

To: Tom Whitehead

March 4, 1970

From: Walt Winchman

Subject: Further Thoughts on Telecommunication Reorganization

It is apparent the OTM people consider the OTP merely an elevation of themselves to a more powerful position. In view of the serious shortcomings of this office in the past, most of which resulted from the personnel rather than the organizational setting, this would seem counterproductive to the objectives stated for the OTP. At the same time, Commerce activities in this field have in the past been overly academic and devoid of close operational involvement. The following suggestions represent an attempt to improve both these situations.

OTM functions can be readily separated into two categories: Policy-Making and Spectrum Management. As is widely known, the OTM capability for policy-making (whether in satellite communications, NCS, or other areas) has been woefully inadequate. There seems little merit in elevating the persons chiefly responsible for this situation to high positions in the OTP.

On the other hand, the OTM is widely credited with doing an effective job of spectrum management for Federal uses. It appears certain members of the office intend to use this reputation to gain a sizeable foothold in the OTP, which could lead to an increasingly major role in overall policy formulation. This is quite consistent with previous manipulation of the policy machinery, wherein the mysteries and myths of spectrum management and use have been used to disguise and distort policy decisions.

Since this seems to me a very serious threat, I would like to correct any possible misconceptions as to my own (or the Communication-Task Force's) assessment of the OTM Frequency Management Directorate (FMD). First, it should be noted theirs should be primarily an operational rather than policy-making function; i.e. the routine day-to-day coordination of frequency usage and assignments among Federal users. Any credit due or previously attributed to the FMD falls in this category. On the other hand, on issues concerning overall policies which should govern spectrum usage (e.g. priorities of Federal and non-Federal uses, economic and social considerations, national and international allocation and usage procedures, consolidation of Federal and non-Federal spectrum resources and management responsibility, etc.), the FMD has been consistently and adamantly opposed to every constructive suggestion for change. A major effort was made during the 1968 Task Force activities to develop a more rational and

comprehensive approach to these problems. The single opponent to change was the FMD, which steadfastly resisted all efforts at negotiation or reasoned debate on this most vital issue; it was finally incorporated (with the endorsement of all other agencies) over the dissent of the office. More recently, the FMD was directly responsible for OTM views on spectrum and orbit scarcity during the domestic satellite policy debate. This attitude would certainly bode ill for a more enlightened evaluation of future frequency management and usage alternatives, which should be a primary mission of the OTP.

Another activity which merits careful consideration is the Spectrum Development Division of the FMD. Don Jansky seems particularly confident this group will end up in OTP, on the grounds it is conducting a broad research program in improved spectrum utilization and has been instrumental in promoting the NECAF concept. To set the record straight, the few "research" projects this group has funded (e.g. on basic factors bearing on future use of the radio spectrum, electromagnetic radiation hazards, and the NAE study of social and economic value analysis of spectrum uses) have been unmitigated fiascos. Several qualified organizations in the field (RAND, SRI, GE, etc.) actually refused to bid on the studies due to the lack of adequately-defined objectives, work statements and monitoring capabilities. This can hardly be considered an endorsement of the effort, nor do the resultant reports support any claims to greatness. As for NECAF, this concept evolved from a variety of studies by agencies and organizations other than OTM over the past 10 years, and was most comprehensively described in the JTAC report Spectrum Engineering-The Key to Progress. OTM merely gave it a name, derived from DOD's ECAC, and began pushing for funds to support it; most experts who have examined the OTM plan for developing NECAF have serious doubts that the desired objectives would be achieved.

Aside from what this group has or has not accomplished, there is again the question of function. The tasks of conducting research on improved techniques for spectrum utilization and of developing a NECAF capability should, under the proposed reorganization, fall to Commerce. In fact, it does not even seem to fit the operational mission of the FMD, but rather the research and analysis mission of TRAC.

For these reasons, I seriously question the advisability of transferring any of the present FMD functions or personnel into the OTP. On the other hand, the creation of a close liaison between this group and the Commerce activity should be beneficial to both. Commerce desperately needs the practical leavening such an operationally-oriented group could provide; and the FMD desperately needs the engineering and analytic

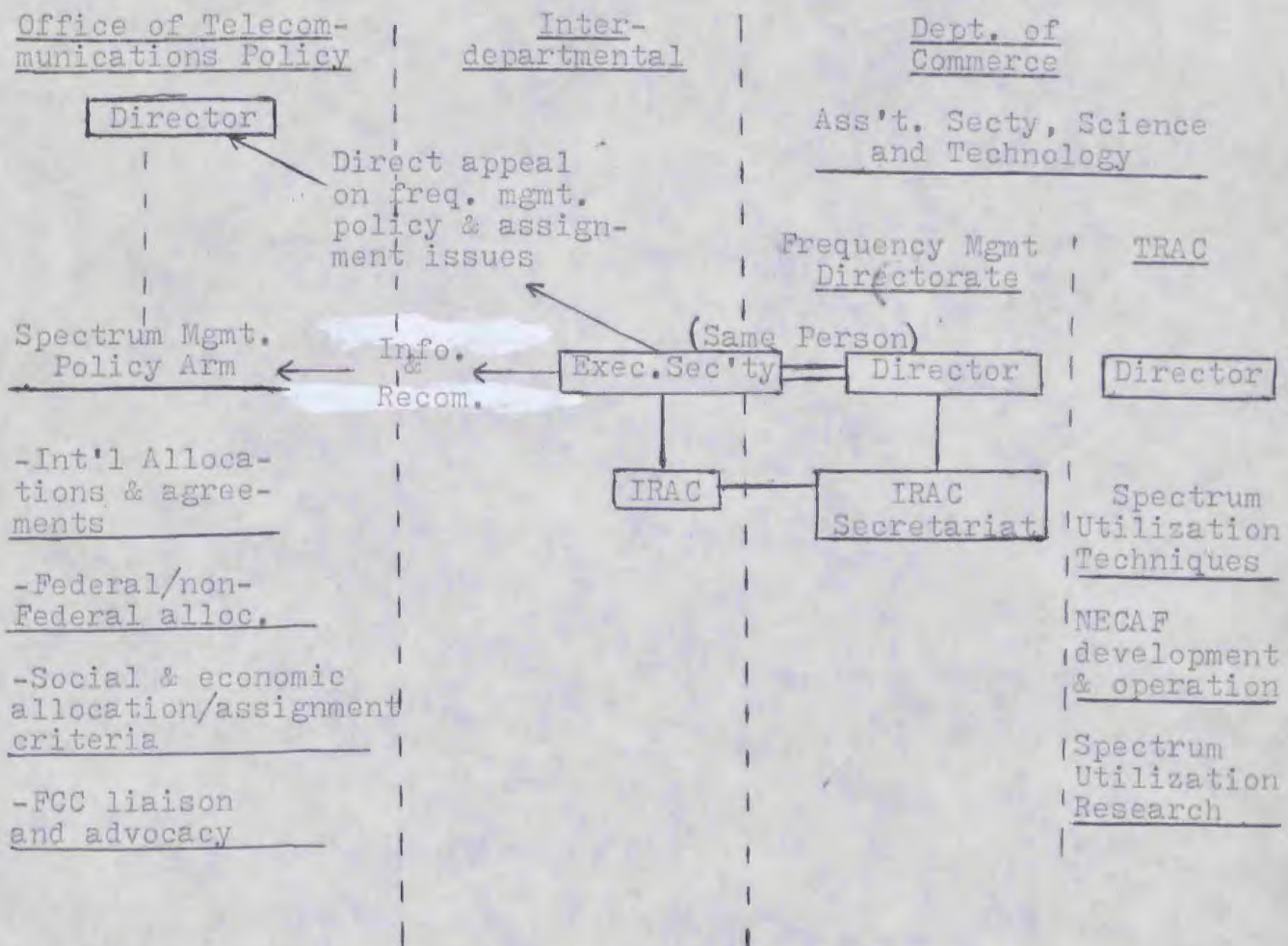
capabilities Commerce could bring to bear on the development of NECAF and the definition and monitoring of required research programs.

The crucial question seems to boil down to functions, rather than personnel. If the functions of the FMD were either transferred to Commerce or placed in some other organizational context (we once discussed simply leaving them in OEP, though that seems a poor choice) then appropriate individuals could be plucked from that organization to serve in OTP as desired and/or needed. On the other hand, if the functions of the FMD are lodged in OTP, it may be very difficult to avoid having a large complement of both the personnel and programs now associated with that operation in the OTP, with potentially disastrous results.

One alternative you might wish to consider, if it were politically feasible, would be to establish the FMD as a separate operation in Commerce (independent of but as a companion to TRAC) supporting the IRAC which would be advisory to OTP. The head of FMD, who would also head IRAC, could have direct recourse to the OTP on policy decisions regarding frequency assignments and usage via the IRAC hat, without clearance from either TRAC or the Ass't. Secretary of Commerce, etc. For purely administrative matters, however, the FMD would be in Commerce and IRAC would be simply an inter-agency committee as it once was, though the FMD would provide meeting space and supporting services. This would give the IRAC/FMD the voice it desires in spectrum policy matters without at the same time swamping the OTP with Federal spectrum management issues and concerns. The OTP spokesman on overall spectrum management policies (Federal and non-Federal), would be a significantly different type of individual than those found in the FMD. An organizational diagram illustrating this option is attached.

That pretty well sums up my thoughts on functional assignments. With regard to personnel, I can only urge extreme caution in assigning any of the OTM people to principal policy-making jobs. Despite the temptation to consider these as "experienced" hands, I suspect OTP would fare better from the outset with a smaller staff made up of "green" recruits and a few people such as Dick Gabel, Bill Melody (FCC), etc. There are a few people at OTM who might be useful as supporting staff, but it is unlikely these could be obtained initially without taking their superiors as well. The answer here may be to transfer all to Commerce or elsewhere (DOD?), then selectively recruit any who might be useful.

Possible Organization of Spectrum Management Functions



FEB 25 1970

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PREPAREDNESS
WASHINGTON, D.C. 20504

OFFICE OF THE DIRECTOR

MEMORANDUM FOR:

Honorable Peter M. Flanigan, Assistant to the President

✓ Honorable Clay T. Whitehead, Staff Assistant to the President

SUBJECT: Telecommunications Reorganization

Regarding Reorganization Plan No. 1 of 1970, as transmitted to the Congress on February 9, 1970, I see no major program, legal, or administrative problems for the Office of Emergency Preparedness. We will cooperate fully in effecting the necessary transfer of personnel, funds, and functions. Specifically, we will assist the Bureau of the Budget in amending existent Executive orders and other documents.

We will work with the Bureau and the Office of Telecommunications Policy in determining the exact number of positions, funds, and property to be transferred. We are prepared to continue to provide administrative, program and computer support to the new agency as it may require and as we may reach mutual agreements on reimbursement where appropriate.

Due to the complexity of the computer program for frequency management, it will be necessary to phase this activity into the programs of the Telecommunications Research and Analysis Center as this instrumentality is brought into operation.

The attachment to the Release on the reorganization indicated that the Office of Telecommunications Policy would "make recommendations to the President through the National Security Council on national security and emergency preparedness aspects of telecommunications systems." That statement does not appear in the Reorganization Plan. It might be interpreted as being in conflict with my responsibility for advising the President on all aspects of emergency preparedness and for coordinating this activity among the various departments and agencies. I would appreciate an opportunity to review any additional orders or statements of function that might be issued in the implementation of the Reorganization Plan.

2.

The staff of OEP will work out with the staff of the Office of Telecommunications Policy an understanding and agreement on what telecommunications emergency preparedness functions would remain in OEP and what ones would be formally delegated to the Director of Telecommunications Policy. A decision as to whether any of the resources currently utilized in the Office of Telecommunications Management for such emergency preparedness purposes will remain in OEP will depend upon relationships that are worked out.

Signer

G. A. Lincoln
Director

Budgetary Effect of Reorganization

For 1970, the Director of Telecommunications Management has been provided an appropriation of \$1,795,000. By mid April, about \$465,000 of this appropriation will be unobligated. It is estimated that of this amount, \$378,000 will go to the Office of Telecommunication's Policy (OTP) and \$87,000 to the Department of Commerce. The amount going to the OTP includes \$200,000 of funds designated for contractual research which will permit the Director of the OTP to initiate research in the high priority problem areas of telecommunications policy.

The President's Budget for 1971 includes \$3,300,000 for the Director of Telecommunications Management. Included in this request is \$906,000 and 40 positions to establish a National Electromagnetic Compatibility Analysis Facility (NECAF) to solve complex frequency management problems. Contractual research is estimated at \$880,000. This amount will provide for improvements to the automatic data processing capability in the frequency assignment process. In addition, the \$880,000 will permit continued research in frequency management and the initiation of research in other areas of telecommunications which have long been overlooked.

The 1971 request also would increase the personnel in the frequency management area by 4 positions in order to keep up with the increasing workload. Without the past efforts to develop a capability to use automatic data processing techniques, the personnel requirements for the frequency management task would be considerably greater.

Professional personnel in areas other than frequency management are to be increased by 10. This provides 5 each extra in National Communications

and International Communications. These increases in personnel in conjunction with the additional contractual research resources will permit the government to begin to look in depth, and on a continuing basis, at both current problems and ones which can be avoided through the judicious application of long range planning.

The following table is the best available estimate of the distribution of the 1971 budget to the OTP and the Commerce Department:

	<u>1971 Budget for the DTM</u>	<u>OTP</u>	<u>Commerce</u>
Funds (\$ in millions)	\$3.3	\$1.9	\$1.4
Positions	117	47	70

The basic considerations used to develop this distribution were:

- (1) The NECAF will go to Commerce
- (2) \$250,000 of the contractual research funds for ADP capability development will go to Commerce; \$630,000 of contractual research funds will go to OTP
- (3) The bulk of the Frequency Management capability will go to Commerce; final authority for assignment of frequencies will to to the OTP

Direct financial savings in DTM budgets will not be obtained through this reorganization. It is to be expected, however, that savings will accrue to the government as a result of more comprehensive analysis and planning for telecommunications prior to large investments in hardware which could have been avoided if the government were more aware of what it was doing in this highly complex and dynamic area.

2/4/70

July 10, 1970

MEMO FOR JON ROSE

From: Tom Whitehead

The attached is a very first draft. I think it covers the water front as we discussed it, although it leaves out any miscellaneous responsibilities Pete might have such as Presidential appointments, etc.

The division into three areas probably is OK, but the quality of the exposition goes down as you get to the third area. I will redo this, probably mostly editorial and some clearer exposition in area three, and get a copy to Pete this afternoon.

DRAFT 7/10/70

MEMORANDUM FOR

Mr. George Shultz
Mr. John Ehrlichman

As a result of our discussions about operational arrangements for the new White House/Executive Office organization, the following is a summary of my understanding of the role of my office in the economic area. It falls into three broad areas of activity:

(1) Commercial matters, major actions of the regulatory agencies, and liaison with major business community leaders; (2) "Troika plus" economic responsibilities; and (3) Domestic Council responsibilities.

1. Commercial matters and liaison: The condition of the economy is likely to be our biggest domestic political problem throughout the balance of the President's first term. Our success in dealing with it will be highly affected by the confidence we are able to engender among business leaders in our policies. This vital confidence requires continuing liaison effort with major industrial and financial leaders by some person who is recognized as a participant in the economic policymaking process with considerably frequent access to the President. These major leaders are of such stature that they will not be comfortable in dealing with Domestic Council or OMB

deputies, and both you and John will be too busy with other responsibilities to represent the Administration in this area. This liaison effort I see as related to, but separate from, the related job of enlisting trade associations and important interest groups behind the Administration's legislation.

My office would have the following responsibilities in this area:

a. Direct personal liaison with major commercial leaders and coordination of White House staff contacts with major industry officials. Coordination of all substantive communications between such leaders and the President or senior White House and Executive Office officials. Information copies of all such correspondence and meetings would be forwarded to you and Ehrlichman and Troika members.

b. Direct policy and operational coordination of truly major commercial or financial problems that arise from time to time, but do not fit into the "Troika plus" continuing policy responsibilities. Responsibility for forwarding information and decision alternatives to the President after coordinating with you, Ehrlichman, and in many cases the entire Troika. Information copies would be sent to you and Ehrlichman on all matters.

c. Direct liaison with the quasi-independent regulatory agencies (except for NLRB) and responsibility in coordinating the presentation of decision alternatives to and from the President on matters affecting

these agencies. Day-to-day relationships and routine management and coordination matters would be handled by OMB; however, major operational and policy issues would be referred to my office because of the political sensitivity of executive branch relationships with these agencies and the major impact on the private sector of the economy. All major substantive issues and Presidential communications would be coordinated in advance with you and, as appropriate, the Troika. Information copies would be sent to you on all Presidential communications and major communications with regulatory agencies.

2. "Troika plus": This organizational arrangement provides an essential central focus for continuing economic policy areas along with the flexibility to involve appropriate Administration officials on specific issues as the need arises. However, there will be many inputs to the President from a variety of sources on "economic" matters, not necessarily through the Troika arrangements. There will further be many ad hoc issues and problems that are related substantively, but are not necessarily staffed out in conjunction with one another or coordinated in their execution.

My office's responsibilities here would include:

a. Sharing with Under Secretary Volcker the "Troika plus" responsibilities for the development of foreign economic policy as

set forth in paragraph 4 of your memorandum of June 27.

b. Special economic projects manager as defined in paragraph 5 of your June 27 memo. This would be closely related to (1) above and would require close liaison with your office.

c. Coordination of all Troika and "Troika plus" decision options and information memoranda to and from the President except for budget, taxation, and expenditure policies. Information copies of all such correspondence would be sent to you (and/or the Troika) and I would clear with you all major substantive matters before preparing decision alternative papers for communications to and from the President. Although most of the responsibility for followup on Presidential decisions in the economic area would be with OMB, it would be useful for my office to provide some oversight of the status of followup in all economic areas in conjunction with the above coordination possibilities.

d. Communications with the President on budget matters should be your direct personal responsibility; information copies from you to me would be helpful and would essentially complete economic coordination arrangements.

3. John Ehrlichman prefers that purely economic matters be handled outside the framework of the Domestic Council. However, many matters requiring Domestic Council attention will have strong economic components, and many economic policy problems will require

White House involvement beyond the OMB and Troika level. Also, science and technology related matters tend to have a strong economic element at the policy level. With respect to Domestic Council/OMB coordination in the economic and commercial areas, the responsibilities of my office would be:

a. To the extent that Commerce, Treasury, or other economic areas are brought to Domestic Council attention, be the principal Domestic Council staff officer. Also coordinate the economic components of other Domestic Council policy issues as appropriate.

b. Operational involvement with Commerce, Treasury, OST, OTP, and OEP to the extent the operational issues have a major economic impact.

c. To the extent that scientific or technical issues are brought to the attention of the Domestic Council, be the principal staff officer. On most matters, OST, OEP, and OTP would work directly with OMB, but the natural community of interest between my office and those offices would make it natural for me to follow their activities and work with them on any Domestic Council issues that arise.

Peter M. Flanigan

Reorganization

Mechanical flow problem for information

June 27, 1970

MEMORANDUM FOR: Honorable David M. Kennedy
Honorable Paul W. McCracken

Re: Organization for Economic Policy

This will summarize our discussion of the areas of primary attention and a "Troika plus" organizational arrangement, with the "plus" varying by subject matter.

1. Basic estimation of budget variables, monitoring of expenditure and revenue flows, initial discussions of tax and expenditure policies:

plus
Troika and ~~its~~ ^{the} staff, special responsibility with Office of Management and Budget.

Structure?
regular presentation
Continuing analysis and interpretation of economic developments and the relation of these developments to economic policy:

the
Troika, Quadriad and ~~the~~ ^{the} staff, special responsibility with Council of Economic Advisers.

3. Analysis of governmental regulations, purchasing policies and other actions with a view toward their impact on price and employment developments:

Regulations and Purchasing Review Board
(OMB and CEA participation are means of coordination with the Troika activities).

4. Organization of information about and analysis and interpretation of foreign economic developments (country and region, trade patterns, monetary) and work on foreign economic policy:

Troika plus State, Commerce, Special Trade Representative, and NSC on a regular basis and others depending on the issues, with special responsibility with Treasury.

5. Special projects in economic policy are constantly arising, some posing an immediate "management" and follow-up problem and some involving the inputs of economic analysis on a more general issue. Often the immediate problems are handled on a case-by-case basis, with broad policy being made almost before anyone is really aware of the more general issues:

Special projects manager under general Troika auspices, with special attachment to the Office of Management and Budget.

The appropriate chairmen for the listed activities should follow the special responsibilities identified in each area, with the chairman for individual projects designated through the Troika process on an ad hoc basis.

George P. Shultz

The five area chairmen and project chairmen will report to the President on the economic activity for which they have been assigned special responsibility. These will be both information reports and recommendations for executive action. In response, there will be Presidential directives regarding policy development and regarding ad hoc actions to be taken. In addition, there inevitably will be inputs to the President from, and directives by the President to, other interested agencies regarding these economic matters. To coordinate these inputs on a substantive basis, and to follow up where necessary on Presidential directives or requests, there should be a designated White House office.

OTP Budget Information

FY 70 (est.) -- \$2386M (?) (including salary supplemental of \$500K)

FY 71	(HOUSE APPROVED)	1.795 M
	(NECAF)	.906 M (40 pers & contract)
	(Freq. Mgmt. Staff Increase)	.060 (4 persons)
	(National Comm. Staff Increase)	.159 (10 persons)
	(International Comm. Staff Increase)	
	National and Int'l Comm. Contract Studies	.380
		<u>3.300</u>

Pastore Briefing on OTP Budget Points to Stress

1. OTP will not, under CTW direction, merely continue the existing activities of the DTM. Those which seem productive and worthwhile in the broader context of the OTP charter will be retained; a few will likely be dropped; and several new areas of effort will be undertaken. Specific examples:

Retain: Development of improved tools and techniques for better spectrum management, including electromagnetic compatibility analysis capability and better records of frequency assignments and use.

Drop:

a) Growth and Control of Radio Noise (function now responsibility of Commerce, which already has programs capable of providing needed information).

b) Experiment in Spectrum Management Alternatives (requires additional review by a broader policy group before undertaking proposed small-scale experiment).

c) Spectrum Monitoring (function to be performed by Commerce under OTP direction).

d) NECAF (while improved analytic capabilities must be developed, it is not now apparent that a distinct new facility to handle

such analyses on a routine basis is either essential or necessarily the best long-term approach. Thus, while additional personnel and resources are needed (by Commerce) to develop the techniques and data base, these needs may be considerably smaller in FY 71 than previously expected.

Add:

a) Comprehensive review of U. S. preparatory studies for forthcoming ~~CEIR~~^{CCIR} meetings and World Administrative Radio Conference for Space Telecommunications; and preparation of U.S. views for these conferences.

b) Review of government spectrum allocations and usage in the 30-1,000 MHz ~~bands~~, to determine whether some of these resources can be reallocated to or shared by land mobile services within the U.S.

c) Evaluate the technical feasibility and probable economic impact of alternative sharing and/or allocation criteria for satellite and terrestrial spectrum uses.

d) Develop a method for identifying and ~~qualifying~~^{quantifying} the amount of "spectrum resource" used by an individual radio system, as an aid both to establishing the value of alternative uses and to ensuring maximum packing density of compatible uses.

e) Establish a national secretariat for the continuing coordination, support and review of U. S. preparatory work leading to international telecommunication agreements on spectrum allocations and use, INTELSAT organization and operations, etc.

f) Review the technological and economic feasibility of satellite broadcasting, and evaluate the probable social and economic impact of such a service both domestically and for developing nations.

g) Review the need for and development of an integrated National Communication System, and develop plans for either discontinuing this concept or establishing more effective coordinating mechanisms as appropriate.

h) Identify the probable benefits and new services which wide-band cable technology can provide, the probable economic impact of wide-spread cable development on over-the-air broadcasting, and the potential diminution of over-the-air service to the home as the result of cable development. Formulate policy recommendations to the Congress and FCC to ensure that the benefits of cable development are realized while the detrimental effects are minimized.

2. Given these objectives for FY 71, the OTP needs the following increases over the FY 70 OTM budget resources, in order of priority. Some of these will, of course, be diverted to Commerce for supporting studies:

a) 540K for 10 new professional staff, supporting staff, and contract studies to deal with broad telecommunication subjects not previously dealt with by the OTM.

b) 500K for 20 staff members (mostly in Commerce) to develop electromagnetic compatibility analysis techniques and data base and to provide technical support for the ^{broader}~~broader~~ spectrum policy and allocation planning.

c) 60K for 4 additional frequency management staff (all in Commerce) to handle increasing workload of assignment records and processing.

d) 405K for 20 staff members (all in Commerce) to expedite the development of an electromagnetic compatibility analysis capability, particularly in the collection and processing of data on radio equipment characteristics and spectrum assignments.

Total increase requested -- \$1,505K

3. Emphasize that in all these activities -- and particularly in the spectrum policy and allocation planning and electromagnetic compatibility analysis development -- the effort will shift from being government-oriented and dominated to a position of objective neutrality as between government and nongovernment interests, seeking only the wider and

more effective use of the over-all spectrum resource. Accordingly, the data and techniques developed will be equally applicable for and available to the FCC, which we expect would both participate in the development efforts and make use of the resultant capability, as would the IRAC for government radio services. The same philosophy will prevail in the preparatory work for ITU and CCIR allocation and standardization conferences.

4. Stress that, prior to establishing any single governmental facility to carry out electromagnetic compatibility analyses on a regular basis, it is essential that we determine whether or not a single, unified national control of spectrum assignment and usage is either necessary or desirable. The FCC, for example, is moving toward regionalization of the frequency assignment and management functions, in recognition that most compatibility problems are very localized in extent. This is also in line with recommendations of the Rostow Task Force. Before we propose a single government facility for this, we want to see first if regional facilities might be more appropriate and effective, second if these might be joint government/nongovernment facilities, and third if this might not be carried out by private analysis centers hired by the prospective spectrum users rather than an ever-expanding army of Federal employees. There are many consulting engineering firms, academic institutions, computer service organizations, etc., which might very effectively provide such a service once the basic

analysis techniques were developed and approved by the FCC and OTP and appropriate interference/compatibility standards were adopted. This service could easily become similar to a title search in real estate transactions, wherein the prospective licensee would merely be required to submit evidence to the FCC or OTP that a compatibility analysis had been conducted, with acceptable results, by an authorized entity. The governmental function could thereby be reduced to verifying that other licensing conditions (e. g., fiscal responsibility, broadcast and/or common carrier clearance, allocation rules and standards, etc.) were met, and policing of any reported interference cases which might subsequently arise.

THE WHITE HOUSE

WASHINGTON

December 6, 1969

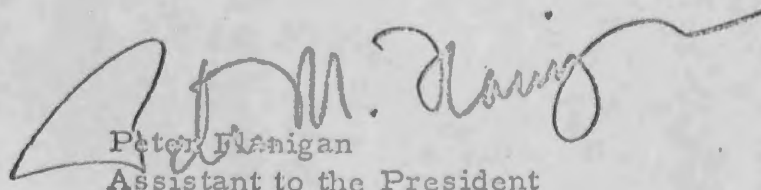
MEMORANDUM FOR

Attached are:

(1) A discussion of the executive branch organization for telecommunications and a recommended reorganization.

(2) A description of the responsibilities of a new Office of Telecommunications Policy.

Both the Bureau of the Budget and the staff of the President's Advisory Council on Executive Organization have assisted in the preparation of this recommendation. We would like to have your comments before submitting a final recommendation to the President. I would appreciate having your comments by December 13.



Peter Flanigan
Assistant to the President

Attachments

EXECUTIVE BRANCH ORGANIZATION FOR TELECOMMUNICATIONS

In spite of the rapidly growing importance of telecommunications to the Nation and for the government's own missions, there is no effective policy-making capability for telecommunications in the executive branch. The Administration is therefore largely unable to exert leadership or take initiatives in spite of vulnerability to criticism for FCC policies. Government-wide coordination of its own telecommunications activities has not been adequate. These problems have been manifested in several ways:

1. There is a serious lack of effective machinery for dealing expeditiously with domestic telecommunications issues. The government has been grappling for several years, with only limited success, with such issues as "foreign attachments" to the public telephone network, cable TV and pay TV, the possible uses and industry structure for a domestic satellite communications system, and policies for computer communications. There is a current tendency to resolve such issues by past precedents and by compromises between the FCC and various agencies in the executive branch, but the increasingly rapid rate of technological change and introduction of new services makes policy-by-precedent increasingly less relevant, more restrictive, or counterproductive. Neither the FCC nor the executive branch has a significant capability for systematic economic and technical analysis.

2. Efforts to coordinate the procurement and use of telecommunications facilities and services by the Federal government have had limited success. The current coordination arrangements, embodied in the National Communications System (NCS) structure, have achieved certain desirable interconnections and operating procedures, but have not produced the desired assurances that the government is procuring the services needed in an efficient manner. Although present policies call for a "unified" NCS, there is little agreement on what further unification is needed, or what it would cost or accomplish.

3. The current procedures for spectrum allocation are highly inflexible and are increasingly creating a spectrum shortage crisis. The shortage is especially severe in the land mobile radio allocations, which are becoming increasingly important to local police and fire protection services, among many other claimants.

Current organization for communications policy-making and coordination

The Director of Telecommunications Management (DTM) in the Office of Emergency Preparedness is now charged by Executive Order and Presidential memorandum with the responsibility for coordinating telecommunications activities in the executive branch. The DTM also is designated Special Assistant to the President for Telecommunications. However, the history of the organization reveals that attempts by the DTM to exercise leadership in communications policy have been largely ineffectual. The responsibilities and authority of the DTM are questioned by agencies with operating responsibilities. This situation results from a number of factors including organizational location, inadequate staff, and lack of clear authority.

There is now no office in the executive branch with the responsibility or the capability to review the whole range of national telecommunications policies as expressed in legislation and in FCC policies. The Anti-trust Division of the Department of Justice has occasionally filed briefs on the competitive aspects of decisions before the FCC, but these derive largely from antitrust considerations rather than from familiarity with communications issues. The Department of Commerce has a telecommunications research capability, but no responsibility or familiarity with communications policy. Neither the Council of Economic Advisers nor the Office of Science and Technology are equipped to address the fundamental economic and institutional problems of the communications industry and its regulation by the FCC, or the problems of the government's own telecommunications.

Studies of Federal organization

Since World War II, there have been a number of studies of Federal communications organization and a number of reorganizations and shifts of responsibilities within the executive branch. None has proved particularly satisfactory, and, indeed, there is no ideal solution. This is due in part to the quasi-independence of the FCC from the executive branch and in part to the conflicting individual agency mission responsibilities within the executive branch.

The study of the Federal government communications organization completed in December 1968 by the Bureau of the Budget provides

a good statement of the shortcomings of our current organization. The Bureau of the Budget reported a need for:

- (1) a strengthened organization for policy planning, formulation and direction of Federal communications activities.
- (2) a reorganized and strengthened National Communications System (NCS) within the Department of Defense.
- (3) an improved procurement and technical assistance effort in communications on behalf of those Federal agencies which do not now have adequate resources in this field.
- (4) a unified frequency spectrum management process.
- (5) a coordinated technical assistance program for State and local government in this area.

The recently released report of the Government Accounting Office focused on the government's communications and evaluated the progress toward establishment of a unified National Communications System as directed by the President in 1963. The GAO found a need for stronger coordination of government telecommunications planning, and recommended a single entity be responsible for policy direction and control of the Government's telecommunications systems. The GAO also recommended clarification of what a "unified" NCS is intended to be.

Reorganization issues

The Budget Bureau study of Federal communications organization made a number of major recommendations and was recently distributed to the departments concerned. Agency views on this study have the common themes (1) that stronger coordination from the top is required in establishing Government policy for its own telecommunications requirements, and (2) that the Federal government should take a stronger role in the evolution of national telecommunications to deal with the increasingly rapid rate of technological change and industry growth. There is also agreement that a much stronger analytic capability within the executive branch is needed to achieve these goals.

There are a variety of possible ways in which telecommunications responsibilities could be reshuffled or strengthened. As a starting point, there is widespread agreement that a single office should bear ultimate responsibility for:

- (1) analyses and formulation of overall telecommunications policy for the executive branch.
- (2) policy-level coordination of Federal government procurement and use of telecommunications services and equipment.
- (3) allocation and assignment of spectrum resources to government users.

There are several further issues.

The first is where such a single office should be located. There are two competing sets of considerations. Further expansion of telecommunications activities within the Executive Office of the President would force undesirable growth in the size of the Executive Office of the President, while telecommunications does not require the frequent direct Presidential attention implied by a location within the Executive Office. On the other hand, placing the central office within an executive department (e.g., Commerce or Transportation) raises serious questions about the impartiality of frequency allocation and assignment among government users and assurance of vital national security interests. Both sides of this issue have considerable merit, but from the standpoint of practicality and the need to minimize even temporary disruptions of our policy machinery, the policy functions should for the time being remain in the Executive Office. However, as much of the operational and research responsibilities as possible should be carried out in the departments and agencies.

Another issue is whether the authority to allocate and assign frequency spectrum to nongovernment uses, now vested in the FCC, should be transferred to the central, executive branch policy office.

Consolidation of spectrum allocation authority would permit greater flexibility in assignment policies and eventually, even more efficient spectrum use. However, such a move requires legislation, it raises concerns about political interference in the assignment of frequencies, and it would inundate the new office with a highly routine workload. (The FCC now processes 800,000 applications yearly, compared to 37,000 now handled by the DTM.) For these reasons, immediate consolidation of these responsibilities is not recommended, but planning for eventual consolidation should be started.

A third issue concerns organizational arrangements for management of Federal communications networks to implement policy guidance. This is currently done through the National Communications System (NCS) structure. Both the BOB and GAO studies concluded that changes should be made in the NCS arrangements. However, the issues involved are too detailed and too complex to be settled in the context of reorganization of policy machinery. Therefore, the NCS arrangements should not be changed at this time, but should be studied as a priority matter by the new central policy office as soon as it is established. The study would review the objectives, system concepts, organizational arrangements, and effectiveness of the NCS structure, and should include a thorough examination by the National Security Council of national security objectives for telecommunications. Recommendations should be developed for the President regarding the best objectives and management arrangements for overall coordination of Federal telecommunications activities.

Recommendation

An Office of Telecommunications Policy should be established as an independent entity in the Executive Office of the President. The Director of this office, appointed by the President, would have primary executive branch responsibility for both national telecommunications policies and Federal administrative telecommunication operations. The responsibilities of the Office of Telecommunications Policy would include:

- economic, technical and systems analysis of telecommunications policies and opportunities in support of national policy formulation and U. S. participation in international telecommunications activities.
- developing executive branch policy on telecommunications matters including, but not limited to, industry organization and practices, regulatory policies, and the allocation and use of the electromagnetic spectrum for both government and nongovernment use.

- advocating executive branch policies to the FCC, and through the President to the Congress; and representing the executive branch in FCC proceedings.
- exercising final authority for the assignment of the spectrum to government users, and developing with the FCC a long-range plan for improved management of the total radio spectrum.
- reviewing and evaluating the research and development for, and planning, operation, testing, procurement, and use of all telecommunication systems and services by the Federal government; developing appropriate policies and standards for such systems; and making recommendations to the Bureau of the Budget and responsible departmental officials concerning the scope and funding of competing, overlapping, or inefficient programs.
- exercising the functions conferred on the President by the Communications Satellite Act.
- under the policy guidance of the Director, Office of Emergency Preparedness, coordinating plans and programs for testing of and preparing to the use of telecommunications resources in a state of national emergency.
- test, review, and report to the President, through the National Security Council, on the ability of national communications resources to meet established national security requirements efficiently and responsively.
- coordinating Federal assistance to state and local governments in the telecommunications field.

In performing these functions, the Director, Office of Telecommunications Policy, will be assisted by a small staff, augmented as required by: (1) ad hoc, interagency and nongovernment task groups, (2) independent consultants, (3) contract studies, (4) a new Telecommunications Research and Analysis Center, (5) the Interdepartment Radio Advisory Committee, and (6) a new Telecommunications Advisory Committee composed of experts from outside of the government. So long as the NCS structure is retained, he will also be assisted by the Executive Agent of the NCS.

A Telecommunications Research and Analysis Center.(TRAC) should be established in the Department of Commerce, reporting to the Assistant Secretary for Science and Technology. The TRAC would provide a centralized research, engineering and analysis capability in support of spectrum management and such other areas as may be required. Specific functions of the TRAC would be to:

- conduct research and analysis in the general field of telecommunication sciences in support of other government agencies or in response to specific directives from the Office of Telecommunications Policy, with particular emphasis on radio propagation, radio systems characteristics, and operating techniques leading to improved utilization of the radio resource.
- develop and operate a national electromagnetic compatibility analysis facility under the general policy guidance of the Director, OTP.
- provide the administrative and technical support required by the Interdepartment Radio Advisory Committee. This support will operate in accordance with policies and criteria laid down by the OTP, and will be responsive to OTP requests for information and special frequency assignment actions.

The Office of Telecommunications Policy should be established with an initial strength of up to 30 professionals, including up to 15 at super-grade levels. The position of Director, Office of Telecommunications Policy should be established at executive pay level III. Provision should be made within the budget of the office for adequate consulting fees and contractual support; and for administrative support to, and space for, task groups and personnel on short-term detail.

The Office of Telecommunications Management in the OEP should be abolished. All policy functions of that office not directly related to emergency preparedness should be transferred to the Office of Telecommunications Policy, along with appropriate emergency planning functions, final spectrum management authority, and NCS responsibilities. The major portion of the Frequency Management Directorate of the OTM should be transferred to the Department of Commerce to provide the technical and clerical support functions described above. The position of Special Assistant to the President for Telecommunications should be abolished.

The Office of Telecommunications Policy will exercise the policy functions of the Executive Office of the President with respect to the planning, integration, and emergency use of the telecommunications systems of the executive branch, subject to general policy guidance on appropriate matters from the National Security Council and the Director, OEP. This function will continue to be exercised through the mechanism of the National Communications System (NCS) until such time as changes in that mechanism are suggested by the policy review recommended above and approved by the President.

June 30, 1970

Administrative Questions to be answered

1. How can I get all the positions set up as Schedule A (except 2 Secretaries Schedule C)?
2. How can I get 15 supergrades? (DTM currently has 9 slots)
3. What approvals will I need to hire a specific individual? (e.g., must CSC approve his qualifications versus job description?)
4. Is there any requirement that I hire former DTM staffers? What? Suppose I abolish functions formerly performed by a man? Suppose I need technical or analytic skills these individuals don't possess? Who is going to insist that I hire them? BOB? CSC? OEP?
5. To what extent must I commit myself to a particular organization structure, grade structure, or position descriptions? Who do I have to satisfy with this? BOB? CSC? Congress?
6. What is the complete scenario for hiring a man? A supergrade? Must all staff have to have security clearances? Why?
7. Do I want all the DTM secretaries? If not, how can I be selective?
8. Are there any restraints on my ability to transfer people, positions and dollars to Commerce (not necessarily in the proper proportions) provided I can work out a deal acceptable to Secretary Stans?
9. Does the April pay raise figure in the \$3.3 million budget or is there a separate appropriation measure for that?
10. What about military details? Officers? Enlisted? Who pays what? How? Do I need to talk to anyone?
11. Motor pool arrangements? Costs? Car maintenance? Drivers?
12. Administrative support arrangements? OEP or internal or other?
13. Office space? EOB, FOB#7? Other?

SEC. 2. General functions. Subject to the authority and control of the President, the Director of the Office of Telecommunications Policy (hereinafter referred to as the Director) shall:

(a) Serve as the President's principal adviser on telecommunications.

(b) Establish and set forth plans, policies, and programs with respect to telecommunications that will promote the public interest, support national security, sustain and contribute to the full development of the economy and world trade, strengthen the position and serve the best interests of the United States in negotiations with foreign nations, and promote effective and innovative use of telecommunications technology, resources and services. Agencies shall consult with the Director to insure that their conduct of telecommunications activities is consistent with the Director's policies and standards.

(c) The Director shall coordinate those interdepartmental and national activities which are conducted in preparation for U.S. participation in international telecommunications activities, and shall provide to the Secretary of State advice and assistance with respect to telecommunications in support of the Secretary's responsibilities for the conduct of foreign affairs.

(d) Coordinate the telecommunications activities of the executive branch and formulate policies and standards therefor, including but not limited to considerations of interoperability, privacy, security, spectrum use and emergency readiness.

(e) Evaluate by appropriate means, including testing of the overall communications system, the capability of existing and planned telecommunications systems to meet national security and emergency preparedness requirements, and report the results and any recommended remedial actions to the President and the National Security Council.

(f) Review telecommunications research and development, system improvement and expansion programs, and programs for the testing, operation, and use of telecommunications systems by Federal agencies to identify competing, overlapping, duplicating or inefficient programs, and make recommendations to appropriate agency officials and to the Director of the Office of Management and Budget concerning the scope and funding of these programs.

(g) Coordinate the development of policy, plans, programs, and standards for the mobilization and use of the Nation's telecommunications resources in any emergency, and be prepared to administer such resources if directed to do so in any emergency, under the overall policy direction and planning assumptions of the Director of the Office of Emergency Preparedness.

(h) Coordinate Federal assistance to State and local governments in the telecommunications area.

(i) Conduct and coordinate economic, technical, and systems analyses of telecommunications policies, activities, and opportunities in support of national policy formulation and United States participation in international telecommunications activities.

(j) Conduct studies and analyses to evaluate the impact of the convergence of computer and communications technologies, and recommended needed actions to the President and to the departments and agencies.

(l) Contract for studies and reports related to any aspect of his responsibilities.

RESPONSIBILITIES OF THE OFFICE OF TELECOMMUNICATIONS POLICY

The Director of the Office of Telecommunications Policy develops the executive branch position on national telecommunications policy, coordinates the planning and operation of the telecommunications systems of the Federal government, discharges responsibilities assigned to the President in the areas of spectrum management and satellite communications, and performs emergency planning and control functions for telecommunications.

The Director serves as the President's principal advisor on telecommunications policy, including:

- (1) The organization, practices, and regulation of the U. S. domestic and international communications industry.
- (2) The allocation, use, and management of the radio spectrum resource for government use, and preparation of recommendations to the FCC on spectrum allocation for civilian use.
- (3) The preparation of U. S. positions for international communication conferences, conventions, and organizations.
- (4) Federal research and development programs in support of the above.

The Director assures that the executive branch position on telecommunication policy issues is effectively presented to the Congress and to the Federal Communications Commission in the form of legislative proposals, recommendations, and testimony as required.

The Director's responsibilities for the planning and operation of Federal government telecommunications systems include:

- (1) Development of government-wide standards for equipment and procedures, as required in the interest of economy or effectiveness.

- (2) Evaluation of the ability of national communications resources adequately and efficiently to meet established national security and emergency communications requirements.
- (3) Recommendations to the Bureau of the Budget concerning the funding of communications systems and research and development programs.
- (4) Preparation of guidelines for the most economical procurement of Federal telecommunications services.

The Director exercises the authority, delegated by the President, to assign radio frequencies for use by the government. He is assisted in this responsibility by the Telecommunications Research and Analysis Center to be established in the Department of Commerce and the Interdepartmental Radio Advisory Committee. He carries out the responsibilities conferred on the President by the Communications Satellite Act. The Director coordinates the development of plans and programs for the mobilization and use of telecommunications resources in an emergency, and prepares to administer national telecommunications resources in the event of war under the overall policy guidance of the Director, OEP.

The Director coordinates assistance in telecommunications matters provided by the Federal government to State and local governments. He appoints scientists, engineers, and economists from outside government to advise on telecommunications matters.

To carry out these responsibilities, the Director must have the following qualifications:

- (1) A thorough grasp of the social, economic, engineering, and national security factors which must be considered in formulating telecommunications policies and standards. *WH*
- (2) Familiarity with telecommunications needs and opportunities of government, industry, and the public, and with the structure of private and governmental telecommunications institutions, both national and international.

*WH experience
MIT/BTL*

*WH experience
Discussions w/ industry
& users.*

- WH experience*
- (3) The ability to initiate and coordinate telecommunications policy matters on an interdepartmental basis in cooperation with industry and public interest groups, and to define and analyze those key policy issues requiring Presidential involvement.

- MIT/BTL
Rand
WH - Domsat, NASA*
- (4) The ability to direct studies utilizing systems analysis, systems engineering, and economics needed for the systematic analysis of telecommunications policies and opportunities, their impact, their effectiveness, and their costs.

11

SEC. 2. General functions. Subject to the authority and control of the President, the Director of the Office of Telecommunications Policy (hereinafter referred to as the Director) shall:

(a) Serve as the President's principal adviser on telecommunications.

(b) Establish and set forth plans, policies, and programs with respect to telecommunications that will promote the public interest, support national security, sustain and contribute to the full development of the economy and world trade, strengthen the position and serve the best interests of the United States in negotiations with foreign nations, and promote effective and innovative use of telecommunications technology, resources and services. Agencies shall consult with the Director to insure that their conduct of telecommunications activities is consistent with the Director's policies and standards.

(c) The Director shall coordinate those interdepartmental and national activities which are conducted in preparation for U.S. participation in international telecommunications activities, and shall provide to the Secretary of State advice and assistance with respect to telecommunications in support of the Secretary's responsibilities for the conduct of foreign affairs.

(d) Coordinate the telecommunications activities of the executive branch and formulate policies and standards therefor, including but not limited to considerations of interoperability, privacy, security, spectrum use and emergency readiness.

(e) Evaluate by appropriate means, including testing of the overall communications system, the capability of existing and planned telecommunications systems to meet national security and emergency preparedness requirements, and report the results and any recommended remedial actions to the President and the National Security Council.

(f) Review telecommunications research and development, system improvement and expansion programs, and programs for the testing, operation, and use of telecommunications systems by Federal agencies to identify competing, overlapping, duplicating or inefficient programs, and make recommendations to appropriate agency officials and to the Director of the Office of Management and Budget concerning the scope and funding of these programs.

(g) Coordinate the development of policy, plans, programs, and standards for the mobilization and use of the Nation's telecommunications resources in any emergency, and be prepared to administer such resources if directed to do so in any emergency, under the overall policy direction and planning assumptions of the Director of the Office of Emergency Preparedness.

(h) Coordinate Federal assistance to State and local governments in the telecommunications area.

(i) Conduct and coordinate economic, technical, and systems analyses of telecommunications policies, activities, and opportunities in support of national policy formulation and United States participation in international telecommunications activities.

(j) Conduct studies and analyses to evaluate the impact of the convergence of computer and communications technologies, and recommended needed actions to the President and to the departments and agencies.

(l) Contract for studies and reports related to any aspect of his responsibilities.

Major Subject Areas

*Comments by CCV
July 14, 1970*

1. C. F. Whitehead - Personal
2. The Office of Telecommunications Policy
 - A. Structure
 - B. Policy
3. Relations with other parts of Government
 - A. DOD
 - B. FCC
 - (i) Regulatory matters generally
 - (ii) Current issues
 - Computers and computer privacy -- CATV
 - Wiretapping
 - Political broadcasting
 - USITA -- separation issue
 - NAS on interconnection
 - TAT 6
 - C. Commerce
 - D. Other White House Offices (NSC/OMB)
 - E. Congress
 - F. State
4. Industrial relations
5. National Communications System
(including FTS, Autovon, Advanced Record System of GSA, and Autodin)
6. Satellite Communications
 - A. Domestic - General
 - B. Alaska
 - C. INTELSAT Negotiations
 - D. Direct Broadcasting by Satellite
 - E. What is Panel I
 - F. Aeronautical Satellite Service
7. Spectrum Management
(including NECAF)
8. ITU and the Space WARC
9. Noncommercial Broadcasting - PBC
10. Rostow Report

*When are
these?*

1) Question: Why do we need the OTP? What will it do? How will it function?

Answer: The OTP is needed to perform three principal functions;

1. To serve the President and the nation by analyzing issues and developing policy options across the entire spectrum of telecommunications activity.
2. To coordinate the telecommunications activities of the Federal Government to the degree necessary to meet priority national needs effectively and to achieve an efficient and economical system.
3. To allocate the Federal Government portion of the radio frequency spectrum, and to work cooperatively with the FCC to develop an overall plan for effective use of the total radio spectrum.

Because so many government departments and agencies have vital interests in telecommunications, no single department could perform these functions without excessive friction with other departments. Hence, the need for an office at the level of the Executive Office of the President.

However, while final responsibility for these functions will rest with the OTP, we will make use to the greatest extent possible of the capabilities of other elements of

the Executive Branch to assist us with these functions. In particular, we will be looking to the Department of Commerce for research and analysis in support of frequency management, and we expect to draw heavily on the technical expertise available in the Defense Department, NASA, and elsewhere. Our own staff will be kept small, and we hope to attract people with wide experience who will bring their background to bear on problems of national importance for a limited period of time.

2)

Question: How big will the staff be?

Answer: For the present, we plan to build up to a staff of 30 professionals, plus the necessary secretarial and administrative support.

3)

Question: How many supergrades?

Answer: To get the kinds of people we need, about half of the positions will have to be at supergrade levels. We need technically competent people with broad experience and a policy orientation. These are very hard to find..

Question: How will the staff be organized?

Answer: The structure of the organization will evolve as we find the people we want and sort out the principal areas of activity. I expect to keep the structure relatively loose and informal, at least initially.

Question: Will you use the existing DTM staff?

Answer: More than half of the staff of the DTM was involved in frequency management support functions which we plan to transfer to the Department of Commerce. Some of the remaining staff will remain with the OTP, but I expect that others will find jobs elsewhere.

Q. What will OTP really do?

A. It will do the fact finding and analysis necessary to identify the policy choices open to the government with respect to the telecommunications sector of our economy, and with respect to the government's own use of telecommunications services and equipment. It will assure that these choices are widely discussed, that all points of view are heard, and that decisions are reached in a timely manner.

~~XX~~
~~XX~~

The office will have unique contributions in the areas of management of the government portions of the frequency spectrum, and policy development for government use of telecommunications. It will cooperate with the FCC in some other areas, and some matters ~~will undoubtedly XXXXX~~ will continue to be addressed solely by the FCC.

Policies

7) Question: How can your office protect the interests of the government as a user of communications and at the same time objectively consider the interests of the private sector and the public at large?

Answer: I do not see why this should be a particular problem. The government is a major user of the output of many industries: aviation, petroleum, construction, to give a few examples - and yet policies affecting these industries in various ways must be formulated. However, to try to address your concern specifically in this case, I would say that the various Departments and Agencies which procure telecommunications services, together with the Office of Management and Budget, should be the principal advocates and protectors of the government's interest in the procurement of telecommunications services and equipment, and in defining the government's needs for spectrum allocation. The Office of Telecommunications Policy should be in a position to weigh these needs and interests against the interests of other sectors, and to make objective recommendations to the President.

As long as the ~~Office~~
the proper role of the Office is recognized,
the fact that the government is a user -
a consumer of your will - of communication
resources should be beneficial & because
it puts us in a good position to
evaluate the public interest and to
appreciate the need for healthy
individuality & self.

8) Q: How shall the U. S. develop policies and plans to foster the soundness and vigor of its telecommunications industry in the face of new technical developments, changing needs and economic developments?

A: ~~I mentioned earlier, Mr. Chairman, that I am sympathetic to the idea of establishing and maintaining effective lines of communication between this office and the national telecommunications industry. I believe that this is a first step toward assuring~~
~~continues at a high level. I am persuaded that this industry~~
~~ourselves that the soundness and vigor of the industry has for a~~
~~The telecommunications industry has, for a~~
~~number of years been unable to develop the mid-range and long-~~
~~range plans which would give some assurance of orderly technical~~
~~and economic growth. I am of the opinion that this lack of capability~~
~~has stemmed from the lack of a body of enlightened national tele-~~
~~communications policy -- one upon which industry could depend~~
~~in making its own long-term evaluations concerning, for example,~~
~~their rate and direction of growth. I believe that a close relation-~~
~~ship with the telecommunications industry will assist us in~~
~~identifying current or potential problems, in analyzing alternatives,~~
~~in developing policies and procedures for overcoming the problems,~~
~~and in obtaining full cooperation of industry in implementing the~~
~~policies.~~

The revolution in telecommunications technology is forcing us to re-think through many of the conventional approaches to applying new technologies and technological innovations to society's needs. I believe that we can no longer treat developments in telecommunications merely or even primarily from the question of technical

Too much emphasis on getting mixed with industry

Seems irrelevant to the question from here on

I hope to see such a policy developed that policies are developed to meet this need.

feasibility. We have learned, sometimes to our disappointment, that many things which are technically feasible and placed at the disposal of our people trigger a number of social, political and economic problems which were neither foreseen nor the potentials adequately studied. I feel that we need to go beyond the engineering phase and look at these things from a greatly broadened perspective, an interdisciplinary one if I may. This is, incidentally, one of the basic ideas behind the NECAF concept. *It is 6*

9) Q: Do you mean to suggest that the basic national guidelines for telecommunications -- as, for example, the Communications Act of 1934 and the Communications Satellite Act of 1962 -- are obsolete? Inadequate for today's needs?

A: Mr. Chairman, I would not describe either of these Acts as obsolete or inadequate. They certainly bear constant and analytical reviews -- as do other legislation and executive orders. If, in the course of our reviews it appears that changes need to be made in our framework for national telecommunications policy, I will certainly make such recommendations. *See also #10*

(10)
Question: Should the Communications Act of 1934 be rewritten? the Communications Satellite Act of 1962?

Answer: As we progress with our work we will, of course, have an eye to the need for additional legislation in the communications area. I think it much more likely that the 1962 Act would need updating than the 1934 Act. The Communications Satellite Act was excellent legislation at the time, and it started the U.S. very successfully on the road of leadership in space communications. However, at that time all of the thinking was attuned to the capabilities and limitations of low orbiting satellites, and the success of geostationary satellites has really changed the picture quite a bit. So we will be looking at the need for updating particularly in that area.

11) Question: Do you favor the introduction of the maximum possible degree of competition in the communications industry?

Answer: Competition is, of course, the underlying principle in our economy, and we provide a public franchise for monopoly only when there are overriding reasons to do so. There are, obviously, overriding reasons for a monopoly in the public telephone message service. We have to carefully evaluate the other types of services which are evolving in a very dynamic industry -- including those in which computers and communications are being used together -- and make judgments as to the existence of these overriding reasons.

Frankly, I see no reason now to extend regulation to the data processing industry. Looking at the area of specialized carriers, I think that competition may be desirable as long as there is some basis for it other than "cream skimming," as it is called. I do not think it is economically justifiable for independent carriers to survive economically solely because the competing common carrier is forced to charge nationwide average rates. This can lead to inefficient investments which raise the total cost to the nation of providing telephone service.

12)

Question: What will be the relationship between the OTP and other White House offices such as the NSC, Domestic Council, OST, and the Office of Management and Budget?

Answer: We will coordinate with other elements of the Executive Office in areas of mutual interest. We would expect, for example, to work with the NSC staff on national security communications requirements, with the domestic staff on the role of communications in coping with urban problems and other social needs, with OST on issues of research and technology, and with the OMB on questions of the organization, management, and efficiency of Federal Government telecommunications systems.

13)

Q. What about the Department of Defense? It is said to have dominated the OTM both through the detail of many military officers to the DTM staff and through the sheer magnitude of its own telecommunications operations and organization. Also, it is reported to have simply ignored many efforts of the DTM to provide guidance in frequency assignments, lease of telecommunication services, and standardization of equipment. How do you expect to cope with this situation?

A. I cannot at present judge the accuracy of those complaints about the past behavior of the Defense Department. Certainly my staff will not be dominated by Defense personnel, and I hope to have a cordial and effective relationship with the ~~Defense Department~~ communications managers in the Defense Department. As you may know, Mr. Packard is reviewing the communications management arrangements in his office.

I would not assume at this point that the problems you have cited will appear, or to comment on how I will resolve them if they ~~do~~ should arise.

14)

Question: What will be the role of the OTP with respect to Presidential Communications?

Answer: The Office will not be involved in the day to day operation of any communications systems, including those which serve the President. However, I will be aware of the communications needs of the President, and will ~~assure~~^{assure} that these needs are adequately reflected in the design of the government communications systems.

15)

Q. The Acting Director of the OTM informed this Committee during its appropriation hearings that he has been unable to hire a GS-14 or assign a government frequency since April 20 when the OTP reorganization became effective, despite a heavy workload. Why was this situation allowed to exist, and just how important does the White House consider these telecommunications problems to be?

16)

Question: What will be the relationship of the OTP with other elements of the Executive Branch?

Answer: The office will develop policies which will affect the development and operation of government communications systems, and will work with the Office of Management and Budget to see that these policies are reflected in plans, programs and management arrangements. However, the office will not assume any responsibilities for operating telecommunications systems.

15 A. Normally the Interdepartmental Radio Advisory Committee meets monthly to consider new frequency assignments and its recommendations are sometimes used as interim authority for the department to use a frequency until the Director approves the recommendations. Only in the case of an unresolved conflict within the IARC would there be a real problem. To my knowledge, no such problem has arisen yet. The frequency management ~~problem~~ ^{role of the Director} is important, but not necessarily urgent, if that ~~brings~~ ^{brings} the ~~distinction~~.

(7) (b) Question: What kind of policies do you have in mind? Can you give me an example?

Answer: We need a clearer policy, or guidance if you will, about the extent to which different government communications systems will be forced together or integrated into a single system. It is possible to go too far here, to try to build a sophisticated single system capable of being all things to all men, while discarding existing hardware which is perfectly serviceable for the particular needs it is serving. On the other hand, system compatibility and the ability of different systems to interconnect easily is definitely advantageous, and new facilities which are added to the stock of government communications assets should be constrained in most instances by considerations of compatibility.

I think we need to re-think and re-state the objectives, guidelines, and standards for overall government systems planning to achieve the right balance between the advantages of compatibility and standardization and the costs of eliminating existing diversity.

18) Question: What will be the relationship of the OLP with the FCC?

Answer: The two offices will cooperate in those areas where there are mutual interests and concerns. No existing authority or function of the FCC has been affected by the reorganization. There has been some concern voiced that my office would use the prestige of the Presidency to somehow overwhelm the FCC. Neither Chairman Burch nor I think that this will happen.

19) Q. We understand this new Office is supposed ^{to} expand the scope of Executive Branch activities in this field to include nongovernment communications and spectrum management in addition to dealing with government communications problems. This leads to several questions:

1) Won't this tend to duplicate and infringe upon the regulation of nongovernment communications by the FCC? With the vast resources of the Federal Government at your disposal (e.g., Commerce, DOD and NASA R&D activities in this field), won't your office simply be able to overpower the Commission with analysis and arguments on any issue it chooses? *See answer to 18*

2) How can you separate your involvement in Federal communication developments from these broader policy studies and recommendations you suggest? Aren't we just likely to see you pushing recommendations on the FCC and Congress which are motivated by government communication interests? *See answer to # 7*

20

Q: How do you visualize your relationship with the FCC?

A: I see no area of contention between our respective offices. The President has defined very clearly the purpose of this office vis-a-vis that of the FCC and in a recent letter to Chairman Holifield, I and the FCC were in no sense competitors in the areas of national and public policy. I consider that, in certain major areas -- for example, in our respective roles in managing the electromagnetic spectrum -- we need to consult with one another, assist one another if and when such assistance was indicated, and advise each other of actual or potential problems which might affect our national telecommunications posture. It is my understanding that the relationship between General O'Connell and Chairman Hyde -- as well as between their respective staffs -- was a very close and productive one in the sense that they cooperated closely and continuously on problems of mutual concern. I would hope that this relationship between our respective offices would not only continue but be progressively strengthened.

really?

21

Q: Will more Presidential recommendations on FCC policy matters such as the recent domestic satellite policy be sent to the FCC?

A: Yes.

Dealing with the FCC and Congress

22 Q: What ^{will} ~~do~~ you do to keep the Congress fully apprised of your activities with respect to the FCC in the regulatory area?

A: Let me say, Senator, I fully recognized the ultimate responsibility of the Congress ~~for~~ the operation of the FCC. Therefore, I intend that the Congress should be kept fully informed of our views on matters pending before the FCC.

Maybe you shouldn't say this. President has responsibilities too, eg FCC budget.

I do not believe that ~~this~~ ^{what} should present a problem. It is my intention that my Office will contribute to FCC policy formulation by submitting formal documents embodying careful analysis of issues which we think are important. The Executive memorandum filed with the FCC in the Domestic Satellite proceeding illustrates the kind of thing I have in mind. Our briefs and other filings will, of course, be public documents and will be available for scrutiny not only by the Commission, but members of this committee and other interested parties.

I would hope that our filings with the FCC would be of assistance to the Congress to the extent that you have to deal with similar issues.

Standard Answer for Matters in Litigation

23

Q: What is your view on the FCC's handling of telephone company ownership of CATVs (or network control of programming)?

A: This matter is difficult and complex. It is presently the subject of active litigation. In the circumstances, I think it would be better for me not to venture any offhand judgment which might somehow prejudice the course of this litigation.

This subject is of such obvious importance that my Office will be concerned with it and will study it. If we have additional views relating to the matter, based on careful study, we will make them known at the appropriate time and in the appropriate manner, which might be to the Commission or to the court or to the Congress.

24

Question: What will be the role of the Commerce Department? How big will the Commerce activity be?

Answer: Commerce will be a primary source of technical and analytic support for the OTP. The principal focus for Commerce support, at least initially, will be in the spectrum management area. The Secretary of Commerce will not be the final authority for spectrum assignments - that authority will be exercised by the Director of the OTP. However, Commerce will provide technical support, including the development of an improved data base and new analytical techniques for analysis of spectrum allocation and use. Existing research activities of the Department will be focused to contribute to this role.

We have not yet clearly identified just what ongoing activities within the Commerce Department will be identified as part of the Department's mission under this reorganization so I can't say right now what the magnitude of this effort will be. However, we do know that the Department will need to hire 20 to 40 additional personnel within the next year with specialized analytical skills in spectrum management and engineering.

25

Q. What will be your relationship with the Department of State?

A. In general, the State Department is responsible for the conduct of foreign relations. Operationally, this means that the Department is responsible to conduct our foreign relations with ^{other} ~~the~~ countries and with international organizations. While the Department is responsible for advice to the President and formulation of foreign policy, it has traditionally worked with the White House and the FCC and other agencies, as appropriate, to obtain policy guidance in the telecommunications field. That Department has not made ^{telecommunications} ~~the~~ policy in the ultimate sense. I, therefore, would expect to be working continually in close cooperation with all the interested agencies of government in the process of developing national telecommunications policy which then would become the basis for negotiations conducted by or under the direction of the Department of State.

Dood.

24
26
Q: Much has been written and spoken about the increasing dangers to our society of computerization. The question of individual privacy is becoming more urgent as we move into the area of teleprocessing. Do you have any views on this subject?

A: I am aware of the fears which have been voiced. The issues involved here are complex. It is a problem whose ultimate dimensions are not yet clear. In the sense that teleprocessing is a new technology, we are faced with the initial problem of getting the facts. We don't know yet how this technology is going to develop, what kind of markets will be created, what sort of hazards to personal privacy -- if any -- will emerge. This is one of those problems which, again, deserve the benefit of interdisciplinary research and analysis. There is no question in respect to technical feasibility. The real questions are what effects the large-scale introduction of teleprocessing techniques and equipments will have upon our society. Hopefully, I will have the resources to apply to this kind of problem solving.

See ~~also~~ also # 2527

75
27

Question: What interest will your office take in the issues concerned with the relationships of computers and communications, and in the related issue of the privacy of computer data.

Answer: One of the principal features of current computer developments is that computers are increasingly performing the function of selecting and transmitting information from one location to another in response to requests. This raises several issues; for example:

1. Do services of this type require regulation? At the present time I think the answer to this one is no.
2. Will data be communicated and used for purposes other than those for which it was collected? This is the privacy question, and it is a very important one.

I think it is extremely important that these issues be thoroughly studied and understood and that policy options be debated and publicly discussed. I expect my office to be an active participant in these discussions, and to be a prime mover if necessary to see that suitable public policies and any necessary legislation are developed in these areas.

Wire Tapping

26
28
Q: What is your view with respect to government policy on wire tapping?

A: Let me say, that there are two quite separate questions involved here: First, the legal rules governing wire tapping; and secondly, the questions of protecting or enhancing the security of communications networks.

On the first question, my Office has, and will have, no views. This is entirely a matter of law and law enforcement. Wire tapping is unlawful under Section 605 of the Communications Act of 1934. This rule is subject to some exceptions and there have been proposals to increase these exceptions. */ This involves issues which are before both the Congress and the courts. On these questions, I expect the Attorney General to represent Administration policy and I shall defer to the views of his Department.

*/ See also Katz v. United States, 389 U.S. 347 (1967) (FBI's unauthorized wiretapping of phone booth violated defendant's 4th amendment rights).

My Office will be concerned about the second question - of protecting the security of communications systems. This involves both technical and economic issues: what can be done? how much will it cost? We shall be especially concerned with this issue, in view of our responsibilities for communications in times of emergency. Therefore, we shall have under continuing review, appropriate methods to make communications systems more secure and of reducing costs maintaining network security. To the extent that we are able to develop additional proposals, we shall, of course, submit these to the appropriate agencies.

Excellent answer!

23
29

BROADCASTING AND CATV

My judgment is that neither the broad area of "broadcasting," with its multifarious "booby-traps," nor CATV should be part of your opening statement. Most assuredly, as "sleeping dogs," issues herein will not remain dormant, but the nominee for Director of OTP shouldn't "whistle them up."

In this field, I suggest that all observations and/or views solicited be grounded on these premises:

In the words of the Communications Act of 1934, broadcasting should operate in accordance with the "public convenience, interest or necessity." To assure this, the Congress by the '34 Act created the FCC.

On the other hand, the industry is gigantic, its influence all pervading. It is estimated the average American will spend eleven years of his life watching television. This administration, or any administration, would be derelict in its mandate from the American people were it not to undertake to comprehend the potentials for good and ill herein, and to use its best resources in submitting recommendations to the Congress.

Somewhere, under questioning, you may want to underscore the conviction that the American way of private, free, competitive broadcasting may have its problems, but nothing so serious as to warrant government ownership and operation, as in most other countries.

There is no point in repeating the general problems in this area - prime time, license renewal, pay-TV, Fairness Doctrine, etc. Recently we have been through this, and, I trust, the weekly summaries have kept you up-to-date. This week's review will be in your hands tomorrow.

The "burning issue" this week is the Fairness Doctrine as related to the President. Senators Goodell and Hart of the Communications Subcommittee have joined 12 other "doves" in demanding mandatory equal time for their

Viet Nam views. This, along with the political brouhaha, the GOP now wanting to rebut the rebuttal, surely will come up. Fortunately, for our purposes at this time, the hard decisions rest with the FCC. You may wish to keep any response as bland as possible, offering a ringing endorsement of an open society, but, if pushed, take refuge in the fact that anything you might say might only complicate the difficult task of the FCC.

It may well be that some broadcasters have already abused committee members with the belief that there is such a thing as White House Harassment. Over and above assuring all that such is not the case, you may want to point out that the new license fee schedule of the FCC is regarded by some also as harassment. Pastore will be with you on this. *Careful, here. Be marketing of the spectrum harassment? License fees are an appropriation to*
Somebody, undoubtedly, will want comments on the Vice President. *Selling the spectrum. Now*

Have you some response if Mr. McGuinnis' book is raised?

As to CATV, recently estimated to be, by 1980, a \$4.4 billion business with 28 million subscribers, without specifically committing yourself to any of the recently announced FCC decisions, you may wish to hail the effort to get moving.

Study, research, analysis even trial and error are of the most urgent importance. Questions, economic, legal and corporate, all await resolution in the immediate future.

A warning may not be amiss - this new, even exciting technology, is still a technology, not a social Messiah.

What about quality? If one is inclined to be disenchanted with the "menu" of three, four or five channels, what might be expected on 40 channels?

must try to do the same!

Independent Telephone Companies - Separations Issue

20 Q: What is your view on the present separations procedure for allocating revenue between interstate traffic and intrastate traffic?

Is this correct? A: I recognize the importance of this question, for the 2700 independent telephone companies which are, after all, almost entirely intrastate in operations. This is a very difficult issue from a practical standpoint. It is also a matter of detailed day-to-day regulation. I do not see any compelling basis which clearly dictates one method of handling separations over all others. The line between interstate and intrastate traffic just is not clear beyond all difference and doubt.

Are you sure? My Office will, of course, wish to review this question and seek to determine whether there is any way in which the continuing separations problem can be simplified or reduced. In doing so, we would, of course, give careful consideration to the needs and views of state regulators.

21 Question: What do you think of the NAS study of interconnection?

Answer: I have not really had time to analyze and digest the report fully. As I understand it, they have concluded that the uncontrolled interconnection of user-owned equipment can cause harm to common carrier personnel and to system performance. They conclude that an independent equipment certification program is an acceptable alternative to carrier-provided connecting arrangements as a means of protection. These technical conclusions represent a significant contribution to the discussion of the interconnection problem. The study group itself recognized that there are several aspects of this problem which they did not consider, including legal and economic questions, and the effect ^{on} ~~of~~ service reliability of the division of operating and maintenance responsibility for different portions of an overall communications system. Some of these matters can be settled in the marketplace, but I think it is important that we continue to assess the overall impact of interconnection policies on costs, on the responsiveness and reliability of service, on the introduction of new services, and on the response of the overall communications system in emergencies.

For Policy
1/2 The UN

CONTINGENCY QUESTIONS AND ANSWERS

Prepared for DePalma in April 1970

1. You may be asked about how U.S. foreign policy positions on space communications have been formulated and coordinated within the Government during the past year. If so, you might respond along the following lines:

The position for the second session of the UN Working Group was formulated within the Department of State, in consultation with interested agencies within the Executive Branch (Office of Telecommunications Management, Federal Communications Commission, NASA, USIA, and Department of Defense). The position for the UNESCO meeting on space communication was similarly formulated by the Department of State, and included consultation with other interested agencies as well as with representatives from the broadcasting industry. The U.S. broadcasting industry was represented at the UNESCO meeting, as it will be on the U.S. Delegation to the May 1970 meeting of the UN Working Group.

2. You may be asked if there is any interagency "task force" to review U.S. policy on satellite space communications.

- 2 -

[You might respond that] last Fall, subsequent to the second session of the UN Working Group, an Ad Hoc Intra-Governmental Communications Satellite Policy Coordination Committee -- known as "Panel One" -- was formed under the chairmanship of the then Office of Telecommunications Management. It includes participation by agencies such as State; Defense; Health, Education and Welfare; the Office of Science and Technology (White House); NASA, USIA, AID, FCC and FAA. Its aim has been to provide coordinated, expert advice to assist the Department of State in the formulation of policy for international meetings on this subject. It is now working on a staff study which would serve that purpose.

3. If you are asked if there is any interagency "task force" chaired by the Department of State on this subject, you may wish to use the following response:

There is in being now an ad hoc Interagency Committee chaired by the Department of State which has the entire question of future space cooperation under study, including the implications of satellite broadcasting services. The findings and recommendations of this Committee will be submitted to the White House. Represented on the

-3-

Committee are the Departments of State and Defense, the Office of Science and Technology, the National Aeronautics and Space Council, the NSC and NASA.

4. You may be asked for your views on Japanese plans to develop a communications satellite as indicated in the U.S./ Japanese space cooperation agreement that was concluded last July.

The agreement relates in part to Japanese plans to develop and launch an experimental communications satellite. Consistent with U.S. policy, the Japanese provided in the agreement the assurance that such a satellite, developed with U.S. assistance, would not be used in a manner incompatible with our mutual Intelsat commitment. The agreement covers the transfer of technology only and does not involve joint development by the U.S. and Japan.

5. You may be asked to comment on U.S. involvement with Brazil and possibly other Latin American countries in cooperative projects with the U.S. for an experimental educational television project, via satellite. You might respond as follows:

This project is currently in the preliminary discussion state between Brazilian and U.S. agencies. We understand

that Brazil is preparing a proposal in this regard.

I suggest that the representatives of NASA and AID could describe the developments thus far.

[You should be aware, in case reference is made to it in this connection, of the recent Report of the Special Study Mission on Developmental Television (Latin America), by three Members of the Subcommittee, Messrs. Zablocki, Fulton and Findley. The Study Mission visited Brazil, Peru, Colombia and Panama to learn about the potential for use of developmental TV and what role the U.S. may be playing in assisting such uses. They were particularly impressed with enthusiasm in the Brazilian space agency about the potentials for use of satellites for educational television.]

For Mr. DePalma

QUESTION: What is the International Radio Consultative Committee (CCIR)?

The CCIR is one of the permanent organs of the International Telecommunication Union (ITU). Its functions as set forth in the ITU Convention are: "to study technical and operating questions relating specifically to radiocommunications and issue recommendations on them", and "to pay due attention to the study of questions directly connected with the establishment, development, and improvement of telecommunications in new and developing countries, in both the regional and international fields".

The CCIR performs its work through the continuing work of its 13 international Study Groups and at Plenary Assemblies which meet normally every three years to approve the recommendations prepared by the Study Groups. At ITU headquarters in Geneva there is a Director and a specialized secretariat for the CCIR. The Director is an elected official and Mr. Jack Herbstreit, formerly of the Department of Commerce, currently heads this organization.

The recommendations adopted at the Plenary Assemblies are "preferred characteristics" and serve to a large degree to constitute the technical bases for the International Radio Regulations and thus become in effect international standards for radiocommunications.

We have a national organization structured in parallel with the international set-up. It was established pursuant to Executive Order 11007 as a Government/Industry advisory committee. It is chaired by an official of the Department of State. The National CCIR Committee supervises and approves the work of the national Study Groups whose output is then contributed to the international CCIR for consideration and further action.

4/28/70

For Mr. DePalma

QUESTION: What is the International Frequency Registration Board (IFRB)?

The IFRB is one of the permanent organs of the International Telecommunication Union (ITU). Its basic function as set forth in the ITU Convention is to effect technical examination and registration of radio frequency notifications made by different countries to insure interference-free radio operations throughout the world. In addition, it has certain other functions such as to furnish advice to member countries on the operation of the maximum number of radio channels in those portions of the radio spectrum where harmful interference may occur, to assist in the preparation for administrative radio conferences and to maintain such essential records as necessary for the performance of its duties.

The IFRB consists of 5 independent members elected at radio conferences. These Board members function not as representatives of their respective countries but as custodians of an international public trust.

The IFRB is an essential operation. Due to the nature of radio waves effective international coordination and cooperation is required so that each country in the world can use the radio frequency spectrum without interfering with operations of other countries of the world.

You may be asked if the ~~Department of State~~ ^{United States} has responded, or is prepared to respond, to the request by the Secretary-General ^{for US support} for free UN use of INTELSAT facilities.

We have told the Secretary-General that "the United States sympathizes with the need of the United Nations for improved communications, including the use of INTELSAT," and that the US position on the question of free use is "under consideration." You might add that you ~~are~~ ^{are} aware of some preliminary ~~study~~ study of the legal and technical complexities of the question, and that you understand it is the view of the Federal Communications Commission that there are ^{some} domestic legal problems.

You may be asked if the ~~Department of State~~ ^{Government} has a position which favors granting the UN free use of INTELSAT facilities if the legal problems can be resolved; or if ~~the~~ ^{OTF} ~~Department~~ would propose that the Congress consider legislation that would overcome the legal problems.

~~You might say that you believe it is not timely for the Department to try to reach a final position on the question, for several reasons, of which the legal problem is only one. A prerequisite is that we successfully complete the negotiations which will establish Definitive~~

Arrangements for a global commercial satellite system to meet a variety of needs. Our ^{present inclination} ~~objection~~ on this question is to see to it that the door is left open to the possibility of ^{an appropriate accommodation} ~~free service or reduced rates~~ for the UN. The problems involved ~~will include~~ include consideration of, ~~for example~~, the extent to which the UN might be able to meet its requirements for improved communications from its own budget, ~~with the problem~~ ^{particularly} ~~that~~ at a time when we are seeking a policy of budgetary restraints; the question of making distinctions among the various types of services desired by the UN; the possibility that other international organizations may also have a claim to special arrangements with INTELSAT; and the question of equity if INTELSAT, a commercial consortium of 76 members, were to provide free services to an organization such as the United Nations, with 126 members.

Some people tend to consider this as a question of money from the United States contributed one way or another to support the UN. It is worth noting, I think, that there is no US Government money in INTELSAT whatsoever. Comsat is a private corporation which puts up money for INTELSAT operations. If INTELSAT gives free service that's Comsat's money supporting the operation.

4. Industry Relations -- How handled - by whom - with whom

With the reorientation of the function formerly performed by ODTM - that of coordinating executive branch telecommunication policy - to a broader function of coordinating and developing national telecommunications policy, OTP will have to have constantly updated information on the structure, programs, operations, technical capability, and technological prospects of the communications industry. That industry is made up of manufacturers, researchers, operators in broadcasting, common carrier services, safety and special radio services.

Would this not be more appropriate for Commerce?

OTP will provide, for the first time, a national focal point for the collection, evaluation and dissemination of systems, data, and information created by and for the communications industry.

Developing and recommending policies presumes continual contact with the industry. A continual liaison with the highest levels and at working levels will be essential. I will personally seek and encourage such industry contact to facilitate the flow of information.

Q: To what extent do you expect to draw upon the private sectors for assistance in the development of national telecommunications policy?

A: Again I refer, Mr. Chairman, to the President's Letter of Transmittal, in which he stated that "the speed of economic and technological advance in our time means that new questions concerning communications are constantly arising" and "the Government must be well informed and well advised." The President then went on to say that this "Office will enable the President and all Government officials to share more fully in the experience, the insights, and the forecasts of Government and non-government experts."

I would hope that I can draw upon the wealth of expertise and counsel within industry and our educational institutions as well as within many departments and agencies of the Government. I consider the Joint Technical Advisory ^{Committee?} Council as one good example of the high quality of professionalism which has in the past been available to this office and which I hope will be equally available to me. There are many other such organizations, to say nothing of the major telecommunications industries whose officials have many times in the past made themselves available to the Government as and when their assistance was desirable. I see no conflict of interest involved in this kind of liaison. I do see it as a means of accelerating our progress toward national goals in telecommunication.

Domestic Satellite

Q: What do you think of the FCC's recent action on domestic satellites?

A: The FCC's recent report and order reflects a considerable amount of the thinking and analysis which we made in the Executive memorandum filed with the Commission in January. It does seem to make possible more open entry into the satellites by those relatively few companies with the interest, capability and capital to do so.

On the other hand, I am concerned about what I see as the continuing delays in the regulatory process. The Commission has still not finally indicated how it is going to handle applications and does not propose to do so until applications have been filed and comments received thereon, and no cut-off dates have been set for applications, let alone, for comments on applications. This is a matter which cannot be passed by lightly. Various companies have already indicated that they would be discouraged from entry into this field - quite apart from its commercial potential - by the sheer

uncertainty and delay of the full fledged regulatory process, as we know it. General Electric is a case in point. The situation is not hard to understand. After all, who is going to risk capital and resources for innovation in a new technology if there is serious risk that after all the work is done, the innovation will go for nought because the regulator rejects it on non-technical grounds or delays its introduction so long as to render it obsolete?

Q. You have been cited as the principal author of the Administration's recent recommendation to the FCC on domestic satellite policy -- in which unlimited entry by common carriers, broadcasters, and others is proposed. Don't you feel such a policy, if adopted, would be likely to:

DOMSATS

a) Create a chaotic jumble of incompatible satellite systems incapable of being interconnected in time of national emergency and of realizing the economies of scale of a single integrated system?

b) Permit AT&T to extend its virtual monopoly of terrestrial communication services to the satellite area as well, with the loss of great public benefits from the enlightened use of a technology made possible by vast expenditures of public funds?

c) Jeopardize both the economic viability of, and our avowed support for, a single integrated global satellite system under Intelsat?

d) Create serious problems for us in the international community, for example, charges that we will monopolize the international orbital space and spectrum resource and resultant efforts to establish tight international controls over these resources?

A. (a&b)

First, let me clarify one point regarding our policy recommendation to the FCC. We propose that entry into the domestic satellite field not be restricted by undue regulatory constraints

based on assumed economies of scale or limited availability of spectrum resources. That is quite different from the notion of "unlimited entry"; entry into this field will be inherently limited by the high costs involved, by the existence of competitive terrestrial alternatives, and by other valid regulatory controls on common-carrier investments, broadcast practices, and the like. Even without added regulatory constraints, these forces will tend to restrict entry to a relatively small number of telecommunication suppliers or users. We felt it most desirable, in the interest of maximum innovation and use of this technology, that entry not be further restricted beyond these natural and legitimate constraints.

(b) Now, as to possible domination by AT&T, we feel the policy recommended would adequately prevent such domination if AT&T did not indeed provide the most economical and reliable service for each of a wide variety of users. But if they were able to do so, without burdening other users of their satellite or terrestrial facilities, we could find no valid public-interest objection to such a result. We do not foresee such a development, given the wide variety of communication services satellites can provide, the wide range of user interests involved, and the apparent lack of overwhelming economies of scale

encompassing such a wide range of possible services. But we feel that, for at least an interim period, these questions can be sorted out by the private sector with far greater certainty and at less risk to the public interest than could be achieved by public policy decree, given the many uncertainties involved in projecting technological developments, relative costs, demand for as yet non-existent or poorly developed services, and the like.

Q. What do you plan to do about providing communications to Alaska and particularly about providing communications satellite service to Alaska?

A. Within the past month the State of Alaska, through its Bartlett Earth Station and the Intelsat Pacific Satellites, has inaugurated communications satellite service which connects that State with the contiguous 48 states, Hawaii, the Philippines, Japan, Thailand, Indonesia, and Australia. From many of these points, communications can be forwarded to and from Alaska to practically any point in the world. For its long-distance and international traffic, therefore, Alaska is now part of an operational global communications system.

With regard to the possible use of communications satellites in Alaska for local, educational, or other purposes, it is my understanding that Comsat, NASA, and possibly others are now exploring ways of establishing experimental programs to determine just what satellites can do for Alaska. I believe the possibility of using ATS satellites

is now under active consideration and my office will certainly provide whatever assistance it can to the Government of the State of Alaska to ensure that that State will obtain the full benefit of this new technology at the earliest possible time.

Do you really want to make such a commitment?

Let Commencement help them.

Q: I am upset by what I see happening in these INTELSAT negotiations. As far as I can see, we are trying to give the store away. It's not right to do this when you consider that these satellites are up only because the U. S. spent the taxpayers' funds on the R&D to get them up. What is going on down there anyway?

A: Mr. Chairman, ~~as the Committee knows~~, this office has a key role to play in national policy formulation with respect to satellite communications in general and to the global commercial satellite system in particular. I share your view that we should not dissipate at the conference table all of the hard-won and expensive progress which we have made in satellite communication. However, I am confident that you and the members of the committee are sympathetic to the concept of international cooperation in world-wide communication and that you are in accord with the principle that no one country or group of countries should be permitted to dominate completely an activity in which, by definition, the concept of international cooperation is prerequisite to progress. I can assure you, however, that while I firmly hold to the principle of international cooperation, I do not in any sense subscribe to the principle of international domination.

and further, if I am elected, there will be a chicken in every pot!

Question: The U.S. seems to be losing ground in its international position in the communications satellite field. We have agreed to internationalize the management of INTELSAT, and are now pressed with proposals which would allow small nations to hamstring what is essentially a commercial venture. What will you do about this?

Answer: Well, some nations wish to see international communications as an undertaking between sovereign governments, and some see it as commercial venture. The U.S. cannot dictate the terms of a settlement on this point. Ambassador Washburn's staff has been doing its homework pretty well on this problem. I am not prepared at this moment to suggest any departure from the approach they have taken to try to achieve an effective and workable agreement.

But I do want to say that if the U.S. is to be successful in this effort, it must be prepared to accept the fact that the U.S. will not be the only one to benefit from this effort. It will be a joint effort and the U.S. must be prepared to share the benefits with the other nations involved.

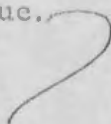
Q. I understand the U.S. delegation to the Intelsat Conference has given away Comsat's role as manager. What exactly is this situation?

A. Since Intelsat began in 1964, Comsat, under the terms of the 1964 agreements, has been the manager of the Global Systems on behalf of all member countries. During the current ^{negotiations} ~~negotiations~~, many countries have complained that Comsat ^{wields} ~~wields~~ too much power. It is simultaneously the largest single investor with more than 50%; alone it votes 52% of the total vote in the governing body; it is by far the largest single user of the system; and it manages the system to the extent of letting all contracts, maintaining all books and records, and controlling the launch and orbital location of all the Global System satellites.

Originally, Intelsat had 19 signatories. Today it has 76 member countries. As membership grows and service expands (there are now 50 earth stations operating in 28 countries), more and more members become sensitive about the dominant role of Comsat. We do not apologize for the U.S., and consequently Comsat's, role in Intelsat. Pursuant to policies in the 1962 Communications Satellite Act, we instigated creation of Intelsat. We made available the advanced technological capability to establish the system; we provided the bulk of the initial investment for the system; and we have been the primary producer of revenues through our use of the system.

~~28~~

We recognize, however, that it takes two people to have communication. When we want to talk or when we want to listen, there has to be a correspondent at the other end. We have demonstrated the technical and economic feasibility of Global satellites. Others are impressed, but they have contributed and cooperated and now they feel our role can be less dominating and still be effective. I think this is true.



Now what have we agreed to in the negotiations?

In a ^{compromise} ~~complex~~ proposal submitted by Australia and Japan in March 1970, it was suggested that for the foreseeable future (i. e., 5 years) there is no real alternative to Comsat as manager of the Global System. Therefore, Comsat should continue to manage all of the technical and operational aspects of the system. It was suggested further that an international secretariat be established immediately upon entry into force of the agreements ^{and} that this secretariat provide all administrative, financial, meeting support, legal, and public information functions necessary on behalf of the organization. After five years, the international secretariat and the technical operational management by Comsat could be fused into an international directorate under a Director General. Beyond that time, Comsat's role would be determined by the organization.

INTELSAT

It would be encouraged, by terms of the agreement, to consider obtaining the maximum practicable amount of contracting out of specialized functions so that Comsat might well have a ^{significant} continuing role in the future.

This proposal has received broad support within the Conference and the ^{Corporation's} ~~cooperations~~ management has indicated its willingness to accept this compromise. I think this is a realistic and workable arrangement, but I do not consider it in any sense a "give away."

Q. I understand many of the smaller users in Intelsat are clamoring for a strong assembly which would run the organization on a one nation-one vote basis. Can you comment on this?

A. The assembly question is currently the principal unresolved question in the negotiations. Specifically, the debate concerns the role of the assembly in policy making for the organization. It is our position that Intelsat should not become an international political forum for debate. Its purpose is essentially a commercially oriented function of providing a public service as a public utility. Any organization with 76 member governments inevitably involves politics. Recognizing that, we have suggested that there be an assembly to deal with general matters of governmental interest. However, the basic function of Intelsat is communications service. Therefore, with regard to the technical operational matters which are totally separable from political questions, we believe the Board of Governors should be the controlling body with voting therein on the basis of a voice commensurate with investment in and use of the system. We are seeking mutually ^{acceptable} ~~accepted~~ compromise language to reflect these relative but balanced functions of the assembly on the one hand and the Board of Governors on the other.

Q. We seem to be moving toward the establishment of a domestic communications satellite system in the U.S. Is this consistent with or in conflict with our participation in and support of Intelsat?

A. As I view the nature of Intelsat, its functions and purposes, I can find nothing incompatible with a national domestic satellite system to handle the bulk of ^{our domestic satellite} traffic which would not likely be handled by Intelsat in any event. The Government of Canada, which is also among the earliest and largest users of Intelsat is presently organizing a domestic communications satellite system. That system has been discussed with and coordinated with the governing body of Intelsat to avoid any technical incompatibility. We would expect to similarly consult with Intelsat on any potential domestic U.S. system. Beyond that, Intelsat has no say in what Canada or the U.S. or any other country may wish to do in the process of providing for its domestic communications needs.

Q. There has been a lot of talk about direct broadcasting by satellite.

A number of hearings have been held on the subject in Congressional subcommittees and we understand that the U.N. has a working group on this subject. Can you tell us what the U.S.'s policy is on direct broadcasting satellites and, in general, describe where this entire matter stands at the present time?

Q. Various government agencies and industry groups have urged greatly increased expenditures for Federal telecommunication management activities, including the establishment of a National Electromagnetic Compatibility Analysis Facility and the adoption of a new spectrum engineering approach. What is your view of these suggestions?

A. In general, I feel there are great opportunities for increasing the capacity and utilization of the radio spectrum resource through improved technical analyses, standards, and procedures.

At the ~~same time~~, however, ^{a/s} there is ^{an} urgent need to develop ^{will} new spectrum management approaches which ^{will} more accurately reflect the relative social and economic benefits of alternative

spectrum uses; ~~there is also a need to guard against over-~~ involvement by any single spectrum czar in the day-to-day decision

making processes of those sectors of our society and economy

which rely upon this resource -- among many others -- in

the conduct of their affairs. I, therefore, feel that some

further review of our overall approach to spectrum management

is needed prior to establishing any single entity for regular

electromagnetic compatibility analyses. At the same time,

I feel that we should proceed immediately with the development

of a capability for ^{both technical and economic} such analyses, for example, the development

*This can only
weaken your
role and
jeopardize
your budget*

of data collection and processing techniques, files on radio equipment and radio transmission characteristics, and the like. I would, accordingly, ask the Department of Commerce, which is to provide the technical and analytic support for the OTP, to undertake a significant program along these lines.

Q. There has been a lot of talk about "selling" the spectrum on the open market. The Rostow Task Force reportedly favored such an approach. Given the vital importance of spectrum use to such public services as broadcasting, public safety and emergency communications, aeronautical navigation and control, and national security communications, can you see how such a "spectrum market" would be in the best interests of the country?

A. There have admittedly been some far-out views on this issue, on both sides, I might add. Some economists have urged a completely free market with no public controls as a means of avoiding undue political or bureaucratic control of this resource. Some engineers and communicators, on the other hand, have urged enormous expenditure of public funds to "engineer" a complete solution to the problem of accommodating an increasing number of prospective radio services with a finite quality of spectrum resource. In my view, neither approach alone is either desirable or capable of being implemented. Much greater consideration of the relative social and economic benefits of alternative spectrum uses is certainly needed in the

*I think
the tone
should be
moderated
here. Neither
side are
charlatans
or idiots.
Earlier Q. A
praised JTAC
as some advice
in his here they
are damned!*

management process; this may require some reliance on market forces and economic incentives for spectrum economizing, such as the recent FCC decision to raise the fees for radio licenses. At the same time, much can be done through improved engineering of spectrum assignments to accommodate greater numbers of radio services, often with ^{out} significant costs to either the government or the users. One of my priority efforts will be to weigh the relative merits and applications of these two approaches, with the objective of recommending to the FCC and to Congress some potential blending of the economic and engineering approaches designed to achieve a more effective overall spectrum management process. I might add that one aspect of such a process which I feel would be most important is that it be equally capable of application to government and non-government spectrum uses, so that we can avoid any feeling of mistreatment by those on either side of this dichotomy.

of the frequency spectrum. There are many who feel that the Federal Government is hogging frequencies -- that once it gets them, they never let go irrespective of whether they need them or not.

A: ~~I have, of course, been briefed on many of the most pressing problems which faced General O'Connell and which will face me in OTT.~~ I am not as familiar as I would like to be on the entire frequency spectrum problem and as I expect to be within a very short time. ~~I will say this, however,~~ On the basis of my briefings and the short discussions I have had with knowledgeable members of the staff, I am of the opinion that very much progress has been made toward assuring that no such hogging of frequencies by the Federal Government can take place -- or, if it ever did take place -- could continue for an indefinite period of time. With the advent of a computerized operation for frequency management, the office now has the capability for reviewing with far greater accuracy and speed the entire assignment and control function. Moreover, the system for an automatic review of frequency use at least once every five years is now in effect. I can assure this Committee that we will be making every possible effort to assure all uses by the Federal Government of frequencies are valid, justified and of a continuing requirement.

Q: I understand that you intend to give the Commerce Department the responsibility for the frequency management activity. Do you feel that Commerce can run it better than your people can?

A: Mr. Chairman, there have been discussions in respect to certain elements of the frequency management activity to the Department of Commerce. In general, the thrust of these conversations has been to determine just what portions of the frequency management which are routine in nature can be transferred. The responsibility for overall national planning and policy formulation and coordination in the frequency management area ^{and the authority for final assignment of spectrum to government users} will remain with the Office of Telecommunications Policy. I cannot tell this Committee at this time how many and what kinds of people will be involved in this split.

Q: There has been much speculation from time to time regarding the advisability of placing the entire frequency management business -- both Government and non-government -- into your office. Do you have any views on this?

A: No, Mr. Chairman. Not at this time. I don't feel that I have sufficient background nor adequately analyzed the advantages and disadvantages of such an arrangement.

Question: Where will the NECAF be established?

Answer: We plan to look to Commerce for the research and analysis support of the kind which would be provided by a NECAF.

When the NECAF was considered to be part of the DTM, it made some sense to consider it as a separate facility performing a specialized function within the overall DTM role. Within Commerce, there may not be a separate facility identifiable as a NECAF, because the

function will be part of a broader Commerce support role. However, there is clearly a need for additional resources for the functions which the NECAF was to perform, because these are not being done anywhere now for problems other than military ones.

We plan to transfer most, if not all, of the funds and spaces originally budgeted for the NECAF to Commerce, to permit the buildup of the necessary support capabilities in the area of electromagnetic compatibility analysis.

Question: Why do you ^{say} ~~some~~ "some, if not all"? Shouldn't all of the funds go?

Answer: The FY 71 budget was constructed to support the old DTM office, as a part of OEP, plus a separate NECAF. That budget must now support a separate OTP, plus electromagnetic compatibility analysis and other frequency management support functions within an existing department. We will need time to re-evaluate the relative requirements and priorities of these new organizations before we can say just how the budget can, be divided up.

WH 7/10/70

Spectrum Management Philosophy

Q. Each time one of these telecommunications agencies is up here, whether it be the FCC, OTM, or the Department of Commerce, 90% of their concern seems to be over radio spectrum management. We also get many expressions of concern from the various industries on this score. I wonder if you could explain just what the problem is -- I gather there is a serious shortage of radio frequencies -- and what you intend to do about it?

If you say this you will have all kinds of people beating your door down to provide them what they want right now. This answer also tends to be critical of the FCC.

A. First, I would like to disassociate myself from the view that there is a spectrum shortage or crisis. While the capacity of the radio spectrum may indeed be limited, I feel we are nowhere near reaching that limit in the foreseeable future provided we can formulate some improved management policies and practices. I suspect the notion of "shortage" is somewhat of a scare tactic employed by frequency managers and some users to call attention to what is indeed a very important area of public and private concern. I prefer, however, to view it more as a challenge to effective management resulting from the interaction of a very dynamic technology and a highly flexible resource of virtually limitless capacity with a management system geared to a more orderly and ponderous type of decision-making. *could you deliver on this promise?*

Perhaps I can give you an example of what I mean. You see, the radio frequency spectrum is somewhat like the tones of a musical

scale. If you and I try to sing the same notes at the same time and in the same place, a listener will be unable to hear either of us clearly because of interference from the other. Similarly, if two radio systems try to operate in the same area at the same time and using the same frequency or "tone", they will produce "radio interference" for one another. If they use different tones, they won't interfere. So frequency management really began as a process of assigning different tones to different radio systems to avoid interference; and many of today's rules, regulations, and management procedures are largely an outgrowth of this concept of frequency allocation and assignment.

Now if I can return to the analogy between radio and sound transmission, I think you will agree that speakers and listeners in different rooms could readily use the same tones or frequencies without interfering with one another -- and the same is true with radio. Thus, the concept of spectrum resource management -- as contrasted with frequency management -- must take into account the possibility of simultaneous, non-interfering use of the same frequency by suitably separated radio systems. So we have added a new dimension to the capacity of this resource, and of course you realize this is just what we do when we allow radio or television

broadcast stations in widely separated cities to use the same channel or frequency band.

In addition to the use of different frequencies, or operation in different areas, there are several other characteristics of radio wave transmission which may be varied to permit one wave to be distinguished from another and hence to permit a proliferation of non-interfering systems. In the case of point-to-point systems, that is systems which interconnect but two points along the earth's surface rather than "broadcasting" to many points, we can take advantage of our ability to focus those waves into very narrow beams -- like searchlights -- which allows us to pack many more point-to-point links using the same tones into a given area without interference than would be possible using very broad-beam radiation. So again we have increased the reusability of the frequency spectrum and the net radio communications capacity by exploiting yet another dimension of this radio spectrum resource, i. e., the direction of transmission. We can even use this to permit simultaneous use of the same tones (frequencies) by satellite and terrestrial radio systems, since the former use transmission paths extending from earth to space and back while the latter employ paths paralleling the earth's surface.

What I am trying to emphasize, Senator, is that the radio spectrum resource has many other dimensions than just frequency -- and there are several others I haven't mentioned -- and that simply by juggling the combinations of these that particular systems use we can accommodate a greater or lesser number of radio systems. Now it obviously costs something for this juggling -- both for figuring out what is possible and for designing the equipment to work in appropriate ways. Furthermore, these costs vary both with the particular resource parameter one is juggling and with time as technology and our understanding of radio transmission processes advances. Thus, to finally reach the heart of your question, the primary task for spectrum management is to ensure that all dimensions of this resource are fully and effectively utilized to accommodate expanding needs for radio services, and that rational decision may be made as to the relative costs and benefits of choosing alternative combinations of these resource parameters. It is not basically a problem of rationing a fixed amount of resource capability among conflicting claimants. My principal concern is that we not be inhibited in our use of this resource by outmoded concepts and vested interests in the "frequency allocations" established under these concepts -- whether those allocations be labelled

government or nongovernment -- but rather that we seek full exploitation of all the capacity and capability this resource has to offer. Various ways of achieving this objective have been suggested, such as the Spectrum Engineering concept advanced by the IEEE/EIA Joint Technical Advisory Committee, the electromagnetic compatibility analysis capability contemplated by the predecessor office of the OTP, and the leasing or marketing of spectrum rights suggested by the Rostow Task Force and several economists associated with this field. I would not want to take a position as to the optimum approach at this time, and have no preconceived notions other than that a melding of all these approaches will most likely be required if we are truly to reap the benefits of this resource and of the continuing technological advances which are foreseen in radio services.

Question:

Will a National Electromagnetic Compatibility Analysis Facility (NECAF) be established? Will it duplicate or replace other facilities? What will it cost?

Answer:

Improved analytical capabilities and support facilities, including a better data base, are needed to support the management of the frequency spectrum. There is no question of this. In the past, this improvement has been visualized as sort of a carbon copy of the Defense Department's ECAC. This is not a bad way to start thinking about the problem, because ECAC has made some real contributions. I think we definitely need more people with modern analytic skills working on this problem, and I hope to see such a capability built up within the Commerce Department.

However, I want to review the alternatives for providing the data base and data processing support for this function within the government. It seems to me that the idea of a computer communications network may be applicable here. Such a network could link my office, Commerce, the FCC, the DOD ECAC, and possibly other users and sources of information on spectrum use and management. Such an approach would provide a focus for cooperative effort and would eliminate duplication of costly support facilities.

Until I have thoroughly examined the possibilities here, I am going to visualize our needs in terms of people, but not necessarily as a facility.

See also
similar Q&A
submitted later
in the group
on Structure
& Policy

Q: Back in 1963, President Kennedy established the National Communications System. It was to be developed by linking together major government systems and eventually we were going to get a fully-survivable, integrated, economical and dependable system for any kind of national emergency. Seven years later, there is a serious question in my mind as to whether any of these four objectives have been attained. Can you comment on this?

A: ~~As you know, Mr. Chairman,~~ the Director of the Office of Telecommunications Policy ^{will have} ~~has~~ a key policy role in guiding the development of the NCS. In exercising this authority, the Director must work very closely with the Executive Agent and the Manager of the NCS who are respectively the Secretary of Defense and the ~~Commanding General~~ ^{Director} of the Defense Communications Agency. I am confident that the recent reorganization in DoD which has resulted in the establishment of the position of Assistant/Secretary of Defense for Telecommunications -- will enhance the capability of both this office and of DoD to move ahead in the development of this communication system, which I consider to be indispensable to the national interest and security. I can assure this Committee that I consider this matter an urgent one.

I don't like this answer much.

Question: The General Accounting Office has been critical of the progress made in unification of the National Communications System. What will you do about that?

Answer: I think the first important step here is to define the objectives more clearly.

The forced unification of existing systems can be expensive and unnecessarily disruptive. Centralization of operating management and programming responsibilities reduces the incentives for users to weigh communications in relation to other goods and services required to accomplish their mission.

On the other hand, there are definite advantages in having the ability to interconnect the various government systems, and in having some means of allocating overall system capacity to the highest priority needs in emergencies. Progress has been made toward these goals under the NCS concept, and we want to be sure that progress continues to be made along these lines.

In short, we must determine, and express clearly, the degree of unification which is needed to meet Presidential and national requirements, and to achieve overall

- 2 -

economy and efficiency. Then we can assess more meaningfully where we are and where we have to go with the NCS. This will be one of the problems we will start to work on immediately.

Question: Why does the U. S. Government have two separate telephone networks -- FTS and AUTOVON? Shouldn't these be combined? What will you do about this?

Answer: Apparently these two networks evolved separately for a variety of reasons. At least one factor is that the FTS facilities tend to be concentrated in large cities where there are major concentrations of government agencies, while the military needed to put their switches away from such target areas because AUTOVON provided communications for the SAGE air defense system. In recent years there have been a number of studies of combining these networks, and I understand several ways of doing this have been identified and evaluated. The savings which are estimated seem to depend on the growth rate which is projected for each network, on how termination costs are treated, and on the number of special requirements which might have to be met outside of a combined network. I intend to give this immediate attention, and, if combining these networks is really advantageous, I will see that it is done.

- 2 -

Question: What about the separate record networks -- AUTODIN and the Advanced Record Network of GSA?

Answer: I am not familiar enough with the various record networks to comment on the desirability of combining them, but I think the question deserves serious study. We would not want to combine them just for the sake of combining them -- there would have to be an economic or operational advantage.

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

TO: ✓ Tom Whitehead
Bryan Eagle

FROM: Bruce Owen

Attached are two lists of "policy issues" which I made up some time ago. I have indicated those which might usefully be added to the list you are now working on.

I hope that I will have an opportunity to comment on the substance of the various OTP positions indicated, as well as on the question of which have been omitted. I believe that several of the positions indicated are not good policy.

Attachment

OTP PROPOSED INITIATIVES

I. GOALS

OTP's proposed initiatives are intended to achieve the following goals:

A. Bring present broadcast regulation more in line with our private enterprise media philosophy to stem the tide of demands of activist groups for free broadcast time and to correct the anti-competitive power of the three TV networks.

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

C. Restructure regulation of the U. S. international common carrier communications industry to eliminate artificial distinctions between voice and record message carriers, to enhance the private enterprise character of Comsat, and to promote efficient balances of satellite and undersea cable facilities.

D. Promote economic efficiency and competition in the domestic common carrier industry as new communications services become available by means of satellite transmissions and increased reliance on specialized carriers for innovative services.

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

II. MAJOR INITIATIVES

A. Legislative Reform of License Renewals and Other Aspects of Broadcast Regulation

1. Lengthen the term of broadcast licenses; place the burden of proof on renewal challengers; and lessen detailed FCC control of broadcasting.

2. Exempt product ads from the Fairness Doctrine requirements of free response time; minimize case-by-case FCC enforcement of the Fairness Doctrine, except as to network programming, and prohibit discrimination in the sale of broadcast advertising time.

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

4. Clarify that the First Amendment's free press guarantees protect (and therefore places responsibility on) management of stations and networks rather than their reporters, and enlist their help in keeping network news professionally balanced.

B. Cable Television Legislation

Legislation embodying the recommendations of the Cabinet committee on cable television to create a framework for the development and regulation of the cable television industry; generally resolving such issues as cable pay TV, networking competition with broadcasting, cross-media ownership of cable systems, and division of jurisdiction between the Federal Government and the States.

C. Legislation to Correct Deficiencies in the International Common Carrier Industry

1. Require the FCC to coordinate with the executive branch to allow effective government-industry negotiations with foreign governments regarding international communications facilities matters.

2. Terminate common carrier ownership and participation in Comsat;

3. Clarify the Congressional guidance to the FCC for regulating U.S. international carriers and redefine the classes of such carriers to reduce the obsolete distinction between voice and data communications.

Director

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

30 OCT 1972

DIRECTOR


MEMORANDUM FOR KEN COLE

I am sending today two separate packages: (1) a catalog of OTP and Administration positions on various communications issues, with a draft covering memorandum to John Ehrlichman; and (2) an agenda of communications initiatives for next year.

The catalog is broken down into two separate portions; a summary of important and immediate issues, including those on which there is a stated Administration position; and the comprehensive listing of issues falling within OTP's area from which the summary was compiled.

Both the initiatives and the issues listing need to be reviewed from the perspective of politics and the rest of the President's 1973 program.

As I indicated to you before, it is my intention to discuss these matters with Flanigan and Ehrlichman soon after the election, but it would be very helpful to have your preliminary views so that the final package that goes to John would be most useful for him. I would like to meet with you along with my legal and congressional staff officers before the election to discuss these two packages.



Clay T. Whitehead

Attachments

275

DRAFT MEMORANDUM FOR JOHN EHRLICHMAN

Attached are a summary of major communications policy issues with the OTP and Administration positions on each (Attachment A), and the comprehensive list from which the summary was compiled (Attachment B).

I have divided the issues into two categories: (A) those on which there is a clear and stated Administration position; and (B) other important and immediate issues where OTP has stated a position (indicated by *) or where the President may wish us to do so.

I would like to review this with you as soon as possible so that we can have your guidance on what further needs to be done before we proceed.

Clay T. Whitehead

Attachments

Administratively Confidential

CATALOG OF POSITIONS ON ISSUES

COMMERCIAL BROADCASTING

A. Stated Administration Positions

1. The three-hour limitation of FCC's prime time access rules should be reviewed.
2. The number of prime time reruns should be reduced.
3. The number of prime time reruns should be reduced without regulation if possible.
4. Section 315 requirements should be repealed for either all or no Federal offices.
5. There should be no FCC requirements for "counteradvertising" independent of Fairness Doctrine.
6. Home game black out of TV carriage of pro-sports events should be lifted when stadium sold out.

Administratively Confidential

B. Positions on Pending Issues

1. OTP Position

- a. There is a need for legislation providing license renewal stability.
- b. Broadcast license terms should be lengthened.
- c. Broadcast license terms should be lengthened to five-year terms.
- d. "All channel" legislation for AM-FM radio is undesirable.
- e. Regulatory controls on commercial radio should be lessened.
- f. There should be a radio deregulation experiment.
- g. The three-hour limitation of FCC's prime time access rules should be rescinded.

h. Network ownership participation in entertainment programming should be limited.

i. Joint newspaper and TV ownership in the same market should not be:

(1) prohibited by FCC rule.

(2) considered in license renewals.

j. Creation of new joint newspaper and TV ownership in the same market should be reviewed on a case-by-case basis.

k. The FCC TV channel allocations standards (e.g. VHF drop ins, UHF taboos, etc.) should be reviewed.

l. FCC-created minimum program standards for "superior" or "minimal" performance to determine renewal purposes are undesirable.

m. The feasibility of a rating index or rating

system for TV violence should be studied by HEW.

- n. There should be no FCC restrictions on violence in programs.
- o. Section 315's "equal time" requirements should be retained for all political candidates.
- p. The Fairness Doctrine should not be applicable to product ads.
- q. There should be legislation requiring non-discriminatory paid access for broadcast ad time.
 - (1) With proper modification of the Fairness Doctrine.
- r. There should be legislative modification of case-by-case enforcement of the broadcasters' "fairness" obligations.

- s. Federal policy should foster the creation of new commercial TV networks.

2. No OTP Position

- a. Pending anti-trust suits on network ownership of entertainment programming.
- b. Commercials in children's programs should be eliminated or restricted by FCC.
- c. Restrictions on broadcast station ownership by conglomerates.
- d. There should be expansion of the "Zapple" or quasi-equal opportunities doctrine for non-candidate political broadcast appearances.
- e. Federal policy should foster the creation of new commercial TV networks through:

- (1) modification of FCC rules governing

network affiliation contracts.

(2) review of AT&T interconnection tariffs.

(3) prime time access rule.

PUBLIC BROADCASTING

A. Stated Administration Positions

There should be a three to five year authorization and appropriation cycle for CPB, but not for several years.

B. Positions on Pending Issues

1. OTP Position

a. HEW educational broadcast facilities program priorities should be reviewed.

(1) New station construction funds should be limited.

(2) Funds for programs production facilities at existing stations should be increased.

- b. HEW should be given statutory authority to fund construction of educational telecommunications facilities other than broadcast stations.
- c. Neither CPB nor HEW should be given statutory authority to fund directly instructional TV programming for classroom use.
- d. There should be no Federal funding of CPB outside the appropriations process.
- e. CPB should not fund a fixed schedule network.
- f. CPB should not fund any programming dealing with politically controversial issues.

2. No OTP Position

Market plan for allocation of CPB national program funds.

CABLE TV

A. Stated Administration Positions

1. There should be no compulsory license for carriage of distance signals beyond FCC third report and order.
2. There should be either a pre-negotiated fee schedule or an arbitration clause in a new copyright schedule.
3. There should be "distant signal" importation rules for cable carriage of AM-FM radio signals.

B. Positions on Pending Issues

1. OTP Position

- a. In light of the Midwest Video case, there is a need for legislation to govern the long-term development of cable TV.

- b. Federal regulation of cable should require:
nondiscriminatory rates, addition of capacity
upon reasonable demand and vertical dis-
integration of the program supply, intercon-
nection and transmission functions.
- c. There should be no requirements for free
cable channels, special services, special
access for certain interest groups.
- d. Federal rate regulations should be limited
to requirement of nondiscrimination.
- e. States may regulate only cable operator
rates to subscribers.
- f. There should be no cross-ownership restrictions
imposed on broadcaster and print media owner-
ship of cable systems.
- g. There should be Government assistance when
necessary to enable cable construction and
various health and welfare cable services

for rural residents and the urban and rural poor.

- h. The Federal Government should sponsor a program to demonstrate effectiveness of public services and viability of selected commercial services via broadband systems.
- i. There should be no Government requirement of municipal ownership of cable television systems.

2. No OTP Position

- a. Telephone companies role.
- b. Program restrictions on cable pay TV (anti-siphoning).
- c. Special provisions regarding minority group ownership of cable television systems.
- d. There should be a review of whether professional sports interests need more control, through

program exclusivity rights, over cable carriage of TV sports programs than afforded by making sports events copyrightable.

- e. Appropriate division of responsibility for cable regulation among the Federal, State and local levels.

DOMESTIC COMMON CARRIER REGULATION

A. Stated Administration Positions

1. Domestic satellite services should be provided on an open entry, competitive basis.
2. Bell may offer such competitive services upon showing no cross-subsidization.

B. Positions on Pending Issues

1. OTP Positions

- a. Data communication services should be

provided on an open entry, competitive basis.

- (1) Bell may offer such competitive services upon showing no cross-subsidization.

b. Mobile communication services should be provided on an open entry, competitive basis.

- (1) Bell can offer mobile telephone services on a tariff basis.

- (2) Bell may not offer business dispatch services until there are effective regulatory mechanisms to prevent cross-subsidization and anti-competitive marketing practices.

c. FCC should be prohibited from granting immunity to anti-trust laws.

d. Western Union should no longer be protected against financial failure by the FCC.

e. There should be no legal barriers to brokerage and resale of communications services.

f. Cross-subsidization in regulated competitive services should not be allowed, and within the Bell tariffs should be explicitly identified.

(1) The burden of proof of non cross-subsidization should be on the supplier of monopoly services.

g. There should be clear and nondiscriminatory standards governing attachments to the Tel Co network.

h. Employment practices of regulated common carriers should be excluded from FCC jurisdiction.

i. Hawaii and Alaska should be brought into the domestic communications systems.

(1) Rates for communication services to

Hawaii and Alaska should be set according to existing interstate rate making procedures.

- j. There should be nationwide implementation of 911 as an emergency telephone number.

2. No OTP Position

Regulatory standards for telephone services quality should be developed.

INTERNATIONAL COMMUNICATIONS

A. Stated Administration Positions

- 1. International agreements unnecessarily limiting the free flow of information over communication systems are contrary to U.S. interests.
- 2. International aeronautical and maritime mobile communication satellite services should be procured by the Government from commercial sources.

3. The U.S. will provide launch assistance for foreign communication satellites if consistent with the relevant International arrangements.

B. Positions on Pending Issues

1. OTP Positions

- a. There should be legislation clarifying structure and regulation of U.S. international communications industry.
- b. Special provision for common carrier stock ownership in Comsat should be eliminated.

(1) Government participation in Comsat should be reduced or eliminated.

(2) "Authorizer user" concept is endorsed (under review).

- c. There should be legislation outlining government-industry coordination for international negotiations regarding communication facilities.

e. The 1972 UNESCO draft and USSR initiatives are opposed.

f. U.S. support and launch assistance for foreign regional public communication satellite systems will be provided absent serious harm to Intelsat.

2. No OTP Position

Western Electric should be allowed to sell in foreign markets.

LAND MOBILE

A. Stated Administration Position

None

B. Positions on Pending Issues

1. OTP Positions

a. There should be no exclusive allocation of spectrum space to wireline common carriers for

mobile telephone services.

b. Mobile communication services should be provided on an open entry, competitive basis.

(1) Bell can offer mobile telephone services on a tariff basis.

(2) Bell may not offer business dispatch services until there are effective regulatory mechanisms to prevent cross-subsidization and anti-competitive marketing practices.

c. A schedule of license and usage fees should be established to reflect economic value of and market demand for assignment of spectrum for land mobile.

d. New procedures involving LEAA and OTP should be established to coordinate the assignment of spectrum for local, State, regional, and Federal law enforcement agencies.

- e. Whatever we do now should be compatible with orderly evolution of widespread interconnected mobile telephone services.

2. No OTP Position

None.

COMPUTERS AND COMMUNICATIONS

A. Stated Administration Position

None.

B. Positions on Pending Issues

1. OTP Positions

- a. Computer services should not be regulated, especially by the FCC.
- b. Information services involving both information processing and communications should not be regulated, especially by the FCC.

- (1) FCC regulation of communications channels used for computer communications or used in distributed information systems should be limited to regulation of the communications channels.
- (2) Where information processing is clearly integral with the communications functions, the FCC should have regulatory jurisdiction.

c. There is a need for legislation defining private rights, institutional arrangements, and enforcement mechanisms suitable for information technology.

2. No OTP Position

Anti-trust suit against International Business Machines.

GOVERNMENT COMMUNICATIONS

A. Stated Administration Positions

The Federal Government should establish a single nationwide public warning system for civil defense and natural disaster use capable of activating warning devices in the home.

B. Positions on Pending Issues

1. OTP Positions

- a. The Federal Government should support the minimum number of radio based position locating systems needed to meet general civil and military needs. Other systems should be designated as interim or special purpose systems which will not be supported indefinitely for civil use.
- b. There should be improved coordination of procurement and use of telecommunications facilities and services by Federal agencies, short of creating a single operating management entity.

- c. The Federal Government should take maximum advantage of emerging competitive sources of supply for telecommunications equipment, facilities and services.
- d. There should be a review of Federal department and agency funding of programming (including public service announcements) intended for broadcast to the general public or for instructional purposes.

2. No OTP Position

None

OTHER

A. Stated Administration Positions

Facilities and procedures for the emergency broadcast system should be improved to make it more reliable, flexible and acceptable to the broadcast industry and the public.

B. Positions on Pending Issues

1. OTP Positions

- a. Environmental and biological aspects of non-ionizing electromagnetic radiation should be determined.
- b. Procedures should be implemented to assure that proposed new Government communication-electronic systems do not interfere with other systems before Government funds are obligated.
- c. Economic efficiency and social factors should be considered in allocation and assignment of radio frequencies.
- d. The division of scarce spectrum resources between the Government and private sectors should be reviewed.
- e. Alternatives to rate base regulation should be developed.

2. No OTP Position

The Government should move towards deregulation of entry and exit conditions in the public coastal radio and telegraph services.

TAB B

Long Range Policy Objectives

The following list of policy objectives is designed as a long-term goal for OTP effort in the next five years. Most of the objectives require revision of the Communication Act of 1934 or other statutes.

- ✓ 1. Sources of policy. The Congress and the President (OTP) should be co-equal joint sources of communication policy. The Federal Communications Commission should be the instrument of that policy.
- ✓ 5. New Technology. The FCC should be prohibited from the extension of their regulatory authority to any new technology or new business absent a Congressional mandate.
- ✓ 2. Regulation. In all areas of regulation, primary emphasis should be placed on the use of structural and economic incentives in achieving social policy goals, as opposed to direct intervention by the Commission in business decisions.
6. Content Regulation. The First Amendment should be Congressionally interpreted to preclude such content regulation as the fairness doctrine. There should be ~~no~~ right of ~~free~~ access to television, *but not* There should be no adjudication of access disputes by the Commission, but only by the courts.
- ✓ 5. Print media. The print media should be recognised as a part of the communication sector.
- ✓ 3. Competition. In economic regulation, there should be a statutory presumption in favor of competition (when reasonably workable) in place of either monopoly or regulated oligopoly. Common carriers should be required to cooperate with resale markets and intermediaries, and to compete with each other in prices.
7. Efficiency. The ~~primary~~ ^{primary} goal of economic regulation should be economic efficiency. Equity goals and devices to achieve them (such as cross-subsidy) should be explicit, and their costs a matter of public record.
8. Commercial radio. Commercial radio stations should be largely de-regulated.
7. Cable television. The OTP policy position on cable (separation of functions, nonregulation of content, etc.) should be implemented by statute.
- ✓ 10. Spectrum Allocation: Given national security and First Amendment goals, allocation of the radio spectrum should ~~follow lines of economic efficiency, either by use of decentralized markets, or through use of internal efficiency calculations.~~

The above should be prohibited from discrimination in the sale of this.

9. Public Broadcasting. ^{Federal} Funding for public broadcasting should ^{not} be substantially increased, ~~and decentralized and made independent of the transmission medium~~. Long term (but not permanent) funding should be sought ~~when the non-journalistic tradition of CPB is firmly established~~ ^{+ its centralized networking role is diminished}

✓ 11 10. Qualifications of Commissioners. In ~~addition to the present political~~ ^{general,} ~~requirements,~~ at least one but no more than three of the Commissioners should be professionals in each of the following fields: law, economics, engineering.

12 11. Qualification of OTP Directors: ~~The Directors~~ ^{should not} ~~have~~ ^{have broad managerial} & public policy qualifications; the Deputy Directors should have administrative & technical capabilities.

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

RATING CODES FOR CATALOG OF ISSUES AND
POSITIONS:

A -- Administration

T -- OTP

1 -- Stated ~~Public~~ Position

2 -- Probable Position

3 -- No Position

4 -- *Oppose*

COMMERCIAL BROADCASTING

1. There is a need for legislation providing license renewal stability.
T1, A2
2. Broadcast license terms should be lengthened.
T1, A2
- 2a ~~Broadcast license terms should be lengthened to five-year terms.~~
T2, A3
- 3 "All channel" legislation for AM-FM radio is undesirable.
T2, A3
- 4 Regulatory controls on commercial radio should be lessened.
T1, A2
- 5 There should be a radio deregulation experiment.
T1, A3
- 6 The three-hour limitation of FCC's prime time access rules ^{should} be reviewed.
T1, A1
- 6a ~~The three hour limitation of FCC's prime time access rules~~ should be recinded.
T2, A3
- 7 The number of prime time reruns should be reduced.
T1, A1
- 7a ~~The number of prime time reruns should be reduced~~ without regulation if possible.
T1, A1
- 8 Network ownership participation in entertainment programming should be limited.
T2, A3
- 8a Pending anti-trust suits on network ownership of entertainment programming.
T3, A3
- 9 Joint newspaper and TV ownership in the same market should not be prohibited by FCC rule.
T2, A2
- 9a Joint newspaper and TV ownership in the same market should not be considered in license renewals.
T2, A3

- 9b Creation of new joint newspaper and TV ownership in the same market should be reviewed on a case by case basis.
T2, A3
- 10 The FCC TV Channel allocations standards (e.g. VHF drop ins, UHF taboos, etc.) should be reviewed.
T2, A3
- 11 FCC-created minimum program standards for "superior" or "minimal" performance to determine renewal purposes are undesirable.
T1, A3
- 12 Minimum percentages of broadcast time for childrens programs should be opposed.
T2, A3
- 13 Commercials in childrens programs should be eliminated or restricted by FCC.
T3, A3
- 14 The feasibility of a rating index or rating system for TV violence should be studied by HEW.
T2, A2
- 15 There should be no FCC restrictions on violence in programs.
T2, A3
- 16 Restrictions on broadcast station ownership by conglomerates.
T3, A3
- 17 Section 315's "equal time" requirements should be retained for all political candidates.
T2, A2
- 17a Section 315 requirements should be repealed for either all or no Federal offices.
T3, A1
- 18 There should be expansion of the "Zapple" or quasi-equal opportunities doctrine for noncandidate political broadcast appearances.
T3, A3
- 19 The Fairness Doctrine should not be applicable to product ads.
T1, A2
- 20 There should be no FCC requirement for "counteradvertising" independent of Fairness Doctrine.
T1, A1

- 21¹ There should be legislation requiring nondiscriminatory paid access for broadcast ad time.
T2, A3
- 21^a With proper modification of the Fairness Doctrine, there should be legislation requiring nondiscriminatory paid access for broadcast ad time.
T1, A3
- 22 There should be legislative modification of case-by-case enforcement of the broadcasters' "fairness" obligations.
T1, A3

COMMERCIAL BROADCASTING

10/5/72

T1
A2 Issue: ~~Is there a need for legislation providing license renewal protection~~ *stability.*

~~OTP Position: Yes--support~~

*original notes
Goldberg
W. Whitehead
notes*

T1
A2 Issue: ~~Should broadcast license terms~~ *should* be lengthened?

~~OTP Position: Yes--support 5 year terms~~ *5 year term - T2 A3*

T2 A3 Issue: ~~Should the Congress enact "all channel" legislation for AM-FM radio~~ *is undesirable T2 A3*

~~OTP Position: No--oppose~~

T1, A2 Issue: ~~Should regulatory controls on commercial radio be lessened? If so, how?~~

T1, A3 ~~OTP Position: Yes--support deregulation experiment.~~ *There should be a radio*

~~Issue: Should the 2 hour limitation of FCC's prime time access rules be retained?~~

OTP Position: No (?)

Issue: Should there be a prohibition of network ownership participation in entertainment programming?

OTP Position: None--pending outcome of antitrust suits

Issue: Should there be any prospective prohibitions on newspaper/TV ownership in the same market; and, if so, should divestiture of existing combinations be required?

OTP Position: No divestiture--there should be prospective enforcement on a case-by-case basis

Issue: Should the FCC modify its TV allocations standards (e.g. VHF drop ins, UHF taboos, etc.)?

OTP Position: None

Issue: Are FCC-created minimum program standards to determine "superior" performance for renewal purposes appropriate?

OTP Position: No, oppose

Issue: Should the FCC require elimination of commercials in children's programs and minimum percentages of time to be devoted to such programs

OTP Position: None (yet)

Issue: Is it advisable for the government to adopt restrictions on violence in programs--or at least adopt an index and rating of such violence.

OTP Position: None

Issue: Should there be restrictions on broadcast station ownership by conglomerates.

OTP Position: None

Issue: Should §315's "equal time" requirements be retained for all political candidates?

OTP Position: None

Issue: Should there be any expansion of the "Zapple" or quasi-equal opportunities doctrine for non-candidate political broadcast appearances?

OTP Position: None

Issue: Should the Fairness Doctrine be applicable to product ads, and to other broadcast material not explicitly stating a point of view on controversial issues.

OTP Position: No--oppose

Issue: Should there be a requirement for "counter-advertising" independent of Fairness Doctrine applicability?

OTP Position: No--oppose

Issue: Should the Congress adopt a requirement for non-discriminatory paid access for broadcast ad time?

OTP Position: Yes--support

Issue: Should there be legislative modification of case-by-case enforcement of the broadcasters' "fairness" obligations?

OTP Position: Yes, support

PUBLIC BROADCASTING

Issue: Is it desirable to create a "birth control" plan for construction of new ETV broadcast stations under the HEW facilities program?

OTP Position: Yes--support

Issue: What modifications are required in the Public Broadcasting Act of 1967 to reform the structure of our public broadcasting system?

OTP Position: No position yet

Issue: Should HEW be given statutory authority to fund construction of educational telecommunications facilities other than broadcast stations?

OTP Position: Support

Issue: Should HEW be given statutory authority to fund directly instructional TV programming for classroom and home use?

OTP Position: Oppose

Issue: Should government and industry develop a plan for long range financing of CPB, which assures a stable source of Federal funding free of the Congressional appropriations and Executive Branch budgetary processes?

OTP Position: Oppose at present

Issue: What program funding and program distribution mechanism would serve the national interest in fostering localism and avoiding creation of a centralized "fourth" network approach to national programming?

OTP Position: No position yet.

CABLE TV

Issue: Should there be "distant signal" importation rules for cable carriage of AM-FM radio signals?

OTP Position: Yes--support

Issue: As to cable carriage of televised sports events, should there be an extension of the home-town blackout to cover times when the home team is playing "away" but the game is being carried by the local broadcast station?

OTP Position: None

Issue: Do sports interests need any more exclusivity rights for their games than simply making live events copyrightable?

OTP Position: None

Issue: Should there be a pre-negotiated fee schedule of royalty payments under cable's compulsory license in a new copyright statute?

OTP Position: Yes--either a fee schedule or an arbitration clause in the statute.

Issue: In light of the Midwest Video case, is there a need for legislation to govern the long-term development of cable TV?

OTP Position: Yes

Issue: What is the most appropriate division of responsibility for cable regulation among the Federal, State and local levels?

OTP Position: See Cabinet Committee Report

Issue: Should there be common carrier-type regulation for cable, with a requirement for vertical disintegration of the program supply, inter-connection and transmission functions.

OTP Position: Support

Issue: Should there be any requirements for free cable channels, special services, special access for certain interest groups?

OTP Position: No--oppose

Issue: Should there be rate regulation of cable systems at the Federal or State levels as to rates to subscribers or channel lessees?

OTP Position: Perhaps at the State level, but only for subscriber rates.

Issue: What conditions, if any, should be placed on telecommunications entry into ownership participation in broadband cable systems?

OTP Position: See Cabinet Committee report

Issue: Should there be cross-ownership restrictions imposed on broadcaster, telephone company and print media ownership of cable systems?

OTP Position: see Cabinet Committee report

Issue: Should the telephone company be able to compete with cable systems on a comparable regulatory basis for non-entertainment, leased communications services?

OTP Position: See Cabinet Committee report

Issue: Should there be government subsidies to enable cable construction and various health and welfare cable services for rural residents and the urban and rural poor?

OTP Position: Support some type of subsidy

Issue: Is it appropriate for the Federal Government to apply various program "anti-siphoning" rules to cable pay TV operations?

OTP Position: No position yet.

DOMESTIC COMMON CARRIER REGULATION

Issue: What should be done to correct serious deficiencies in the relationship between federal and state regulatory authority over inter- and intra-state common carrier operations, which probably result in improper incentives and wastefulness?

OTP Position: None

Issue: Regulatory pricing policy now requires that common carrier rates be "fair, just and reasonable." Should this criterion be changed to promote economic efficiency?

OTP Position: Yes, (see initiatives)

Issue: The method of rate base regulation, along with such phenomena as "regulatory lag," are generally recognized to have produced incentives which may not result in the lowest possible cost for communications service. Should there be another approach to regulation of profits?

OTP Position: Yes, but we don't know what it is.

Issue: What should the response be to increasing pressure on the FCC to allow greater entry into the communications business, especially in connection with new technologies and new markets, but also in the more traditional markets? (e.g., domsat, specialized carriers, and customer-owned terminal equipment, and land mobile services)?

OTP Position: We are in favor of competition wherever it is feasible, or even wherever it can not be proved in advance to be infeasible.

Issue: AT&T consent decree: should it be (a) re-examined in terms of the desirability of the Western Electric-Bell integration with a view toward possible dismemberment; (b) construed as continuing to limit Bell to the provision of regulated common carrier services only?

OTP Position: (a) none (b) none

Issue: Should horizontal integration in the Bell System (i.e., the necessity for common ownership of the operating companies) be re-examined?

OTP Position: None

Issue: (a) Should technological progress in the common carrier industry be fostered and (b) if so, how?

OTP Position: (a) none (b) none

Issue: To what extent and how should R&D expenses and investments be monitored by regulatory bodies?

OTP Position: None

Issue: Is national communications policy planning consistent with court consideration of private-antitrust suits against regulated common carriers? Should legal barriers to such suits be eliminated?

OTP Position: None

Issue: Should Western Union continue to be protected against financial failure by the FCC and Bell?

OTP Position: None

Issue: Telephone service quality has never been explicitly regulated, and only recently even measured. Should quality of service be regulated, and if so, how?

OTP Position: None

Issue: Should public policy favor the creation and operation of "communication brokers," over the objections of Bell?

OTP Position: Yes, (see initiatives)

Issue: Should there be more detailed regulation of long-term planning and macro investment policies of the Bell System, and less attention paid to day-to-day 214 approvals?

OTP Position: None

Issue: To what extent is cross-subsidization within Bell tariffs good, and to what extent bad? What new rules are needed in this area?

OTP Position: see initiatives

Issue: (a) Should the Government favor interconnection of foreign attachments and/or systems to the common carrier network and (b) if so, under what circumstances and (c) at what costs to whom; and (d) under what technical standards or other procedures?

OTP Position: (a) see initiatives; (b) none (c) none
(d) none

Issue: Should there be limitations on the amount of subsidy provided by Bell to public broadcasting?

OTP Position: None

Issue: Should AT&T be allowed to spend \$85,000,000 per year on advertising? Should it spend money on such things as the Bell Journal of Economics?

OTP Position: None

Issue: Should there be a regulatory policy concerning (a) discrimination in employment by Bell and (b) the Bell practice of never drawing in outside talent for top managerial positions?

OTP Position: (a) none (b) none

Issue: In what ways should the accounting and depreciation practices of the Bell System be changed?

OTP Position: None

Issue: Should the U.S. Postal Service be (allowed) to enter the "public message telegraph-like service"?

OTP Position: None

Issue: Should (a) Hawaii, Alaska, Virgin Islands, and Puerto Rico be extended domestic rates for long distance toll messages and (b) if so, under what arrangements and at what cost?

OTP Position: (a) see initiatives; (b) none.

Issue: Should the notion of common carrier ownership extend to facilities on customer premises?

OTP Position: None

Issue: To what extent should Bell be allowed to diversify and offer services in fields related to public message telephone service, e.g., data processing, data transmission, video telephone, leased service, public message telegraph service, mobile telephone service, etc.

OTP Position: None

Issue: What is an appropriate capital structure for telephone utilities including (a) appropriate debt/equity ratio; (b) percent internal vs. external financing; and (c) continued non-applicability of the Utility Holding Company Act of 1934?

OTP Position: (a) none (b) none (c) none

Issue: To what extent should AT&T be encouraged to participate in international equipment markets with new or used (salvaged) equipment?

OTP Position: None

INTERNATIONAL COMMUNICATION

Issue: Should merger of international voice and record carriers be permitted?

OTP Position: Support

Issue: Should there be any limitation on foreign ownership of the merged international carrier?

OTP Position: None

Issue: Should there be any limitation on ownership interest in the merged carrier by domestic telephone companies?

OTP Position: None

Issue: COMSAT international issues:

eliminate common carrier stock ownership and other ownership participation?

OTP Position: Support

Reduce or eliminate government participation?

OTP Position: Support

Abandon "authorized user" concept?

OTP Position: Support

Retain COMSAT's monopoly role in international satellite operations?

OTP Position: Support

Issue: Should a new government-industry framework for international negotiations regarding construction of facilities be created?

OTP Position: Support legislation outlining Executive Branch
--FCC coordination

Issue: What is the best way to foster use of direct satellite broadcasting technology and still maintain domestic principles of free expression and international goal of unrestricted information flow--e.g. UNESCO Draft Declaration, USSR initiative

OTP Position: None (yet)

Issue: Should the US international record carriers be permitted to carry traffic from overseas beyond the gateway cities and deliver service to customers in the hinterland?

OTP Position: Support

Issue: Should a comprehensive effort be undertaken by the Government on a priority basis, to develop a total mobile communication satellite system policy, including maritime, aeronautical and navigational services?

OTP Position: Support and preferably chair interagency effort.

Issue: How much support and launch assistance should the US provide for European regional communication satellite systems?

OTP Position: None

LAND MOBILE

Issue: Should there be more extensive reallocation and sharing of UHF-TV channels to relieve land mobile radio congestion in the major urban areas?

OTP Position: None

Issue: Should the FCC allocate 75 MHz of spectrum space in the 900 MHz range to wireline communications common carriers to provide car telephone service?

OTP Position: Oppose

Issue: Should the telephone company be allowed to provide private business dispatch services, in addition to our telephone service, and should radio common carriers (RCC's) be allowed to provide the same services?

OTP Position: Support

Issue: Should a schedule of license and usage fees be established to reflect economic value of and market demand for spectrum assignments in the mobile radio service?

OTP Position: Support

Issue: Should there be some special coordinated arrangements for use of the mobile radio spectrum by law enforcement and public safety agencies at the local, state, regional and Federal government levels?

OTP Position: None

COMPUTERS AND COMMUNICATIONS

Issue: Should rates, services, entry and investments regarding computer/communication services be regulated?

Should these services be intergrated with present regulation of common carriers? In particular, how should such services be conformed with the regulations governing the extent of permissible communication resources and cost sharing (e.g. Telpak or joint user arrangements); and tariff restrictions upon resale of communications services by lessees of common carrier facilities to third parties?

OTP Position: None

Issue: Should any particular combination or separation of the following sub-components of the industry be favored: computers, communications facilities, and input/output devices or terminals; information gathering, information processing, and information distribution; hardware and software (programming and data entry)?

OTP Position: None

Issue: Must any initiative be taken to enhance or preserve first amendment rights, personal privacy, or equal opportunities in access to information? ✓

OTP Position: None

Issue: What new private rights, institutional arrangements, and enforcement mechanisms suitable for information technology must be devised to provide incentives for creativity without at the same time constraining the social availability of information?

OTP Position: None

MISCELLANEOUS

Issue: Should the government "deregulate" entry and exit conditions in the public coast radiotelegraph service?

OTP Position: None

Issue: Would it be desirable to apply pay TV anti-siphoning rules to the new Multipoint Distribution Service which is a type of "private line" pay programming service?

OTP Position: None

Issue: Should there be nationwide implementation of "911" as an emergency telephone number?

OTP Position: Support

DRAFT (#2)
CT Whitehead:jm
10/16/72

MEMORANDUM FOR JOHN EHRLICHMAN

Subject: Catalogue of Communications Policy Issues and Positions

Attached is a compilation of major communications policy issues and the OTP and Administration positions on each.

I have divided the issues into three categories: (1) those on which there is a clear and stated Administration position; (2) those where no Administration position has been stated, but on which OTP has taken a position or there is a probable Administration position; and (3) issues on which neither OTP nor the Administration has formulated a position, but on which we may be expected to do so or the President may wish to do so.

I would like to review this with you as soon as possible so that we can have your guidance on what further needs to be done before we proceed.

Clay T. Whitehead

Attachment

Attachment

I. Broadcasting

1. License Renewal Bill.

II. Non-Broadcast Domestic Communications

1. Legislation embodying recommendations of Cabinet committee on cable.
2. Common carrier legislative package implementing Office policies on (a) brokerage; (b) system interconnection; (c) promotion of efficiency in rate structure; (d) limitation upon and publication of cross-subsidization; ~~and~~ (e) limitation of FCC jurisdiction to monopoly services; and (f) legislation extending domestic rates to Hawaii.
3. Policy statement to FCC or Congress and recommendations concerning mobile communications and FCC assignment of frequencies.

III. International Communications

1. Legislation to:
 - a. eliminate carrier participation in Comsat.
 - b. enable effective Government negotiation of international facilities matters with foreign communications entities.
 - c. clarify the Congressional guidance to the FCC for regulating U. S. international carriers and redefine the classes of

such carriers to reflect the obsolete distinction
between voice and data communications.

IV. Government Communications

1. Emergency Telephone 911.
2. Establishment of executive branch policy for purchasing of telecommunications services and equipment, including coordination of procedures for budgeting and frequency assignments.
3. Redirect the mechanism by which Presidential guidance is implemented in the National Communications System.
4. Coordination and consolidation of FAA, DOD, and Coast Guard radio navigation systems.
5. Policy statement and experiment on the inclusion of economic considerations and assignment of radio frequency to government agencies.

DRAFT
CTWhitehead:jm
10/14/72

MEMORANDUM FOR KEN COLE

Subject: Communications Policy Initiatives for 1973

OTP was established two years ago to coordinate the formulation of executive branch positions on communications, to represent the Administration to the FCC and the Congress in advocating such positions, and to oversee the Federal Government's own extensive communications networks. In that two years, OTP has enabled the Administration to play a larger and more consistent role in communications policy. However, most of our accomplishments to date have resulted from quick reaction to immediate problems, such as the President's concern with television reruns, and the FCC's inability to deal with the domestic satellite issues. OTP is now prepared to put forward an affirmative package of initiatives that can be tied to the President's program for next year.

I have attached a brief summary of the 11 most significant initiatives that we are prepared to advance. Some, such as cable television legislation, should be considered as Presidential initiatives. Others, such as improvement of executive management of its own communications resources probably do not merit Presidential identification, And we may wish to take no action on some next year for political reasons. I expect to send this package to Mr. Flanigan

and Mr. Ehrlichman shortly after the election and would like to meet with you to discuss it before that time so that it can be put in a more useful form for their consideration. In addition, of course, I would very much like to hear your own views from your perspective.

I realize that many of the issues underlying these initiatives will not be familiar to you. I believe the specific background on each would best be covered verbally when we get together. However, I should set out some general background here.

During the past 20 years, the communications industry has grown tremendously, undergoing great technical change, and has contributed great amounts to our GNP. It is a mixed blessing that the pace of economic and technical advance is very clearly going to continue to increase--and at ever faster rates. Communications has become such an important factor in our economy and our society that the rapid change and growth have begun to create more and more political problems. Simple telephone service and radio broadcasting are hardly political issues; computer communications, wiretapping, satellites, and demands by minority groups for television time are all highly political.

The FCC's regulatory procedures (like those of most Federal regulatory agencies) are ill-suited to deal with rapid change and the political conflict. As a result, the country and the communications

industry are faced with the need for leadership in establishing some basic directions for communications policy in the years ahead.

Decisions made on these issues during the second Nixon term will largely determine the extent to which the benefits of the communications revolution are realized by the public and by the industry both at home and abroad; it will also largely determine whether communications regulation by the Federal Government falls into the same kind of morass as transportation and power or whether a more competitive, free-enterprise framework is created.

The OTP program is intended to guide the growth of communications technology and services in keeping with two broad principles: (1) governmental bureaucratic controls over the content of the media should be minimized, and (2) there should be more reliance on free enterprise and competition in communications and less on monopoly and government regulation. If these principles are realized, we can encourage the growth of at least three new Multimillion-dollar industries that would contribute substantially to our economic well-being and relieve unemployment in critical sectors of our economy, such as the aerospace and electronic industry and the film and television production industry; those new industries are the broadband cable television industry, the information services industry, and the mobile communications industry.

More specifically, OTP's proposed initiatives are intended to achieve the following goals:

1. Make the present broadcast regulatory structure more rational and more in keeping with our national policy of separation of government from the media by introducing legislation governing license renewals and broadcast advertising, and minimizing government control of program content;
2. Create a new legislative framework for development of broadband cable television and the many entertainment, informational, and educational services a new cable television industry could provide;
3. Restructure the U. S. international common carrier communications industry to eliminate artificial distinctions between voice and record message carriers, to enhance the private enterprise character of Comsat, and to promote efficient balances of satellite and undersea cable facilities;
4. Promote economic efficiency and competition in the domestic common carrier industry as new communications services become available by means of satellite transmissions and increased reliance on specialized carriers for innovative services; and
5. Create basic policy for a new mobile communications industry, including public safety services.

DRAFT
CTWhitehead:jm
10/14/72

Draft

MEMORANDUM FOR ~~WEN GOLF~~

John Ehrlichman

Subject: Communications Policy Initiatives for 1973

OTP was established two years ago to coordinate the formulation of executive branch positions on communications, to represent the Administration to the FCC and the Congress in advocating such positions, and to oversee the Federal Government's own extensive communications networks. In that two years, OTP has enabled the Administration to play a larger and more consistent role in communications policy. However, most of our accomplishments to date have resulted from quick reaction to immediate problems, such as the President's concern with television reruns, and the FCC's inability to deal with the domestic satellite issues. OTP is now prepared to put forward an affirmative package of initiatives that can be tied to the President's program for next year.

I have attached a brief summary of the 11 most significant initiatives that we are prepared to advance. Some, such as cable television legislation, should be considered as Presidential initiatives. Others, such as improvement of executive management of its own communications resources probably do not merit Presidential identification. And we may wish to take no action on some next year for political reasons. I expect to send this package to Mr. Flanigan

and Mr. Ehrlichman shortly after the election and would like to meet with you to discuss it before that time so that it can be put in a more useful form for their consideration. In addition, of course, I would very much like to hear your own views from your perspective.

I realize that many of the issues underlying these initiatives will not be familiar to you. I believe the specific background on each would best be covered verbally when we get together. However, I should set out some general background here.

During the past 20 years, the communications industry has grown tremendously, undergoing great technical change, and has contributed great amounts to our GNP. It is a mixed blessing that the pace of economic and technical advance is very clearly going to continue to increase--and at ever faster rates. Communications has become such an important factor in our economy and our society that the rapid change and growth have begun to create more and more political problems. Simple telephone service and radio broadcasting are hardly political issues; computer communications, wiretapping, satellites, and demands by minority groups for television time are all highly political.

The FCC's regulatory procedures (like those of most Federal regulatory agencies) are ill-suited to deal with rapid change and the political conflict. As a result, the country and the communications

industry are faced with the need for leadership in establishing some basic directions for communications policy in the years ahead.

Decisions made on these issues during the second Nixon term will largely determine the extent to which the benefits of the communications revolution are realized by the public and by the industry both at home and abroad; it will also largely determine whether communications regulation by the Federal Government falls into the same kind of morass as transportation and power or whether a more competitive, free-enterprise framework is created.

The OTP program is intended to guide the growth of communications technology and services in keeping with two broad principles: (1) governmental bureaucratic controls over the content of the media should be minimized, and (2) there should be more reliance on free enterprise and competition in communications and less on monopoly and government regulation. If these principles are realized, we can encourage the growth of at least three new Multimillion -dollar industries that would contribute substantially to our economic well-being and relieve unemployment in critical sectors of our economy, such as the aerospace and electronic industry and the film and television production industry; those new industries are the broadband cable television industry, the information services industry, and the mobile communications industry.

More specifically, OTP's proposed initiatives are intended to achieve the following goals:

1. Make the present broadcast regulatory structure more rational and more in keeping with our national policy of separation of government from the media by introducing legislation governing license renewals and broadcast advertising, and minimizing government control of program content;
2. Create a new legislative framework for development of broadband cable television and the many entertainment, informational, and educational services a new cable television industry could provide;
3. Restructure the U. S. international common carrier communications industry to eliminate artificial distinctions between voice and record message carriers, to enhance the private enterprise character of Comsat, and to promote efficient balances of satellite and undersea cable facilities;
4. Promote economic efficiency and competition in the domestic common carrier industry as new communications services become available by means of satellite transmissions and increased reliance on specialized carriers for innovative services; and
5. Create basic policy for a new mobile communications industry, including public safety services.

Attachment

I. Broadcasting

1. License Renewal Bill.

II. Non-Broadcast Domestic Communications

1. Legislation embodying recommendations of Cabinet committee on cable.
2. Common carrier legislative package implementing Office policies on (a) brokerage; (b) system interconnection; (c) promotion of efficiency in rate structure; (d) limitation upon and publication of cross-subsidization; (e) limitation of FCC jurisdiction to monopoly services; and (f) legislation extending domestic rates to Hawaii.
3. Policy statement to FCC or Congress and recommendations concerning mobile communications and FCC assignment of frequencies.

III. International Communications

1. Legislation to:
 - a. eliminate carrier participation in Comsat.
 - b. enable effective Government negotiation of international facilities matters with foreign communications entities.
 - c. clarify the Congressional guidance to the FCC for regulating U. S. international carriers and redefine the classes of

such carriers to reflect the obsolete distinction between voice and data communications.

IV. Government Communications

1. Emergency Telephone 911.
2. Establishment of executive branch policy for purchasing of telecommunications services and equipment, including coordination of procedures for budgeting and frequency assignments.
3. Redirect the mechanism by which Presidential guidance is implemented in the National Communications System.
4. Coordination and consolidation of FAA, DOD, and Coast Guard radio navigation systems.
5. Policy statement and experiment on the inclusion of economic considerations and assignment of radio frequency to government agencies..

DRAFT (#2)
CT Whitehead:jm
10/16/72

DRAFT
MEMORANDUM FOR JOHN EHRLICHMAN

Subject: Catalogue of Communications Policy Issues and Positions

Attached is a compilation of major communications policy issues and the OTP and Administration positions on each.

I have divided the issues into three categories: (1) those on which there is a clear and stated Administration position; (2) those where no Administration position has been stated, but on which OTP has taken a position or there is a probable Administration position; and (3) issues on which neither OTP nor the Administration has formulated a position, but on which we may be expected to do so or the President may wish to do so.

I would like to review this with you as soon as possible so that we can have your guidance on what further needs to be done before we proceed.

Clay T. Whitehead

Attachment

DRAFT (#2)
CT Whitehead:jm
10/16/72

MEMORANDUM FOR KEN COLE

I am sending today two separate packages: (1) a catalogue of OTP and Administration positions on various communications issues and (2) an agenda of communications initiatives for next year.

The catalogue contains issues on which there is an OTP or an Administration position and other issues on which it may be desirable to establish such positions. The list of initiatives needs to be reviewed from the perspective of politics and the rest of the President's 1973 program.

As I indicated to you before, it is my intention to discuss these matters with Flanigan and Ehrlichman after the election, but it would be very helpful to have your preliminary views so that the final package that goes to John would be more useful for him. As we discussed at lunch last month, I would like to meet with you along with my legal and congressional staff officers before the election to discuss these two packages.

Clay T. Whitehead

Attachments

OFFICE OF TELECOMMUNICATIONS POLICY

October 3, 1972

Log In No. 3-104

INFORMATION MEMORANDUM

To: Mr. Whitehead
Thru: Walt Hinchman *WRH*
From: Seb Lasher

Brief Summary of the Material:

Status on Common and Specialized Carrier OTP
Initiatives with suggested actions that could be taken
if time permits

Why it is worthwhile to read:

It presents an opportunity to provide necessary guidance to
enable this OTP program to proceed.

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

October 2, 1972

To: Mr. Whitehead

Thru: Walt Hinchman

Subject: Initiatives

There has been no serious work accomplished on OTP initiatives concerning Common and Specialized Carriers since our submission of nine draft bills on August 18.

It was my impression that these draft bills were to be circulated for coordination to OMB and interested Departments and Agencies at an early date to enable inclusion of some statements in the State of the Union Message in January 1973. Apparently, this schedule has been changed but no new timetable has been distributed. Depending upon the time available, several useful efforts might be:

(1) Determine if, in all cases, legislation is absolutely necessary or whether relief might possibly be secured under existing statute. In practice, these two approaches tend to be mutually exclusive (see attachment).

(2) Determine the degree of interrelationship between the nine proposals, e.g., which, if any, can stand alone or what are logically consistent packages of two or more draft bills.

(3) The content of the package was largely driven by a desire to improve the economic efficiency by which communications are provided. To the extent that a more pluralistic set of objectives should be pursued, determine what objections to the draft legislation may be raised and what possible defenses to these objections are available. I doubt if we can rely solely on the single argument that a particular draft bill will increase efficiency or that as a matter of overriding national policy we should strive to develop a most efficient telecommunications system.


Seb Lasher

Is legislation required? Some feasibility considerations.

When a problem arises for which relief might possibly be secured under an existing statute (whose scope, however, is uncertain), the question for public policy is always whether to press for new legislation or to endeavor to cope with the problem under the existing law. In practice, the two approaches tend to be mutually exclusive. If primary reliance is placed on obtaining new legislation, few cases are likely to be brought under the existing law since any successes in the courts or commissions tend to cut the ground out from under the argument that a new statute is needed. Indeed, the very bringing of cases under existing law makes it difficult to convince the Congress of the need for a new law -- until and unless the cases are lost. And, on the other side, any argument made to the legislature that the present law is inadequate will jeopardize the cases under consideration. Another consideration is that, in opening up an existing law for amendment, one opens it up not only for strengthening but for weakening amendments; on this issue, it is by no means a certainty that the former would prevail. Finally, the time necessary to process legislation and the resultant opportunities lost due to an hiatus in the regulatory/court process must be weighed. The opportunity for the FCC to emasculate or delay the legislative package is a risk that should not be overlooked.

MEMORANDUM FOR THE PRESIDENT

FROM: Clay T. Whitehead

SUBJECT: Communications Policy Initiatives

The Office of Telecommunications Policy (OTP), which was established two years ago, has improved significantly Government capabilities for national communications policy development and implementation. Moreover, OTP has enabled the Administration to play a continuing and consistent role in the communications policy process. While there have been substantial accomplishments in each of OTP's areas of responsibility, they resulted from quick reaction to a number of immediate problems. Now OTP is prepared to put forward, for adoption in the first year of your second term, a comprehensive, affirmative program in the most important areas of domestic and international communications.

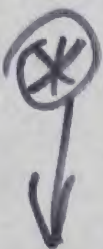
Communications have become a vital part of the national economy and have a profound effect on our lives. During the past twenty years, the communications industry has made enormous progress and has contributed greatly to national income. Significant as this progress is, however, it will pale by comparison with the future economic and social impact of the communications systems of the near future. Decisions made in the early years of your second term will largely determine the extent to which we obtain

the full benefits of the communications revolution that is upon us.

Two fundamental principles must be reaffirmed as we come to grips with the problem of managing the growth of communications technology; first, government must be separated from control of media content and, second, there must be less government regulation and more reliance on market place competition to achieve public interest goals.

OTP's proposed initiatives are intended to guide the growth of communications technology and services in keeping with these principles. In doing so, we can encourage the growth of at least three new, multi-billion dollar industries that would contribute substantially to our economic well-being and could relieve unemployment in critical sectors of our economy, such as the aerospace/electronics industries and the film and TV program production industries. These new enterprises are the broadband cable television industry, the domestic communication satellite industry, and the mobile communications industry.

More specifically, OTP's proposed initiatives are intended to:

- 
1. make the present broadcast regulatory structure more rational and more in keeping with our national policy of separation of government from

the media by introducing legislation governing license renewals and broadcast advertising, and minimizing government control of program content;

2. create a new legislative framework for development of broadband cable television and the many entertainment, informational, and educational services a new cable television industry could provide;
3. restructure the U.S. international common carrier communications industry to eliminate artificial distinctions between voice and record message carriers, to enhance the private enterprise character of COMSAT, and to promote efficient balances of satellite and undersea cable facilities;
4. promote economic efficiency and competition in the domestic common carrier industry as new communications services become available by means of satellite transmissions and increased reliance on specialized carriers for innovative services; and
5. create basic policy for a new mobile communications industry, including public safety services.

In summary, it does not inflate the importance of the opportunity before us to state that no other President has

had it within his power to shape so completely such vital areas of our economy and national life as domestic and international communications.

DRAFT/HGoldberg/pab

MEMORANDUM FOR

Mr. Ehrlichman
Mr. Flanigan

FROM: Clay T. Whitehead

SUBJECT: ~~Request for Meeting with the President~~
OTP & comm

3-96
More like memo for TT
Request to mtg them HAK.
Attach issue catalog
(major items only)

OTP has been in existence for two years. Our activities have improved significantly U.S. capabilities for national communications policy development and implementation, and, for the first time, the Administration has a consistent role and unified voice in this process. OTP has dealt effectively with several important problem areas, for example, calling attention to the undesirable directions being taken by public television; achieving a compromise among broadcasters, cable television operators, and the film industry, which avoided a political donnybrook over cable TV; and moving the FCC to adopt a private enterprise, "open entry" approach in creating a domestic communications satellite industry.

These accomplishments have been achieved despite charges of Congressional Democrats and industry critics that OTP is not a qualified or credible spokesman for the Administration because I never meet with the President. This problem will take on more significant proportions as OTP moves in the first year of the President's second term to undertake essential legislative and other governmental policy initiatives in the following critical areas:

1. support license renewal legislation and make the present broadcast regulatory structure more rational and more in keeping with our national policy of separation of government from the media;
2. create a new legislative framework for development of a broadband cable television industry;
3. restructure the U.S. international common carrier communications industry;
4. promote economic efficiency and competition in the domestic common carrier industry;
5. create basic policy for new mobile communications, including public safety services;
6. improve and coordinate procurement and use of the Federal Government's communications resources.

On a substantive level, I should discuss these matters with the President and receive his guidance as to how OTP can most effectively serve the national interest with our communications initiatives. On a public and industry relations level, the President can enhance the likelihood

of success in the initiatives by affirmatively and personally demonstrating his interest and concern.

It is for these reasons that I plan to request a personal meeting with the President shortly after he is re-elected. The Administration has an irretrievable opportunity to have a substantial and lasting impact on communications in this country for years to come, and a meeting with the President could be the first step in this endeavor.

For your information, I have attached a copy of my request for a meeting with the President, along with a memorandum to him describing OTP's proposed initiatives. I have also attached a brief, but more detailed, memorandum on these issues to give you more of the particulars in case you feel the President needs more information in deciding whether to approve my meeting request.

Attachments

OTP Proposed Initiatives

1. Legislative Reform of Broadcast Regulation -- for submission to the 93rd Congress
 - a. Lengthen the term of broadcast licenses; place the burden of proof on renewal challengers; and lessen detailed FCC control of program content. *TT agents*
 - b. Exempt product ads from the Fairness Doctrine requirement of free response time; establish a right to purchase broadcast advertising time on a non-discriminatory basis, *+*
 - Minimize* case-by-case enforcement of the Fairness Doctrine.
2. Cable Television Legislation -- for submission to the 93rd Congress

After submission of the Cabinet Committee's Report, create a basic framework for the development of the cable television industry; *generally* resolve such issues as cable pay TV, cross-media ownership of cable systems and division of jurisdiction between the Federal Government and the States.
3. *Correct - -* Restructuring of the International Common Carrier Industry
 - a. Legislation for submission to the 93rd Congress:

- (1) to create a new government-industry framework for negotiations with foreign governments regarding international communications facilities; and
 - (2) to terminate common carrier (largely AT&T) ownership and participation in Comsat, and lessen governmental participation.
- b. OTP and Department of State cooperation to convene a meeting of leaders of Pacific Basin countries to discuss understandings on undersea cable and satellite communications facilities for the next decade and beyond.
4. ~~Promotion of Economic Efficiency~~ Promotion of Economic Efficiency in the Domestic Common Carrier Industry -- legislation for submission to the 93rd Congress
- a. Authorize bulk leasing and brokerage of common carrier services to provide additional services to the public and private industry, ~~and promote greater efficiency in the use of common carrier facilities and services.~~
 - b. Limit the extent of permissible cross-subsidization among various common carrier services and enterprises, and require common carrier rate structures to meet clear standards of economic efficiency.

5. Policy for Mobile Communications Services --

FCC and OTP will create the policy needed to guide development of a large new communications industry providing telephone, dispatch, and emergency health and safety services for private and commercial vehicles, as well as in public transportation. This would include innovative mobile communications services for public safety agencies of the local, State, and Federal Governments, and would be coupled with a recommendation for nationwide implementation of "911" as an emergency telephone number.

6. Improvements in Federal Government's Communications Resources --

OTP plans to recommend adoption of a policy limiting the U.S. Government investment in communications satellites and committing the Government to use commercial facilities when they are adequate and available to satisfy Government requirements. This could be coordinated with development of new guidelines for Government procurement of common carrier communications services.

DRAFT/HGoldberg/pab

printed

SCHEDULE PROPOSAL

Date: September 1, 1972

FROM: Clay T. Whitehead

VIA: Dwight L. Chapin

MEETING: Tom Whitehead, Director, Office of
Telecommunications Policy

DATE: Not later than November 30, 1972

PURPOSE: To discuss with and receive guidance
from the President concerning legis-
lative and other governmental initia-
tives, to be undertaken in the next
twelve months, in the area of domestic
and international communications (see
Attachment).

FORMAT: Informal 20-minute conversation. Oval
Office.
Approve _____ Disapprove _____

PRESS COVERAGE: Announcement. Brief photo opportunity.

[PRESS FOLLOW-UP: Communications trade press coverage and
Whitehead interviews.]

STAFF: Dr. Kissinger [or General Haig],
Mr. Ehrlichman [or Mr. Flanigan].

RECOMMEND: Messrs. Ehrlichman and Flanigan

BACKGROUND: After two years of existence, OTP is recognized by Government and industry as the focal point for Administration policy in the vital areas of domestic and international communications. Within the next twelve months, OTP plans to undertake initiatives regarding critical policy issues affecting broadcasting, (i.e., license renewals, advertising and "fairness"); cable television, (i.e., industry structure, copyright liability, pay TV program carriage); the domestic telephone industry; international common carrier communications; and the Government's own communications systems. It is essential that these matters be discussed personally with the President.

The President's guidance is needed in these sensitive areas, as is some visible affirmation of his personal concern.

July 17, 1972

MEMORANDUM FOR

MR. JOHN EHRLICHMAN

FROM:

ANTONIN SCALIA 13/

SUBJECT:

Communications Issues for 1972 Policy Planning Process

Tom Whitehead felt it important that you be provided with communications policy objectives for consideration in connection with the Domestic Council's 1972 Policy Planning Process. Since he was unable to give his personal attention to the drafting of a statement before departing for conferences with foreign communications officials, he discussed the matter with me and asked that I submit his views.

The attached document presents what Mr. Whitehead considers to be the broad areas of principal concern. He may think it desirable to provide further specifics when he returns; and he will also provide at that time, if you still desire it, his personal views on immediate political significance.

Attachment

cc: DO Records

DO Chron

GC Subj

GC Chron

Mr. Whitehead - 2 ✓

Eva

AScalia:hmy 7-15-72

Regulatory Instability.

What has been generally acknowledged in recent years with respect to the transportation industry holds true for communications as well: the scheme of regulation has not led to the desired goals of stability and growth. Institutional rigidities and inflexible bases of regulation have not only retarded necessary change but have caused the impact of change--when it finally bursts through--to be seriously disruptive of the established industry. In communications, we see increasing evidence of this instability in both the common carrier and broadcasting segments of the industry. The long delayed authorization for domestic satellite systems, for example, has aroused serious concern and uncertainty among established common carriers; and among broadcasters the final permission for CATV construction in major markets has generated widespread consternation.

Part of the problem is the traditional use of technological distinctions as the determinant of regulatory structures. The structures continue to survive long past the time when the technological distinctions cease to be valid. The living example of this stultifying phenomenon is the structure of our international communications industry, divided into "record carriers" and "voice carriers" by reason of the fact that 20 years ago only telegraph traffic could be carried by submarine cable. Today, voice can be carried by cable as well, and it appears that satellite technology may be most efficient for both services.

Another factor contributing to rigidity and ultimate instability is the apparent incapacity of the regulatory system to provide means for the presence of competition within the regulated industry. As the scope and diversity of communications activity have increased, opening many new areas of enterprise beyond those natural monopoly fields originally subject to regulation, the monopoly regulation mentality has persisted. Extensive regulation of a business nurtures a feeling of responsibility for its economic state, which induces protection from destructive competition, which produces more extensive regulation, and so forth in an unending cycle. It is absolutely essential to develop what has not yet been achieved--a capacity to regulate monopoly aspects of communications without imposing regulatory protectionism upon those large areas that can be competitive. It would be an oversimplification to imply that the problem is exclusively one of regulatory mentality; there are significant difficulties involved in preventing a communications carrier from subsidizing its competitive services from its monopoly services.

As indicated earlier, these fundamental problems of regulation exist in fields other than communications, but they are particularly acute here because of the breathtaking pace of

technological change. It took nearly a century to progress from transatlantic telegraph cable (c. 1870) to transatlantic telephone cable (1956); but only 9 years to progress from that to transatlantic satellite (1965). The industry is now exploring the use of laser beams and glass filaments infinitely more flexible and more capacitous than copper wire. This rush of technology greatly aggravates the adverse effects of regulatory inflexibility, renders traditional, technologically based structures all the more quickly obsolete, and pours an increasing stream of would-be competitors into the mold designed for monopoly regulation.

The solution to these problems must be sought in three directions: First, a looser and thereby more flexible mode of regulation--regulation by policy prescription rather than detailed oversight. Second, a willingness to leave as much as possible to regulation by competition, and the development of a capability to accommodate both competition and monopoly within the same regulated industry. And third, a firm resistance against the tendency to base regulatory structures upon current technology.

Increasing Concentration of Control Over Public Information Sources.

There is no need to belabor the point made most prominently by the Vice President that control over the content of our mass media--and in particular the increasingly important electronic mass medium of television--rests in the hands of a relatively small number of people. Its dangers for a country governed by public opinion are obvious. The problem ranges from the scarcity of national TV networks to cross-ownership of local newspapers and TV stations. It is caused in part by economic factors that render large scale enterprises more efficient, but it is also caused by factors that have nothing to do with efficiency.

One of these is the system that has evolved for financing mass television programming--a system depending exclusively upon advertiser sponsorship and excluding the possibility of direct viewer purchase. Since the amount which the advertiser is willing to pay per viewer is so small, tens of millions of viewers must be amassed before an expensive program can profitably be produced. And since there are only so many tens of millions of viewers to go around during any single hour of television time, the inevitable result is that only a few national networks can economically survive. The FCC has tried to alleviate the difficulty by restricting the number of hours of network programming which a local station can run (the so-called "prime time access rule"). But even if nonnetwork programs are, like movies, shipped from station to station, each of them would still ultimately have to reach tens of millions of viewers in order to be profitable, and hence the total number of them--and the total number of producers--must still tend to be very limited.

Another cause of the difficulty (though less so in those markets fortunate enough to have numerous stations) is the institutional tradition which reserves to the owners of local broadcast stations exclusive control over their content. The problem of news management would not be as acute if one did not have to own a broadcast station in order to put on a news program. As will be discussed below, this source of the difficulty has been alleviated to some extent in recent years by court- and FCC-imposed requirements of "access"--but this has avoided private domination only at the price of an even more dangerous government control.

Part of the solution to these problems lies in the direction of a long-term antitrust and regulatory policy designed to increase competition in the mass communications industry. This requires action of considerable political courage, such as the recent antitrust suits against the three major networks. In the television field, however, one must ultimately be skeptical of major improvement within the (realistically unalterable) framework of advertiser support and owner control over programming. Here the ultimate answer may lie only in creating a more sensible structure for the newly developing and perhaps ultimately dominant technology of cable television. For this reason alone, but for many others as well, cable television policy may be one of the most important issues of this decade.

Individual Access to the Media and Government Control.

The Congress, the courts and the FCC have been increasingly receptive in recent years to demands that particular individuals or groups be accorded free or paid television time. The recent Federal Election Campaign Act of 1971, for example, requires the sale of time to candidates for Federal office, at the lowest unit rate. The Court of Appeals for the District of Columbia has recently held that a station cannot refuse to sell time to a particular group on the sole ground that it does not sell time for discussion of politically controversial issues. And most important of all, the FCC, prodded by the courts, has steadily been extending the practical effect of the requirement that broadcasters provide free time for opposing viewpoints on important controversial issues (the so-called "Fairness Doctrine").

These trends towards increased "access" are generally applauded by many segments of society. They appear to be the necessary antidote to the problem of concentration of control described above. In reality, however, the solution is an illusion. Through use of such a discretion-filled device as the Fairness Doctrine, the power to include, to exclude and to control content has merely been transferred from the local station owner (who has some degree of monopoly power) to the Federal Government (whose potential monopoly is unlimited). In the name of freedom of speech and diversity of viewpoint, the

Federal Government itself is being injected further and further into the business of determining the programs television viewers will see. This an exceedingly dangerous development--all the more so because it is driven by such worthy motives. It can be expected to proceed at a rapid pace over the next decade, unless strong remedial measures are taken.

Those measures may include some "access" guarantee that does not leave the granting of air time in a particular case to the broad discretion of court or agency--for example, a clear-cut requirement that broadcasters sell their advertising time on a first-come, first-served basis. But there must also be a strong and courageous affirmation that broadcasting, like magazine or newspaper publishing, is essentially a private enterprise, not specially subject to government interference in content. The conflict between this position and the system of station licensing is resolved by having the FCC consult the wishes of local viewers, rather than its own predetermined program standards, in judging the adequacy of a licensee's performance.

One is inclined to fear, however, that the demands for access are so insistent that ultimate salvation from intensive government involvement in television programming may only be found in the development of cable television, where practically unlimited channel capacity can (given a proper regulatory structure) assure access to all.

Broadband Cable Structure and Regulation

It is difficult to overstate the potential impact of broadband cable upon United States communications. Because of its low transmission costs and its multiplicity of channels, it can make television time available to many individuals and groups at extremely low rates. By its facilitation of per program viewer charges, it can stimulate the production of high quality, diverse, minority-taste programming. And because it converts the television medium from one of channel scarcity to one of channel abundance, it enables competition to perform many functions now sought to be performed by regulation. In the more distant future, its greatest impact may be in the nonmass communications services its two-way capacity makes possible--access to libraries and computers, meter-reading and shopping services, perhaps even home print-out of specialized news.

Broadband cable also poses some threats: Under certain legislative and regulatory conditions, for example, it could destroy the economic viability of broadcast stations serving rural areas, without providing cable service as a substitute. It is a natural monopoly, so that in any given "Wired City" one company will own and (if we permit it) control all the channels of electronic mass communications.

Cable penetration nationwide is now about 15 per cent of all television households; by the end of the decade it is

expected to be about 50 per cent. In one way or another, it seems clear that the future structure and regulatory framework for the medium will be irrevocably set within the next few years--if not by conscious governmental decision, then by governmental acquiescence in massive industry investments based upon a set of assumed rules which will not then be changed. Many fundamental issues of the greatest social consequence are involved, including (to name only a few) the division between Federal and State-local jurisdiction; the desirability of vertical disintegration--i.e., requiring the cable owner to lease his channels instead of programming them himself; the restrictions, if any, to be imposed upon per program charges in general and upon per program charges for sports events in particular; cross-ownership by newspapers and broadcast stations; requirements for expansion of capacity to meet new demand; reservation of "free" channels for police, elected officials, schools, public television, minority groups, etc.; extent of broadcast-type content supervision to be exercised by the FCC.

Congress has made no move to resolve these issues. The FCC has done so, with no guidance other than the "public interest" standard, and with the narrowest possible Supreme Court affirmance of its jurisdiction (based upon cable's use of broadcast signals). A Cabinet-level committee on cable which the President appointed last Summer is due to complete its report shortly.

THE WHITE HOUSE

WASHINGTON

May 24, 1972

WN clear

*called to
WN
first*

MEMORANDUM FOR

MICHAEL MC CRUDDEN
Office of Telecommunications Policy

FROM: JOHN CAMPBELL

Attached is a copy of a two-page memorandum that John Ehrlichman sent to the Attorney General regarding the 1972 Policy Planning Process. This memo was sent only to members of the Domestic Council.

Should Tom wish to submit a memorandum along the lines of those submitted by the Domestic Council members, we will be more than happy to include it with the others.

Attachment

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR

THE ATTORNEY GENERAL

FROM:

JOHN EHRLICHMAN

SUBJECT:

1972 Policy Planning Process

With the submission of the State of the Union Message and the Budget, you doubtless are experiencing satisfaction in assisting the President to develop an integrated domestic program "ahead of the power curve" on the major issues. Our Domestic Council issue process last year was largely concerned with developing initiatives that the President could offer through these messages. With the completion of that cycle, however, we must begin a new one.

This coming year, we must adopt a slightly longer perspective. We must think of the 1974 State of the Union and Budget, but also of the domestic policies and programs which the President might adopt for his second term. For this reason, I am asking you to respond now with an analysis of the broader objectives we should be achieving in the next five years. The President has asked me to request from you two separate documents.

The first document should be developed in the context of the problems and perspectives of the mid- to late-'70's and should identify (without specific programmatic responses) major issues within your area of responsibility. In a second, separate document, please give your personal views and evaluation of the issues identified in the first paper to the extent you would wish to comment on their immediate political significance. Both of these confidential memoranda will be useful to the President.

I would like to receive your response no later than March 15th.
We will then establish the appropriate Domestic Council working groups and begin the required studies to develop these areas of concern.

Government Involvement

The present role of government in the communications industry was established almost forty years ago. Despite revolutions in the technology, economics, and social significance of communications, it has gone essentially unchanged. It is still unquestioned belief--as far as the legal framework for the industry is concerned--that common carriage is a natural monopoly best undertaken by a single chosen instrument controlled by the government; that the scarcity of outlets and the potential for technical interference requires detailed regulation of the electronic mass media; and that the "public interest, convenience and necessity" can only be served if power to make decisions is taken away from the private sector and centralized in an administrative agency.

These beliefs have become obstacles to the recognition of reality, and stumbling blocks to the resolution of current problems. More and more sectors of the industry are competitive rather than monopolistic. Because of cable television and the abundance of channels it enables, the justifications for government oversight of the mass media are no longer valid. Interference with private decision-making is causing dislocations and inefficiency in the utilization of economic resources, and is jeopardizing the integrity of the free expression and circulation of opinions in the "marketplace of ideas."

What is needed is not a reform of the present role of government, but a complete overhaul: alternatives to rate-base regulation and rigid control of services and facilities, and elimination of explicit and implicit content control of television and radio programs. A crude laissez-faire regime cannot nor should not

be contemplated. However, there must be a general return of decision-making power to the private sector, and greater reliance on natural market forces to reflect consumer and societal choice.

Access to the Media

As the role of the mass media as a shaper and indicator of public opinion has increased, so have demands for access. Varying political groups wish their viewpoints aired and propounded. Those with particular life-styles wish to see them mirrored in programs and personalities. Minority groups desire coverage that reflects their problems and potentials and that is relevant to their community.

Recently, a trend in court rulings has been to elevate the issue of access to Constitutional stature. These rulings have suggested that in some instances, the Constitution may require specific persons to be granted time on television or radio in order to present their specific points of view. This, of course, is a far cry from even the Fairness Doctrine, which requires balanced coverage of all views, but vests discretion in the choice of spokesmen and programs in the media owner.

Within our current economic and regulatory environment, access is highly problematic. Media owners integrate transmission and programming functions in a single business entity, and therefore cannot grant access to third parties unless at their own expense. There is an additional "administrative" problem: Not all aspirants can obtain access, since their numbers are far too great to be absorbed by the industry without loss of stability or financial integrity. Consequently, the media owner must either resolve disputes as to "who gets what, and when"--at the peril of alienating the community he serves--or he must turn to government to do this for him. In the long run, both options are highly damaging to the viability and of the media industry as

well as to the public.

There are, however, some solutions to this problem that can be effectuated within the decade. First, legitimate rights and interests can be clarified and made certain by legislation establishing a paid right of access. This absolves both the media owner and the government from the responsibility of justiciating access disputes. Second, in channeling development of new mass media such as cable television and large publicly-accessible computer systems, government policy can ensure that basic economic conflicts are structured out of the industry. Ownership of the means of transmission can be separated from ownership or control over the content of the programs, thus facilitating rather than hindering access.

Public Broadcasting

Congress in 1967 established the Corporation for Public Broadcasting (CPB) and charged it with essentially three tasks: (1) supporting program production, (2) developing a public television and radio network, and (3) funding construction of new public broadcasting stations. A bill passed several weeks ago--not yet signed by the President--would effectuate a number of changes in the CPB operation. These are instructive to note: Mandatory distribution of at least 30 per cent of Federal funds to local public broadcasting stations; funding of no more than \$65 million in FY 73 and \$90 million in FY 74; selection of one-third of the Corporation's fifteen directors from local stations making up the public broadcasting system; and a \$42,500 limit on Corporate officers' salaries.

The recent Bill's localist stance and its refusal to contemplate financing beyond two years--in defiance of the persistently voiced demands for "permanent" financing--reflect more than passing Congressional vexation or malaise. Essentially, public broadcasting is at a crossroads: After five years of existence, its basic and fundamental problems--like so many other government programs launched in the sixties, initially ignored in the first flush of enthusiasm--have come to the surface. Additionally, in the interim, the mass media environment has been revolutionized by cable television.

The basic issues for the next decade in public broadcasting can be grouped under two rubrics, purpose and structure.

Purpose

The purposes of public broadcasting have never been satisfactorily determined. At the time, public broadcasting tries to be everything to everybody: a provider of better entertainment programs for the highbrows, instructional television and radio for the education community, local interest programs for the community-minded (this, somewhat half-heartedly), specialized interest programs for French-cooking aficionados and others, and shapers of political opinion and civic awareness for the nation at large.

It is evident that each of these purposes invokes a unique mix of economic variables, social and political sensitivities, and legitimate governmental concerns. They cannot all be accommodated in the same institutional framework. Furthermore, especially in the case of influencing public opinion, the propriety of these purposes is itself questionable. And some of the purposes might best be accomplished through other devices or mechanisms: The channel abundance of cable television, for instance, can provide the low-cost access necessary for local and instructional programming by municipal and private--and not Federal--sources. Subscription television (pay-TV) can provide the medium of exchange necessary for development of high quality entertainment and special interest programs.

Structure

Once the purposes of public broadcasting are clarified, there is the question of determining an appropriate institutional

structure. Structure subtends such issues as the integration of program production, networking or interconnection, and broadcasting; the balance between decentralized and centralized control; funding sources and mechanisms; rules to assure efficiency and isolation from the political process. Again, in all of these cases, decisions have so far been made on an extemporaneous and day-to-day basis without a central and comprehensive guiding philosophy. It is this philosophy that must be developed.

Educational Uses of Communications Technology

The demand for education arising from numerous quarters of American society is enormous. Our commitment to equal opportunities results in a demand for compensatory and remedial educational programs for the poor and disadvantaged. Decisions on national goals in aerospace, medicine, or urban life create needs for new technological and social skills and make old ones obsolete. An increasingly large number of students is advancing to college, and beyond that, graduate-level training. More professions are requiring continuous education and awareness of associated fields; more social endeavors require ~~an~~ interdisciplinary training and approach.

The supply of educational resources, however, is far behind this growing demand. We are using techniques rooted to a different and older society where acquisition and absorption of information does not take on the crucial aspect that it does now. We are physically transporting students and books instead of communicating information and learning. We are attempting to put all education on a face-to-face basis, when the number of teachers is already inadequate, and when the educational task does not require it.

A major goal for the future is to change this pattern through the educational use of computer and communications technologies. Together, these can make possible individualized instruction in the home on the primary and secondary school level, provide for continuing education for professionals, and smooth over the displacements caused by development of new technologies. At the same time, they can decrease the needs for construction of facilities and training of personnel that are draining the resources of localities, and the

transportation of students that is exacerbating community tensions and destroying community cohesiveness.

The magnitude of this task is enormous. It requires long-range technological planning, a complete restructuring of social institutions, and an order of magnitude change in the learning habits of almost all of our society. However, the current delivery system for education is so inadequate that it threatens the integrity of our society and our world leadership in many areas of endeavor.

The Challenge of Changing Technology

In communications, more than in any other sector of the economy, new technology is presenting a serious challenge to the vitality of public and private institutions. In recent years, the advent of microwave communication, communication satellites, and cable television have been at the vehicles of progress and growth, and at the same time, the mechanism by which established policies and economic interests are challenged. In the years ahead, lasers, wave guides, fiber optics, and computers, in addition to as yet unforeseen developments, will present a similar challenge.

The problem is manifold. First, public policies are often designed to cope with the specific problems posed by a particular technology. As new technology develops, these policies can seldom be changed fast enough. Second, the new technologies threaten established economic interests, which naturally resist the impending change: the resistance of broadcast stations to cable television is an example. In a regulated sector, the established interests are often able to use the regulatory process itself as a mechanism for delay. Third, new technology disrupts established skills and patterns of employment, leaving some workers in excess supply and giving others temporary high returns which may attract excess entry into that particular skill. Finally, new technology is seldom "controllable"

in the sense that society is in a position to assess its costs and benefits, and make a rational decision regarding the desirability of its deployment.

In the communication industry, some of these problems are rendered less serious by the existence of a rapidly growing demand for information services. But this trend cannot continue indefinitely, and when the rate of growth of demand begins to decrease, the problem will become more serious.

There may not be practical solutions to this set of problems. But among the obvious palliatives are: (1) Efforts to decrease the rigidity of institutions in coping with new technology, particularly regulatory institutions; (2) programs which attempt to compensate the victims of technological progress; and (3) a much more serious effort than now exists to forecast technologies and to plan policy changes to take advantage of them.

Probably the most serious impediment to a solution is the difficulty of forcing public institutions to take seriously the problem of long-term policy planning, as opposed to "muddling through" a series of brushfires. This impediment can be removed only if the structure of incentives facing public officials is significantly altered.

Concentration of Power

Concentration of economic power is an old problem. In communications, this issue takes on a new dimension, since economic concentrations of power may well imply power over public opinion, and thus political power as well.

Monopoly and near-monopoly is characteristic of the communication industry. The telephone company is the outstanding example. It has been recognized for some time that the regulatory agency does not have the resources (or even the conceptual tools) to adequately regulate a company like the Bell System. That the industry performs reasonably well, as it appears to do, is not a result of regulatory oversight.

Nor is economic concentration less important in the area of broadcasting. Concentration of control over public opinion in the hands of a few networks, or a few local broadcasters and newspapers, has constitutional implications. Here the problem is simply that freedom of press and speech is not consistent with having a few people control access to the major media of expression. The problem extends from the fewness of national television networks to cross-ownership of local newspaper and TV stations. The difficulty is caused in part by economic factors dictating large-scale enterprise

in this field. But it is compounded by an institutional tradition which gives to the owners of the media power over their content. The problem would not exist to the same extent if, for instance, TV stations and newspapers were common carriers.

Part of the solution to these problems lies in the direction of a long-term antitrust and regulatory program designed to increase competition in the communications industry. This clearly requires a degree of political courage. Perhaps a more important part of the solution lies in the direction of new technology and new institutions. Here, cable television may play an important role, since it can be used both to reduce economic concentration and to increase freedom of access and expression. For this reason, cable television policy may be one of the most important issues of this decade.

Competition and Regulation

A continuing problem in the communications industry is that of choosing between competition and monopoly for the provision of services, and of regulating the result. The problem is typically posed as one in which a certain service is supplied competitively, but with the monopoly carrier also participating in the market. This raises questions of cross-subsidization, predatory pricing and other anti-competitive practices. Even for those sectors where there is only monopoly, the problem of effective rate regulation has never been adequately solved. In this industry, the problem is compounded by rapidly growing demand and a consequent heavy demand for investment capital to construct new facilities.

Present regulatory policy seeks to encourage the entry of new competitors who provide services other than basic message telephone service. There remains the major problem of structuring this "competitive fringe" in such a way that abuses do not develop. One danger is that new entrants who turn out not to be viable will subsequently be protected by regulatory action against exit. Thus, the regulatory agency must walk the narrow line between preventing predatory pricing by the monopoly carrier and protecting inefficient operation by the competitive fringe. For the monopoly carrier itself,

there remains the problem of developing reasonable rules for rate regulation, and of creating incentives for efficient operation. These problems are now emerging in the context of domestic communication satellites, specialized (terrestrial) private line carriers, manufacture of telephone equipment, and international communication.

The problem of adequate regulation may be insurmountable. If not, then a solution lies in the direction of a careful long range analysis of the services and technologies in question with a view to isolating those which absolutely require monopoly structure. The isolated monopoly services would then be regulated as well as possible, but prohibited from extension into the remaining sectors of the industry, which would be both competitive and unregulated. This probably requires both vertical and horizontal dismemberment of the present Bell System.

Such a solution would result in two sectors: a competitive sector which would not be subject to regulatory action, and which would be kept competitive by antitrust policy, and a monopoly sector (much smaller than at present), confined to the limits of its "natural" extent. Whether regulation of the monopoly sector is then necessary is an open question.

A somewhat similar choice between competition and monopoly exists in the mass media, and is treated elsewhere in this memorandum.

In the final analysis, the choice between competition and monopoly depends on ideological, not just economic, issues. There do exist cases in which even the most avaricious monopolist out-performs a competitive alternative. A consumer may prefer to pay \$1.00 for a telephone call, 20¢ of which is profit to a monopolist, than \$1.50 to a competitor, all of which is cost. If, on the other hand, the difference is small, then we may prefer competition because it is more consistent with a political philosophy which favors diversity and decentralization of power. In any event, economic regulation as an institution has largely failed to achieve its original goals, and there is considerable need to rethink our approach to this problem.