating numbers. Major corporations that have taken the plunge include General Electric, Kaiser Industries, Gulf & Western, Westinghouse and Pacific Southern (which numbers more than 30 congressmen among its stockholders). Time Inc. recently sold all five of its broadcasting stations while bolstering its stake in cable, and individual cable entrepreneurs include Ed Sullivan and Lyndon Johnson.

And when the dust eventually settles, the No. 1 man in CATV is likely to be the ubiquitous phantom Howard Hughes, who currently owns half interests in Los Angeles's Theta Cable and New York City's TelePrompTer—the nation's largest cable system. Hughes, who has vowed to put up his own communications satel-

lite to transmit nationwide programming to each of his CATV outlets, reportedly subscribes to the notion that cable must adapt a highly specialized approach to what it offers. There should be an all-sports channel, for example, and others devoted entirely to feminine affairs and children's shows (an area which is also being explored by Children's Television Workshop, the same folks who brought America "Sesame Street").

The thorniest issue hanging over all this involves the question of "public access." A fierce struggle has shaped up between broadcasting's profit-seekers and the public-service groups, who hope to reserve CATV as a vehicle for community expression and social action. The idealists have proposed that CATV be

legally designated as a common carrier, like the phone company, with perhaps a third of all cable channels set aside for anybody who wants to rent time on them. Under this proposal, the cable owner would not be allowed to exert any control over the purchaser's message.

The most ambitious test of such an arrangement is now under way in New York, where the TelePrompTer Cable Co. has agreed to supply two channels for a community "Open Channel" project headed by an attractive, 32-year-old media consultant named Theodora Sklover. With the aid of a \$50,000 grant from private and government sources, Miss Sklover is assembling a professional staff to provide technical assistance to any person or group desiring to make use of



Whitehead: More bark than bite?

high at the White House as it is at the Capitol. Speculation began after a series of forceful speeches by 32-year-old Tom Whitehead, who blasted the FCC as a ponderous, "meddlesome" anachronism that is in danger of stifling the infant cable and communication-satellite technologies with an excess of caution. He ridiculed the commission's fairness doctrine—which requires broadcasters to strike a rough balance among conflicting views on any issue—as a confusing and potentially costly bugbear that intimidates station owners into keeping people off the air instead of putting more of them on. "The net result," Whitehead said, "is that we have a policy that discourages access at a time when the public suddenly realizes that access to the tube is one of the most important things going on." Finally, he suggested that the public interest would be best served not through closer regulation by the FCC but with a governmental policy of broad, permissive guidelines. Broadcasters' hearts leaped up at Whitehead's hints of increased laissez-faire.

Before this round of speeches, both Whitehead and his office were virtually unknown to the public. And, so far,

May 31, 1971

Whitehead's bark has been felt more than his bite. But he expects to act soon. "Half of what we will do will be concerned with the government's own use of communications," Whitehead explained to NEWSWEEK's H.B. Crowther Jr. "And that task will be making a policy of management—overseeing, tying together the activities of all the departments and their use of communications. The other half is really the role of a Cabinet department of communications."

As Whitehead confidently pieces together the executive branch's future in telecommunications, the FCC fades more and more into the background, a limited mechanism too inflexible for his kind of vision. "We're honestly not trying to kill the FCC," Whitehead insists. "We're only trying to get the FCC to face up to some of these fundamental policy questions." At the same time, he acknowledges that his office is now drafting far-reaching legislation that would "redo the whole legislative basis for communications regulation."

Alarm: If the White House hopes to supersede the FCC with Whitehead's agency, Dean Burch professes to be the last one to register alarm. "I think OTP is as big or as small as the incumbent can or wants to make it," Burch says carefully. "Quite obviously its impact is going to be based on its contributions. If they are simply going to second-guess us, that will make it a little frustrating. But I don't feel any pain."

The irony is that, in actual fact, there are really very few essential points of conflict between Burch and Whitehead. Whitehead's flirtation with laissez-faire is being followed with great interest by Burch, who has been there before. "I never had any great faith in the efficacy of government regulation," Burch says with a smile, "and I still don't." But Burch is now in the position of seeing some of his free-enterprise philosophy pushed aside by the exigencies and necessary compromises of a tough job, and he takes an indulgent, wait-and-see approach to the younger man's idealism.

Burch and Whitehead are actually not very far apart on CATV, the most press-

ing issue of the moment. Whitehead holds that unlimited proliferation of cable channels is an unqualified blessing; it will, he believes, provide TV access for all and break the "monopoly of ideas" now held by the broadcasting giants. Burch, although he is bored to ill-humor with the word "access," agrees in spirit. "If we had had cable in the '30s," he observes, "there would have been no particular reason for the FCC."

In appearance, the two men who will make some of the biggest decisions about television's future are polar opposites. Burch, the long, lean Arizona politician, is a slouching, drawing type with a stamp of Western integrity. His angular, weathered features and chain-smoking invite comparison to TV's late Marlboro man. Whitehead, on the other hand, is a trim, horn-rimmed young man who looks every inch of his background at MIT and the Rand Corporation. He is not humorless, but he dislikes digressions; above all, he is functional.

But the pair do have one thing in common besides their politics—the lack of a TV habit. Whitehead admits that he had gone without a set for two years before the government came up with a color console for his office. "I had one before," he says, "but I let it die." And if he watches at all it will be something "cultural" or a football game. Burch, who keeps his office set discreetly shuttered, watches sports events and little else.



Photos by Paul Conklin

Pastore: The last word?

News

Materials standards for flame resistant paper and paperboard

A recommended Voluntary Product Standard for flame resistant paper and paperboard is currently being circulated by the National Bureau of Standards, U.S. Department of Commerce, to determine acceptability. The standard is being processed as a revision of Commercial standard CS 203-56 at the request of the American Paper Institute. A nationally recognised requirement for the burning characteristics of these materials is to be established to provide a basis for common understanding among producers, distributors and users.

Exposure to microwave radiation

The recommendations of the Medical Research Council on personal exposure to microwave and r.f. radiation have recently been reviewed and the Council now recommends that the 10 mW/cm² limit of power density should continue for continuous exposure over the range 30 MHz to 30 GHz. For discontinuous or intermittent exposure an energy density of 1 mW-h/cm² should be adopted during any 0.1 period. The Council also advises that exposure to e.m. radiation in the range 10 MHz to 100 GHz which produces a sensation of warmth should be avoided. It is recommended that a simple power leakage monitor should be available, particularly in industrial microwave heating. None of the recommendations applies to radiation therapy under medical supervision.

New ICI fire research laboratory

A new laboratory, aimed at the development of plastics foams with low flammability, has been opened by ICI Dyestuffs Division at its Manchester headquarters. One of the biggest units of its kind and equipped with most of the current British and American test methods for these materials, the laboratory will be devoted exclusively to the study of the fire and smoke properties of expanded and non-expanded plastics.

One of the first projects is the assessment of smoke generation from cellular plastics, being carried out for the British Standards Institute.

Are women strong enough?

A program of work at the U.S. National Bureau of Standards, Vehicle Systems Research, has found that about three-quarters of a sample of 105 women volunteers could not apply 200 lbf to the brake pedal of a stationary test vehicle (a recent model of an American car). This 200 lbf is currently specified, for some cars, as the force required for a panic stop from 60 mile/h after brake fade. The research workers conclude that the requirement is unrealistic and recommend that the maximum force needed should be redetermined.

Huntingdon Research Centre

A new Zeiss SMP scanning microscope is linked to a computer at the Huntingdon Research Centre, to study the effect of atmospheric pollution on lung tissue; the microscope examines the tissue to estimate the amount of acid phosphates present, resulting from lung irritation.

Daylight and sunlight simulator

A device developed at the Department of the Environment simulates the light from the sky or the sun by means of a ray of light which is projected onto plans of buildings. The position of the spot of light depends on manual setting of various rotary scales. The scales comprise: a plan scale selector, sky factor, sky component, latitude, season, altitude and hour. The instrument is a desk-top one and answers building design problems such as: how many kilowatts of solar heat will penetrate office windows in sunshine during each of the summer months, or, what daylight factor is available at the kitchen sink of a particular design. It was developed with support from N.R.D.C. and is now under manufacture by Research Engineers Ltd.

Atomic absorption spectrophotometer checks nutritional value of new dairy products

The quantitative mineral analysis of new dairy products to an accuracy of a few parts/million is being achieved by the Foremost Foods Company of California with the help of a Varian Techtron AA-5 atomic absorption spectrophotometer. The products have to be checked for the proper amounts of any or all of six important elements—calcium, magnesium, sodium, potassium, copper and iron. Wet chemical analysis used to be used but it was not accurate enough. The atomic absorption technique gives the accuracy, simplicity and economic convenience needed for high-volume testing.

Automobile driver protection

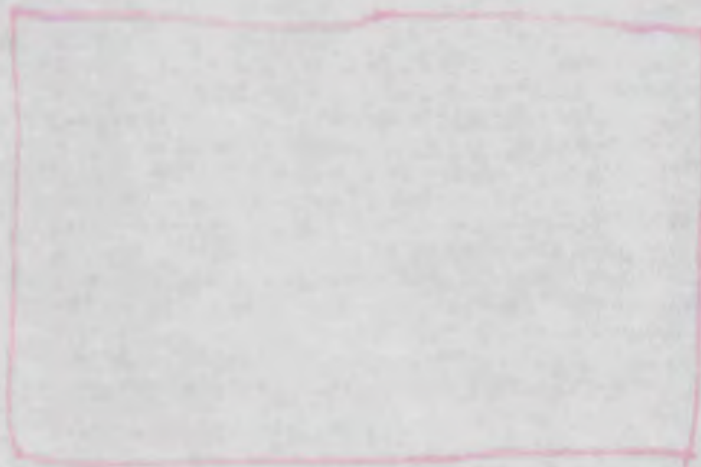
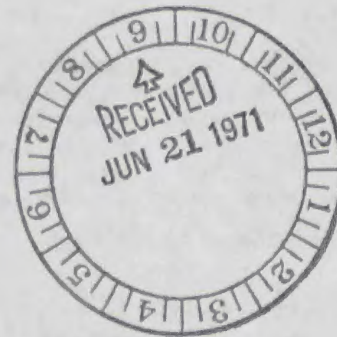
The system of using a crash sensor and an inflatable cushion to provide a passive restraint for the car driver is undergoing investigation at Wayne State University in Detroit under the direction of Prof. L. Patrick. The particular system to be studied is the Rocket Research Corporation's modular gas generator inflator, coupled with a crash sensor developed by Eaton Yale and Towne. The aim is to establish passive restraint requirements as required by the U.S. Department of Transportation's Motor Vehicle Safety Standard 208. This standard will be mandatory on all cars manufactured after July 1973, to provide front seat protection in crashes up to 30 mile/h into a solid barrier.

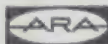
Catalogue of radioactive products

The Radiochemical Centre at Amersham has issued the 1971 edition of their catalogue of radioactive products available. The four sections of the catalogue are: Radiopharmaceuticals and Clinical Radiation Sources, Radiochemicals for technologists and academic researchers, Radiation sources for industry and research, Radioactive standards.

Metal-plating of plastics

The Sira Institute at Chislehurst is to conduct research to improve the quality of metal plating on plastics materials. It is to be undertaken as work sponsored by eight commercial companies. Particular emphasis is to be placed on adhesion and chemical pre-treatment of the substrate. Further details may be obtained from J. Andrews, Materials & Processes, Sira Institute, South Hill, Chislehurst, Kent BR7 5EH.





ALLIED RESEARCH ASSOCIATES, INC.

VIRGINIA ROAD, CONCORD, MASSACHUSETTS 01742

H. Janet Healer

749

Dr. C. T. Whitehead, Director
Office of Telecommunications Policy
1800 G Street, N.W.
Washington, D. C.

PERSONAL

REC'D
FBI
APR 5 1971
FBI

RECEIVED
APR 21 1971
OFFICE OF
EMERGENCY
PREPAREDNESS

Routing Slip
Office of Telecommunications Policy

Date: **NOV 4 1971**

From: _____
To: _____

<input checked="" type="checkbox"/>	Whitehead, G. T.	
	Mansur, G. F.	
	Babcock, C.	
	Buss, L.	
	Carruthers, B.	
	Cooke, A.	
	Culpepper, C.	
	Dean, W.	
	Doyle, S.	
	Enslow, P.	
	Goldberg, H.	
	Hailey, L.	
	Hall, D.	
	Hinchman, W.	
	Jansky, D.	
	Johnston, B.	
	Joyce, C.	
	Lamb, B.	
	Lasher, S.	
	Lyons, W.	
	McCrudden, M.	
	Nelson, R.	
	Owen, B.	
	Raish, L.	
	Robinson, K.	
	Scalia, A.	
<input checked="" type="checkbox"/>	Smith, L.	
	Thornell, J.	
	Urbany, F.	
	Ward, D.	
3	Cm - for file	

Remarks:
2 From Smith - FYI S

No response necessary.

WILLIAM W. SCRANTON
704 Northeastern Bank Building
Scranton 3, Pennsylvania

3
11/4

MR. WHITEHEAD:

Governor Scranton wanted you to have the attached editorial.

Linda
(Mrs.) L. Keene
Secretary





A CBS Affiliate

A WDAU-TV EDITORIAL

CBS TELEVISION FOR NORTHEASTERN PENNSYLVANIA
ONE THOUSAND WYOMING AVENUE, SCRANTON, PA. 18509

To Tom Whitehead

The chief White House spokesman on communications policy has proposed less and not more regulation of broadcasting.

A new communications plan unveiled by Clay T. Whitehead, director of President Nixon's Office of Telecommunications Policy, has come like a breath of fresh air to the leaden atmosphere of control created by the constant agitation of various bureaucrats and social planners for placing radio and television in a government strait-jacket.

In the most dramatic suggestion, Mr. Whitehead called for abolition of the Fairness Doctrine which, in theory, was designed to assure that all sides of an issue are presented but which, in practice, has inhibited coverage of controversy and has led to a hopelessly tangled thicket of rulings. He would replace the Doctrine with a law that would make advertising time available on a first-come, first-served basis at nondiscriminatory rates.

One of the effects of such a revamped policy would be to confirm that broadcast news is protected by the First Amendment and to safeguard broadcast newsmen from government second guessing of their news judgements.

Whitehead's plan includes a pilot program looking toward eventual deregulation of radio broadcasting. The Federal Communications Commission continues to treat radio as it did more than 40 years ago even though the industry has undergone a programming revolution in the past fifteen years and the number of stations on the air has grown dramatically.

Finally, the White House communications spokesman would alter license renewal procedures so that broadcasters would not be arbitrarily placed on the defensive

(continued)

every three years in seeking to continue to serve the public. His plan would bar the kind of challenges thrown down by fanatical reformers and pressure groups that have caused turmoil in the industry. Broadcasters would be required to make a good faith effort to ascertain and meet the programming needs of their communities.

Whitehead said the government has tried "program control and bureaucratic standards of fairness and found they don't work."

We can say "amen" to that.

-0-

Routing Slip
Office of Telecommunications Policy


Date: NOV 19 1971

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To: _____

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<input type="checkbox"/>		

Remarks:



Thad M. Sandstrom

Vice President-Broadcasting

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KGNC TV·RADIO·FM
NBC-AMARILLO

Sunday Journal and Star

Founded September 7, 1867

Published by the JOURNAL-STAR PRINTING CO., 926 P St., Lincoln, Neb., 68501

Subscription Prices on Page 2A

SUNDAY JOURNAL AND STAR EDITORIAL OPINION

Freedom of the Air Waves

A welcome breath of fresh air is wafting into the dank thinking that for too long has encouraged government regulation of the air waves.

This comes with the appeal by President Nixon's director of telecommunications policy, Clay T. Whitehead, for a sweeping revision of the laws regulating radio and television.

Whitehead would materially ease federal authority over programming and eventually would remove radio from regulation altogether.

Certainly this is a step in the right direction. The only question is whether it would go far enough, fast enough.

Because of a limited availability of channels for transmission via the air waves, it is necessary that some regulation be made of those using the various frequencies. The alternative would be chaos.

But this mechanical regulation should be possible without regulation of content;

and it is in directing content of what is presented on the air waves that the federal regulators ought to butt out.

In the final analysis, the public is the best monitor of the quality of material presented on television or radio and the turn of a dial is the best enforcer. If the public doesn't like what is presented and tunes out, advertisers won't provide the wherewithal to stay on the air and flagrant abuse will be taken care of in its own good time.

Thus the public — the listeners and the viewers — should determine whether the broadcaster is providing good taste, fair play, public service and the other criteria that the Federal Communications Commission presently tries to supervise.

It is time for government to recognize that the First Amendment to the constitution, the one guaranteeing free speech and free press, extends to the modern electronic media fully as forcefully as to the traditional print media.

Mr. Nixon's man seems to be acknowledging that reality.

TW. Articles 7
11/22



Amherst

February 23, 1971

Tom,

The attached Associated Press article from last night's paper probably appeared in several hundred newspapers across the country. I think some decisive statement is required from the White House, and you're the best man to make it. With the public confidence factor foremost in my mind, I drafted the attached press release. I strongly recommend you consider its release today.

Stephen E. Doyle
Special Assistant to the Director

Attachments

SEDoyle:jm

cc: Mr. Whitehead
Mr. Doyle

Pentagon, FCC Will Study System for Emergency Alert

Associated Press

With the White House demanding an explanation of a weekend foulup, the Defense Department and the Federal Communications Commission both say they will take a closer look at the way the government warns the nation against nuclear attacks.

The announcements yesterday came only hours before the emergency broadcast warning system malfunctioned for the second day in a row.

The system, directed by the North American Air Defense Command (NORAD) inside Cheyenne Mountain near Colorado Springs, Colo., first failed Saturday when a technician inserted the wrong tape into the broadcast wires of The Associated Press and United Press International.

The tape normally sent would have notified broadcasters NORAD was testing the system. Instead, it said the President had directed a notification of emergency action, that all normal broadcasting was to stop immediately, and that broadcasters were to transmit the warning.

New Technical Failure

The system failed again yesterday when NORAD was unable to take over control of The Associated Press teletype wires because of a technical failure. The test was transmitted as usual over the UPI circuit.

A subsequent test over the AP lines last night worked. Technicians from NORAD, the telephone company and the AP said the cause of the earlier failure was unknown.

An investigation into Saturday's false alert was requested by the White House. A spokesman said yesterday, "Those responsible at NORAD will see that it does not happen again."

Saturday's erroneous alert remained in effect 18 minutes although many stations did not shut down. Some stations did not see the teletype message and others doubted its authenticity, an AP poll showed.

Tass Report

The official Soviet news agency Tass said Saturday's accidental broadcast showed that the Pentagon has created a state of "military psychosis" in America.

Tass said in a dispatch dated New York that millions of Americans had been frightened into believing a nuclear war was about to break out. United Press International reported.

Defense Secretary Melvin R. Laird said he has asked for a report on the false alert and FCC Commissioner Robert Wells said the FCC and the National Industrial Advisory Committee of broadcasters and wire services will evaluate industry response to the error.

"We will see why the stations did or did not go off the air," Wells said. "This will give us a chance to re-evaluate" the whole system.

Setup Changed

Louis I. Smoyer, civilian in charge of the Civil Defense National Emergency Warning Center in Cheyenne Mountain, said yesterday new procedures have been instituted to prevent any recurrence of the false alarm.

He said that in the past, three tapes—one for the test and two calling for emergency measures—were hanging on three labeled hooks above the transmitter.

In the future, Smoyer said, only the test tape will be left near the transmitter. The two emergency tapes are to be placed in sealed and clearly marked envelopes inside a nearby file cabinet.

"We still have to have the tapes available for us in an emergency," he said, "but we've got to be sure the man working under stress or strain can't reach for the wrong tape."

"Now, with the filing cabinet, the man has to pull open a door and reach in and identify what's in the envelope before transmitting anything," he said. "It might take him 20 or 30 seconds longer but he must know he is reaching for them (emergency tapes)."

Press Release

Clay T. Whitehead, Director, Office of Telecommunications Policy, Executive Office of the President, released a brief report and statement today concerning the status of the emergency warning system in the United States. On consecutive days this past weekend, malfunctions in the EBS operations demonstrated the need for review of this program and adoption of more reliable operational procedures. Whitehead said:

"Upon taking office as Director of OTP in September, I initiated a preliminary review of communication system planning in the area of national emergency preparedness. I have always considered this area of primary importance to the nation as a whole and to effective support of the President in time of national emergency. In recent months, I have visited several installations and sites operated as part of our national emergency communications systems plan.

"Six weeks ago, I initiated a comprehensive interagency review of the national emergency warning system after having been fully briefed on the plans existing at that time. This review is continuing. Federal Communications Commission collection of data on broadcast station reaction and response to last Saturday's incident and the review of the warning system operational problem experienced Sunday will be made part of the comprehensive study now in progress.

"Upon completion of this study, working in cooperation with the Defense Department, its Office of Civil Defense, the Office of Emergency Preparedness, and the Federal Communications Commission, I intend to establish more effective operational plans and to implement those plans as a matter of priority.

"This nation can ill afford errors in planning critical warning systems which must work effectively to protect the lives and property of more than 200 million citizens. We will fully explore these problems and we will eliminate them."

Chron
SED chron
✓ Articles
Speech 1/28/71

11 FEB 1971

Mr. Eugene F. Murphy
Vice President and General Attorney
RCA Global Communications, Inc.
60 Broad Street
New York, New York 10004

Dear Mr. Murphy:

Mr. Whitehead has asked me to reply to your letter of February 4th requesting a copy of his remarks before the Federal Communications Bar Association on January 28th.

This was an off-the-cuff address, and Mr. Whitehead did not have a prepared text. There are two fairly accurate summaries of the remarks made in Broadcasting Magazine and Telecommunications Reports. I am enclosing copies for your use.

Sincerely,

Signed

Stephen E. Doyle
Special Assistant to the Director

Enclosures

cc: Mr. Whitehead
Mr. Doyle

SEDoyle:jm 2/10/71

Whitehead offers to listen to losers

His White House door
is opened for talks
on FCC action and policy

Dr. Clay T. Whitehead, director of the Office of Telecommunications Policy, continues to make it clear that the new White House office that he heads is a force to be reckoned with in the making and administering of the nation's telecommunications policy. Dr. Whitehead, who in past statements and speeches indicated there are few if any communications policy areas he feels are foreclosed to his office, was speaking last week at a luncheon meeting of the Federal Communications Bar Association. And in the course of brief prepared remarks and some 20 minutes of answering questions, he made these points:

■ He would maintain, in effect, an open-door policy. His office "will be attentive to the views of all segments of the industry and the public; it will be a place where you can bring clients and where the public can discuss problems candidly and openly, and where you can expect action," if it is warranted. It will be a place where "you'll hear the administration position."

■ OTP will not be "just another player on the crowded field" of communications regulation. Its function is to make sure that "the views of all interested parties do come into focus," and to serve as a "catalyst."

■ OTP, in whose creation Dr. Whitehead played a major role as a White House aide, was not designed to take

over any functions of the FCC, which has "broad, direct responsibilities." He expects the administration "to be listened to" when it speaks, "because our views will be carefully thought out." But he sees no "power struggle" with the commission in prospect, "despite what some members of the press might like to create."

■ And it is OTP that speaks for the administration in communications matters. "Until we take a position, we don't object to other departments taking a position" so long as it is known they are not speaking for the administration. (Dr. Whitehead also said that the Justice Department, which has filed pleadings in a number of commission proceedings, can be expected, "in the future," to express the administration's views on such matters. But an OTP spokesman later explained that Dr. Whitehead meant the department would represent the administration only after it coordinates its views with those of OTP, and that the pleading would make that coordination clear.)

■ In seeking to effect change in communications policy, OTP will either attempt to persuade the commission to its view or appeal to Congress. And, while OTP may express its views to the commission through pleadings, as do other interested parties, "there is a whole range of ways" the executive branch can make its position known.

■ Furthermore, broadcasters, CATV-system operators and, presumably, others regulated by FCC can feel free to call on him if they are dissatisfied with commission rulings affecting them, provided they believe broad policy matters are at stake. He does not want to look over the commission's shoulder at details of regulation, but neither does he want to limit himself to "long-range problems." There is "a judgmental middle ground" where he feels free to operate. In CATV matters, for instance, OTP is "going deep" into the policy question of how cable relates to over-the-air television. "We are interested in talking to people on this."

■ OTP will be "very much concerned" with the commission's proposal to break up multimedia holdings within individual markets, "but we don't know if we're enough interested to focus on it." The issue is part of "the broad question of where we are going in communications . . . I don't know if we'll single it out."

■ OTP is reviewing the nation's basic communications law—the Communications Act of 1934—to determine whether it is still "appropriate" and whether the assumptions on which it is based are still valid. "They may be . . . but the pressures of change indicate the need for review." If OTP decides that changes are required, it will advo-



Dr. Whitehead

.... from

BROADCASTING

1 February 1971

pages 35 and 36

cate them.

Toward the close of the question period, one attorney, somewhat bemused by Dr. Whitehead's open invitation to lawyers with clients unhappy with FCC decisions to call on him, asked, no more than half in jest, "Do we go from the commission to you, or from the commission to the court of appeals and then to you?"

Dr. Whitehead, responding in a similar tone, said, "You go where you think you can get the best deal."

OTP DIRECTOR WHITEHEAD URGES COMMUNICATIONS BAR TO ADVISE HIS OFFICE OF PROBLEM AREAS; EMPHASIZES OBJECTIVE OF NOT INFRINGING ON FCC DUTIES.

Dr. Clay T. Whitehead, who said goodbye to members of the Federal Communications Bar Association last year under the expectation at that time that he would not be appointed Director of Telecommunications Policy, got reacquainted with them Thursday, Jan. 28, in an address in which he invited them to get in touch with his office if they have problems in his area of responsibility.

Asked during the question period about the procedures in dealing with OTP and the Federal Communications Commission, and when an attorney taking a matter to the FCC should also communicate with his agency, Dr. Whitehead replied, "I would hope at the same time."

While describing a broad area of responsibilities for OTP, Dr. Whitehead noted that the reorganization plan which established his office was carefully drafted so as not to infringe on the Commission's duties. He said that rather OTP's job is to evolve a consistent policy position for the executive department, so that anyone coming to the agency can expect to hear the administration's policy on a given subject enunciated.

Reiterating some observations he has made in earlier statements, he took the position that communications has too long been left by the generalists to the technicians. He said he "resisted" his present appointment initially because he did not wish to get into a narrow technical area. Technology has probably served "too well, and too rapidly," in communications, he said, and policy-makers must be sure that the purposes of society are being served.

He expressed significant interest in keeping communications as a part of the private sector of the nation's economy, and warned against following the route of some other public services of "increasingly meddlesome regulation, or suggestions of government takeover." Some long-accepted regulatory practices need changing, he declared, without detailing what he has in mind. But, he keynoted, OTP will be looking in to those areas "very generally, and with a fresh eye."

The broad policies for which his office will be responsible cover such areas as government communications and emergency systems, wideband services, common carrier regulation, and the development of specialized common carriers. But, he emphasized, OTP will focus on broad policies, rather than details.

Upcoming FCBA luncheon speakers include Corporation for Public Broadcasting Chairman John W. Macy, Jr., on March 26, and new FCC Commissioner Thomas J. Houser, on May 6.

-End-

Office of Telecommunications Policy
Route Slip

8 FEB 1971

To

_____ Clay T. Whitehead _____

_____ George F. Mansur _____

_____ William Plummer _____

_____ Wilfrid Dean _____

_____ Steve Doyle _____

_____ Walt Hinchman _____

_____ Charles Joyce _____

_____ William Lyons _____

_____ Eva Daughtrey _____

_____ Timmie White _____

_____ Judy Morton _____

REMARKS

Dr. Clay T. Whitehead
Director
Office of Telecommunications Policy
Executive Office of the President
Washington, D. C. 20504



Eugene F Murphy
Vice President
and General Attorney

Dear Dr. Whitehead:

February 4, 1971

Unfortunately, I was unable to attend the luncheon meeting of the Federal Communications Bar Association last Thursday at which I understand you gave a very interesting address.

I would appreciate it if you would kindly send me a copy of your address.

Sincerely yours,

A handwritten signature in cursive script that reads "Gene Murphy".

In the weeks following President Nixon's nomination, on June 26, of Dr. Clay T. (Tom) Whitehead as the first director of the new Office of Telecommunications Policy, government officials in the communications field and communications-industry representatives speculated among themselves on the kind of role the 31-year-old ex-Rand staffer would play. Among those who had had an opportunity to watch Dr. Whitehead in his job as a White House aide with responsibilities in communications, there was a feeling he would be an "activist," that he was, at bottom, "aggressive"—a feeling that Dr. Whitehead did much to reinforce when he briefed reporters on his concept of the job a day after he was sworn into it, on Sept. 22 (BROADCASTING, Sept. 28).

But the speculation had heavy going, for in a city known for its operators, where brilliance and accomplishment are worn on one's sleeve and ambition is not camouflaged, Dr. Whitehead is something of an enigma. He is one of the youngest men to head a federal agency. And he applies himself with energy and, in the view of those from Capitol Hill and the FCC, considerable skill, to the many projects of national importance that fall to him.

But he does not come on as the whiz-kid type familiar to Washington. ("He is cautious, very conservative," says one Department of Defense communications expert.) And he expresses a respectful, almost old-fashioned feeling for those older than he with whom he deals—which is almost everyone—although he is not intimidated in talking to industry senior vice presidents or high government officials. "I respect their experience and knowledge. I don't have 30 years experience," he says, "but I can organize information, find out what is needed and get it."

Indeed, perhaps the most striking thing about him is his reserve. He is usually described as "introverted," "cool," "withdrawn." But whatever the precise adjective, the effect of the characteristic can be disconcerting. "We went to see him [Dr. Whitehead] about some matter related to domestic satellites," one FCC official recalled recently about a meeting when Dr. Whitehead was on the White House staff. "We explained our position for 20 minutes, and got absolutely no reaction in all that time—not a word, no change in expression. When we finally stopped talking, there was a pause, then he said, 'Is that all?' We left thinking we had blown that one. But that's just the way he is."

But as one begins to form a picture of Dr. Whitehead as a withdrawn, perhaps mechanistic young man, other facts about him surface in conflict with that image. There is, for instance, the matter of a hobby he pursued while an

A quiet young man with power and the will to use it

Army lieutenant at the Edgewood, Md., arsenal, working on defenses against chemical and biological warfare—sky-diving. He made 20 or 25 jumps, and found the experience extraordinary. ("It's very peaceful, incredibly quiet.")

And for a man who, although young and tall (about 6 feet), is soft-cheeked and sufficiently concerned about his waistline to skip all lunches except those forced on him in the line of duty, his idea of getting away from it all comes as something of a jolt. Following his Senate confirmation hearing in July, he spent five days canoeing and camping in the wilderness of northern Minnesota and southern Canada.

Dr. Whitehead's background is similarly filled with incongruities. He began life in Neodesha, Kan. (population

3,500), and graduated from Cherokee County Community High School in Columbus, Kan., but then went on to prestigious Massachusetts Institute of Technology. There he not only earned B.S. and M.S. degrees in electrical engineering and a Ph.D. in management, but he found time to teach courses in electronics and political science.

Dr. Whitehead first made contact with the Nixon forces in the summer of 1968 in Washington, when a mutual friend introduced him to Robert Ellsworth, who had been Richard Nixon's pre-convention campaign manager and who was to become top White House staff man before being appointed to his present post of ambassador to the North Atlantic Treaty Organization. At the time, Dr. Whitehead was associated with the Rand Corp., in Santa Monica, Calif., planning and organizing a policy research program on health services and other domestic policy areas.

Following the election, Dr. Whitehead accepted an invitation to serve on the President-elect's task force on budget policies and to aid in transition matters. And in January 1969, he joined the White House staff as an aide to Mr. Ellsworth (later to Peter Flanigan, who succeeded Mr. Ellsworth when he took the NATO post), attending to a wide variety of responsibilities.

In the briefing he gave reporters, he surprised them with the candor with which he discussed the broad powers that are vested in OTP as the President's arm in telecommunications matters—powers that he intended to use. There was no tone of aggressiveness in his recital; rather one of considerable self-confidence.

This kind of confidence was evident, also, in a private interview in which he discussed not so much the nuts-and-bolts aspect as what might be called a cosmic view of OTP. "Our primary contribution will be in laying out the interconnection between the broader objectives of society and communications," he said. "We need more attention, more systematic thinking through the whole range of problems to make sure communications policy makes sense in terms of the bigger picture."

He also feels there is another role OTP can perform for, as well as in, government. Governmental policy statements that are not related to a central theme are "meaningless," he said. "If you have decisions that are related, you have policy, and a policy process that makes sense. Developing policy and a policy process in the telecommunications area," he added, with a slight, self-deprecating smile, "can be a model for broader policy-making processes in government."

Dr. Whitehead's vision of his job, it is clear, is not limited.

Week's Profile



Dr. Clay Thomas Whitehead—director, Office of Telecommunications Policy; b. Nov. 13, 1938, Neodesha, Kan.; B.S. (1960), M.S. (1961) and Ph.D. (1967), Massachusetts Institute of Technology; taught courses in electronics and political science while graduate student; consultant at Rand Corp., Santa Monica, Calif., over 18-month period between 1961 and 1963, and member of Rand staff, 1967-68; U.S. Army, 1964-65; consultant to Bureau of Budget, 1966; member of President-elect Nixon's task force on budget policies and aided in transition, 1968; White House staff, 1969-1970; member Tau Beta Pi, Sigma Xi, and Eta Kappa Nu, engineering and science honorary societies; hobby—camping.

X The White House looks into FCC's future

The Nixon administration has begun examining the composition and policies of the FCC.

Last week two White House staff executives met with an invited group of broadcasters to get their views on current broadcast regulation. The discussion reportedly ranged over many matters, but the most emphasis was placed on the present vulnerability of licensees at renewal time, FCC rule-makings that would break up multi-media ownerships, and the make-up of the commission itself.

The man who called the meeting was Dr. Clay T. Whitehead, deputy to Robert Ellsworth, special assistant to the President. Also present was Abbott Washburn, now a consultant to the White House staff. Mr. Washburn was deputy director of the U.S. Information Agency during the Eisenhower admin-

istration and later headed a Washington public-relations firm.

Broadcasters in attendance were Grover Cobb, of KVOB Great Bend, Kan., chairman of the National Association of Broadcasters board; Vincent T. Wasilewski, NAB president; Clair R. McCollough, Steinman Stations; John F. Dille, Communicana Group; Robert W. Ferguson, of WTRF-TV Wheeling, W. Va., chairman of the NAB's television code board; Everett H. Erlick, executive vice president, ABC; Richard W. Jencks, president, CBS/Broadcast Group, and Thomas Ervin, executive vice president, NBC.

During the discussion of FCC personnel problems, it was said later, FCC Commissioner Nicholas Johnson was mentioned by name, although the White House officials gave no indication of any change of assignment for him. It was mentioned that Chairman Rosel Hyde's term expires next June 30, but there was no word as to whether he would be asked to remain beyond then.

It was also mentioned that the term of FCC Commissioner Kenneth Cox, a Democrat, expires June 30, 1970.

Another meeting with the broadcasters may be called in a few weeks, the White House officials reportedly said.

Dr. Whitehead, who holds degrees in business administration and engineering from Massachusetts Institute of Technology, has been assigned to study policy making and organization of the FCC and several other regulatory agencies. His immediate superior, Mr. Ellsworth, a former congressman from Kansas, was reported last week to be under consideration for an ambassadorial post.

In addition to acting as a consultant to the White House, Mr. Washburn is the U.S. government's acting representative to the International Telecommunications Satellite Consortium, assuming the duties of Leonard H. Marks, who has resigned to resume his communications-law practice.

from Broadcasting April 14, 1969

Feeling like a nut

The Federal Bureau of National Aeronautics and Space Administration have taken considerable policy determination on which permit TV networks to use existing or future Applied Technology Satellite for distribution of TV programs to satellites. ATS spacecraft are added to perform scientific experiments when these are completed satellite is available for other use. TV networks would pay for construction of earth stations and other facilities; there would be no cost to government.

Proposal for the commercial satellite system by Communications Satellite Corp. has been pending before FCC for year. NASA plan would require no FCC approval. It's believed, since system would be noncommercial, experimental. Edward Kohn, consultant to space agency and former broadcast official (NBC, WGN, Chicago, among other posts), is architect of NASA scheme.

Hot shot

People among second thoughts at White House on President Nixon's endorsement of Senator John Pastore's crusade of sex and violence on television. Nixon letter (Broadcasting, March 31) expressed concern "with the ethical as well as the artistic level of many television programs and commercials" and referred to misuse "of this great medium." There's hindsight that Nixon letter was cleared without sufficient research, and that "clarification" may be forthcoming.

Lesson learned from incident is that communications involving such sensitive areas as program controls, having censorship overtones, won't be handled at lower and lower headquarters out will entail top-level scrutiny.

Roundback

That's what on Post-Newsweek Station announced plan to substitute local commercials for daytime messages in that program (last page 22) does not mean FCC officials are taking it lightly. What it does apparently mean is (1) they will receive copy of Post-Newsweek's programming plan to FCC; (2) they have not and chance to talk to Post-Newsweek officials and therefore (3) they have no first-hand knowledge of Post-Newsweek plans. But don't let it seem that way; they consider it very important plan, being among others, on network is likely to

sit quietly and let officials not only sell local time in network programming, but do so at network expense.

Haven for Smothers?

Reports circulated late last week, apparently with some foundation, that William Morris Agency has put out high-level feelers at ABC about possibility of moving Smothers Brothers to ABC-TV network next fall or, if not then, as midseason replacement early in 1970. ABC is not commenting on any phase of current Smothers Brothers controversy, but it is widely believed that under normal circumstances network would be interested in negotiating. In present circumstances, however, ABC presumably would want to be sure that Smothers are legally "free and clear"—that cancellation of their show by CBS will not end up in some sort of lawsuit into which ABC might be drawn.

Changes in making

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

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

USIA tests

Odd's-on favorite for director of Voice of America in new administration is Elmer W. Lower, president of ABC News and veteran of 15 years as network news executive. He's been with

all three networks. It's also certain that Dr. Frank Stanton, CBS Inc. president, will be asked to stay on as chairman of U. S. Advisory Commission on Information, which sits over USIA at consultative policy level. Dr. Stanton had submitted his resignation with change in administration and reportedly has felt that with ex-CBS executive Frank Shakespeare as director of USIA, there would be "too much CBS" in organization. But administration reportedly does not want to lose Dr. Stanton's presence and expertise and has asked him to continue for another three-year term.

Reps vs. reps

Efforts are being made to settle main points of dispute that has had Station Representatives Association and station reps owned by broadcast groups at swordpoint ever since SRA sparked FCC action and plan for rulemaking against group reps few weeks ago (Broadcasting, March 17, 24). In retaliation, some group-owned reps and their lawyers have been compiling lists of broadcast ownership interests of SRA members—and also have been talking of petitioning FCC to require that station contracts of all reps be made public.

Word now, however, is that this tactic might be abandoned if SRA would join group reps in proposing adoption of new FCC rule directed at another issue raised by SRA in its petition to FCC: whether group owners that produce and sell programming should be allowed to represent stations, too. That reportedly are being held on compromise plan, said to have been initiated on group-owner side, that would end such dual activities only if representation were made condition of program sale, or vice versa. SRA members are said to be concerned that multiple owners can use programming as competitive advantage in gaining representation business. FCC officials have indicated their own rulemaking notice will not be issued before mid-May.

Slight fakery

ABC is said to have informed FCC that some ABC personnel were involved in one of four news-gathering incidents alleged to have occurred at Democratic national convention in August. Incident was one in which newsmen put "Welcome to Chicago" sign in small street line, and signaled cameraman to film scene.

White House group weighs reliability

Since about the first of April, the White House, on a hush-hush basis, has been reviewing power system "reliability" options.

To a degree, the initial responsibility fell under the direction of Robert Ellsworth who, as assistant to the president, served as President Nixon's liaison man to the regulatory agencies. But Ellsworth departed to NATO as ambassador, and Peter Flanigan took his place. Now, the overall responsibility is Flanigan's.

But, as noted above, only to a degree. In practice, in the real world of Washington, recommendations for a policy position stem from many sources—representatives of business, the regulatory agencies, the cabinet, the Budget Bureau, and the White House. Real policy—the kind that gets sent up to the President for approval—is generally generated by the few.

And so it is in this instance.

Meetings on reliability—and other energy matters—have taken place in the office of David Freeman, director of the energy policy staff. Freeman reports to Dr. Lee DuBridge, science adviser to the President, who reports to Tom Whitehead, Flanigan assistant.

To these meetings have come representatives from the Federal Power Commission, the Atomic Energy Commission, the Agriculture Department, the Justice Department, the Interior Department, and the Budget Bureau.

"But we've got the real power," says James G. Watt.

Who is Watt? Watt is presently a consultant to the Interior Department and is planning on being the deputy assistant secretary of Interior for water and power. His name, it is understood has been sent to the White House for approval.

Watt, a conservative, had been a US Chamber of Commerce employee. His name was mentioned briefly at confirmation hearings for Interior Secretary Walter J. Hickel, when Sen Edmund Muskie [D-Me.] wanted to know why Watt was escorting Hickel.

"He's a very competent man," Hickel replied. "That's what I'm afraid of," retorted Muskie.

Now, Watt serves as James Smith's right-hand man. Smith is Interior assistant secretary for water and power, and the other part of the "we" in Watt's statement.

Watt and Smith have sat in on many of the meetings at Freeman's office, and Watt reports there are presently two basic hangups over reliability legislation. "We don't know whether the administrative or the legislative approach is the best," he says.

But another person who has shared in some of the discussions reports another hangup—environment. "The president," he says, "has informed us of his desires for a strong environmental policy. What we're looking for is something that will expedite construction while at the same time prevent unnecessary damage to the environment. And we are not sure at the moment who should have the last word—the builder or the conservationist."

All of these hangups have now fallen into the lap of Tom Whitehead, a relatively new employee. And that is why Whitehead—who candidly says the issue is "quite an emotional one"—reports that it will probably be some time before a position is solidified.

When Whitehead finally turns his report over to Flanigan, he may be surprised at how much Flanigan knows about reliability.

Before the November election took place, the president of a large western utility briefed Flanigan on the topic.

THE WALL STREET JOURNAL, Friday, April 18, 1969

MINOR MEMOS: A new name pops up as possible Nixon nominee for Federal Communications Commission Chairman—Clay Whitehead, 32-year-old assistant to Presidential aide Robert Ellsworth. . . .

Drafted by Johnson Task Force

Communications Policy Plans Finally Released

By Robert J. Samuelson
Washington Post Staff Writer

The White House yesterday released—without endorsing—a massive report on the future of national communications policy, from domestic satellites to cable television.

The report, written by a task force appointed by the Johnson Administration in 1967, was completed last December. Though copies have freely circulated among industry representatives, it has never been made public.

Yesterday's release came in response to repeated Congressional requests that the document be made available. The White House sent a copy of the report to Rep. James Broyhill (R-N.C.), the ranking member of a House subcommittee on communications and power policy.

Not Endorsed by Nixon

"The report is being made available at this time in the interests of informed public opinion," Clay T. Whitehead, a White House staff assistant, wrote Broyhill.

At the same time, Whitehead appeared to downplay the report's importance.

"It should be a useful addition to the many other studies of telecommunications problems that have been done over the last few years," he wrote. "I must emphasize that this Administration in no way endorses the recommendations of the task force or its analysis of the issues."

The task force, chaired by Eugene V. Restow, former Under Secretary of State for Political Affairs, recommended that:

- The Federal Communications Commission immediately authorize a pilot domestic satellite system, which would primarily transmit television signals but would also experiment with other types of long-distance communications, such as the transmission of computer data.

- A new branch of the executive be created to manage the entire frequency spectrum—the available wavelengths over which television, commercial radio, private and governmental transmissions are carried.

- Companies transmitting telephone and telegraph signals abroad be consolidated into one "entity"—a move, which, if endorsed, would bring the owners of rival undersea cables and satellite communication under one roof.

New Study Under Way

Administration sources indicated that these issues—and many of the others raised by the report—are under new study, but that the report is not being used as a "blueprint" for the Nixon Administration's own recommendations.

However, these sources indicated that there is now no disposition to support some of the key recommendations, such as the proposal for a single "entity" for all international communications.

In this area, the task force found that rival companies, with conflicting interests in cable and satellite communication, had, in effect, forced the FCC to approve investment in both systems. A single firm—Comsat was the recommendation of the task force—would be better equipped to decide on the most efficient mix, the task force said.

The Administration reportedly feels, however, that eliminating competition in transoceanic communications is too fundamental a change without a conclusive demonstration that the savings of a single-entity operation will be substantial.

"The case hasn't been made yet," said one official.

Controversial Plans

Almost all the recommendations made by the task force are considered controversial, because they involve not only detailed technical questions but also the vested interests of many large American companies. Cable owners, such as the

American Telephone and Telegraph Co., could be expected to fight consolidation of their facilities into a single firm.

The proposed domestic satellite system raises similar issues. There is general agreement that there should be such a system, but there are rivalries over who should own it and how it should operate.

The task force recommends that the primary ownership and management role in the pilot program go to Comsat, with smaller portions of ownership being assigned to other firms such as AT&T.

Resolution of the domestic satellite controversy technically lies in the hands of the Federal Communications Commission, which has been considering a number of different proposals since 1966.

FCC to Act Soon

The Commission decided to await the results of the task force report and any subsequent action of the executive branch. The FCC has now promised a decision in the near future.

Another issue raised by the task force report, cable television (CATV), actually stimulated the release of the long document.

A subcommittee of the House Committee on Foreign and Interstate Commerce is currently holding hearings on the role of CATV, the use of "community" television antennas to receive programs and then transmit them to individual homes by cable.

The task force strongly supported the use of CATV, and the subcommittee wanted to get a look at the report's recommendations.

THE WHITE HOUSE

WASHINGTON

June 12, 1969

MEMORANDUM FOR MR. FLANIGAN

Attached is a rather long memorandum I dictated and intended to polish up a bit regarding the desirability of additional staff resources.

Since dictating this, I have come across Will Kriegsman (resume attached), who I think might be very good for the MBA type. I am also scheduled to talk with Tom Evans some time next week and one topic for discussion is a suitable young lawyer.

Jon and I have discussed the secretarial situation and I believe are agreed that his current secretary would not be satisfactory for either his new duties nor for my needs.

Clay T. Whitehead
Staff Assistant

Attachments

THE WHITE HOUSE

WASHINGTON

June 12, 1969

MEMORANDUM FOR MR. FLANIGAN

Now that we have had a few months of on-the-job training, I think we can see more clearly now what our responsibilities are and what we should be doing. On the one hand, we are White House contact for the major independent agencies, and much of what we do is liaison and coordination. In this, we represent the White House and the Administration to the Hill, to industry, and to the agencies.

On the other hand, the programs and policies of many of these agencies require substantive guidance and/or direction from the White House for which neither the Cabinet nor the NSC machinery are equipped. In carrying out this responsibility, we provide a mechanism for the President to deal with these problems. This involves stirring up initiatives appropriate to this Administration's philosophy, providing substantive guidance to the agencies and advice to the President, and generally looking out for the President's interests in these areas.

Our current three-way division of the agencies for coordinating purposes seems to be manageable and reasonably coherent. However, where the substance of policies and programs is concerned, I think we have a problem. On some of our major projects we can rely on the agencies, the Budget Bureau, and OST to get the necessary staff work done (for example, the uranium enrichment study and the INTELSAT Conference), but for many of the others it is just not possible. We have to develop the analysis and the capability to prepare options and recommendations for the President ourselves. The domestic satellite issue, the merchant marine problem, the communications organization problem, and a review of regulatory policies are in this latter category where we ourselves have to develop the initiatives, the interesting options, and the formulation of the problem for the President.

In order to deal with these problems, I am convinced we need staff beyond our present resources. This is to some extent possible through short-run details of people from the agencies. I now have $2\frac{1}{2}$ full-time staff working for me on the merchant marine report, one full-time on the Rostow Report analyses and a review of regulatory policies, and will soon have 2 or 3 on the communications problems (total of about 5 or 6). Full reliance on temporary staff, however, leaves a lot to be desired.

We also have a significant secretarial problem. Eva works an average of 15 hours per week overtime, while getting paid for only 4 because of White House overtime pay policies. (This represents a significant reduction in pay compared to her earnings in BOB.) This is partly because of the workload and partly because I rely on her as much as an AA as a secretary; and it is in spite of the fact that she is one of the best secretaries going. I have one girl detailed temporarily, but she spends full time on the merchant marine project. We have found that the correspondence section cannot respond to our needs in spite of much help from John Brown.

In summary, I believe we can justify an additional full-time staff of probably two professionals and one secretary. The professionals should be fully trusted Nixon men, probably one a young lawyer and one a young MBA with some government experience. Maybe I have the bulk of the projects that require this type of help, but I could use them fully myself. I think such an addition is justified in view of the heavy substantive responsibilities we have and by the lack of appropriate agency staff to draw on relative to other areas of the White House operation. This would enable us to take on a few more worthwhile projects, but I think its main value would be a stronger capability in dealing with our current number of projects.

I have attached a listing of eleven project areas I am currently working on or trying to get started. Those marked by an asterisk are the ones where I find it impossible to find adequate agency staffs to get done what I think should be done. This also shows the expected duration of those projects.

I think the ultimate potential of this office rests on the development of sound policy initiatives that will reflect credit on the President and the Administration. As an illustration, it may be useful to point out how many of these projects were the result of my initiatives and how many are responses to agency problems or initiatives. Project areas 1, 3, 4, 6, 10, and 11 result from initiatives; project areas 5 and 9 are continuing policy problems; and 2, 7, and 8 are short-run problems that would exist in spite of us but in which we should try to play a major role because we can potentially make significant contributions.

Clay T. Whitehead
Staff Assistant

Attachment

- | | |
|---------------------------------------|--|
| 1. AEC | Uranium enrichment; LMFBR
through December |
| 2. NASA | STG & FY 71 budget
through December |
| * 3. Maritime | through October/November |
| * 4. Communications
organization | indefinite |
| 5. NCS | indefinite |
| * 6. Domestic satellite | through June;
through Aug. /Sept. if propose strong
executive branch role
through next Spring if approved |
| 7. INTELSAT | through November |
| * 8. CPB | heavy through Oct. /Nov. ; on through May |
| 9. Marine sciences | indefinite |
| 10. International science
projects | indefinite |
| * 11. Regulatory agency review | through Oct. /Nov. or through May |

August

- * Domestic satellite

October

- * Maritime
* CPB

November

- INTELSAT
* Regulatory agency review

December

AEC
NASA

Indefinite

- * Communications organization
NCS
Marine Sciences
International science projects

VARIETY DAILY

July 24, 1969

Nixon Will Name Panel To Explore Satellite System

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

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

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

Regulators

White House gets into the FCC act

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TELECOMMUNICATIONS REPORTS

VOLUME THIRTY-FIVE, NO. 31, July 28, 1969

-1-

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

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

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

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

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

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

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

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

-End-

The Evening Star

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

FCC Delaying Satellite Ruling On Request

By STEPHEN M. AUG

Star Business Writer

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

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

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

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

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

The domestic satellite issue has been before the FCC at least three years. The commission has heard a number of proposals urging various systems be set up. Most recently, a task force appointed by President Johnson urged the FCC to set up an interim satellite system with Communications Satellite Corp. as manager.

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

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

Whitehead, in an exchange of correspondence with Hyde last week, asked the commission to join his working group in studying the problem. He indicated that the group would have comments within a 60-day period.

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

Signs Now Point to Action On Modernizing Merchant Marine



Delta Steamship Lines' DELTA MEXICO being launched at the Ingalls Shipbuilding Division of Litton Industries, at Pascagoula, Miss., in October, 1968.

With Nixon Administration and Congress 'Gung Ho' for 30-ship a Year Building Program, Prospects Seem Good; But Author Also Warns Opponents and Industry Dissension Could Be Roadblock

By HELEN DELICH BENTLEY

Navy Magazine

July/August 1968

THE country no longer has any choice. It is three years away from disaster. We have to do something whatever the price." That is the way the new Maritime Administrator, Andrew E. Gibson, described the thinking of the Nixon Administration in relation to the merchant marine.

And it appears that the Republicans at long last are going to do something about this extremely weak reed in our sea power chain—even though it costs money. At least that is what all of the signs point to now. When the final costs are calculated, the decision may be changed due to pressing domestic issues (what could be more pressing than no ships in three years?) and Viet Nam war costs. But presently, the signs all point "go" for a new long-range program.

It is likely that the new program will call for no less than 30 new merchant ships annually to be built in American yards—at least for the present. These, of course, would be divided proportionately between general cargo (container, LASH, Seabarge types) and break bulk types.

Some sources undoubtedly will say that there be a minimum of 50 ships a year because of the critical

condition of the merchant fleet. Actually, if it were possible, both physically and monetarily, the United States needs a minimum of at least 100 new merchant ships a year for the next three years. But since that is impossible—regardless of where they are built—everyone will accept the 30 or 35 ships a year figure.

New Ships Are Different Breed

One must also remember that modern ships are a different breed from the World War II vintage which still makes up two-thirds of this nation's fleet—and the reason Gibson remarked that the United States is only "three years away from disaster." In that time, all of the World War II vessels—or a substantial portion of them—will have seen their last days. Right now they are kept going by the high rates obtainable from the Viet Nam sealift or as a result of the Viet Nam sealift. Otherwise, the shipowners could not afford the high insurance rates imposed on these old tubs along with the exceedingly high costs of repairs just to keep them "bailing wired" together to slip under Coast Guard rules.

But the new ships will have a productivity ratio of three-to-one or five-

to-one in relation to those vessels the containerliners and the Seabarge types will be replacing. Shipowners report that a containerliner of about 15,000 deadweight tons with a 22-to-24 knot speed can do as much as three C-3 type general cargo freighters, while the Seabarge design of Lykes Bros. Steamship Company is expected to replace five C-2 ships. Therefore, the new merchant marine will not be a one-for-one replacement—productivity does not warrant it at this time.

This probably is fortunate, because there appears to be only enough interest from private shipowners to build about 70 more dry cargo vessels of various types—container, LASH, Seabarge, bulk. This would be the equivalent of approximately 250 World War II ships. It would actually take at least 200 new dry cargo vessels to provide about the tonnage now available under the United States flag.

Investors Have Lost Interest

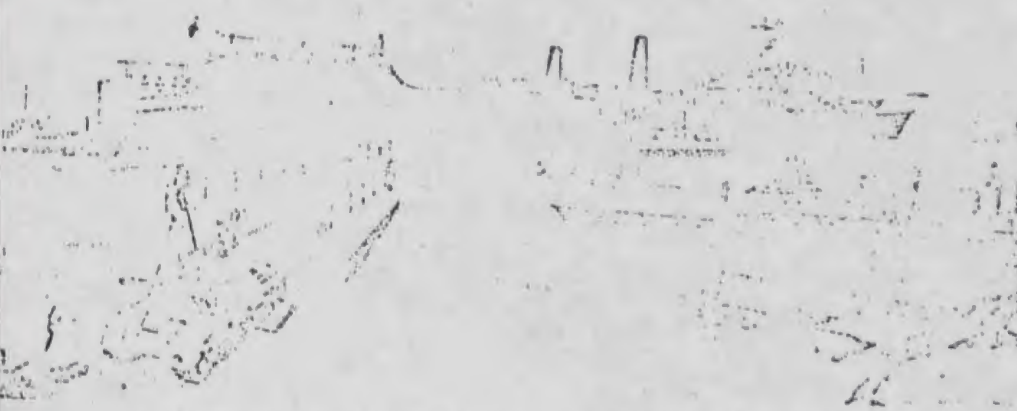
As indicators improve the potential cargo market for American bottoms, it is highly likely that other American owners will become interested. Another influencing factor will be whether the Administration finally



An artist's conception of the profile of the new Seabee Class barge and inter-modal carriers to be built for Lykes Bros. Steamship Co., Inc.



Bath Iron Works' new 15,600 DWT container ship STAG HOUND.



Artist's conception of the Lykes Lines barge and inter-modal carriers, new all-purpose cargo ships. While designed primarily for commercial operations, they can serve in a military emergency. Not only will they be able to transport landing craft, but also carry the fuel for them in their deep tanks.

does come out with a program, after all, the country has been on the verge for so long that many investors have lost their interest in a program that never came to fruition. There are other areas where investments can fare better, without suffering because of indecision by the government and bitter in-fighting within management and labor and between management and labor.

All these deterrent factors must come to an end if the United States is to regain its prestige on the high seas. There are some who believe this country never really had it and certainly doesn't now. For instance, at the 67th annual Navy League Convention, O. William Moody, Jr., administrator of the AFL-CIO Maritime Trades Department, stated:

"Probably the most repeated—and least accurate—of the views prevalent today, is that the United States is a major maritime power. Some of this misconception stems from this Maritime Day observance itself. Today is the 150th anniversary of the historic trans-Atlantic crossing by the S.S. Savannah—the vessel which introduced steam propulsion to the oceanic routes of the world.

"Since we annually hark back to this historical fact, people can be forgiven the assumption that this is evidence of our maritime prowess. But just because we have a maritime past is no assurance that we have a maritime present—let alone a maritime future.

"Despite a seagoing tradition that reaches back to the earliest days of the Republic, the fact is that we have—through neglect and indifference—allowed our maritime fortunes to sink, and we have allowed our flag to appear less and less frequently on the high seas. Today we are fifth among the fleets of the world, and somewhere around eleventh among the shipbuilding nations of the world—and those standings hardly justify any myths about being a major maritime power."

The Downward Trend

On that same symposium, panel member Vice Admiral Lawson P. Ramage, USN, Commander of the Military Sea Transportation Service, described the downward trend of this country's Merchant Marine when he remarked,

"We're ready to fall on our face one way or the other."

Rather than to continue giving "mouth to mouth resuscitation" to a



Under Secretary of Commerce Rocco C. Siciliano (right) with Sen. George Murphy (R-Calif.).

bunch of rustbuckets, Admiral Ramage called upon this nation to build new ships. His reference to the "mouth to mouth" revival was the reactivation of World War II ships for seelifts like Viet Nam and the conversion of quarter-century old ships from regular cargo ships and passenger craft to container vessels at costs of some \$9 million per ship. For \$9 million overseas, one could have a 24,000 deadweight ton container-ship—which is one of the reasons shipowners have felt they could not afford to build in this country without government assistance. The same containership in the United States will run about \$20 to \$22 million.

Although Admiral Ramage and others in the military service shout about the desperate plight now overtaking them in conjunction with movement of military cargoes in the future, the one area where support for a vast Merchant Marine program may be lacking is from the Defense Department.

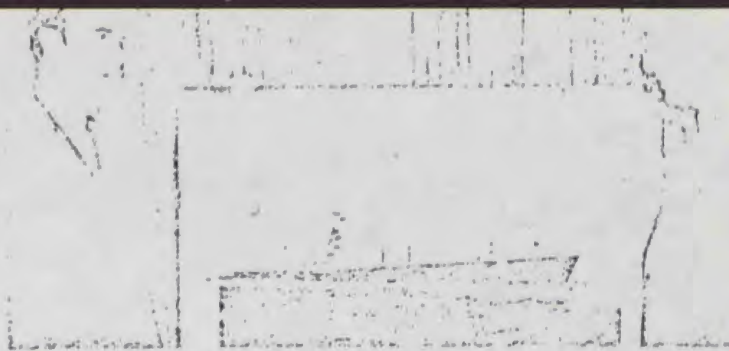
Some Problem Areas

Some knowledgeable sources feel that this could be a problem. Another problem area might be Peter J. Flanigan, the special assistant to President Nixon under whose jurisdiction the maritime sector falls at the White House. As a successful investment banker, Mr. Flanigan is well aware of all the shortcomings of steamship lines for investment reasons, but at least is willing to listen. And he does recognize the critical period facing the Nixon Administration because the two previous administrations did nothing and refused to do anything to prevent this massive bloc obsolescence—predicted since 1954—from overtaking the nation.

His legman, Thomas Whitehead, who has been doing most of the direct talking with persons in the industry, is a naive young man totally unfamiliar with anything to do with the complex industry except what he has picked up since he began at the White House six months ago. He is trying hard, however.

The knowledgeable Maritime-backgrounded persons within the Nixon Administration—such as Gibson—a former Grace Line senior vice president, and Rocco Siciliano, Under Secretary of Commerce and former president of Pacific Maritime Association—would like to circumvent the so-called Interagency Task Force established in March and come up with a long-range program for President Nixon because of the composition of the task force and the problems that resulted from the 1965 Interagency Maritime Task Force set up under Alan S. Boyd, then Assistant Secretary of Commerce for transportation.

Certainly Dr. Laurance Lynn, who was transferred to the National Security Council from the Pentagon by the new Administration, is not considered a friend of the American Merchant Marine in any way. In fact, he sees nothing but air power, and was one of those who had convinced Secretary of Defense Robert S. McNamara that this country could handle all cargo and troop movements in the future by air. When Viet Nam began building up, Secretary McNamara found out differently and had to resort to the sea once again. Even as late as December, 1966, Dr. Lynn had prepared an in-house report which said that the ships in the reserve fleets then would be adequate for another 25 years of emergency service—that the United



Maritime Administrator Andrew E. Gibson (left) with Dr. John J. McMullen, president of the United States Lines, Inc. view an artist's conception of the PIONEER MAIN, a C-4 Mariner being converted to a full container-ship for the company's Far East service.

States had an adequate Merchant Marine.

Another member of the task force who worked alongside Dr. Lynn was Frank A. Nicolai, whose thinking is said to be clouded by that of Dr. Lynn when in his presence or under his influence. Otherwise, it is said that Mr. Nicolai has some feelings about the needs of the Merchant Marine and the nation in this regard.

The chance of a program being put across now is much stronger because there is a Cabinet officer who believes along this line as well. He, of course, is Maurice Stans, the Secretary of Commerce, in whose department the Maritime Administration is still located. And if he has his way, it will remain there. He intends to do something about its plight, which should satisfy those backers of an independent agency.

When the snowball began rolling for an independent agency in 1967, it was due to lack of interest in the Merchant Marine and Maritime Administration within the Department of Commerce, and the fear that the same lack of interest would result in an overburdened Department of Transportation to which President Johnson wanted the agency transferred. Since DoT has inherited the Bureau of Highways and the St. Lawrence Seaway from Commerce, the Maritime Administration now is the only major agency left within Commerce. Therefore, Secretary Stans and his associates are anxious to do everything possible to keep it there.

DoT Prepares Program

An interesting sidelight is that some of the personnel within the Department of Transportation are preparing a maritime program of their

...concept that they don't
the task force or the Commerce
Department will be able to do so.
What the final outcome of the dual
projection will be is unknown, but
there is no feeling the two will clash
or clash so hard that once again a
split within ranks will thwart a pro-
gram. This move might be described
as typical bureaucratic desire to grab
hold of a project and hang on to it
in order to build up your own bureau.

But the Senate Commerce Commit-
tee headed by Senator Warren G. Mag-
nuson (D., Wash.), and the House
Merchant Marine and Fisheries Com-
mittee, chaired by Representative Ed-
ward A. Garmatz (D., Md.) are look-
ing to the Commerce Department and
Secretary Stans for the program that
will be presented to Capitol Hill. And
they would like to get hearings under-
way in September so that legislation
can be enacted either late in the first
session of the 91st Congress or early
in the second session.

With both the Nixon forces and
Capitol Hill "gung ho" for doing
something about the Merchant Ma-
rine, there should be no real difficulty
getting a program through, provided
once and for all, the selfish interests
within the shipowners groups and
labor will forget about themselves for
a while and consider the overall pic-
ture. Naturally, every one will be
able to find some faults with what-
ever is presented, but if the nit-pick-
ing begins as it has in the past, the
"disaster" Gibson spoke about will be
here and the country will suffer.

Who Really Wants It?

This will be the opportunity to find
out who really wants a program and
who is only mouthing support for
one. Those who nit-pick the program
to death will fit into the latter cate-
gory and will find that niche on their
own. The others will make a real ef-
fort to accept facets they don't
particularly care for, but realizing a
crisis is here, will forget about them.

In order not to let the whole pro-
gram get sidetracked on any particu-
lar issue, the Administration is not
going to open Pandora's box on where
the ships are to be built, even though
there is some question in their minds
as to whether American yards can
turn them out rapidly enough. How-
ever, the American yards are going
to be given the opportunity to prove
themselves on the basis of price,
bidding practices, and delivery times.
If the merchant marine's revival is
stalemated and bogged down some-

where along the way because the
yards can't produce, then a Presi-
dential Commission should be estab-
lished to determine what the next
course should be.

One way to make certain no pro-
gram would finally begin would be to
weigh it down from the start with a
controversial issue such as that of
foreign building.

American shipyard experts like
John H. Gilbride, president of Todd
Shipyards, Inc., say, "give us an idea
of what the program is going to be
so we can go ahead and expand our
yards accordingly. But until the Gov-
ernment lets the public know what
its attitude on foreign building is go-

ing to be, we can't borrow money
for expansion and ship owners can't
get money for new building. We're
all in trouble. We'll provide the
facilities when we know."

Bath Industries recently announced
plans for a \$60 million yard in Maine
if it gets the Navy's contract for the
DD-963 destroyer. Merchant shipping
would benefit as a natural fall out.

At this writing, it appears certain
that President Nixon intends to live
up to his 1968 campaign promise of
rescuing the Merchant Marine from
rusting into the ocean. After years
of neglect, it is gratifying to know
that the White House has assumed
leadership in this important area.

CONFUSION ON DIFFUSION: WHITE HOUSE DENIES DECISION,
HOSMER SURE OF IT

White House sources this week denied that President Nixon had made "any final decision as to a recommendation to the Congress as to the future of AEC's gaseous-diffusion complex". NUCLEONICS WEEK was informed last week that the President had decided to submit legislation establishing a government corporation to operate the plants (NU Wk, 24 July '69). "The only commitment he has made," says a White House aide, "is to attempt to reach an Administration position on disposition of the plants by Labor Day." Rep. Craig Hosmer, who met with Mr. Nixon and his advisers July 17 on the enrichment question, brushed aside the denial, commenting: "That's their story; I have mine."

The Administration source and Hosmer agree that the President had commented on Hosmer's strong belief in private enterprise--despite which Hosmer feels that private operation of the diffusion plants is unfeasible. The White House man described it as "a non-committal but complimentary statement to smooth ruffled feathers." From there on the accounts differ. According to the White House, Hosmer asked if he could say that the President favored a government corporation. Mr. Nixon, so this version goes, said no. Hosmer, however, insists the President did commit the Administration to a government corporation. Hosmer this week repeated his prediction of speedy legislative action: "You'll see government corporation legislation when Congress returns after Labor Day."

Capitol Hill and AEC officials generally avoided comment on the latest tussle. Several observers attributed it either to a breakdown of communications or annoyance by White House staffers that the word was out and that they were now subject to outside pressure to change the President's mind.

NAM Reports

Vol. 15 August 24, 1970 No. 34



Pollution—
Facing the Music,
Telling the Story

Pages 6 & 10

*Federal Agency
Helps Stimulate
Economic Growth*

Page 12

Drug Abuse
And Industry

Page 18

NAM Reports

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ROBERT F. HUBER, Editor

In This Issue . . .

Inflation Alert

NAM Chief Economist George Hagedorn takes a careful look at the President's first "Inflation Alert" and comments that its most significant conclusion is that the length of time required to get inflation under control depends importantly on the length of time it has been allowed to continue unchecked. Page 3.

Facing the Music

Industry must put its best brains to work in attacking the pollution problem, but we can't afford to throw out the baby with the bath water, writes Fred Smith, an associate of Laurence S. Rockefeller. Page 6.

Telling the Pollution Story

The Goodyear Tire & Rubber Co. has been fighting pollution for a long time and has kept its employees and the public fully informed. C. Edward Ford, of the Goodyear Public Relations Department, tells about this positive approach. Page 10.

EDA Stimulates Economic Growth

Robert A. Podesta, Assistant Secretary of Commerce for Economic Development, explains how the Economic Development Administration helps to stimulate economic growth in areas where unemployment is high and family income low. Page 12.

Telecommunications Policy

Clay T. Whitehead, director of the Office of Telecommunications Policy, discusses the great opportunities in telecommunications and outlines the policy of his new office. Page 14.

Drug Abuse and Industry—IV

Drug use education and drug abuse understanding just won't fit into the traditional educational pattern and "if we make it fit anyway, we're accomplishing little else than soothe our establishment consciences," writes Peter G. Hammond, executive director of the National Coordinating Council on Drug Abuse Education and Information, Inc. Page 18.



Don't Be a Political Drop-Out

The Important 'New Scene'

"As employers, getting involved in social problem-solving is one of our basic responsibilities to our employees and our stockholders," NAM Board Chairman W. W. Keeler writes. Page 20.

Federal Role in Health Care

Lillian W. Kay, policy executive, NAM Government Finance Department, analyzes the problems of financing health care delivery and the roles of the public and private sectors. Page 22.

The Hershey Story

Milton S. Hershey's compelling desire to excel as a manufacturer of candy and his belief that what was good for his employees was good for his company gave birth to the modern, happy "Chocolate Town U.S.A." Page 24.

Estate Tax Payments

Robert Feinschreiber, a member of the NAM Government Finance Department, analyzes the Treasury's proposal to speed up estate tax payments and the disadvantages of such a policy. Page 26.

Inflation Alert

By George Hagedorn

NAM Vice President and Chief Economist



Mr. Hagedorn

IN HIS mid-June speech on the state of the economy, the President announced that he was instructing his Council of Economic Advisers to prepare a series of "Inflation Alerts." These would be reports, issued from time to time, and calling public attention to especially significant prices and wage developments.

The first such "Inflation Alert" was made public on Aug. 7. We think highly of it. It should serve a useful purpose in increasing public understanding of the complex processes by which inflation spreads through the economy. Sound understanding is the first requisite for the establishment of sound policy.

In this favorable view of the "Inflation Alert" we seem to be in a minority. Most of the comments we have heard and read have been critical. Most commentators have been inclined either to ridicule the Inflation Alert report or to brush it aside as an exercise in futility.

This kind of criticism, we fear, results from the disappointment of the commentators. The report does not deliver the message they wanted to hear; namely, that there is some easier method for ending or slowing down this inflation with relatively little delay or pain. Those who think this way had favored some form of "jawboning" or "incomes policy" and had evidently hoped that the Inflation Alert would be a first step in that direction.

The tone of the report is calm, dispassionate and analytical. This too has disappointed many of the critics who would have preferred a castigation of selected inflationary villains. However, it is also clear that different commentators would have selected different villains.

We would recommend your reading of this Inflation Alert in its full text. However, we must also warn you that you will not find it exciting reading. It is the over-simplified explanations and over-facile solutions that are entertaining and exciting. This report tries to do justice to the intricate interrelationships among prices and wages which determine the course of inflation through the economy. It is truer, but less exciting, than explanations which fail to recognize the complexity of such interrelationships.

The Inflation Alert does not attempt to deal with the basic causes of inflation. That is not its purpose. It makes only passing mention of monetary and fiscal developments. Also, the report specifically warns the reader at the outset that: ". . . the explanation for inflation cannot be found, or the blame for it assigned, by looking at the behavior of particular prices. . . ."

What is being described in this report is not the process by which the inflationary disease gets into the body economic, but the process by which, once in, it spreads from organ to

organ. It is a slow and complex process which continues for a while even after the initial inflationary causes have been removed. An appreciation of this fact helps us to understand why getting this inflation under control has been so time-consuming and frustrating a task.

We will not attempt to summarize here the Inflation Alert, since that would be to lose its chief value. The document itself lists at its beginning a series of nine points which, however, are more in the nature of general observations suggested by its content than a summary.

Points 1 and 2 are highly relevant to the current issues of anti-inflation policy:

"1. The rate of inflation fluctuates, falling as well as rising, in response to economic conditions. Previous periods also had their apprehensions, notably in 1957-58, that the then-current rate of inflation would persist forever or accelerate, but these were not justified.

"2. Even the parts of the wage-price structure that have been considered most invulnerable to general economic forces—the prices of services and the wages of union labor—respond, although slowly."

In other words, inflation does come to an end when the proper monetary and fiscal restraint is applied, but this does not occur instantaneously. This should be kept in mind by those who allege that either "cost-push," or else the monopoly power of large companies, is so strong that monetary and fiscal action is ineffective.

Perhaps the most significant conclusion, for present purposes, is that the length of time required to get inflation under control depends importantly on the length of time it had been allowed to continue unchecked. Thus: "When the period of rapid inflation has been short, the abatement comes promptly with a change of economic conditions, as in 1956-57 and 1966-67. . . . by now the current inflation was for all practical purposes four years old before the underlying conditions changed. This long duration of the rapid inflation extends the period required to slow it down."

The present inflationary episode lasted longer than any other in the post-World-War-II era. We should not be surprised that the return to reasonable price stability also takes longer.

The critics of this Inflation Alert seem to us like the family of a sick man, who protest bitterly when the physician tells them that his cure will be slow, difficult and painful. They keep insisting that there must be some easy remedy that will have him back on his feet in no time. That no such remedy is available is a mere fact, and they refuse to let it affect their thinking.



WASHINGTON OUTLOOK

a staff report to NAM members

If the 91st Congress wants to control Federal spending rather than continue on its present course of increasing Presidential requests, it now has the vehicle to do so. This is H. R. 18876, the Fiscal Responsibility Act of 1970, introduced in the House by Rep. Bow (R-Ohio), ranking minority member of the House Appropriations Committee, and cosponsored by House Republican leaders.

H. R. 18876 would establish a new limitation on spending that would enable Congress to control the results of its own actions on individual appropriations bills. The limit of \$205.6 billion is the Administration's revised estimate for this fiscal year. It could be exceeded only by boosts in certain designated uncontrollable items such as Social Security benefits, debt interest, veterans' benefits, and farm price supports. Similar provisions for such programs have been part of previously enacted legislation. The important difference in H. R. 18876 is that Congress would be prohibited from increasing expenditures above Presidential requests. If indications are that expenditures would exceed the limitation, the Director of the Office of Management and Budget would specify the pro rata reductions in expenditures for each activity increased by the Congress, which would be necessary to bring total budget outlays within the limitation. Agencies would be required to manage their programs so that outlays would not exceed the reduced figures specified by the Director. There would be no exceptions.

This would be in marked contrast to legislation setting spending limits in previous years - including this fiscal year - under which the limitation was increased when Congress decided to increase appropriations for individual activities beyond the President's estimates. The President could not increase spending, but Congress could do so at will.

The only Federal budget in the last ten years registering a surplus - fiscal year 1969 - was accomplished under a rigid spending limitation similar to that contained in the new legislation.

The \$2.9 billion deficit for the fiscal year ended June 1970 would have been even greater since the Congress voted \$1.8 billion in excess of budget requests, had not the Administration held spending outlays to \$1.4 billion below its original estimate.

The bleak budget picture for this fiscal year (1971) and for fiscal years 1972 and 1973 should convince even the most spendthrift Congressman that brakes need applying NOW!

Says George Shultz, Director of the newly-created Office of Management and Budget, "The outlook for the current fiscal year, 1971, is clouded with uncertainty and, for the most part, the clouds are dark and threatening...."

The Nixon Administration is maintaining officially that the expected deficit for the current fiscal year is \$1.3 billion. But unofficial budget trend projections emanating from White House sources indicate that under highly adverse conditions, the Federal budget deficit for fiscal year 1971 could reach \$15 billion; for 1972, \$23 billion; and for 1973, \$20 billion - a possible \$58 billion in deficits in three years!!

To date the House has passed all but 1 of the 1971 appropriations bills. Senate action on 6 of these approved bills has added \$2.7 billion to budget requests.

The Democratic leadership believes that defense appropriations will be reduced enough to offset increases in popular domestic programs such as education, health and veterans' care, and that overall budget totals would be reduced by Congress. Defense Secretary Melvin Laird argues that further reductions in defense could only be made by cutting essential military needs. Defense spending was cut approximately \$6 billion in 1970 and the President proposed spending \$10.8 billion less this year in defense and space than the 1970 budget called for, and spending for social programs is increased to about \$82 billion this year, up \$7 billion. Defense spending will take the smallest percentage of the budget total this year than in any year since 1950. It will account for 37 percent, down from 44 percent in 1969. Social spending will take 41 percent, up from 34 percent in 1969. Chairman Mahon has expressed doubts that any more large chunks can be cut from requested defense appropriations.

The President in his February budget message called for the reduction or termination of 57 government programs which were obsolete, low priority, or inefficient. The changes would have saved \$2 billion in outlays during the current fiscal year.

On March 3, 1970, the Federal Economy Act of 1970, H.R. 16264, was introduced to effect savings of about \$1 billion on 15 of the programs. The President said he would act administratively on the remainder to save another \$1 billion.

On August 17 the President reported that the Administration had acted to put into effect the termination, restructuring and reforming of programs which could be accomplished without legislation. The Congress is moving to act in areas which would save about \$450 million but has completely ignored Presidential requests that would save another \$700 million.

The 91st Congress is drawing close to adjournment. It can still reverse direction and show concern for the fiscal crisis by enacting a meaningful spending limitation that is applicable to both the President and the Congress.

*MEMBERS OF THE HOUSE SHOULD BE HEARING EXPRESSIONS OF INDUSTRY'S
SUPPORT FOR THE FISCAL RESPONSIBILITY ACT OF 1970, H. R. 18876.*

* * * * *

Legislative Briefs: -

The House is expected to vote on H.R. 18970, Trade Act of 1970, the week of September 14. The bill would authorize a new type corporation, DISC (Domestic International Sales Corporation), to permit deferral of tax on export income....The Senate Labor Committee has approved a manpower reform bill, S. 3867, by Sen. Nelson (D-Wis) but in a form unacceptable to the Nixon Administration because the bill also calls for a \$1 billion public service employment program....The Senate Finance Committee began hearing public witnesses this week on the Administration's welfare reform proposal, H.R. 16311, the Family Assistance Act....President Nixon has signed S. 3302 extending the Defense Production Act while emphasizing his displeasure with certain provisions. One gives him unwanted standby authority to freeze wages, prices, salaries and rents. Another establishes tough uniform cost accounting standards for defense contracts to be set by a newly-created Cost Accounting Standards Board outside the Executive Branch. The President wants quick Congressional action to place this new board in the Executive Branch....The Ways and Means Committee will open public hearings September 9 on the Administration's requested 1971 revenue-raising measures: a speedup in estate and gift tax payments, a new tax on lead in gasoline, and an extension of auto and telephone taxes.



Mr. Smith

Facing the Music

Industry Must Protect the Environment And Somehow Bank the Fires of Passion

By Fred Smith

Associate of Laurance S. Rockefeller

It may seem incongruous to be a concerned conservationist in the first great year of the environmental revolution, when the landscape is cluttered with men on white horses, charging into battle, shooting in all directions, determined to save the face of the earth at whatever cost. We should be gratified that millions of enthusiasts are searching for environmental causes to attach themselves to, and that legislators at every level of government are trying to climb aboard. This certainly is heartening. It is progress. It is great.

But also it is frightening, because saving the environment has become a national passion, and national passions more often than not result in overkill, and overkill leads to confusion, and out of confusion comes backlash and re-crimination. By then it is too late to pick up the pieces. One of society's difficulties today is that we are knee-deep in the rubble of past passions.

This environmental upheaval has been a long time on the way, and in fact is long overdue. But there is reason to wonder how at this late date it came down upon us like an avalanche.

A stranger to our earth might be led to believe that some great catastrophe had befallen us, like an earthquake, or a bombing—something that just happened without prior notice and turned the country on its head. But nothing like that happened at all—it would be difficult to find the overt act, if there was one, that made this passion catch fire. We were not necessarily ruining our environment in 1969 in any more important way than in 1968 or 1967 or 1960, but our society these days has a remarkably short fuse—it blows quickly, easily, and profusely, then with synergistic magnificence the media whoop it up, and politicians, with publicity-conditioned reflexes, are quick to respond. Somebody started something, and there we were.

Our first impulse, typically, was not to seek practical, considered solutions, or even to work out the problems, but to take to the streets with clubs, like Carrie Nation, and start smashing up the furni-

ture. If we're in trouble, somebody did it, and somebody ought to have his head broken. There are several villains so far: over-population, politics, too meager Federal funds—but most popular of all, of course, is industry.

It is an indisputable fact that many of the most vocal prime movers in the environmental revolution are people who nurse a revulsion against the consumer-oriented life style most people have come to accept, and are particularly hostile to business and industry, and blame this sector of society for too much progress, too much materialism, too many gadgets—in short, too much civilization. These protesters seem to feel that the natural acquisitiveness of individuals would go away if there were no one to cater to it: Stop generating so much electricity, and people will give up appliances; stop building highways, and people will give up automobiles; shut down the smoking, stinking steel mills and smelting plants, and there won't be metal to make any-

thing, and the environment will be spared on a thousand fronts.

This is not exaggeration.

There is a large and influential body of conservationists and editorial writers, liberals and academicians who want to get us all back toward—if not to—Thoreau's pond. If they succeed, that pond had better be full of fish, because there are going to be an awful lot of people awfully hungry. Whether we like it or not, the economic machinery of the country and the world is bigger than we are, and while important and costly adjustments are going to have to be made, throwing too big a wrench into the industrial complex too quickly will result in nothing short of disaster.

All this might be passed over as a normal facet of the democratic way of life—just another manifestation of the great American compulsion to not-just-sit-there-get-busy-and-do-something! But the fact is that the problems we face in the environment must be solved, and the Carrie Nation approach is a poor way to get it done. Some of the furniture and some of the heads that get broken may be essential to the ultimate solutions.

Unless we can somehow bank the fires of passion, we may find ourselves dead-ended on three fronts.

First, in an effort to put an abrupt stop to every potential offense to the environment—whether the offense is real, highly esoteric, or even imaginary—we might dangerously curb the supply of services which are essential to the normal operation of the society.

In the heat of the present controversy, almost anyone can get a court order to stop almost anything by protesting its effect on the environment, and of course anything that wasn't there before has an effect on the environment. Moreover, lawyers have taken a great interest in this new source of income, and, as "Fortune" magazine points out, "An army of pollution chasers, hot for those contingent fees, will join the present army of ambulance chasers."

This is not to say that irate citizenry have no business interfering with indus-



trial expansion or development. They have every right to protest, and it is just as well, providing the protests are reasonably peaceful, and if the courts are not exploited to promote the welfare and publicity purposes of professional reformers.

Without protests, industry won't be pushed, and it should be. Industry can do more than it wants to do. It can afford more than it feels it can. The assignment of the day is to compel industry really to scratch. The public needs also to recognize that in the end it is not industry that pays the bill, but the people—consumers and taxpayers. A good environment comes at a high price. It is worth it, but everybody has to pay for it.

The second result of too much passion will show itself—as it already does—in the Federal Government's part in the environmental upheaval. Public demands for more and more Federal expenditures, and politicians attempting to demonstrate the measure of their concern by calling for bigger appropriations than members of the opposite party, are likely to result in vast authorizations, meager appropriations, and no considered or intelligent plan for getting the job done in any event.

Because the job of protecting and repairing the environment is so massive, and we have neglected it for so long, the Federal Government is going to have to lend a hand on many fronts. But we have other priorities and limited resources, so it cannot be a free hand, or a massive one, at this time. Yet the jobs we know how to do, such as cleaning up water pollution, must be done quickly—not only because we will drown in pollution if we don't get it done, but because of inflation. Inflation has doubled the cost of our New York program since it was first priced out at \$1.7 billion in 1962. There is no end in sight.

What does this mean? It means that there is little to be gained by wasting precious time buttonholing legislators and browbeating them into promising Federal funds they don't have, to do jobs that nobody has yet really analyzed or planned for. Instead, we need to put some good business brains to work to find out how the jobs can be done in the most economical and efficient way with the kind of money and technology available.

A great day will dawn in this country when Congress and the Administration are required to have an approved non-political system ready to get a job done before laws are passed to create an authorization. The amount of the authorization and the method of distribution might then reflect with some accuracy

the costs involved in carrying out the approved system to reach a pre-determined result. The authorization would no longer reflect the public measure of the politicians' passionate concern for a popular cause, but would be based upon a practical budget.

This would result occasionally in the politicians having to come clean with the public on the magnitude of contemplated objectives and the impossibility of complete success. They could no longer boast: "We are going to eliminate poverty," or, "Nobody needs to go hungry," or, "We will provide ample education for everyone," or, "We will eliminate air and water pollution." Instead of ringing rhetoric, which has so delighted editorial writers in the past and has bred such disillusion and frustration in so many victims, the sadder and wiser politician will have to admit occasionally that there are unavoidable limitations beyond which available funds, applicable technologies, and possible organizational structures can't go—at least in this round.

The third consequence of keeping the passions raging is that we will make stubborn adversaries of the very people who can help us most—and this is something I want to dwell on.

The job of the environmentalists is to bring together various elements of the population who are involved in polluting the environment so a course of constructive, cooperative action can be hammered out. It is fatal to invent ulterior motives and to polarize emotions and opinion when the task at hand is to coordinate efforts. Courting good will and developing mutual assistance compacts is incompatible with sending up skyrocket and creating public spasms of recrimination.

In a microcosmic way, we blazed an important trail with the Electric Utility Industry Task Force on Environment.

At the time this task force was established, the electric utility industry was far and away the most dreadful of all villains in the rising flood of environmental discussion, and popular criticism and political reflexes had resulted in nearly a hundred bills in Congress aimed at domesticating this apparently untamed animal. In connection with complaints against the industry, the courts had handed down some landmark decisions that will forever influence all new development and industrial expansion. Today things are remarkably quiet on the Congressional front, and an opinion study among leading businessmen, who by and large are as critical of environmental abuse as anyone else, reports that:

"Only the electric utility industry scored a clearly positive response. In all

other cases there was general recognition that individual industries have done less than a satisfactory job."

This is not quite as reassuring as it sounds. The utility industry's score was low, and we can assume it was more a measure of honest effort than achievement; but most other industries came out with inexcusably terrible records on both counts.

The Electric Utility Industry Task Force consisted chiefly of policymakers from the leading electric utilities in the country, public and private. Many were fresh from combat duty, wounded, bleeding and resentful from a vain attempt to defend the impact of their industry—and their own companies—on the environment. They had been pressured by the public and the press to expand less when their requirements indicated they should expand more. They were tormented on their flanks by often exaggerated accusations of greed and deliberate destruction, and sometimes threatened by state regulating boards if they contemplated taking expensive environment-protecting measures. They were fortified at the rear by engineers with no patience for considerations that interfere with slide rules, and by corporate counsels who believe any concession to be an invitation to disaster, and by comptrollers who see bankruptcy lurking around every corner.

These scarred warriors naturally approached the task force more with misgivings than with enthusiasm. They felt they were being crucified by the media, by conservation organizations, and by women's clubs; and this undertaking, they feared, was going to be more of the same. They felt they were being blamed mainly for sins committed in the long dead past, when nobody cared, and, to a large extent, so they were. When we in this country are in hot pursuit of a newly discovered ethic, a villain is as much a villain for what his antecedents did as for what he is doing, and this is doubly true in environmental matters.

We were careless in the past—all of us, not just the utility industry. We *did* build many things that shouldn't have been built, and did many other things that should have been left undone, and we demanded luxuries that we would have been better off without, and we squandered our environmental assets in pursuit of the highest standards of living anyone ever heard of; and there is the old saw about the sins of the fathers being visited upon the sons. But the past is a dead horse, and there is little to be gained by beating it when it is the present and the future that need to be saved.

The Electric Utility Industry Task
Continued on Page 8

Ecology—

Continued From Page 7

Force proved it could steer an industry and its technologies in the right direction and prod its leadership into making substantial progress in areas where even the industry's most conscientious managers originally thought little could be done. We found out once and for all what an industry *can* do, and we determined pretty clearly what was technologically or economically out of reach at that time. When this industry committed itself to move ahead on undergrounding distribution lines—to take one example—the industry's suppliers went to work as never before to develop better and cheaper ways to get the job done: We created a good market and produced a competitive kick in the pants, and that's the best kind.

I would not like to have this interpreted as evidence that we have closed the books on the electric utility industry or its suppliers. We haven't. Considering where we started, we went a long way. The industry leaders who worked with us caught the spirit and became conscientious, and for the most part went back home and did some remarkable things; but the industry as a whole followed this leadership with what can only be described as varying enthusiasm. In too many places, individual utilities—sometimes in concert with their State Public Service regulatory boards—have clung rigidly to the four-decades-old rule that a straight line is the smallest expenditure between two points—and don't spare the trees or any other natural impedimenta. Too many still adhere to the conviction that the prime and only objective of the utility is to deliver the most possible power at the smallest possible cost to consumers.

There are still power companies who view the undergrounding of distribution lines as undiluted heresy and a waste of perfectly good money, and there are Public Service Commissions who agree. This perhaps is one reason why the industry was expected to invest \$47 million more on undergrounding in 1969 than in 1968 but wound up spending a few hundred thousand less than the year before. At the same time, overhead line expenditures that were expected to increase by 1 percent actually increased by 13 percent—\$108.2 million additional went into this instead of the anticipated \$10.3 million increase.

Industry prognosticators say they will do better in undergrounding expenditures in 1970—20 percent better. Will they? And will they really face the music in transmission lines, and in the siting of atomic plants, and the problems as-

sociated with hydraulic storage facilities? And will all of them do it, in all 50 states, even though some of them do not yet have to contend with rabid and vocal and ingenious environmental enthusiasts? And will they build environmental considerations firmly into their engineering and financial and legal departments, as well as in their operating departments? Will they require that *nobody* do *anything* without asking: What will this do to the environment, and how can we avoid damage, and how much extra will it cost, *and how can we manage it?*

That last is the most important—the willingness to find a way. Until this happens, the industry will not be out of the woods. And that woods is filled with wild and hungry animals with ravenous appetites for utility white meat.

It would be wonderful if an all-industry task force could be established that would repeat the success we had with the utility group—and that would provide an opportunity to work continuously with industry in reducing the opportunities and needs for confrontations with the environmentalists. It isn't going to be easy. Too much of industry has still to wake up to the facts of life, and there remains a residue of individuals, mainly in the trade associations, who still believe they can talk their way out of this situation by endlessly reciting industry's virtues.

But as long as smoke comes out of chimneys and pollution goes into streams, words are going to sound hollow. They won't convince, they will only irritate and add fuel to the fire.

And what's more disastrous, they will reinforce the conviction that seems to be rampant in some quarters that the

environmental battle is clearly one between the black hats and the white hats, and that the black hats are trying to squeak out of facing up to their obligations, and the white hats must make it hot for them.

The policymakers in industry, however, seem pretty well convinced of what they are up against. When a "Fortune" survey asked the cream of U.S. business leaders whether protection of the environment should be taken into consideration if it meant inhibiting the introduction of new products, 88 percent said yes; if it meant foregoing an increase in production, 84 percent said yes; if it meant reducing profits, 85 percent said yes. That's a pretty clear consensus.

The environmental job that looms up before us is a massive one, but it has to be done. It will take the ablest planning we have seen in this country since the space effort was organized. It will require very large chunks of money. It will show on the bottom line of the annual report. It will make a serious dent in our gross national product, at least temporarily, although curing some of the expensive side-effects of some of our problems—of which environmental pollution is one—may in the end improve the GNP.

The clean-up job has to be done—make no mistake about that.

The time has come for the economic system in all its ramifications to be harnessed and put unequivocally in the service of the people and their priority needs, rather than vice versa. There is no escape hatch. Make no mistake about that either.

But in our enthusiasm to un-make past errors, and prevent future ones, we can't afford to throw out the baby with the bath water.

Industry Must Help to Improve Education, Committee Is Told

Industry must play an increasingly important role in improving the quality of education in America, James G. Koerner of the Sloan Foundation told members of NAM's Education Committee at its meeting in New York.

"Many educators are now willing to recognize the failure of the schools to turn out a quality product, and are in a better frame of mind to welcome industry," he said. "As industry takes on commitments for teaching and training—on a profit basis—this will mean competition. And the best thing that could happen to American public schools and colleges would be competition."

Dr. Koerner said that much of the experimentation with "teaching machines"

had proved disappointing and he said he looked to industry to apply its know-how to the problems of public education. It was pointed out that for years industry has spent billions of dollars annually in training employees and that this experience could help in upgrading education.

The speaker also said that ways must be found to evaluate better the results of the educational system. "Educators are now ready to accept responsibility for accountability," he said. "How well are we performing?" This must be asked of teachers and administrators as to the product they turn out. "The nation now spends \$70 billion a year for education, he said, pointing out that the public is entitled to a quality product."

In the past two years, productivity has increased far less than usual.
In order to achieve price stability, healthy growth, and a rising standard of living, we must find ways of restoring growth to productivity.

—President Richard Nixon, June 17, 1970

.....
The President has appointed a National Commission on Productivity, with representatives from business, labor, the public and government, to make proposals for restoring the growth of productivity. In this connection, certain basic economic relationships must be considered.

The NAM Government Finance Department has produced a 6-page pamphlet

PRODUCTIVITY: TRENDS TO PONDER

This is a chart and simple text presentation emphasizing the trends of output per man-hour, compensation per man-hour, prices and profits—and the relationships among them—in the manufacturing sector.

The publication is intended for mass distribution and is available without charge.

NAM
Government Finance Dept.
277 Park Ave.
New York, N.Y. 10017

Please send me copies of "Productivity: Trends to Ponder" at no charge. (Code # 3-352)

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Mr. Ford

Positive Approach Puts Pollution Story Across

By C. Edward Ford

Coordinator, Public Relations, Goodyear Tire & Rubber Co.

Early in 1970, everyone was talking about pollution and wondering if anyone was doing anything about it.

Goodyear was doing something about the problem and a mass communications campaign was initiated to make certain that the public knew what it was.

The "something" was the completion of an initial five-year program of environmental control in plant locations throughout the nation that will exceed \$10 million by the end of the year. Projects already had been initiated or completed at 13 of the company's domestic plants and engineering teams were making surveys at all plants to determine environmental control needs and priorities.

Through its Public Relations Department, Goodyear told the company's environmental control story first to its employees through company publications. This was quickly followed by a campaign to inform the public through press, radio and TV. This was supplemented with personal appearances by Goodyear executives at meetings of organizations and student groups.

The first announcement of the company-wide campaign was made in March as employees were informed about the total program through their local employee newspapers. A packet of environmental control material was provided editors of the plant publications along with instructions on how to use it.

The packet consisted of a news story about the program, an editorial and a policy statement.

Each news story was tailored for a specific plant location, noting what had been done at that plant or what was being planned. Editors also were asked to further localize the stories, if possible.

The editorials pointed out that employees could take pride in the fact that the company was firmly committed to the battle against pollution long before much of the nation recognized the critical need for environmental control. But it also stressed that much remained to be done and asked for employees' cooperation.

The policy statement, signed by Board Chairman Russell DeYoung, emphasized that Goodyear was giving top priority to environmental control. It also stated that Goodyear was "committed to devote whatever time, scientific talent, engineering skills and funds are necessary to establish the highest standards of environmental control in all of our own facilities and to foster such standards in the communities in which we live and work."

In addition to bringing employees up to date on plant and company-wide environmental control activities, the employee newspapers served as a ready-made press kit for plant-town news media on what Goodyear was doing to fight pollution. Many newspapers ran the news story and the policy statement that appeared in the employee publications.

Environmental control news at each plant location was released to news media to coincide with the delivery of the employee publications.

Some newspapers commented editorially on Goodyear's extensive environmental control program. The Akron Beacon Journal noted that . . . "Goodyear's expenditure of \$10 million by the end of this year to curb water and air pollution at its plants here and elsewhere proves this company's intention to do more than talk about the problem . . . we're impressed as well by what Russell DeYoung, chairman of the board, had to say about Goodyear's concern with environment conditions . . . it's positive and it's emphatic. And if companies everywhere will adopt the same philosophy and back it up with hard cash, we'll all be breathing easier before the year ends."

The environmental control editions of the employee newspapers also provided a handy reference as to what was taking place in fighting pollution at each plant. Copies of the newspaper were sent to individuals or groups inquiring about Goodyear's position on the subject.

In Akron, reprints were obtained of that area's employee publication and mailed with replies to the many who wrote concerning pollution. Letters still

are being received and each one is answered in full with engineering personnel assisting in answering technical questions.

Most of the letters are from students with others written primarily by leaders of civic organizations and individually-concerned citizens.

Goodyear's environmental control program was well publicized long before the Environmental Teach-In programs that were conducted this past spring. Goodyear representatives were available for these functions to further discuss the subject. They were prepared to answer questions and present Goodyear's point of view.

Three of the major programs at which Goodyear personnel appeared were at the University of Akron, Kent State University, and the Akron Public Library.

Staff personnel in Akron and plant managers at a number of Goodyear locations also have spoken before a variety of groups on what Goodyear is doing about pollution. The company's manager of central engineering in Akron explained the Goodyear program at a community panel discussion on environment and the company's director of research, Dr. James D. D'Ianni, addressed the New York and Philadelphia Rubber Groups of the American Chemical Society.

A news release concerning Dr. D'Ianni's remarks was distributed to news media, emphasizing his point that "it is our responsibility as scientists and technologists to solve not only the technical problems confronting us, but to minimize the environmental problems associated with their solution."

Dr. D'Ianni also said that there are daily indications that American industry is becoming increasingly aware of environmental problems and is rapidly taking steps to improve them. He cited Goodyear's program as an example of this.

The daily work of Goodyear's Research Division in finding methods of fighting pollution also has presented story possibilities for general release. A good potential story for the near future concerns the Research Division's work in

seeking new ways to dispose of old tires.

Other divisions of the company, such as the Chemical Division, also are active in pollution studies. A member of the publications staff of the Public Relations Department developed an article on one of the Chemical Division projects that received good exposure in employee publications and public news media.

The story dealt with a division "odor panel," a group of six scientists who employ their sense of smell to ferret out, identify and—hopefully—eliminate objectionable odors in company or customer products. The story, along with a photo showing the panel "sniffing" out a problem, gave a humorous touch to the problem of air pollution while showing what Goodyear was doing to combat it.

Employee newspaper editors at each plant have been encouraged to develop local stories on environmental control activities. Many have and some of their stories have been used by their local news media who are on the permanent mailing list for the plant publications.

One story that recently appeared in the Akron employee newspaper focused on the various types of pollution and its effects in the Akron area. The double-page story and picture spread is being considered for use by one of the area's daily newspapers.

Maintaining a steady stream of environmental control information to the public has not been difficult because of the immensity of the Goodyear program. New story possibilities crop up each week, some of which are national in scope. Such was the case in April when President Nixon named Board Chairman DeYoung to serve on the National Industrial Pollution Control Council and to chair the rubber sub-council.

Announcement of Mr. DeYoung's appointment was well publicized by news media in areas where Goodyear operates. It was the second major story concerning Mr. DeYoung and Goodyear environmental control to be released in slightly more than a month. The first story, in which Mr. DeYoung spelled out Goodyear's anti-pollution policy, established him and the company as activists in the war on pollution and has helped make good additional coverage possible.

Good two-way communication between Goodyear's manager of environmental engineering and the Public Relations Department also has been instrumental in telling the environmental control story. Public relations staffers are informed of new projects as they develop, which enables them to make anti-pollution news timely.

Also helpful is the fact that a member



Water processed by Goodyear's new \$750,000 environmental control facility is inspected by Board Chairman Russell DeYoung (left) and T. F. Minter, director of manufacturing services. A system of screens, settling basins, pumps and oil skimmers brings the Little Cuyahoga River up to state standards at this point where it leaves the company's manufacturing complex in Akron, Ohio.

of the Public Relations staff is one of seven members of a Committee on Environment that counsels Goodyear management, in Akron and in the field, on environment matters that directly or indirectly affect the company.

The committee's PR representative, in addition to developing news release material, publishes an "in-house" newsletter on environmental control. The newsletter, which is distributed to corporate, division and plant management, is concerned with any environmental control activities that could affect Goodyear operations. Its purpose is to keep management knowledgeable about current pollution problems.

Goodyear has had many projects that have made good news material. A major one was an \$800,000 waste water treatment plant that was completed at the Gadsden, Ala., plant, the world's largest tire manufacturing facility. Stories and photos were widely distributed in February about the project that assures daily purification of millions of gallons of water before its return to Gadsden's Coosa River.

This was followed in July by another release concerning a \$324,000 boiler-conversion project that will enable the Gadsden plant to bring environmental control standards up to or beyond those levels established by the Federal and state government.

With more than \$1 million earmarked for environmental control, the Gadsden

plant has had many opportunities to speak positively to the community about pollution. This has been done by plant officials in the public schools and at meetings of various organizations.

Other sizeable projects are under way at the other locations including Akron. The most notable recent accomplishment in Akron was the completion of a \$750,000 water treatment project to clean up water in the Little Cuyahoga River as it flows through the Goodyear plant complex. The facility, started in 1968 with the approval of the Ohio Department of Health, is located directly behind the Goodyear headquarters offices.

Goodyear's environmental control program has been handled by the Public Relations Department as it does other programs similar in scope. Employees are informed before the information is released to the public news media. By doing this Goodyear is assured that employees are up to date on company news and are in a good position to tell others and explain what Goodyear is doing about a project or problem.

A positive approach has been used in telling about Goodyear's environmental control program. It has given credibility to Goodyear's program and has resulted in good news coverage and public acceptance. Moreover, it has created an awareness that the world's largest rubber company has, is and will continue to do its utmost to help solve a serious national problem.



Mr. Podesta

Partner to Business, Community

EDA Helps Stimulate Economic Growth

By Robert A. Podesta

Assistant Secretary of Commerce for Economic Development

Edmund Burke once defined government as "a contrivance of human wisdom to provide for human wants."

The phrase, "human wants," is open to a wide range of interpretation, of course, which is probably one reason why Burke's definition has not been rejected by time.

However, the Economic Development Administration—an agency in the U.S. Department of Commerce—is concerned with one of the most basic of human wants and needs . . . jobs.

Obviously, there's another side to the coin . . . private enterprise.

We recognize that economic growth depends upon industrial and commercial growth, and certainly not upon government growth.

EDA's programs reflect this awareness.

The goal of the Economic Development Administration is to help stimulate industrial growth in areas of the nation where unemployment is high and family incomes are low.

We in EDA view our role as that of a third and junior partner to business and the community. We are on hand to provide support whenever possible.

EDA was established in September 1965 under the Public Works and Economic Development Act. We operate several programs, and all are designed to help establish the conditions necessary for industrial development in areas and communities where it is most needed.

About 1,000 areas are eligible for our programs. These areas usually qualify on a county basis. However, many eligible areas may consist of a part of a single county, or—in some cases—more than one county.

Few major cities have an overall unemployment rate high enough for qualification. Those which are eligible are Washington, Cleveland, Oakland, Newark and Providence. Parts of four cities also are eligible. They are the old Brooklyn Navy Yard area of New York, the former stockyards areas of Chicago and Omaha, and south-central Los Angeles.

More than 100 Indian reservations also are eligible under a special provision of the EDA Act.

Basic EDA programs include business loans, public works grants and loans, planning grants and technical assistance funds. Together they form a varied kit of economic development tools to help meet the public and private needs of less fortunate communities.

Our business loan program enables us to work directly with private enterprise. Under this program, we make long-term loans to encourage businesses to establish or expand industrial operations in EDA-qualified areas.

EDA business loan funds are particularly attractive because they permit long-term financing and second lien position.

Businessmen, public agencies and local development groups may apply for these loans. Maturity may extend to 25 years. The current interest rate is 7¼ percent.

We can lend up to 65 percent of the cost of land, buildings, machinery and equipment. Depending on the circumstances, we can also guarantee up to 90 percent of a working capital loan made by a private institution for a project involving EDA funds.

The agency requires that at least 15 percent of the project cost be supplied as equity capital or as a subordinated loan, repayable in no shorter period of time and at no faster amortization rate than the EDA loan.

At least one-third of the 15 percent is to be supplied by the state or a community or area organization. In some hardship cases, we waive the 5-percent community requirement, and permit the applicant or other non-Federal sources to supply this portion of the financing.

Generally, we have geared our business loan program to serve medium-sized and large manufacturing companies. We seek the maximum impact for each dollar we provide, and we have found that established companies with experienced management and a record of success are most effective in bolstering the economies of lagging communities.

Because industrial growth is a slow, demanding process, the total impact of EDA business-loan activity cannot be measured. However, we can see what has been set in motion and we believe it is noteworthy.

Even though the agency is only about five years old, there are business loan projects across the nation which we can point to with pride. These projects have resulted in increased industrial activity, new jobs and a higher degree of economic strength for surrounding communities.

A survey of 88 new and expanding industrial and commercial facilities which have received support through our business loan program indicates that these operations have created about 10,300 permanent jobs. Not all of these plants are in full production yet, but when this does take place, it is anticipated that an additional 1,775 jobs will have been created.

We look forward to even greater returns in the future because of our increasing emphasis on working with established manufacturers and businesses. For the smaller manufacturer, the Federal Government has a companion lending program in the Small Business Administration. Therefore, the role of EDA is to encourage the larger employment impact projects.

Here are some examples of what can be accomplished with the help of our business loan program.

- A pulp-and-paper mill at Lincoln, Maine, was shut down in the spring of 1968. The mill had been the backbone of the economy for this community of 3,500 and the surrounding area.

New management assumed control with the support of an EDA loan of \$4.55 million and a working capital guarantee of \$750,000. The total project cost was \$7 million.

Today the company—Lincoln Pulp and Paper—has a workforce of more than 500. Supporting operations have generated about 300 jobs. Lincoln Pulp and Paper provides about 44 percent of the



Navajo machinist adjusts the computer that operates his drill press in machine shop at the Fairchild semiconductor plant at Shiprock, N.M.

manufacturing jobs within a 40-mile radius.

- Approximately 1,200 Indians are working at the Fairchild Semiconductor Plant on the Navajo Reservation in New Mexico, where electronics components are assembled for the Fairchild Camera and Instrument Corporation.

The electronics plant, leased to Fairchild by the tribe, is located in an industrial park at Shiprock.

Fairchild first started operations on the reservation in 1965 in a community center building. The pilot project got under way with 50 employees.

The tribe constructed the new Fairchild facility with the help of a \$678,500 business loan from EDA. The Navajos provided \$365,300 to complete the construction cost of \$1,043,800.

The industrial park was developed with a \$153,000 EDA public works grant and loan. Development included the installation of water and sewer lines.

- In January 1969, EDA approved a \$5.85-million business loan and a \$5.4-million working capital guarantee to help the Seatrain Shipbuilding Corporation reestablish shipbuilding operations in the former Brooklyn Navy Yard.

Seatrain is now in operation at the yard. The facilities will be used to construct two 230,000-ton tankers. They will be twice the size of the largest tanker in

the U.S. merchant fleet—the SS. Manhattan, also a Seatrain vessel and the first to navigate the Northwest Passage to Alaska.

Construction of the two tankers will provide more than 5,500 man-years of employment at the shipyard, with an equal number of man-years of employment to be generated among supporting suppliers.

- The Linerboard Corporation of America is constructing a container plant in Newark that will have a workforce of about 240 when it is in full production.

Linerboard plans to recruit about 70 percent of the plant's workers through the city's Job Skill Center and apprentice-training programs for the hard-core unemployed.

The project cost of \$2.3 million is being paid for in part with a \$1.5 million loan from EDA.

- The operation of two major manufacturing facilities in Klickitat County, Wash., will create about 850 jobs at these plants when they are in full operation. Both are now under construction.

EDA approved a \$10-million loan to help Harvey Aluminum of Washington, Inc., a subsidiary of Harvey Aluminum, Inc., build a plant at Goodnoe. The EDA loan made the site in the center of the state competitive with seacoast locations. The \$78-million facility will employ 500

persons and will be located near the John Jay Dam on the Columbia River.

The Goodnoe plant will have an annual production capacity of 100,000 tons of ingots. Raw material for the facility will be shipped to Goodnoe from the Virgin Islands where it is extracted from bauxite.

- Also under construction is a \$19.5-million Dow Chemical Company magnesium-and-chlorine plant on the Columbia River at Dallesport. About 350 persons will work in the facility when it is fully operational. EDA's loan to Dow of \$3 million made the Dallesport site competitive to alternate locations.

The plant will be located in a 400-acre industrial park also being developed in part with a \$2-million EDA public works grant. The grant recipient is Klickitat County Port District No. 1. Cost of preparing the park is about \$3.5 million.

The Port District reports that the Dallesport site will provide industries with ideal plant locations on the Columbia River—with an inexpensive and plentiful source of power, access to the ocean, and good rail and highway transportation.

Many satellite industries are expected to establish operations in the area because of the location of Dow and the development of the industrial site.

- The Great Northern Plywood Corporation employs about 220 persons at its Cedar Springs, Ga., plant.

EDA provided a loan of \$2.8 million to help construct the \$4.25-million facility, which has been in operation since 1968 and produces sheathing plywood.

- During May of this year, EDA approved a \$6-million business loan and a \$3.4-million public works grant to help create more than 1,000 industrial jobs at Gulfport, Miss., and rebuild an area devastated by Hurricane Camille last August.

The loan will be used to help establish an industrial plant to manufacture heavy marine equipment in the Bernard Bayou Industrial District. The facility will be built by the Harrison County Development Commission and operated by the Paceco Division of the Fruehauf Corporation.

Paceco anticipates a workforce of about 725 persons when the plant is in full production.

The public works grant will enable Harrison County to develop the Bernard Bayou Industrial District. Site preparation will include installation of water and sewer lines, channel clearance, and construction of rail facilities, streets and an industrial dock. Development of the industrial district will cost approximately \$5.7 million.

Harrison County officials report that
Continued on Page 21



Mr. Whitehead

Telecommunications: Its Growing Importance

By Clay T. Whitehead

Director, Office of Telecommunications Policy, Office of the President

Long range or "tele-" communications has never been unimportant. To avoid annihilation African tribes depended on the advance warning of the tom-tom.

But, for this generation and the future, telecommunications has become and will continue to be a vital and indispensable part of our technological society—inseparable from our broader concerns of society because it interacts so heavily and in so many ways with all aspects of our lives and our industry. TV, satellites, telephones for an increasingly mobile society, electronic media and news dissemination, national security, air traffic control, data processing and its communications needs—all are indicators of this present and future importance.

Modern communication is on the threshold of a future identical to the recent past of its creator—electricity. Fifty years ago, an electric power failure was a minor irritant for a few; today it is a catastrophe of monumental proportion, disrupting every phase of life, and posing a serious threat to national security.

The history of transportation is also illustrative of the future of telecommunications.

The automobile, once little more than a noisy, uncomfortable status symbol for the elite, has completely transformed society and the daily habits of every individual.

Similarly, the airplane: Who, on witnessing that first feeble effort of man to get off the ground at Kitty Hawk in 1903, would believe that within 66 years man would travel to the moon, watched by all of us through the miracle of telecommunications? Furthermore, air transportation is no longer a novel industry. It is an entirely new way of life.

Just as electricity, the automobile and the airplane have been social innovators, so telecommunications has been and will be. Over and above technological developments that are nothing less than fantastic, there are social, cultural and ideological ramifications that elude even the most perceptive crystal-ball gazer.

One indication is this:

For the soldier, war has always been what General Sherman said it was. Now, however, combat is "waged" not only amidst the dangers of the battlefield, but in the safety and comfort of every living room in the nation. An entirely new dimension has been added to public attitudes. Being "not involved" is forevermore impossible.

In a more perilous time on a most perilous issue Abraham Lincoln observed:

"If we can but know where we are and whither we are tending, we can better tell what to do and how to do it."

The need to know "where we are" and "whither we are tending" in telecommunications is of the highest priority.

In transmitting to the Congress his plan for creating the Office of Telecommunications Policy, the President wrote:

"We live in a time when the technology of telecommunications is undergoing rapid change which will dramatically affect the whole of our society. The public interest requires that government policies concerning telecommunications be formulated with as much sophistication and vision as possible."

The Congress is urgently calling for policy formulation. Senator Pastore has said:

"The rapid advance of communication technology including satellite communications and the concomitant increase in the use of communications services have made the formulation of an overall telecommunications policy imperative, if we are to achieve our goal of a nationwide and worldwide wire and radio communication service with adequate facilities at reasonable charges."

The creation by this Administration of the Office of Telecommunications Policy is the important first step in the formation of an overall telecommunications policy for the United States.

Before the Commerce Committee of the United States Senate, I said:

"We will do all we can to come up

with a telecommunications policy, 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."

I would like to emphasize this. Telecommunication in the United States is as complicated and delicate as the nerve system of a man's body. There is virtually no area of our society or economy not touched importantly by telecommunications. And the emphasis is shifting from simple and well-defined communications "needs" to an increasing interaction between communications systems capabilities and the problems and potentials in society and business. Telecommunications has changed from an industry that *facilitates* commerce to an industry that is *inseparable from* the commerce of the United States. It has changed from an industry that *supports* our defense effort to one that our national security is *predicated* upon. From *support* of public safety to *part of* public safety.

With these changes, a new perspective is imperative. My firm conviction is that it is just as important to get the right perspective as it is to get the right facts.

No longer is electronic communication merely a gadget to be tinkered with or a mechanism to be patched up. Telecommunications today must be regarded as both the "created" and a creator. We have only dimly perceived the implications of the "information economy," wide band cable access to the home, and truly widespread mobile communications. This will help shape the future of our society and economy, as well as serving us in that future. Other potentials are even more hidden in the future.

We are in a "new ball game" in telecommunications. All of us who are intimately involved with and responsible for telecommunications need to recognize that recent change has been not only quantitative but fundamentally qualitative. Our perspective must be adjusted accordingly.

It would seem to be unnecessary to assert that our nation's telecommunica-

tions policy must be positive. But a vocal minority, frightened by complexity and fearful of the unknown, would have us stultify the creative genius of our technological advance. Technology, they say, has created more problems than benefits and has become a veritable monster that ultimately will destroy us. May I suggest, a nation that harnessed the natural resources of a vast continent shall never become the cowering victim of its own creation. The overwhelming impact of communications will be beneficial. Accordingly, our policy will be positive.

Before the Armed Forces Communications and Electronics Association Convention last June, I said, telecommunications policy "must be broad—as broad as the users of telecommunications together with the providers." On that occasion, I also talked of another dimension of broadness. Telecommunications policy can no longer be isolated, "pigeon-holed," or put off into some obscure corner. It is part and parcel of the total process of government policy making. Communications are too important for the policy generalists to continue to ignore. We all must accept the responsibility thrust upon us by our communications specialists, whose diverse creativity has made the formulation of policy both essential and urgent.

It is possible to be broad and shallow. Our nation's telecommunications policy must have not only breadth, but depth. In this matter of seeking out and defining a national policy for telecommunications, there is nothing of more importance than the difficult mastering of the complexities of this industry.

A French revolutionary once observed, "There goes the mob. I am their leader. I must find out where they are going." Telecommunications policy cannot afford to "lead" in that style. We must be "ahead," not "behind."

President Nixon has recently said:

"The power of new technologies to impose change is beyond dispute. . . . Perhaps, for the first time in history, we are aware that the time to think about the consequences of a technology is before it is very nearly beyond reconsideration."

And Rep. Emilio Daddario, chairman of the Science, Research and Development Subcommittee of the House Science and Astronautics Committee said:

"Our goal is a legislative capability for policy determination in applied science and technology which will be anticipatory and adaptive rather than reactionary and symptomatic."

Telecommunications policy must be anticipatory.

If that policy is not as dynamic as the industry it encompasses, it will

bounce like a shuttlecock from one *ad hoc* decision to another. Without dynamic thinking to match dynamic creativity, we will be saddled with a series of rationalizations, not policy.

Like policy in any field, telecommunications policy must have internal integrity. It must be consistent. It must make sense. It must not be self-contradictory.

However, policy should not be a straightjacket—it must be flexible. This is not the flexibility of a tattered rag flapping in the wind. But it must be the flexibility of an open mind and of constant review.

The formulation of policy must be a cooperative effort. Fratricidal jealousies over vested prerogatives lead only to impotency. A telecommunications policy worthy of this nation and its people will evolve only as those of us in the Office of Telecommunications Policy work in harmony with the Federal Communications Commission, private industry, the Congress, other interested departments of government, state and local organizations, and the public.

The Office of Telecommunications Policy will:

- Be the President's principal adviser on telecommunications issues;
- Enable the executive branch to speak with a clearer voice and be a more responsible partner in policy dialogues with industry, the FCC, Congress and the public;
- Formulate policies and coordinate operations for the Federal Government's own telecommunications activities.

OTP will not attempt to compete with the FCC or to perpetuate on a grander scale the policies of the past. Issues for major concern or policy statements will be picked with care, not in large numbers. OTP will be engaged in in-depth studies of particular problems as they arise or as policy initiative becomes timely.

The emphasis will be on cooperation and coordination. We will seek to bring communications and communicators into close touch with overall national policy and policymakers.

We will be concerned with developing Federal policies in conjunction with the FCC and the Congress that will encourage vigorous and innovative realization of the potential of telecommunications.

In our responsibility for the Federal Government's own communications, OTP will be much concerned with the problem of getting the most effective communications at the least cost to the taxpayer.

There will be a great many barriers to accelerating our progress. For example: Much needs to be done to alleviate the scarcity of frequencies for land mobile purposes. I consider this to be one of our most important problems, and I expect to devote considerable attention to this matter. I am confident that—in consultation and cooperation with the FCC—further steps can be taken to ease this problem on both a short-range as well as long-term basis. More flexible and responsive spectrum management—by both OTP and the FCC—can do much to alleviate these pressures and to permit more direct communication between Federal and local authorities in time of emergency.

You may expect from OTP lots of questions, interactions, and concern about the uses, capabilities and costs of alternative communication technologies; lots of concern about how we can build an even stronger, healthier, more innovative and more competitive industry; lots of attention to the purposes of telecommunication and its potential for application in defense, domestic and civilian uses; and lots of attention to permitting communications to innovate and to do its job with a minimum of second-guessing or peeping over the shoulder, but coupled with a constant concern that communications are consonant with the country's needs.

We hope the new OTP will make it possible for the United States to take full advantage of what telecommunications technology can do for all our people.

Ex-NAM Aide Gets Procurement Post

Robert R. Judson, a former member of the Policy and Program Advisory Committee of the NAM National Defense Committee, has been appointed deputy director of the new Commission on Government Procurement.

The immediate past president of the National Contract Management Association, Mr. Judson has had long experience in industry, having held executive positions with Collins Radio Co. and International Business Machines Co.

Buehler Writes Article

"Impact of Government Relations on Marketing," an article by Robert D. Buehler, NAM Vice President-Public Affairs and Inter-Association Affairs, appeared in the June issue of *Sales Marketing Today*.

WHY?

This is a city. An American city. Glistening on a clear night.

Private enterprise built the city. Private enterprise lights it. Private enterprise provides the jobs for its citizens.

But many of its citizens do not understand private enterprise. They call for more government control, higher business taxes,

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Why?

Because many of these citizens do not know the fundamentals of economics. They don't understand that economic freedom has harnessed the creative energies of millions of Americans and helped them build better cities and a better country.

Why?

No one has shown employees that their own jobs and standard of living depend upon the success of the free enterprise system.

But now you can help.

You can help by using "The American Economy" Filmstrip Series to teach the fundamentals of economics to your employees. This new series presents key eco-

nomic concepts regarding profits, productivity, capital, wages, money, business cycles and international trade. It examines basic economic principles, comparative economic systems, management of personal income and personal economic security.

The American Economy series is designed for employees with a high school level education and can be the foundation for a separate economics program or a supplement to other economic education materials. A Teacher's Guide, included with each set, gives key teaching points, discus-



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Each American Economy set includes 12 full-color filmstrips with accompanying narration on 33 $\frac{1}{3}$ R.P.M. records. The Units cover the following points:

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The filmstrips average over 15 minutes each and 60 frames per filmstrip. Each filmstrip set is shipped in heavy-duty packaging for easy storage and repeated use. The price for the entire set is \$110.00.

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Gentlemen:

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☐ I enclose a check for \$_____.

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State: _____ Zip: _____





Mr. Hammond

Drug Abuse and Industry—IV

Education and Abuse Of Drug Abuse

By Peter G. Hammond

Executive Director, National Coordinating Council on Drug Abuse Education and Information, Inc.

When we have a complex social problem in America that has no easy or simple solutions, we do two things—pass laws and dump the issue on our school system. Therefore, the problems of drug use seem doomed to these inevitable “solutions.”

Approximately 100 bills have been introduced in the United States Congress and at least seven Congressional committees (one created especially to deal with drug abuse) have independently, and often simultaneously, conducted hearings on the drug abuse problems. The first bill to be passed into law as a result of this effort is the District of Columbia Court Reform and Criminal Procedure Act of 1970. This law provides for broadened wiretap powers, preventive detention and “no knock” entry when police officers feel that revealing their identity might result in destruction of evidence or endanger their lives.

It's tragic, and not irrelevant to the causes of drug abuse, that we select a disenfranchised group of citizens—with no recourse through the system—as guinea pigs for so-called “reform legislation.” If it's not young people, it's ex-convicts or some other group. This time it's the residents of the District of Columbia.

With insufficient evidence we have made drug abuse the scapegoat for crime and delinquency. Yet we know, as Dr. Helen Nowlis said before the Congress in her capacity as president of the National Coordinating Council on Drug Abuse Education and Information, “. . . merely increasing the number and variety of law enforcement programs will not put an end to the irrational and dangerous abuse of certain drugs. More arrests and more arresting officers, in and of themselves, offer no hope of a workable answer to the problem.”

But Dr. Nowlis' testimony did not stop there; she continued by saying, “On the other hand, there is a danger from continued massive education programming without first taking the time to evaluate

what has been done, what needs to be done, and what can be done. Unexamined and unevaluated information and education programs are certainly no answer; and it is safe to say that in some instances, they may be as harmful in the big run as no programs at all.”

We expect too much from our schools. We are still teaching kids what to think and not how to think. We are still compartmentalizing subject matter and discouraging interdisciplinary discovery and learning. We are still demanding diplomas instead of certificates of competence. We still close school at 3 p.m. and call education what takes place between 9 and 3.

Drug use education and drug abuse understanding just won't fit this traditional pattern. If we make it fit anyway, we've accomplished little else than soothe our “establishment” consciences.

There are encouraging signs of non-conformity. On March 11, President Nixon released \$6.5 million for several new programs in drug abuse. He said, “There is no priority higher in this Administration than to see that children—and the public—learn the facts about drugs in the right way and for the right purpose through education.” While this statement is open to some substantive criticism, the Federal Government has moved decisively toward preventive education in drug abuse.

The major points of the new effort are:

- A \$3.5 million program operated by the Office of Education to train school personnel, particularly teachers, in the fundamentals of drug abuse education.
- Creation of a National Clearinghouse for Drug Abuse Information and Education, giving the public one central office to contact.
- Publication of a book in which, for the first time, all of the concerned Federal departments and agencies have pooled their knowledge of the national drug problem.
- Modification of a program of the Law Enforcement Assistance Administration to allow large cities to apply for

funds to be used for drug education, as well as for law enforcement programs.

• Development by the Advertising Council of an expanded public service campaign on drug abuse in cooperation with the media and the Federal Government.

• Close cooperation of the Administration with concerned citizens/organizations.

Under the teacher training program, the United States Office of Education is directing a \$3.5 million effort to train school personnel, particularly teachers, in the “fundamentals” of drug education. Grants ranging from \$40,000 to \$210,000 have been awarded to states based on their school age population. Each state is using the money as it sees fit. However, most states are participating in the programs of four National Training Institutes (Adelphi University, University of Wisconsin, San Francisco State, and University of Texas at San Antonio) established specifically for this purpose.

A National Action Committee has been formed to provide leadership, technical assistance, and aid in program planning, development, monitoring and evaluation. The committee includes representatives from the fields of education, medicine, law, social work, and the behavioral sciences. Young people are included as well as representatives from different ethnic groups.

This summer, those states that participate in the program will send teams of teachers, counselors, school administrators, students, and community leaders to be trained at selected university centers. The Office of Education estimates that 300 persons will get this intensive training. The universities will draw heavily upon regional resources in drug education and will utilize curriculum materials particularly suitable for their areas.

In the fall, these teams will tour their home states to train additional teachers, administrators, students, and community leaders drawn from every local school district in the state. In all, these

workshops will be attended by about 150,000 teachers and 75,000 students and community leaders. The people so trained will thus be capable of presenting the fundamental facts for a drug education program to every school district in the country.

Finally, in the spring of 1971, the National Action Committee will sponsor a series of regional conferences to evaluate the effectiveness of the program and plan additional programs.

The Federal training programs continue through the efforts of the National Institute for Mental Health designed to provide short term training courses for health and related professions at Yale University's Drug Dependence Institute, University of Oklahoma's Department of Health Studies and California State College's Center for Drug Information and Education in Hayward, California. The training sessions begin in September and will be repeated approximately every two weeks for 15 weeks. Tuition is free, registration is limited and applicants must pay their housing and transportation.

Another major Federal effort in education and information is the creation of the National Clearinghouse for Drug Abuse Information to serve as a central clearinghouse for drug abuse information. The center is located at 5454 Wisconsin Ave., Chevy Chase, Md., 20015.

The clearinghouse will collect and disseminate materials and data taken not only from Federal programs but from appropriate private and state and local projects. For example, the clearinghouse will make available material on drug education curricula that are already being used in various cities and states around the country. The clearinghouse will also maintain a computer data bank on a wide variety of drug abuse programs that will enable the government to give much more detailed answers to queries than is possible under the present decentralized system. . . .

The drug abuse education and information efforts of the private sector are seen most clearly in the program activities of the National Coordinating Council on Drug Abuse Education and Information.

The council, which now numbers more than 90 national, professional, educational, law enforcement, service, religious and youth organizations, is a nonprofit organization working to combat drug abuse through education.

The programs and activities of the council are based on a philosophy of evaluation. It makes little sense to launch new programs without first taking the time to see where we have been.

By the first week in September, the

council will have completed its film evaluation under contract to the National Institute of Mental Health. More than 80 films and filmstrips have been viewed for technical accuracy and communications impact.

The council has used the following procedure in its comprehensive evaluation. Films are first viewed by a scientific panel which decides upon scientific accuracy and factual presentation of material. The panel looks for such things as innuendoes, situational errors, factual mistakes or distortions. If they decide that a film is scientifically acceptable, it is then viewed by a communications panel which decides how effective a film will be, who the target audience is, if it makes an effective case for its central message and what its major strengths and weaknesses are.

We have just begun the evaluation process and will continue to expand our activity into literature, learning materials, training programs and community action programs. The risk of developing new programs based on whims and intuition is irresponsible.

In the second place, we view information as the beginning of the education process. For too long we have equated the distribution of flyers and posters as education. Efforts have been concentrated in less than honest and factual presentations of materials. We saturate the media because we dig McLuhan. And when the flyer is read, and the commercial is seen, and the poster is hung, and the questionnaire is completed, we have done little else than raise fear, suspicion, distrust and anxiety levels.

The council hopes to redirect that concern into community action programs—programs of communication, understanding, sharing and involvement—through *Common Sense Lives Here*.

Common Sense Lives Here is the first publication of the National Coordinating Council. It is designed to be a guide for thought and action of the most complex part of the drug abuse cycle—the human factor. It is intended for community groups, concerned individuals and neighborhood residents who want a way of approaching their neighbors and fellow townspeople on the subject of drug abuse. The handbook:

- Begins with some basic facts about drugs and a discussion of several assumptions that are made about their use.

- Seeks to create an understanding of the predictable patterns of human behavior that lead to drug abuse.

- Channels this community resource into organizing and coordinating drug abuse prevention and control programs.

- Presents specific steps to be followed in mobilizing community efforts.

- Concludes with particular references to organizations and publications that are logical resources for support.

Dr. Thomas Price, our new council president, who testified before the Congressional committee, said, "I am also concerned about the tendency to talk about drug abuse programming from the 'top down'—in terms of models and pre-packaged information units which are to be adopted without question by towns and cities throughout the country. Such a one-way scheme for information exchange, reflecting an over-simplified view of solutions to social problems, is most disturbing. People, and their communities, differ widely from place to place, from region to region, and from week to week. Drug abuse is infinitely variable ranging from a housewife's overmedication to a ghetto mainliner. It is the product of a host of factors, none of which seems to be acknowledged by the proposal to create models of attack. To offer kits of information, and carefully prepared packages of material, is to imply that a common complaint grips American towns—a lack of drug abuse information. Perhaps some towns do suffer from this lack; but we know that Boston is not San Antonio is not Des Moines is not Los Angeles is not Newark."

Finally, we recognize that a "good" drug abuse education program is not one whose objective is to stop the use of drugs—period. Job placement; education, health care (including abortion counseling), and social orientation (including draft counseling) are all activities too many of us have considered unrelated to effective drug abuse programs. Structuring programs to camouflage surveillance efforts, stimulating programs to validate existing life styles, and standardizing programs to meet some preconceived definition of the problem in a given community is a strategy we will certainly improve on.

Drug abuse in industry as a topic of concern is relatively new. As a topic for discussion, it has restored some consulting jobs for some fading experts; it has emerged as a whipping post for tardiness, inefficiency and poor management; and it has promoted urinalysis to the high water mark of a job interview. As a topic for action, it has tantalized industry with a variety of options. They range from panic to indifference, from isolation to community involvement, from prevention to rehabilitation.

One point is clear. Where there are people using drugs, there are people abusing drugs. And the programs that are designed to deal with the use, the causes, or the effects of drugs must be based on

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Mr. Keeler

The Important 'New Scene'

'Getting Involved in Social Problem-solving Is One of Our Basic Responsibilities...'

By W. W. Keeler

Chairman, NAM Board of Directors, and Chairman, Phillips Petroleum Co.

The following remarks were delivered to the Industrial Relations Group of the National Industrial Council meeting in Honolulu on Aug. 10.

I have borrowed a term from the younger generation. This term is "new scene." You've no doubt heard it if you have been around young people lately. And you probably have, for it seems that youth is everywhere these days. I for one like this. It makes me feel younger to be around young people. And I'll have to admit I want to listen to their ideas—even though I don't agree with many of them.

You have an important "New Scene" in industrial relations and I'd like to talk with you briefly about some of the challenging aspects of this "New Scene."

To begin with, we have a new breed of employees. They are younger, better educated, more demanding, more militant, more articulate and used to an affluent society. Admittedly, many of them are creating problems for other groups and organizations, as well as industry. They do not represent the status quo—they represent change, sometimes for the sake of change itself. They may rock the boat and they may be difficult to lead. But they are able and talented and are here to stay.

Many youngsters whom we need to rely on in the future are avoiding employment in industry to seek jobs, as they say, "where the action is!"

To an industrialist, this attitude is hard to understand. We know that industry is where the action is. More than that, industry has the resources, interest, and talent to take action rather than theorize about the issues of concern to the young. Yet we know that this attitude—that industry is not interested in or concerned about our social problems—prevails to a great degree among the younger generation.

In today's "New Scene" we are also still facing increasing problems involving technological changes, particularly those lumped under the term "Automation."

We know there is nothing new about automation but the term itself. We have many early examples of automation, such as the automatic flour mill, built near Philadelphia in 1784. Technological change has always been an essential ingredient of our economic life. In general, all segments of our American life accept and welcome the progress, the increased benefits, and the productivity that result from automation.

However, in the continued resistance to change evident among many people, increased automation still presents us with many problems. Although the facts show automation does not result in mass unemployment, many still fear it will wipe away their jobs. We need to emphasize the tremendous growth in the labor force without corresponding growth in unemployment as evidence of the new jobs and opportunities available to individuals through automation.

We in industry are also faced with increasing difficulty in developing and holding the loyalty of our employees. Despite our modern techniques and programs in employer-employee relations, we often find that our employees' sense of loyalty toward our companies is weak. Industry's performance in this vital relationship needs improvement.

Also, we in industry are faced with increasing government legislation and activities of government agencies, which drastically affect our business.

Too often our companies' operations are being adversely influenced by governmental activities that are based purely on politics.

The conditions I have mentioned so far are all part of your "New Scene." They challenge you to come up with renewed effort, and in many cases new ideas, in the practice of your profession. However, there is one more challenge on your "New Scene" which I believe tops all the others in importance. This is the challenge of coping, as a part of industry, with the great social problems of our time—the problems of hunger, poverty, environment protection, training and em-

ployment of disadvantaged, race relations and urban deterioration.

There are many reasons why industry should be involved in helping to solve social problems.

Social problems are industry's problems. We in industry are not "an island unto ourselves," but are a part of the community. From a very practical view, social problems have a very definite effect on our business operation.

As employers, getting involved in social problem-solving is one of our basic responsibilities to our employees and our stockholders. Moreover, industry is mightily affected by public opinion, and all public opinion is calling for solutions to these problems.

You can be sure that if industry does not do its job in solving social problems, the government will attempt solutions through ineffective, socialist type legislation. Based on many such past governmental efforts, the results would be chaos and confusion with little, if any, tangible results.

More importantly, if the private sector does not respond, excessive government intervention will endanger the preservation of the private enterprise system—the system which has been the keystone to our economic welfare and brought abundance to our American way of living.

We can also be sure that unless industry manifests social concern, it will not attract the many new, young employees who want to go where "the action is." Their capabilities and talents so essential to a successful operation would be greatly missed. Not only must industry look to the young merely in order to fill the shoes of those who leave by retirement or death; we especially need now the infusion of their imaginative thinking, their equipment with the newest in formal education and their energy.

Industry is uniquely qualified to do the job of solving social problems. Industry can provide experience, talent, organizational ability, and proven leadership. For some time businessmen have been in-

volved in assisting in solving social problems. Witness the traditional leadership provided by businessmen throughout the nation in community fund drives and other such campaigns. The time and effort expended by businessmen has been a major factor in the success of all such projects.

Finally, getting involved in helping solve social problems is the moral thing for industry to do. Christian ethics should not be excluded from the board rooms of business.

A good example of industry involvement in a community social problem is the employment and training of the hard-core disadvantaged individuals. We know that if these individuals are not assisted, the results are increased welfare payments, civil disturbances and riots. If we take part in assisting them, they become self-supporting, productive citizens and the acts of violence leading to the destruction of life and property are eliminated.

I know you are familiar with the achievements of the National Alliance of Businessmen and, in fact, some of you are involved in their Jobs Program. Since the establishment of the National Alliance of Businessmen in January 1968, thousands of hard-core disadvantaged individuals have been hired and trained.

In a recent news release, Lynn Townsend, NAB chairman and chief executive officer of the Chrysler Corporation, announced that in the last three months, 10,000 companies had joined the Jobs Plan.

There are many other private sector programs to assist the hard-core individuals, including individual company plans. I am sure you are familiar with the activities of the NAM in this problem area through its Solutions to Employment Problems Program known as "STEP," and the operation of its Urban Affairs Division.

Let us now consider some other actions needed to meet the challenges of the "New Scene."

To begin with, industry's story must be told to employees and the public.

Because industry has been reluctant to tell what it has done, positive accomplishments are overshadowed by negative public reaction.

We can no longer just talk amongst ourselves. We must get industry's story to others, to the influential individuals and groups in the community. A top priority challenge is to communicate better with the young people of our nation. We should seek every opportunity to have dialogue with the young—on campus or by visits to our places of business—so we can talk with them about our economic system, about what industry is

doing to solve social problems, about the challenges which industry alone offers them.

Positive and dynamic industry action in the affairs of our government, at the local, state and national levels, is mandatory if our nation is to grow and prosper. We must take the time and effort to become involved in representing industry's views on pending legislation whenever possible. We must become more concerned about the elected or appointed officials of every level of our government.

As for our social problems, all the resources of industry must be marshalled to resolve them. It can no longer be "business as usual."

Solving social problems is an urgent priority task. What actions we, as representatives of industry take will, to a great degree, determine the future of industry, our communities and the nation.

Industry is best qualified for the leadership role that the challenges demand. What is needed is *will, enthusiasm, and action.*

In closing, I would like to share with you a thought that brightens the future despite the trials and tribulations we face.

It centers on our most important asset—"People"—and is also about this wonderful 50th state of ours.

Recently, I read the following article which was of interest to me, and I thought parts of it would be most appropriate for this session.

"There is a place in the United States where people smile at each other, and at you, the stranger.

"These people have yellow, brown, black, white, and varying shades of golden skin. Yet the problems of hostility, of alienation, of lack of communication, of inability to get along have not made the scene in Hawaii.

"In the nation's 50th state, races mix with relative ease, and the people still subscribe to a common mythology that brings them close to the American dream of the true melting pot. It is called the "Aloha Spirit," and it flourishes in the beauty of these islands.

"The ancient values still make their presence felt today in Hawaii—in veneration for aged, observance of religious customs, in education and learning as peaceful pursuits to the achievement of higher standards of living, and mutual respect for divergent points of view."

And the article closes:

"What is really needed is to renew confidence in our system, in our government, in our total way of life in order to cope with the terrible problems that endanger us all. Perhaps we should try Hawaiian style, and teach America to smile again."

Drugs—

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common sense.

It makes sense to define the problem first. It makes sense to apply management standards to social programs. It makes sense to view problems and frustrations on the job as extensions of problems at home. It makes sense to deal with these issues in the context of the total environment of the employee. Finally, it makes sense to plan carefully.

A complex social problem needs our collective best effort. Alvin Toffler, writing in *Future Shock*, says, "It is not simply that we do not know which goals to pursue. The trouble lies deeper. For accelerating change has made obsolete the methods by which we arrive at social goals. The technocrats do not yet understand this, and, reacting to the goals crisis in knee-jerk fashion, they reach for the tried and true methods of the past.

"We have taught ourselves to create and combine the most powerful of technologies. We have not taken pains to learn about their consequences. Today these consequences threaten to destroy us. We must learn, and learn fast."

EDA—

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one result will be the expansion program of the National Tank Company, a manufacturer of oil and gas processing equipment. The company plans to expand its Gulfport facility and enlarge its workforce by 290.

All of these examples have a common theme: Industry, financed in part by EDA, is building a new future for residents of communities where jobs are too few, incomes too low, and there is insufficient local capital to develop industry.

Distressed areas face tremendous interlocking economic and social problems. Although pockets of severe poverty often are isolated from the mainstream of the American economy, the effects of poverty are not isolated. They strain the entire fabric of our society.

In human terms and in economic terms, the American poor represent our greatest undeveloped market.

We in EDA want to help develop that market in whatever way we can . . . whether it means making a loan to an expanding manufacturer . . . or preparing land for industrial use . . . or providing planning funds for a municipal development agency . . . or determining the best use of the area's resources . . . or constructing a vocational-training school.

By working together, business, the community and government strengthen and improve American life.

The Federal Role In Health Care

There is now under way, both in and out of government, an intensifying discussion of the provision and financing of health care delivery in the United States and the roles of the public and private sectors. This has developed mainly from a re-examination of Medicare and Medicaid.

The heavy impact of these two programs on government spending and on the cost of health care in general inevitably has raised broader questions. (See April 20 and July 20 issues of *NAM Reports*.) Among other things, there has been growing recognition that hard facts of medical economics, heretofore of relatively little general interest, can no longer be ignored. This includes such matters as funding services traditionally provided to the poor without cost, construction of excess bed capacity and the publication of expensive equipment, and the adequacy of manpower. In this last connection, it has become almost axiomatic to say that we have a shortage of doctors in this country. But our ratio of 130 M.D.s for every 100,000 persons is more favorable than that in countries where infant mortality and other health indicators surpass our own.

What is really being discussed is how to achieve better and less costly health care delivery. With the Federal Government's health outlays presently at 28 percent of total national health expenditures, the Federal role in the entire health care system is obviously crucial.

It has been suggested that the Administration must make a major decision on its strategy for dealing with the "much proclaimed health crises" by choosing between:

- Reliance on continued or increased Federal intervention through regulation, investment and planning, and
- Promoting a health maintenance industry that is "largely self-regulating and makes its own investment decisions regarding resources such as facilities and manpower."

Obviously the Administration is moving in the direction of the second alternative. The nature of the health care industry, British experience with its nationalized health services, and the basic attitude toward Federal intervention in the provision of basic services all appear to make that choice the more attractive.

The Administration's preference for the second alternative also is related to the larger issue of substituting an "income strategy" for a whole slew of service-type programs. For example, the Family Assistance Plan, if operative, would give the poor, including the working poor, a better basis for buying medical services which are now provided to those "on welfare" through Medicaid. The Administration has proposed transforming Medicaid into a prepaid medical insurance coverage for the same population with "premiums" based on a sliding income scale.

Some observers look for significant overall cost savings in the "income strategy" approach, assuming that much more selective use of medical services would be made with more consumer discretion (and financial responsibility) for the extent of those services. Unnecessary and costly overtaxing of hospital facilities, of course, has been one of the main criticisms of the Medicare-Medicaid programs.

As the national debate on health care policy continues, however, the two alternatives of Federal intervention or a self-regulating health industry are likely to become less clear as a variety of sub-questions are raised. For example:

- There is great interest in prepayment as a method for improving the quality and controlling the cost of health care, but should prepayment be on a capitation or a services-rendered basis?
- If prepayment is a synonym for insurance, does that mean a national insurance program financed through taxes? A dual system? A private system with government subsidy to those unable to afford to pay their own premiums? A system of tax credits?
- If prepayment is on a capitation basis, is it likely to require or favor group practice rather than individual practice?

Such questions—to some extent even the basic choice as to the Federal role—in turn go back to the fundamental issue of what it is that we are trying to accomplish. Clearly there are two major goals: (1) improving the quality and accessibility of health care, and (2) controlling the cost. Almost all people who are discussing the issue want to do both: to provide quality care at reasonable cost.

"Quality" in health care is something

which the majority of patients—or consumers—are unable to evaluate. As is frequently pointed out, it is usually health care practitioners who are the consumers of health services because they select what is to be done for the patient. It is probable that the individual patient, or his family, respond to subjective criteria—a private room or a private nurse are pleasanter than being in a ward or sharing the attention of floor nurses with others; there are more amenities in a private hospital than in a city hospital; the elderly patient in a nursing home enjoys the attention of frequent visits from "his" physician, and so on. Therefore, the judgment of "quality" from a technical point of view must depend on peer review by professionally qualified people.

The financing of health care delivery and the approaches to cost control, beyond specific administrative reforms of Medicare and Medicaid, are the areas in which debate over the Federal role will be concentrated. There are three major types of financing proposals before Congress and the public in—or near—legislative form:

1. National health insurance
2. Tax credits for private health insurance.
3. Federal subsidies for purchase of health insurance by low-income families

Implicit in the discussion of "income strategy" is the possibility of a fourth approach which would work toward replacing Medicaid and, eventually, Medicare by income additions to allow purchase of health care services on the open market.

Health insurance is already a familiar factor in health care. What will be debated is not its value but its financing. About 85 percent of the American population have some form of private health insurance, which covers about one-third of health-care expenditures. Coverage is most complete for hospitalization for all income groups, followed in a declining scale by inpatient and surgical services and outpatient services. Fifty-six percent of the population with incomes under \$5,000 have some coverage, but only 36 percent of those with incomes under \$3,000 have some hospital insurance coverage. Medicare provides hospital insurance under Part A for those over 65 and voluntary insurance for health serv-

ices under the optional Part B for almost all of them.

The idea of covering the Social Security system to provide a national health insurance is not new. This broader definition of "social insurance" is prevalent in other countries and the idea has been discussed time and again since the enactment of the Social Security Act. Medicare gave the concept a new impetus.

Three closely related variations are currently being discussed.

The National Health Insurance Act (H.R. 17806), sponsored by Rep. Martha Griffiths, would extend and adapt the Social Security mechanism to provide comprehensive medical care for the total population and comprehensive dental care for children under 16. Eye care and prescription drugs would also be included.

To finance this program, employees would pay 1 percent of payroll and employers 3 percent, with the Federal Government matching the employers' contribution from general revenues. There would be minimum cost-sharing by the patient. A rough beginning cost estimate is \$40 billion per year.

The Health Security Program, a very similar plan, was announced on July 7 by the Committee of 100, a private group formed by Walter Reuther. Sen. Edward M. Kennedy is expected to introduce it in late 1970.

The funding proposal is for 40 percent of the cost to be paid from general revenues, 35 percent from an employer payroll tax and 25 percent from individual contributions—primarily payroll tax deductions. The employer payroll tax would be 2.8 percent and the employee tax 1.8 percent on gross income up to \$15,000. This would approximately triple the employee's present payment for Medicare. The intention of the plan's sponsors is to "replace" private medical insurance on which employees now pay premiums. In fiscal 1969, this program would have required an additional \$6 billion of general tax revenues.

The National Health Insurance and Health Improvement Act (S. 3711) is sponsored by Sen. Jacob K. Javits. It would provide for a new trust fund, in addition to the one providing benefits for the elderly under Medicare. The total cost would be financed from payroll taxes reaching the rate of 3.3 percent on a \$15,000 earnings base by 1975. The estimated cost by 1975, excluding savings on Medicare and Medicaid, would be \$22.7 billion.

This plan would be implemented in steps with the total population eligible

for basic benefits now provided by Medicare by 1973. The first step would be the merger of Parts A and B of Medicare and their extension to include the disabled under age 65. After coverage became universal, prescription drugs, dental care for children under 8, and diagnostic services, including eye and ear examinations would be added.

A number of proposals have been made to provide a tax credit as an incentive for the purchase of private health insurance. This proposal is most closely identified with the American Medical Association. The AMA proposal, originally offered in December 1968, was modified in 1969. Testifying on Medicare and Medicaid before the Anderson Subcommittee of the Senate Finance Committee in June of 1970, Dr. Gerald D. Dorman, AMA president, summarized the financing provisions of Mediredit program:

"... To meet the problems of Medicaid, each low-income person would receive a certificate for the purchase of a qualified and comprehensive health insurance plan. The cost would be completely federally financed.

"... For middle and higher levels of income, tax credits would be offered, on a sliding scale, favoring lower-income groups, based on the tax liability of a family, for the purchase of qualified health benefits coverage."

A draft bill has been prepared but has not been introduced.

The idea of a self-regulating health industry, rather than one which is federally-regulated, is designed to provide economic and professional incentives to maintain health, rather than providing services for the ill. Essentially a market-oriented approach, it depends on an element of competition and, therefore, would require more diverse financing plans.

The health maintenance idea has proven effective from both the economic and professional points of view. However, many health maintenance organizations are still in the developmental stage and all may not be equally effective in the future when, and if, the "pioneer enthusiasm" fades. On the other hand, with increased corporate interest in health maintenance organizations there is likely to emerge a combination of more sophisticated management techniques and the ability to generate and use capital more effectively.

The Administration's proposal to replace Medicaid in part seems clearly to be a limited experiment in the encouragement of this approach, with the Federal function limited to subsidizing the cost of premiums at the lower-income level. The American Medical Association's proposal is in the same direction but applies

to the total population. The Health Insurance Association of America is known to be developing a financing proposal. The details are not yet available but a report by the HIAA's Subcommittee on Health Care Delivery of the Committee on Medical Economics, dated October 28, 1969, urged the development of:

"... a pluralistic system of health economics in the United States which will assure to all citizens access to needed health services regardless of the personal means for payment, making maximum use of private health insurance but recognizing that some use of government funds is necessary for persons of limited or no income."

From the point of view of the Federal Government's role in health care financing, the eventual choice will be between a compulsory national health insurance system and a variety of alternatives, many of which have not yet been spelled out. At this point, the range of available alternatives to national health insurance—not all mutually exclusive—seems to be to:

Concentrate on improved Medicare and Medicaid administration.

Add to this some experimentation with health maintenance arrangements for Medicare patients.

Accept the President's proposals for replacing Medicaid in part, with or without experimentation with health maintenance organizations for Medicare patients.

Give maximum encouragement to the private health and insurance industries to develop incentive-oriented methods of health care delivery. This approach would define the Federal role as: (a) providing financial aid (not necessarily 100 percent Federal financing) to those in need; (b) preserving the Social Security health insurance trust funds; (c) providing incentives to the states to remove legal barriers to experimentation with health-delivery systems; and (d) encouraging the development of peer review in all aspects of the health industry.

Assuming the acceptance of the Family Assistance Plan approach as an "income strategy," replace Medicaid, and eventually Medicare, by income additions to allow purchase of health care services on the open market.

—LILLIAN W. KAY

3 Receive New Titles

New titles have been announced for three NAM staff members. Daniel W. Cannon becomes director of environmental affairs, Paul Slater director of urban affairs and Joseph P. Matturro director of labor/management relations.

The Hershey Story

How One Man's Dream and Energy Built a Town

Almost 70 years ago an enterprising young man built a factory at Hershey, Pa.—and “Chocolate Town, U.S.A.” has had it sweet ever since.

Milton S. Hershey had a compelling desire to excel as a manufacturer of chocolate candy. He succeeded in a grand manner. Hershey also had a dream—to build a model town for good living, for he believed that what was good for his employees was good for his company.

The former pushcart peddler has become a symbol of the rags-to-riches story. He has provided an example of the best that our free enterprise system can produce, not only in profits and a happy community but also in character and integrity.

His success in harnessing competitive enterprise and putting its benefits to work helped to make Hershey into the healthy community it is today. In 1970 Hershey is the hub of Derry Township with an estimated population of 10,000. It is located 15 miles east of Harrisburg, the state capitol.

And thanks to Hershey's vision, the community has remained so healthy economically that only about 12 families receive some kind of public assistance.

Hershey today is a center of culture, of amusements and sports activities, and is a major tourist attraction. Hundreds of thousands of Americans tour the Hershey Food Corp. factory each year. They delight to the thrills of the roller coaster, the modern monorail and other rides at the Amusement Park and enjoy many of the other fruits of Milton Hershey's success.

Thanks to Hershey and his chocolate bar, the town can boast:

- A handsome Community Center. Completed in 1933, the building is the center of social life in the town. It contains two theaters, a dining room and cafeteria, gymnasium, swimming pool, bowling alley, fencing and boxing room and a photographic room.

- The Educational and Cultural Center. Conceived in 1965, 20 years after Hershey's death but as an extension of his philanthropic philosophy, the center sponsors a wide variety of programs, including concerts and lectures and the Great Artists Series. The Hershey Community Chorus, Theater Guild and Chamber Orchestra Society are sponsored by the center, which is located in the Community Center.



Milton S. Hershey, who gave most of his wealth to establish a school for boys, is honored by this statue which bears the inscription, “His deeds are his monument, his life is our inspiration.”

- The Milton S. Hershey Medical Center. In 1963, \$50 million was transferred from the Milton Hershey School Trust to the Hershey Foundation to construct and endow the Medical Center which is operated as part of Pennsylvania State University. The modern educational institution will train doctors and provide medical services. Its 350-bed teaching hospital is in the last stages of completion. The medical center when completed will employ 1500.

- Sports facilities. In 1936 a Sports

Area was completed, the largest monolithic concrete structure in America. Here 7200 spectators thrill to the exploits of Hershey's professional hockey team. A stadium seating 16,000 was completed in 1939.

- Modern utilities. Hershey established various utilities for the convenience of the townspeople. Today, Hershey Estates is the tax-paying corporation involving 33 divisions, including electric, water and sewage utilities.

- First-class schools. Hershey's greatest project was the Milton Hershey School for orphan boys. Starting with four boys in 1910, the school has grown to 1500 students and more than 3000 alumni. Hershey also provided for public education in Derry Township through a trust fund for continuous support of the public school system.

- Also, Hershey gave \$20,000 to each of the town's five churches to pay off their mortgages, financed a public library, built the Hershey Hotel, a bank, department store, developed dairies and farms.

Many of these projects were born of the Great Depression when much of the country was suffering severe unemployment. Hershey vowed to give jobs to the men in the community and many of the things the area enjoys today result from his vision.

As the town grew it took on a chocolate flavor—to the familiar Chocolate Avenue and Cocoa Avenue were added names chosen from the cocoa industry: Java, Caracas, Aruba, Granada, Ceylon, Para, etc.

And the town itself was named Hershey after the rejection of other names such as Cocoahirsh, Chococoa City, St. Milton and Hersheykoko.

But to really appreciate the development of the town one must understand Milton Hershey, his life and his philosophy.

Hershey was born Sept. 13, 1857 in central Pennsylvania, his forefathers having come several generations earlier from the German-speaking part of Switzerland. During his boyhood the Hershey family moved many times and Milton had been to six or seven different schools by the time he was 14. He never went beyond the fourth grade.

His first job was as a printer's devil on a little German newspaper, but he was soon fired when he pied some type and dropped his hat into the press.

Perhaps this was fortunate for Milton, for the lad who had been born with a sweet tooth was soon apprenticed to a confectioner in Lancaster. He worked four years at Joe Royer's establishment, learning to make candy and, more important, learning to take advantage of every opportunity.

His determination, initiative and energy propelled him at the age of 19 into business for himself. With the help of his mother and Aunt Mattie he launched a little candy shop in Philadelphia. He made candy by night and sold it by day, without capital and against strong competition. He even took a pushcart along the streets loaded with his candy, but he just couldn't make a profit.

So Milton left Philadelphia in 1882 and worked unsuccessfully in the candy business in Denver, Chicago and New York before finally returning to Lancaster.

Milton borrowed some money from his aunt and started once again to make candy, waiting for the big opportunity he believed comes at least once to every man. He made caramels which he peddled through the streets with a basket on his arm. He worked night and day but had no capital to expand his little business.

Then one day his big opportunity came. An English importer visited Lancaster, tasted Milton's fresh milk caramels and liked them so much that he offered to sell them in England.

Milton had a big order but his meager equipment was not sufficient. But a local banker, persuaded to visit his humble establishment housed in part of a carriage machine shop, was so impressed with the young man's competence, modesty and frankness, that he personally endorsed a note to finance the needed equipment. When he received payment for his English sales, Milton promptly rushed to the bank in his candy apron and paid off the note.

From then on he prospered, enlarging his business until he became acclaimed as one of Lancaster's most substantial citizens. He was so prosperous, in fact, that he felt he could properly support a wife and married Catherine Sweeney in 1898.

But Milton Hershey still had dreams. He was bent on making chocolate candy, not just caramels, and in 1900 he sold his Lancaster factory for \$1 million with the intention of building a great chocolate factory in the country near farms where he could obtain fresh milk.

Hershey told friends he was determined to build the factory in Derry Township beside Spring Creek, buy farming land and stock it with cows so

there would be plenty of milk for making chocolate. He also planned to run trolley lines out into the country and make a new town for the employes to live in.

The chocolate factory was completed in 1904 and Hershey decided to try a new system—he would concentrate on a single item and make it so cheap that everyone could buy it.

And thus the world-famous Hershey Bar was born.

The Hershey Chocolate Co. was dissolved in the early '20s and replaced by three separate companies—the Hershey Chocolate Corp. which acquired all the chocolate properties, the Hershey Corporation which took over the sugar interests in Cuba, and the Hershey Estates which conducted the various businesses of the town and its public services.

The Hershey Trust Company now administers the funds of the Milton Hershey School and as trustee for the school it owned or controlled all the three companies.

This school was Hershey's major project. Actually it was the fondest dream of both the Chocolate King and his wife. They both loved children but realized they could never have any of their own. They realized, too, that their money was accumulating faster than they could spend it so they planned a home for unfortunate boys.

In 1909 Milton and Catherine Hershey deeded 486 acres of good farming land for the purpose of founding and endow-



This Hershey Kiss Streetlamp outside the Hershey Foods Corp. headquarters is another memorial to Milton S. Hershey.

ing the school. And when Mrs. Hershey died in 1915 Hershey decided he would give himself and the bulk of his fortune to the project.

Today 85 student houses of the Milton Hershey School are scattered over a 12,000-acre campus, amid sloping fields, brooks and trees. Family living in small student groups with understanding house parents forms the background for a homelike atmosphere. Daily chores help the boys learn good work habits and to take responsibility.

Medical care is provided by school doctors, nurses and consulting physicians. Everything that a student needs is provided by the school, including a weekly cash allowance. The school also has a financial aid plan to assure qualified students the opportunity to continue with college or technical school training.

The school is recognized for its high standards of academic excellence. Many of the graduates have gone into business and industry and many of them have become employes of the chocolate empire which made their education possible.

Their company now is one of the biggest in the food industry. Last year Hershey Foods Corp. reported sales of more than \$315 million and assets of \$205 million. There are more than 7,000 employes working for the company which in recent years has diversified.

Recent acquisitions include H. B. Reese Candy Co., Inc., in 1963, a maker of chocolate covered peanut butter cups, with a plant in Hershey, Pa.; San Giorgio Macaroni, Inc. of Lebanon, Pa. and Delmonico Foods, Inc. of Louisville, Kentucky in 1966, makers of macaroni and spaghetti products; Cory Corporation, in 1967, a Chicago based manufacturer of coffee brewing and food service equipment, and David & Frere, in 1967, one of Canada's largest manufacturers of sweet biscuits and cookies. These acquisitions have contributed substantially to Hershey's sales in recent years. Recently, Hershey also purchased Portion Control Industries, Inc., a preparer of convenience foods for the institutional market with annual sales of about \$18 million.

In 1968 the company announced that it was planning consumer advertising of its chocolate and confectionery products, breaking the 66-year tradition of no media advertising.

All of this—the huge chocolate business, the ideal community, thousands of jobs, a school for orphans—has resulted from one man's ability and hard work and his vision in channeling free enterprise into a dynamic force for the benefit of his fellow men.

—ROBERT F. HUBER

Estate Tax Speedup Proposed

The Administration has proposed a speedup of estate tax payments which, if enacted, would adversely affect many estates and threaten the liquidity of many closely held corporations.

The speedup of estate tax collections was proposed by President Nixon in his message to Congress on April 3 as a means of financing the settlement of the postal strike. No action on the proposal has yet been taken by Congress, but there is some possibility that the House Ways and Means Committee will consider the speedup proposal this session.

Under current law, estate tax returns are now due 15 months after death, and payment is normally made at that time. The valuations upon which the tax is based are determined as of death or as of a year following death, at the election of the executor or administrator of the estate.

The proposed speedup would require a large interim payment shortly after death. This payment would be due seven months following death (less than half the time now allowed), and would consist of 80 percent of the tax liability, determined as of that time, based on date of death valuations.

This interim payment would be subject to a ceiling. The seven-months payment would not exceed net liquid assets, which are defined as liquid assets minus specified deductions. Liquid assets are defined broadly, so as to encompass not only items generally considered liquid but insurance proceeds (apparently even insurance proceeds not included in the estate), promissory notes, and accounts receivable. The allowable deductions from liquid assets, to determine net liquid assets, are debts, funeral expenses, administration expenses, \$15,000 if the decedent was married, and \$5,000 per child.

This speedup provision would apply only to estates which have a value at death of over \$150,000, but valuation may have to be undertaken to determine if any advance payment is due.

This speedup proposal has been opposed by the American Bankers Association and the Tax Section of the New York State Bar Association.

If the proposed collection speedup becomes law, both estate planning and estate administration would be hindered. Good estate planning now encompasses such goals as transferability of interests to the heirs, stability of capital, and growth; but if the speedup is enacted,

liquidity may become of major importance. Administration of estates would be hindered by difficulties in probate, valuation, and liquidity, as we shall now examine in greater detail.

Probate problems may arise because the will is contested, because some assets or some liabilities are not discovered until after death, or because death precipitates the transfer of such things as life insurance, powers of appointment, and life estates. Probate difficulties would increase more than proportionately if the time for valuing them is shortened. This would be the case if the speedup is enacted.

Valuation is a difficult and time-consuming task under any circumstances, but the problems will be greatly increased if the Treasury's speedup plan becomes law. The Treasury plan would require the first payment seven months after death, which is five months before the alternate valuation date.

When the market is declining, an estate would pay its estimated taxes based on the higher date-of-death values, and thus might be obligated to sell more assets to make the seven-months payment than would be necessary to pay the eventual estate tax computed as of the alternate valuation date. On the other hand, in a rising market there would be capital gains but they would be short-term. Thus, whether the market is rising or falling, the estate will be taxed more heavily under a seven-month payment requirement than if adequate time for orderly liquidation were permitted.

Liquidity difficulties arise because liabilities are usually immediate, and invariably require cash, while the assets are generally in illiquid forms. Liquidity is now a serious problem for many estates, and would grow significantly worse if the time period were shortened. A look at the liabilities of the estate, in addition to the Federal estate tax, shows their immediate cash nature: income taxes of the decedent, incomes taxes of the estate, claims against the estate, funeral expenses, executor's commissions, lawyer's fees, state estate taxes, and foreign estate taxes. Yet the assets are largely illiquid: real estate, oil and gas interests, fine arts, interests in a closely held corporation, accounts receivable, notes receivable, and even "marketable" securities.

Congress has, in the past, recognized the severity of the liquidity problem by providing for deferred payment in limited instances. These instances were recog-

nized to be inadequate, and in 1969 the Treasury suggested that this area be expanded.

The Internal Revenue Code currently provides for installment payment of estate taxes, but eligibility for deferred payment requires either that two stringent tests be met, or that "undue hardship" be demonstrated.

Installment payment can be obtained by fulfilling two strict requirements, which in effect require the decedent to have owned a major portion of the business, and for that interest to be a major segment of his estate.

The decedent must have owned a major portion of the business. Either the number of owners cannot exceed 10, or at least 20 percent of the equity must be included in his gross estate. Where the business is a corporation, the 20 percent requirement can be met only by voting stock.

A major portion of the estate must consist of interests in closely held businesses. The closely held business interest must exceed 35 percent of the decedent's gross estate or 50 percent of his taxable estate.

Even if both requirements are met, the deferral provided by this section of the Internal Revenue Code is limited to the portion of the estate which comprises interests in closely held businesses. Both standards must be met. If one requirement is failed, then no deferral of estate tax payments is permitted under this section.

Estate taxes may also be paid over a 10-year period if it can be shown that this is necessary to avoid "undue hardship." However, "undue hardship" is narrowly defined by the tax regulations:

"The extension will not be granted upon a general statement of hardship. The term 'undue hardship' means more than an inconvenience to the taxpayer. It must appear that substantial financial loss, for example, loss due to the sale of property at a sacrifice price, will result to the taxpayer from making payment on the due date of the amount with respect to which the extension is desired. If a market exists, the sale of property at the current market price is not ordinarily considered as resulting in an undue hardship."

These provisions, while alleviating some of the more flagrant cases of financial hardship precipitated by estate taxes, do little to help the typical estate which includes illiquid assets.

The Treasury Department, in its "Tax Reform Studies and Proposals" of 1969 recognized the inadequacy of the existing provisions for estate tax payment deferral, and proposed some significant liberalizations. The Treasury would replace the present requirement that at least 50 percent of the taxable estate be interests in closely held businesses with a 25 percent requirement. The shareholder limit would be increased from 10 to 15, and the requirement that the shares be "voting stock" would be eliminated.

These changes in the law of estate tax payment deferral were never enacted by Congress. Because of the tight-money situation now facing the country, these deferral provisions are even more necessary than they were in 1969.

Even if an acceleration of estate tax payments is necessary for the Federal budget, there are objections to the specifics of the Treasury proposal. Practical difficulties would arise because partial payment before the alternate valuation date is required. Also, specific provisions of the Treasury proposal concerning "liquid assets" are unsatisfactory. Insurance proceeds not payable to the estate, as well as accounts and notes receivable which are theoretically collectible but are uncollected, would be included in the liquid assets category.

The American Bankers Association, although opposing the speedup, has suggested an alternative plan. The alternate valuation date would be changed from a year after death to six months after death, and the due date for the estate tax return and payment date would be changed from 15 months after death to nine months after death. Also, all gains on sales of property in the decedent's estate would be treated as long term.

If acceleration of estate tax collections is unavoidable, the NAM Task Force on Estate and Gift Taxation would prefer the American Bankers Association alternative to the Treasury's original proposal. However, liberalization of the "deferred payment" provisions are essential. Adoption of the Treasury's 1969 proposals would be a step in this direction, but more would need to be done.

The revenue gain to the Federal Government would be a one-time occurrence, to be spent and forgotten, but the disadvantages of the speedup would remain. The proposed speedup of estate and gift taxation follows numerous other tax speedups during the past decade. In fact, there may be no remaining taxes on which payment could be accelerated, so that enactment of the speedup at this time would leave no leeway or hedge in case of emergency.

—ROBERT FEINSCHREIBER

Many Companies Express Praise For Equal Employment Telecast

NAM's nationwide teleconference on equal employment has won high praise from industries throughout the country. Some typical comments:

"I felt this conference was excellent and was very impressed with the video telecast approach." SCM Allied Paper Inc., Kalamazoo, Mich.

"We would like to congratulate the NAM on an outstanding program in their national video teleconference on equal employment opportunity. The discussion and presentation made very clear what needs to be done in this area. The technical competence of the presentation was amazingly high." PennZoil United, Inc., Houston, Texas.

"Last week's EEO program arranged by NAM was a real success." Tectron, Providence, R.I.

"The NAM closed-circuit television programs was an outstanding success as far as Los Angeles was concerned. We had over 200 local participants who were quite impressed by the quality of the

program both from the standpoint of information provided by the speakers and the panels and the technical aspects." Lockheed Aircraft Corp., Burbank, Calif.

"Congratulations on the fine job that you and your staff did in presenting the equal employment teleconference." Oxford Industries, Inc., Atlanta, Ga.

"Congratulations on the excellent job on the video teleconference on July 30. The conference was very much worthwhile. The information was well presented both in the formal presentations and in the informal question-and-answer period." Cook Electric Company, Morton Grove, Ill.

"Just a note to tell how very good I thought your 14-city closed-circuit television meeting was. It was the kind of thing that could have very well gotten out of hand but it didn't. This means that all of you must have put a great deal of advance work and organization into it and you are to be congratulated." Mobil Oil Corporation, New York.

IRS Proposes to Liberalize Treatment of Advance Payments

On Aug. 7 the Internal Revenue Service published a proposed rule in the Federal Register which, to a certain extent, proposes to liberalize the treatment of advance payments received by businesses using the accrual method of accounting.

In general, the proposed rule will permit advance payments for goods to be accounted for in accordance with taxpayer's accrual method of accounting. For example, if an accrual method taxpayer who files his tax return on a calendar year basis receives \$1,000 in 1970 as an advance payment for goods to be delivered to his customer in 1974, the taxpayer may include the \$1,000 in his gross income in 1974, rather than being required to include that amount in 1970. However, an exception is made for cases where "substantial advance payments" have been received by the taxpayer in a year in which he has on hand goods of substantially similar kind and in sufficient quantity to satisfy the agreement in such year.

The new rules will permit advance payments received pursuant to an agreement for future services to be deferred

until the time of performance, but in no event beyond the year after the year of receipt. Such payments can be deferred only where the agreement requires that all the services to be performed under the agreement must be performed by the end of the year following the year of receipt.

For example, if an accrual method taxpayer using a calendar year receives \$100 in 1970 under an agreement for the performance by him of services in June of 1971, he may include the \$100 in his income in 1971.

The rule covering advance payments for future services mentioned above was published as a Revenue Procedure in a technical information release on Aug. 6.

Taxpayers now employing accounting methods different from those permitted under the new rules and desiring to change will be required to apply for permission to change to a new method. In approving any such changes, the Commissioner will apply the principles of Revenue Procedure 64-16, which generally requires a gradual absorption of the effect of the change over a ten-year period.



Secretary of Labor James D. Hodgson and NAM President W. P. Gullander appear on NAM's telecast on equal employment.

TV technicians keep telecast going smoothly as President Gullander faces the camera during the July 30 color presentation.



Panellists include (left to right) Assistant Attorney General Jerris Leonard, OFCC Director John L. Wilks, EEOC Chairman William H. Brown III, Assistant Labor Secretary Arthur A. Fletcher, Kennecott Copper Vice President Gilbert E. Dwyer, General Electric Vice President Virgil B. Day and Robert P. Tiernan, chief counsel, Kaiser Industries.



The Philadelphia panel includes Robert A. Matteson, Sun Oil Co., and Bennett Stalvey, OFCC area coordinator.



Appearing at the New York meeting on EEO are George P. Koons, vice president, American Can Co.; Phyllis Moehrle, assistant to NAM Vice President T. C. Allen, and D. L. Webber, director of equal opportunity affairs, ITT, New York.



Participating in the Chicago program are Silas S. Cathcart, an NAM director and president of Illinois Tool Works, Inc.; Stanley E. Birstein, manager, employment opportunity programs, Quaker Oats Co.; James Quisenberry, EEOC coordinator, Chicago, and Frank Keller, senior contractor relations specialist, Defense Contract Administration Services.



Adding local dimensions to telecast in Portland, Ore., are William C. Jacobs, director of Washington state's Department of Labor and Industries; Douglas C. Heider, member of Oregon's Wages and Hours Commission, and NAM Director Robert C. Warren, president of Cascade Corp.



Businessmen take notes at St. Louis end of the telecast. More than 2,600 attended the NAM-sponsored meetings in 14 cities.

Letters to the Editor

Bomb Threats

Our hospital received the 20 pamphlets "Bomb Threats to Industry" requested. It was introduced and discussed at our Department Head meeting.

All departments agreed it is an excellent publication, and needs to be included in our employee policy manual.

We would appreciate an additional 150 copies to be distributed to all hospital personnel. "Bomb Threats" educational classes will be scheduled for all employees upon receipt of these additional pamphlets.

Thora A. Stamets,
Public Relations Director,
Mountain View Pioneer Hospital,
Youngstown, Ariz.

Hagedorn Column

I have always found your articles in "NAM Reports" interesting.

The last one to reach me was the July 27 report. I want to congratulate you on it. I think everything possible should be done to get all people, but particularly the decision makers, to think in terms of the real basics regarding our economy.

It is hard to interest people in "basics." The way you handled it here, I think is sensible and will appeal to the harried, hurried leader of today.

All of these efforts—whether it be committees, sub-committees, or as editorials—sometimes seem so very futile. I am sure it is this continual "picking away" that does give some semblance of balance and at least puts restraint on superficial cures to our social, economic problems.

Kermit H. Wilson,
President,
Sico Incorporated
Minneapolis, Minn.

Oh come now, Mr. Hagedorn! Save our money on quality control and take our chances? I know you couldn't care less about my dishwasher but would you want to take your chances on a new car with defective brakes or a television set bursting into flames in the middle of the night? You ask if we will really be better off with government intervention in our relations with producers and I say we couldn't be worse off. The previously disinterested manufacturer of the aforementioned car displayed a lot of interest after receiving a copy of a letter I sent to Senator Ribicoff about its deficiencies.

While we wait for business to meet the demand of the modern consumer, there is an alternative—buy the quality product and sacrifice a few gadgets. Unfortunately

ly in most cases and especially with regard to automobiles, this means buying a foreign product. But as you say, private business always seems to give the consumer what he wants most so this may change in the future.

Mrs. James R. Boyd Jr.
14503 S.E. 170th
Renton, Washington 98005

Just a word to say that I have read your article in NAM Reports of July 27, 1970, "Financial Prospects," and congratulate you on your sound and accurate appraisal.

Robert Murphy,
Chairman of the Board,
Corning Glass International,
New York

Land Use

While NAM advocates the use of public lands by private enterprise ("Food for Thought in Land Law Report," NAM Reports, July 20, 1970), why not also sponsor *public* use of *private* real estate not being used, such as empty lands held by an industry for future expansion, timber lands, etc. I am dismayed at the parochial attitude of most of your articles month after month which seem primarily to reinforce common beliefs and fears but do little to suggest significant innovations. Surely the association which purports to be made up of the cream of the nation's business leaders could itself exercise some original thinking.

Robert W. Venables,
Associate Professor,
Department of History,
State University of New York

Drug Abuse

I read with interest the article entitled, "The Drug Problem and Industry," in your report of May 18, 1970, and found it most informative. To further pursue this subject, I would be most appreciative if you would send me a copy of "A Federal Source Book: Answers to the Most Frequently Asked Questions about Drugs."

W. G. McKenzie,
Executive Secretary,
Gulf Oil Canada, Ltd.,
Calgary, Alberta

Company Spending

Recently I have read in several publications . . . where many companies are tightening up on unnecessary expenses.

Many phases are covered, such as unnecessary excessive customer entertain-

NAM Reports will publish from time to time letters to the editor expressing comments on the magazine's articles and timely subjects. Send them to the Editor, NAM Reports, 918 16th Street NW, Washington, D.C. 20006.

ment, riding planes on tourist fares rather than first-class, writing hand memos instead of typing, top level executives taking voluntary salary cuts, and many other items.

It seems to me that management has been lax and inadequate in many cases for a long time. Making money for the shareholders is the name of the game. Conservative practices should be in effect in boom times as well as periods of depression.

The question is, "who should get the ax—management or some dedicated employees?"

H. R. Gayden,
Gayden-De Viney Co.,
Jackson, Miss.

Trade Fairs

Really, any trade association that considers Detroit has to be absolutely out of their tree!

During the first year, the second year and the third year after many promises from the Mayor of Detroit, that dump didn't change one iota!

Mayor Richard Daly of Chicago knows how to keep the troops in line—he knows that good convention facilities and an excellent (helpful) attitude on the part of organized labor in town helps provide jobs for a lot of Chicagoans. It's too bad that Detroit is so naive!

I sit on the Board of Directors of two trade associations and literally shot it down (Detroit) when it was mentioned.

Keep telling the truth—Cobo Hall is the worst convention facility in America from an exhibitors point of view!

J. C. Evans,
Vice President,
Gold Medal Products Co.,
Cincinnati, Ohio

I am writing to you about the DAVI Exhibition in Detroit a short time ago. I consider the outrageous treatment by the labor at Cobo Hall to be the final blow. I will not exhibit at Cobo Hall at any of the trade meetings until absolute assurances are given to prevent the type of gouging that took place at that meeting.

Bernard B. Shapiro,
Shorewood Reproductions,
New York, N.Y.

Fall Public Affairs Conference Set for Atlanta

The NAM Public Affairs Committee has scheduled its fall conference in Atlanta on Sept. 9-11, with special emphasis on bipartisan in-plant political fund raising programs for employees and industry's social responsibilities.

The conference will begin Sept. 9 with a reception and buffet dinner atop famed Stone Mountain. The first business session will be held at 9:15 a.m. Sept. 10 at the Sheraton-Biltmore Hotel.

Robert D. Buehler, NAM Vice President for Public Affairs and Inter-Association Activities, says the conference will be highlighted by several panel discussions on timely topics, including:

- Legislative issues and political education.

- Analysis of 1970 elections.

- How a multi-state company carries out its public affairs activities at its various branch plants.

- Development of a public affairs program for a small company.

Committee Chairman Dutton Brookfield, president of Unitog Company, will preside at the conference. Other members of the committee will serve as panelists. Among them will be Ralph O. Baird, assistant director of government relations, Sperry and Hutchinson Co.; William G. Whyte, vice president-Washington, U.S. Steel Corporation; William W. Martin, president, Martin Tractor Company, Inc.; Nick T. Ugrin, vice

president, community and governmental affairs, Union Oil Company of California; Gordon H. Ruggaber, assistant secretary and assistant treasurer, Wisconsin Telephone Company; and William Duvall, director of civic affairs, Borg Warner Company.

Registration fee for the conference is \$75 for committee members and \$25 for wives. Wives are invited to the opening reception and dinner and to one of the two luncheons scheduled. In addition, there will be a special tour of some of Atlanta's famous homes.

For further information and registration form, please contact the Public Affairs Department in the NAM Washington office.

Prevent Political Drop-Outs

Half the Eligible Voters May Not Go to Polls

More and more Americans are complaining about what is wrong with the country these days, but according to election statistics they have no right to complain.

Astounding as it may sound, 67.4 million eligible voters won't even bother to go to polls to vote on Nov. 3. This figure is a projection based on the percentage trend of those who vote in off-presidential years and the number of Americans who will be eligible to vote in the coming general elections. What makes this figure even more shocking is that only 73.2 million Americans voted in the presidential elections of 1968.

The Bureau of the Census estimates the voting age population will be 124.9 million people for the 1970 elections. Eighteen-year-olds (who will not be eligible to vote until January 1971) are not included in this figure, so the finger cannot be pointed at this group of new voters as the "I-don't-care-enough-to-register-and-vote Americans."

The percentage of those over 21 who vote has been decreasing each election year since 1960. The drop-off or percentage of drop-outs is much greater in off-presidential election years.

One of the largest areas of voter drop-outs is in the business community where many give excuses—they are too busy to vote or they have just moved and haven't

had time to register.

What can business do about this? It can actively participate in PREVENT POLITICAL DROP-OUTS, a voter promotion specially designed for business. PREVENT POLITICAL DROP-OUTS

provides the "executive planning aid" which gives a step-by-step plan for promoting a register and vote drive. Direct to employee promotional aids aimed at stimulating voter participation are among the many items provided in the kit.

Prevent Political Drop-Outs Kit Order Form

Send to: **Public Affairs Department**
National Assn. of Manufacturers
918 - 16th Street, N.W.
Washington, D.C. 20006

(ONE KIT ONLY OFFERED WITHOUT CHARGE
TO NAM MEMBER-COMPANIES)

☐ Please send one free kit

Please send me _____ Kits at \$5.00 each.

☐ Check enclosed.

☐ Invoice me.

Name _____

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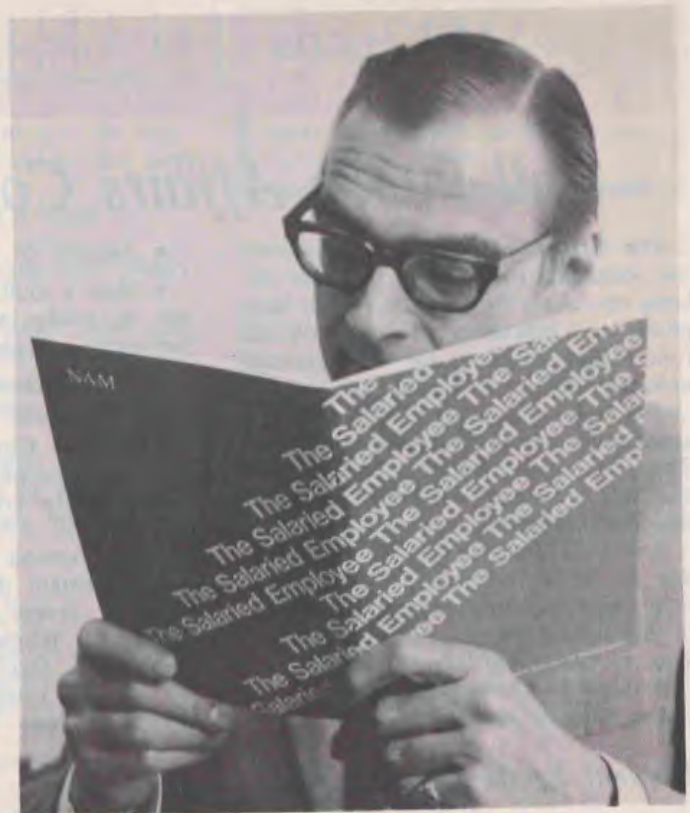
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RISKY BUSINESS: Taking Salaried Employees for Granted

SALARIED EMPLOYEES may not take to the streets to get attention, but discontent seems to be growing.

- Their search for challenge in the job is often frustrated.
- They can get caught in layoffs the same as plant employees.
- Concern is mounting because of sizable wage gains granted to both skilled and unskilled blue-collar employees.
- With the rise of organization and strikes among professionals, unionism has gained acceptance.

What to do about it?

A practical manual for management, *The Salaried Employee*, is now available, incorporating ideas developed by Armstrong Cork, Honeywell, Eastman Kodak, General Electric and B.F. Goodrich. Problems with *salaried employees* will respond to good practice in

Status and Recognition	Communication
Compensation	Supervision

Here are sound suggestions to build productivity and morale among all salaried people—from clerk to scientist.

The manual includes a mechanism for *Auditing Salaried Personnel Practices* to pinpoint the areas where company practices fall short of the needs and wants of salaried employees.

**COVERING EMPLOYEES
IN THESE CATEGORIES:**
Technical and Professional
Clerical and Stenographic
Staff and Secretarial
Supervisory and Administrative
Engineering and Scientific
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Distribution Services, NAM
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Please send me _____ copies of
The Salaried Employee at

1-24 copies	\$1.00 each
25-49 copies	.75 each
50-99 copies	.50 each
100 and over	.25 each

Check for \$ _____
payable to National Association of
Manufacturers is enclosed.

Name _____

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Dwight Newton

How TV's czar got a TV set

Dr. Clay Tom Whitehead, 34, the President's TV adviser, appears to be the unchallenged Mr. Clean of the Nixon Administration, never even once accused of conspiracy, extortion, tax evasion, burglary, collusion, perjury or miscellaneous dirty tricks.

"But I've been investigated by the FBI," he con-



CLAY T. WHITEHEAD
Another club of fear?

fided at lunch here yesterday. How did he know? "Well, my father has a gas station out in Kentucky and a neighbor dropped by one day and said, 'The FBI came around checking on Clay. I didn't tell them anything.'"

That was three years ago when Nixon appointed Whitehead director of the White House Office of Telecommunications Policy, a \$3.2 million-a-year operation that has given Whitehead awesome influence over broadcasters.

Whitehead was here to deliver his second annual address to the local TV Academy membership. On his first trip here, the nation's TV czar confessed to this column that he did not have a TV set at home. Now he has one.

Did he buy it? "No." Rent it? "No." Steal it? "No." Receive it as a gift from RCA seeking favors? "No." Then how did he acquire it, pray tell?

"I was married last May. My wife owned it and we kept it." The TV set came with the dowry? "It's a black and white set," said Whitehead. Oh, the set came with a small dowry.

Whitehead's general counsel Henry Goldberg notes that a year ago the press depicted Whitehead as "a young czar riding the crest of power stuffing policies down the throats of the FCC and the Congress." Former FCC Commissioner Nicholas Johnson charged: "Whitehead is scaring the holy bejesus out of the industry."

Asked here if broadcasters are running less scared because of the Watergate or Agnew and other Administration scandals, Whitehead said: "Only to some extent. You are one of the few groups that have invited me back to speak."

The thrust of his speech was that he wanted to free broadcasting from rigid government controls yet the expanding authority of Whitehead's own office impelled one local general manager (Russ Coughlin, KGO-TV) to refer to the FCC and ask, "Are we to consider you another club of fear?"

TW
clipping

From the National Office

Union, government officials in thorough discussion on maritime plans

By Vice President Mel Barisic



The problems of our declining merchant marine were discussed at an important meeting between government officials and members of the AFL-CIO Maritime Committee a few weeks ago at the Pentagon in Washington. Secretary-Treasurer Shannon Wall and I represented the NMU in the discussions that took place.

We met with John W. Warner, Undersecretary of the Navy, and Clayton Thomas Whitehead, representing the White House, and had a very thorough discussion of the present state of our American merchant marine and what it means to the country. Also present was Robert A. Carl, Special Assistant to the Undersecretary, who is one of the most knowledgeable people on maritime affairs and a long-time friend of the U.S. merchant marine.

Our discussions concerned the history, past programs, and present status and future of our merchant marine. We also brought up the importance of maintaining and improving our passenger fleet to serve our nation in times of peace

as well as in times of emergencies.

General agreement. There was general agreement on the need for an adequate commercial U.S.-flag merchant fleet. Naturally, there was difference of opinion about what kinds of ships and how many were adequate. But we think we got some points across.

The government officials did not make any commitment concerning our fight to eliminate the phony "effective control concept." But we made clear that we believe it is one of the most dangerous mistakes ever put over on our country. We also made clear why we think the so-called FDL ships cannot work.

Mr. Warner and the others showed a great deal of interest in the problems affecting the nation and the maritime industry. The Undersecretary revealed that he was well aware of the present situation and said the administration intends to come forward with a program but they did not indicate what it would be.



High-level conference. Government and Union officials meet at the Pentagon for a high-level discussion on the problems affecting our declining American merchant marine and their relation to our nation's power and prestige. Shown left to right are Robert A. Carl, Special Assistant to the Undersecretary of the Navy; John Bonner, IUMSWD; Carroll Armstrong, Great Lakes Local 5000, USWA; Leon Shapiro, MEBA; Secretary-Treasurer Shannon Wall of NMU; John W. Warner, Undersecretary of the Navy; Vice President Mel Barisic of NMU; Clayton Thomas Whitehead, White House Representative and Hoyt Haddock, Executive Director, AFL-CIO Maritime Committee.

From the National Office

White House concerned. Clayton T. Whitehead, the special White House representative, reaffirmed the President's interest in the maritime industry as it affects our nation and expressed his concern in our problems. He said he would report the discussions which took place at the meeting to President Nixon at the White House.

Hoyt Haddock, Executive Director of the AFL-CIO Maritime Committee and his assistant, Ben Man, met a few days later with high Navy officials and went into more detailed discussion on specific issues, including plans in the important developing field of oceanography.

Admiral Odale Waters, who is responsible for the oceanography development of the U.S. Navy, stated very strongly that he agreed with the AFL-CIO Maritime Committee that the resources

and funding made available to this phase of maritime development must be increased very sharply if we are to maintain a leadership position in the world. Admiral Moorer stated recently that our privately-owned and manned merchant fleet under the American flag must achieve and maintain a status which would be second to none in the world.

There is a great deal of optimism in both Democratic and Republican circles in Washington that action to bolster the floundering American merchant marine will be taken some time this year. Many bills are being introduced into the legislative hopper but no positive action has taken place at the time this edition of The Pilot went to press.