

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

CONTAINS:

(1) Copy of full license
renewal form

(2) Copy of new proposed
Section IV-B of that
form as set out in
19153



Instructions, General Information and Definitions For AM-FM Broadcast Application

1. **Applicants for renewal of license** shall answer all questions in this Section IV-A as part of their renewal application. In answering questions on proposed operation where no substantial change from past operation is proposed, applicant may so state.
2. **Applicants for new AM or FM stations and assignees and transferees of control** shall file this Section IV-A with respect to Ascertainment of Community Needs (Part I), Proposed Programming (Part III), Proposed Commercial Practices (Part V), General Station Policies and Practices (Part VI) and Other Matters and Certification (Part VII).
3. **Assignors and transferors of control** shall file information on Past Programming (Part II), Past Commercial Practices (Part IV) and Other Matters and Certification (Part VII). Questions on past programming shall be answered on the basis of the most recent composite week. Assignors and transferors who have filed an application for renewal of license within eighteen months prior to filing an application for assignment or transfer need not answer any portion of Section IV but must refer to the pertinent filing and identify it.
4. **Applicants for major changes in facilities** (as defined in Sections 1.571(a)(1) and 1.573(a)(1) of the Commission's Rules) need not file this Section IV-A unless a substantial change in programming is proposed or unless the information is requested by the Commission.
5. **A.** Where any of the information required is already on file with the Commission, such information need not be resubmitted, provided that the previous application or filing containing the information is specifically referred to and identified and the applicant states that there has been no change since the information was filed.
B. The replies to the following questions constitute representations on which the Commission will rely in considering this application. Thus time and care should be devoted to the replies so that they will reflect accurately applicant's responsible consideration of the questions asked. It is not, however, expected that the licensee will or can adhere inflexibly in day-to-day operation to the representations made herein.
C. Replies relating to future operation constitute representations against which the subsequent operation of the station will be measured. Accordingly, if during the license period the station substantially alters its programming format or commercial practices, the licensee should notify the Commission of such changes; otherwise it is presumed the station is being operated substantially as last proposed.
6. The applicant's attention is called to the Commission's "Report and Statement of Policy re: Commission En Banc Programming Inquiry," released July 29, 1960. (FCC 60-970; 25 Federal Register 7291; 20 Pike and Fischer Radio Regulation 1902), copies of which are available upon request to the Commission; and also to the material contained in Attachments A and B to this Section.
7. A legible copy of this Section IV-A and the exhibits submitted therewith shall be kept on file available for public inspection at any time during regular business hours. It shall be maintained at the main studio of the station or any other accessible place (such as a public registry for documents or an attorney's office) in the community to which the station is or is proposed to be licensed.
8. **Network Programs.** Where information for the composite week is called for herein with respect to commercial matter or program type classification in connection with national network programs, the applicant may rely on information furnished by the network.
9. **Signature.**
 This Section IV-A shall be signed in the space provided at the end hereof. It shall be personally signed by the applicant, if the applicant is an individual; by one of the partners, if the applicant is a partnership; by an officer of applicant, if a corporation or association. **SIGNING OF THIS SECTION IS A REPRESENTATION THAT THE PERSON WHO SIGNS IS FAMILIAR WITH THE CONTENTS OF THIS SECTION AND ASSOCIATED EXHIBITS, AND SUPPORTS AND APPROVES THE REPRESENTATIONS THEREIN ON BEHALF OF THE APPLICANT.**

Definitions

The definitions set out below are to be followed in furnishing the information called for by the questions of this Section IV-A. The inclusion of various types and sources of programs in the paragraphs which follow is not intended to establish a formula for station operation, but is a method for analyzing and reporting station operation.

10. **Sources of programs** are defined as follows:
 - (a) A **local program (L)** is any program originated or produced by the station, or for the production of which the station is primarily responsible, and employing live talent more than 50% of the time. Such a program, taped or recorded for later broadcast, shall be classified as local. A local program fed to a network shall be classified by the originating station as local. All non-network news programs may be classified as local. Programs primarily featuring records or transcriptions shall be classified as recorded even though a station announcer appears in connection with such material. However, identifiable units of such programs which are live and separately logged as such may be classified as local (e.g., if during the course of a program featuring records or transcriptions a non-network 2-minute news report is given and logged as a news program, the report may be classified as local).
 - (b) A **network program (NET)** is any program furnished to the station by a network (national, regional or special). Delayed broadcasts of programs originated by networks are classified as network.
 - (c) A **recorded program (REC)** is any program not defined above, including, without limitation, those using recordings, transcriptions, or tapes.
11. **Types of programs** are defined as follows:
 If a program contains two or more identifiable units of program material which constitute different program types as herein defined, each such unit may be separately logged and classified.
 The definitions of the first eight types of programs, (a) through (h) are not intended to overlap each other, and these types will normally include all the programs broadcast. The programs classified under (i) through (k) will have been classified under the first eight and there may be further duplication among types (i) through (k).
 - (a) **Agricultural programs (A)** include market reports, farming or other information specifically addressed, or primarily of interest, to the agricultural population.



Definitions - Cont.

- (b) **Entertainment programs (E)** include all programs intended primarily as entertainment, such as music, drama, variety, comedy, quiz, etc.
- (c) **News programs (N)** include reports dealing with current local, national, and international events, including weather and stock market reports; and when an integral part of a news program, commentary, analysis and sports news.
- (d) **Public Affairs programs (PA)** include talks, commentaries, discussions, speeches, editorials, political programs, documentaries, forums, panels, round tables, and similar programs primarily concerning local, national, and international public affairs.
- (e) **Religious programs (R)** include sermons or devotionals; religious news; and music, drama, and other types of programs designed primarily for religious purposes.
- (f) **Instructional programs (I)** include programs, other than those classified under Agricultural, News, Public Affairs, Religious or Sports, involving the discussion of, or primarily designed to further an appreciation or understanding of, literature, music, fine arts, history, geography, and the natural and social sciences; and programs devoted to occupational and vocational instruction, instruction with respect to hobbies, and similar programs intended primarily to instruct.
- (g) **Sports programs (S)** include play-by-play and pre- or post-game related activities and separate programs of sports instruction, news, or information (e.g., fishing opportunities, golfing instruction, etc.).
- (h) **Other programs (O)** include all programs not falling within definitions (a) through (g).

* * * * *

- (i) **Editorials (EDIT)** include programs presented for the purpose of stating opinions of the licensee.
- (j) **Political programs (POL)** include those which present candidates for public office or which give expression (other than in station editorials) to views on such candidates or on issues subject to public ballot.
- (k) **Educational Institution programs (ED)** include any program prepared by, in behalf of, or in cooperation with, educational institutions, educational organizations, libraries, museums, PTA's or similar organizations. Sports programs shall not be included.

12. **Commercial matter (CM)** includes commercial continuity (network and non-network) and commercial announcements (network and non-network) as follows:

Commercial continuity (CC) is the advertising message of a program sponsor.

A commercial announcement (CA) is any other advertising message for which a charge is made, or other consideration is received.

- (1) Included are (i) "bonus" spots, (ii) trade-out spots, and (iii) promotional announcements of a future program where consideration is received for such an announcement or where such announcement identifies the sponsor of the future program beyond mention of the sponsor's name as an integral part of the title of the program (e.g., where the agreement for the sale of time provides that the sponsor will receive promotional announcements, or when the promotional announcement contains a statement such as "LISTEN TOMORROW FOR THE [NAME OF PROGRAM] BROUGHT TO YOU BY [SPONSOR'S NAME]").
- (2) Other announcements including but not limited to the following are *not* commercial announcements:
 - (i) Promotional announcements, except as defined above;
 - (ii) Station identification announcements for which no charge is made;
 - (iii) Mechanical reproduction announcements;
 - (iv) Public service announcements;
 - (v) Announcements made pursuant to Sections 73.119(d) or 73.289(d) of the Rules that materials or services have been furnished as an inducement to broadcast a political program or a program involving the discussion of controversial public issues;
 - (vi) Announcements made pursuant to the local notice requirements of Sections 1.580 (pre-grant) and 1.594 (designation for hearing) of the Rules.

13. **A public service announcement (PSA)** is any announcement (including network) for which no charge is made and which promotes programs, activities, or services of federal, state or local governments (e.g., recruiting, sales of bonds, etc.) or the programs, activities or services of non-profit organizations (e.g., UGF, Red Cross blood donations, etc.), and other announcements regarded as serving community interests, excluding time signals, routine weather announcements and promotional announcements.

14. **A program** is an identifiable unit of program material, logged as such, which is not an announcement as defined above (e.g., if, within a 30-minute entertainment program, a station broadcasts a one-minute news and weather report, this news and weather report may be separately logged and classified as a one-minute news program and the entertainment portion as a 29-minute program).

15. **Composite Week** - Seven days designated annually by the Commission in a Public Notice and consisting of seven different days of the week.

16. **Typical Week** - A week which an applicant projects as typical of his proposed weekly operation.



FCC Form 303	FEDERAL COMMUNICATIONS COMMISSION	Section IV-A
STATEMENT OF AM OR FM PROGRAM SERVICE	Name of Applicant	
Call letters of station	City and state which station is licensed to serve	

PART I

Ascertainment of Community Needs

1. A. State in Exhibit No. _____ the methods used by the applicant to ascertain the needs and interests of the public served by the station. Such information shall include (1) identification of representative groups, interests and organizations which were consulted and (2) the major communities or areas which applicant principally undertakes to serve.
- B. Describe in Exhibit No. _____ the significant needs and interests of the public which the applicant believes his station will serve during the coming license period, including those with respect to national and international matters.
- C. List in Exhibit No. _____ typical and illustrative programs or program series (excluding Entertainment and News) that applicant plans to broadcast during the coming license period to meet those needs and interests.

NOTE: Sufficient records shall be kept on file at the station, open for inspection by the Commission, for a period of 3 years from the date of filing of this statement (unless requested to be kept longer by the Commission) to support the representations required in answer to Question 1. These records should not be submitted with this application and need not be available for public inspection.

PART II

Past Programming

2. A. State the total hours of operation during the composite week: _____
- B. Attach as Exhibit No. _____ one exact copy of the program logs for the composite week used as a basis for responding to questions herein. Applicants utilizing automatic program logging devices must comply with the provisions of Sections 73.112(c) and 73.282(c). Automatic recordings will be returned to the applicant. Exact copies of program logs will not be returned.
If applicant has not operated during all of the days of the composite week which would be applicable to the use of this form, applicant should so notify the Commission and request the designation of substitute day or days as required.
3. A. State the amount of time (rounded to the nearest minute) the applicant devoted in the composite week to the program types (see Definitions) listed below. Commercial matter within a program segment shall be excluded in computing time devoted to that particular program segment (e.g., a 15-minute news program containing 3 minutes' commercial matter shall be counted as a 12-minute news program).

	<u>Hours</u>	<u>Minutes</u>	<u>% of Total Time on Air</u>
(1) News %
(2) Public Affairs %
(3) All other programs, exclusive of Entertainment and Sports %

- B. If in the applicant's judgment the composite week does not adequately represent the station's past programming, applicant may in addition provide in Exhibit No. _____ the same information as required in 3-A above (using the same format) for a calendar month or longer during the year preceding the filing of this application. Applicant shall identify the time period used. Applicant need not file the program logs used in responding to this question unless requested by the Commission.
4. List in Exhibit No. _____ typical and illustrative programs or program series (excluding Entertainment and News) broadcast during the year preceding the filing of this application which have served public needs and interests in applicant's judgment. Denote, by underlining the Title, those programs, if any, designed to inform the public on local, national or international problems of greatest public importance in the community served by the applicant. Use the format below.

<u>Title</u>	<u>Source*</u>	<u>Type*</u>	<u>Brief Description</u>	<u>Time Broadcast & Duration</u>	<u>How Often Broadcast</u>
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5. Submit in Exhibit No. _____ the following information concerning the applicant's news programs:
 - A. The staff, news gathering facilities, news services and other sources utilized; and
 - B. An estimate of the percentage of news program time devoted to local and regional news during the composite week.
6. In connection with the applicant's public affairs programming, describe its policy during the past renewal period with respect to making time available for the discussion of public issues and the method of selecting subjects and participants.

*See Definitions

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7. Describe briefly the applicant's program format(s) during the past 12 months (e.g., country and western music, talk, folk music, classical music, foreign language, jazz, standard pops, etc.) and the approximate percentage of time per week devoted to such format(s).

8. State how and to what extent (if any) applicant's station contributed during the past license period to the over-all diversity of program services available in the area or communities served.

9. Was the applicant affiliated with one or more national, regional or special radio networks during the past license period?
 Yes _____ No _____. If "yes," give name(s) of network(s): _____

10. State the number of public service announcements broadcast by the applicant during the composite week: _____
11. A. If this application is for an FM station, did the programming duplicate that of any AM station?
 Yes _____ No _____. ("Duplicate" means simultaneous broadcasting of a particular program over both the AM and FM stations or the broadcast of a particular FM program within 24 hours before or after the identical program is broadcast over the AM station—Section 73.242(a) of the Rules and Regulations.)
 If the answer is "yes," identify the AM station by call letters; describe its relation to the FM station; and state the number of hours each day in the composite week that were duplicated.

12. A. In applicant's judgment, does the information supplied in this Part II adequately reflect its past programming?
 Yes _____ No _____.
- B. If "no," applicant may attach as Exhibit No. _____ such additional information as may be necessary to describe accurately and present fairly its program service.
- C. If applicant's programming practices for the period covered by this statement varied substantially from the programming representations made in applicant's last renewal application, the applicant shall submit as Exhibit No. _____ a statement explaining the variations and the reasons therefor.

PART III

Proposed Programming

13. State the proposed total hours of operation during a typical week: _____
14. State the minimum amount of time the applicant proposes to devote normally each week to the program types (see Definitions) listed below. Commercial matter within a program segment shall be excluded in computing time devoted to that particular program segment (e.g., a fifteen-minute news program containing 3 minutes' commercial matter shall be computed as a 12-minute news program.)

	<u>Hours</u>	<u>Minutes</u>	<u>% of Total Time on Air</u>
(1) News..... %
(2) Public Affairs %
(3) All other programs, exclusive of Entertainment and Sports..... %

15. Submit in Exhibit No. _____ the following information concerning the applicant's proposed news programs:
 - A. The staff, news gathering facilities, news services and other sources to be utilized; and
 - B. An estimate of the percentage of news program time to be devoted to local and regional news during a typical week.



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16. In connection with the applicant's proposed public affairs programming describe its policy with respect to making time available for the discussion of public issues and the method of selecting subjects and participants.
17. Describe the applicant's proposed programming format(s), e.g., country and western music, talk, folk music, classical music, foreign language, jazz, standard pops, etc., and the approximate percentage of time per week to be devoted to such format(s).
18. State how and to what extent (if any) applicant proposes to contribute to the over-all diversity of program services available in the area or communities to be served.
19. State the minimum number of public service announcements applicant proposes to present during a typical week: _____
20. Will the applicant be affiliated with one or more national, regional, or special radio networks? Yes _____ No _____
If "yes," give name(s) of network(s): _____
21. A. If this application is for an FM station will the programming duplicate that of any AM station? Yes _____ No _____
("Duplicate" means simultaneous broadcasting of a particular program over both AM and FM stations or the broadcast of a particular FM program within 24 hours before or after the identical program is broadcast over the AM station—Section 73.242(a) of the Rules and Regulations.)
B. If the answer is "yes," identify the AM station by call letters; describe its relation to the FM station; and state the number of hours each day proposed to be duplicated.

PART IV

Post Commercial Practices

22. Give the following information with respect to the composite week:

	<u>All Hours</u>	<u>6 A.M. - 6 P.M.</u>
A. Total broadcast time
B. Time devoted to commercial matter:		
(1) Amount in hours and minutes
(2) Percentage % %



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23. State the number of 60-minute segments of the composite week (beginning with the first full clock hour and ending with the last clock hour of each broadcast day) containing the following amounts of commercial matter:
- A. Up to and including 10 minutes
 - B. Over 10 and up to and including 14 minutes
 - C. Over 14 and up to and including 18 minutes
 - D. Over 18 minutes

List each segment in category (D) above, specifying the amount of commercial time in the segment, and the day and time broadcast.

24. A. In the applicant's judgment, does the information supplied in this Part IV for the composite week adequately reflect its commercial practices? Yes _____ No _____ .
- B. If "no," applicant may attach as Exhibit No. _____ such additional material as may be necessary to describe adequately and present fairly its commercial practices.
- C. If applicant's commercial practices for the period covered by this statement varied substantially from the commercial representations made in applicant's last renewal application, the applicant shall submit as Exhibit No. _____ a statement explaining the variations and the reasons therefor.

PART V
Proposed Commercial Practices

25. State the maximum percentage of commercial matter which the applicant proposes normally to allow during the following segments of a typical week:
- 6 a.m. - 6 p.m. %
- All hours %

If applicant proposes to permit this level to be exceeded at times, state under what circumstances and how often this is expected to occur, and the limits that would then apply.

26. What is the maximum amount of commercial matter in any 60-minute segment which the applicant proposes normally to allow?

If applicant proposes to permit this amount to be exceeded at times, state under what circumstances and how often this is expected to occur, and the limits that would then apply.



STATEMENT OF AM OR FM PROGRAM SERVICE

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PART VI

General Station Policies and Procedures

27. State the name(s) and position of the person(s) who determines the day-to-day programming decisions and directs the operation of the station covered by this application and whether he is employed full-time in the operation of the station.
28. A. Does the applicant have established policies with respect to programming and advertising standards (whether developed by the station or contained in a code of broadcasting standards and practices) to guide the operation of the station?
Yes _____ No _____
- B. If "yes," attach as Exhibit No. _____ a brief summary of such policies. (If the station relies exclusively upon the published code of any national organization or trade association, a statement to that effect will suffice)
29. State the methods by which applicant undertakes to keep informed of the requirements of the Communications Act and the Commission's Rules and Regulations, and a description of the procedures established to acquaint applicant's employees and agents with such requirements and to ensure their compliance.
30. If, as an integral part of its station identification announcements, applicant makes or proposes to make reference to any business, profession or activity other than broadcasting in which applicant or any affiliate or stockholder is engaged or financially interested, directly or indirectly, set forth typical examples and approximate frequency of their use.
31. State the number of station employees: _____. If the station has or proposes to have ten or more employees, state in Exhibit No. _____ the number of full-time and part-time employees in the programming, sales, technical, and general and administrative departments. Do not list the same employee in more than one category. However, if an employee performs multiple services, this may be so shown by identifying him with his various duties e.g., if two employees are combination announcers and salesmen, the list would include an entry of "two programming-sales".

PART VII

Other Matters and Certification

- 32. Applicant may submit as Exhibit No. _____ any additional information which, in its judgment, is necessary adequately to describe or to present fairly its services and operations in relation to the public interest.
- 33. The undersigned has familiarized himself with paragraph 9 of the Instructions to Section IV-A concerning signature requirements and in light of its provisions does hereby:
 - A. Acknowledge that all the statements made in this Section IV-A and the attached exhibits are considered material representations and that all the exhibits are a material part hereof and are incorporated herein as if set out in full in the application form; and
 - B. Certify that the statements herein are true, complete, and correct to the best of his knowledge and belief and are made in good faith.

SIGNED AND DATED this _____ day of _____, 19 _____.

.....
(NAME OF LICENSEE)

By:
(SIGNATURE)

.....
(PLEASE PRINT NAME OF PERSON SIGNING)

.....
(TITLE)

WILLFUL FALSE STATEMENTS MADE IN THIS FORM ARE PUNISHABLE BY FINE AND IMPRISONMENT. U. S. CODE, TITLE 18, SECTION 1001.

ATTACHMENT A

Attention is invited to the Commission's "Report and Statement of Policy Re: Commission En Banc Programming Inquiry" released July 29, 1960 - FCC 60-970 (25 Federal Register 7291; 20 Pike and Fischer Radio Regulation 1902).

Pursuant to the Communications Act of 1934, as amended, the Commission cannot grant, renew or modify a broadcast authorization unless it makes an affirmative finding that the operation of the station, as proposed, will serve the public interest, convenience and necessity. Programming is of the essence of broadcasting.

A broadcast station's use of a channel for the period authorized is premised on its serving the public. Thus, the public has a legitimate and continuing interest in the program service offered by the station, and it is the duty of all broadcast permittees and licensees to serve as trustees for the public in the operation of their stations. Broadcast permittees and licensees must make positive, diligent and continuing efforts to provide a program schedule designed to serve the needs and interests of the public in the areas to which they transmit an acceptable signal.

In its above-referenced "Policy Statement," the Commission has indicated the general nature of the inquiry which should be made in the planning and devising of a program schedule:

"Thus we do not intend to guide the licensee along the path of programming; on the contrary, the licensee must find his own path with the guidance of those whom his signal is to serve. We will thus steer clear of the bans of censorship without disregarding the public's vital interest. What we propose will not be served by pre-planned program format submissions accompanied by complimentary references from local citizens. What we propose is documented program submissions prepared as the result of assiduous planning and consultation covering two main areas: first, a canvass of the listening public who will receive the signal and who constitute a definite public interest figure; second, consultation with leaders in community life—public officials, educators, religious (groups), the entertainment media—agriculture, business, labor, professional and eleemosynary organizations, and others who bespeak the interests which make up the community."

Over the years, experience has shown both broadcasters and the Commission that certain recognized elements of broadcast service have frequently been found necessary or desirable to serve the broadcast needs and interests of many communities. In the Policy Statement, referred to above, the Commission set out fourteen such elements. The Commission stated:

"The major elements usually necessary to meet the public interest, needs and desires of the community in which the station is located as developed by the industry, and recognized by the Commission, have included: (1) Opportunity for Local Self-Expression, (2) The Development and Use of Local Talent (3) Programs for Children, (4) Religious Programs, (5) Educational Programs, (6) Public Affairs Programs, (7) Editorialization by licensees, (8) Political Broadcasts, (9) Agricultural Programs, (10) News Programs, (11) Weather and Market Reports, (12) Sports Programs, (13) Service to Minority Groups, (14) Entertainment Programming."

It is emphasized that broadcasters, mindful of the public interest, must assume and discharge responsibility for planning, selecting and supervising all matter broadcast by their stations, whether such matter is produced by them or provided by networks or others. This duty was made clear in the Commission's Policy Statement, page 14, paragraph 3:

"Broadcasting licensee must assume responsibility for all material which is broadcast through their facilities. This includes all programs and advertising material which they present to the public. With respect to advertising material the licensee has the additional responsibility to take all reasonable measures to eliminate any false, misleading, or deceptive matter and to avoid abuses with respect to the total amount of time devoted to advertising continuity as well as the frequency with which regular programs are interrupted for advertising messages. This duty is personal to the licensee and may not be delegated. He is obligated to bring his positive responsibility affirmatively to bear upon all who have a hand in providing broadcast matter for transmission through his facilities so as to assure the discharge of his duty to provide (an) acceptable program schedule consonant with operating in the public interest in his community. The broadcaster is obligated to make a positive, diligent and continuing effort, in good faith, to determine the tastes, needs and desires of the public in his community and to provide programming to meet those needs and interests. This, again, is a duty personal to the licensee and may not be avoided by delegation of the responsibility to others."

ATTACHMENT B

Attention is invited to the Commission's Public Notice entitled "Ascertainment of Community Needs By Broadcast Applicants," released August 22, 1968 - FCC 68-847 (33 Federal Register 12113).

The Commission issues this Public Notice to provide broadcast applicants with a better understanding of the showing called for in response to Part 1, Sections IV-A and IV-B, the programming sections of application forms. Deficient showings delay definitive action on applications and impose a costly workload burden on the Commission.

In a recent case, *Minshall Broadcasting Company, Inc.* (petition to enlarge issues) 11 FCC 2d 796 (1968), the Commission reiterated the four elements of the showing to be made in response to Part 1:

- (a) Full information on the steps the applicant has taken to become informed of the real community needs and interests of the area to be served.
- (b) Suggestions which the applicant has received as to how the station could help meet the area's needs.
- (c) The applicant's evaluation of those suggestions.
- (d) The programming service which the applicant proposes in order to meet those needs as they have been evaluated.

In another recent case, *Andy Valley Broadcasting System, Inc.* (petition to deny) FCC 68-290 (1968), the Commission held that a survey of community needs is mandatory and that "applicants, despite long residence in the area, may no longer be considered, *ipso facto*, familiar with the programming needs and interests of the community."

Before detailing the information needed in the four elements set forth above, it is appropriate to state our belief that if the processes of Part 1 are carried out in good faith, the programming service will be rooted in the people whom the station is obligated to serve and who will be in a much better position to see that the obligation to them is fulfilled, thus lessening the enforcement burden of the Commission.

Part 1, Question 1.A., requires consultation with leaders in community life—public officials, educators, religious, the entertainment media, agriculture, business, labor, professional and aleemosynary organizations, and others who bespeak the interests which make up the community. *Report and Statement of Policy Re: Commission En Banc Program Inquiry, 20 RR 1902.*

Consultations with community leaders: Such consultations are to help determine the needs of the community from the standpoint of the group represented by the leader being consulted; should include a representative range of groups and leaders to give the applicant a better basis for determining the total needs of the community; and should identify them by name, position and organization. The purpose of such consultations should be to elicit constructive information concerning community needs, and not mere approval of existing or pre-planned programming.

Suggestions received: The second of the above four elements is largely self-explanatory, but, importantly, the listing should include the significant suggestions as to community needs received through the consultations with community leaders, whether or not the applicant proposes to treat them through its programming service.

Applicant's evaluation: What is expected of the applicant is that he will evaluate the relative importance of those suggestions and consider them in formulating the station's over-all program service.

Programming service proposed to meet the needs as evaluated: The fourth element set out in *Minshall* should be set out in response to Question 1.C., and calls for relating the program service to the needs of the community as evaluated, i.e., what programming service is proposed to meet what needs.

The foregoing information is also expected of all applicants for increased facilities serving a substantial amount of new area or population. *KTBS, Inc., 1 RR 2d 1054 (1964).*

Section 1.526 of the Commission Rules requires licensees of broadcast stations to keep on file locally for public inspection a copy of its applications (which include Sections IV-A and IV-B) as well as exhibits, letters, other documents, and correspondence with the Commission pertaining to the application.



Broadcast Application	FEDERAL COMMUNICATIONS COMMISSION	Section VI
EQUAL EMPLOYMENT OPPORTUNITY PROGRAM	Name of Applicant	
Call letters of station	City and state which station is licensed to serve	

Applicants for construction permit for a new facility, for assignment of license or construction permit or for transfer of control (other than *pro forma* or involuntary assignments and transfers), and applicants for renewal of license who have not previously done so, file equal employment opportunity programs or amendments to those programs in the following exhibit. Existing licensees and permittees at the time of the effective date of this form are not required to file an equal employment opportunity program until filing for renewal of license.

PART I

Submit as Exhibit No. _____ the applicant's equal employment opportunity program for the station, and its network operation if the applicant operates a network, indicating specific practices to be followed in order to assure equal employment opportunity for Negroes, Orientals, American Indians and Spanish Surnamed Americans in each of the following aspects of employment practice: recruitment, selection, training, placement, promotion, pay, working conditions, demotion, layoff, and termination. The program should reasonably address itself to such specific practices as the following, to the extent they are appropriate in terms of station size, location, etc. A program need not be filed if the station has less than five fulltime employees or if it is in an area where the relevant minorities are represented in such insignificant numbers that a program would not be meaningful. In the latter situation, a statement of explanation should be filed.

1. To assure nondiscrimination in recruiting:

- a. Posting notices in station employment offices informing applicants of their equal employment rights and their right to notify the Federal Communications Commission or other appropriate agency if they believe they have been the victim of discrimination.
- b. Placing a notice in bold type on the employment application informing prospective employees that discrimination because of race, color, religion, national origin, or sex, is prohibited and that they may notify the Federal Communications Commission or other appropriate agency if they believe they have been discriminated against.
- c. Placing employment advertisements in media which have significant circulation among minority-group people in the recruiting area.
- d. Recruiting through schools and colleges with significant minority-group enrollments.
- e. Maintaining systematic contacts with minority and human relations organizations, leaders and spokesmen to encourage referral of qualified minority applicants.
- f. Encouraging present employees to refer minority applicants.
- g. Making known to all recruitment sources that qualified minority members are being sought for consideration whenever the station hires.

2. To assure nondiscrimination in selection and hiring:

- a. Instructing personally those of your staff who make hiring decisions that minority applicants for all jobs are to be considered without discrimination.
- b. Where union agreements exist:
 - (1) Cooperating with your unions in the development of programs to assure qualified minority persons of equal opportunity for employment;
 - (2) Including an effective nondiscrimination clause in new or re-negotiated union agreements.
- c. Avoiding use of selection techniques or tests which have the effect of discriminating against minority groups.

3. To assure nondiscriminatory placement and promotion:

- a. Instructing personally those of the station staff who make decisions on placement and promotion that minority employees are to be considered without discrimination, and that job areas in which there is little or no minority representation should be reviewed to determine whether this results from discrimination.
- b. Giving minority group employees equal opportunity for positions which lead to higher positions. Inquiring as to the interest and skills of all lower paid employees with respect to any of the higher paid positions, followed by



EQUAL EMPLOYMENT OPPORTUNITY PROGRAM

SECTION VI, Page 2

assistance, counselling, and effective measures to enable employees with interest and potential to qualify themselves for such positions.

- c. Reviewing seniority practices and seniority clauses in union contracts to insure that such practices or clauses are nondiscriminatory and do not have a discriminatory effect.
- 4. To assure nondiscrimination in other areas of employment practices:
 - a. Examining rates of pay and fringe benefits for present employees with equivalent duties, and adjusting any inequities found.
 - b. Advising all qualified employees whenever there is an opportunity to perform overtime work.

PART II

Assignors and transferors other than in the case of *pro forma* or involuntary assignments and transfers, and renewal applicants file the following exhibit:

Submit a report as Exhibit ___ indicating the manner in which the specific practices undertaken pursuant to the station's equal employment opportunity program have been applied and the effect of these practices upon the applications for employment, hiring and promotions of minority group members.

PART III

Assignors, transferors and applicants for renewal file the following exhibit:

Submit as Exhibit ___ a brief description of any complaint which has been filed before any body having competent jurisdiction under Federal, State, territorial or local law, alleging unlawful discrimination in the employment practices of the applicant, including the persons involved, the date of filing, the court or agency, the file number (if any), and the disposition or current status of the matter.

RULES AND REGULATIONS

IV. INQUIRY AND PROPOSED RULE MAKING TO AMEND SECTION IV-B OF FORM 303 APPLICATION FOR RENEWAL OF TELEVISION STATION LICENSE AND ADOPTION OF ANNUAL REPORTING FORM FOR TELEVISION STATION LICENSEES

1. This section constitutes a Notice of Inquiry and Proposed Rule Making in the above-entitled matter. Form I in Attachment A would replace Section IV-B of the renewal application for commercial licensees. Form II in Attachment A would be filed annually.
2. The new Part IV-B of the renewal form eliminates some questions in the present form. But questions which solicit specific quantitative information have been retained and refined so that licensees would be required to break down programming of news, public affairs and "other" by time segments similar to the way local programming has been broken down in the past (e. g., 6:00 p. m. -11:00 p. m.). Licensees would also be asked to elaborate on their programming of public affairs by indicating what network public affairs programs were offered but were not carried and what programs were aired instead.
3. When the present form was adopted in 1966, the Commission indicated that while there was general agreement on the necessity for reporting on ascertainment procedures and the station's response to community needs, there was disagreement on the details that should be required in the reporting (50 FR 2d 178). While, as indicated in today's Public Notice (FCC 71-177) renewal applicants will now be required to apply the Primer in answering Part I of Section IV-B of the current form, the Commission believes that a more appropriate method for commercial television stations to report on ascertainment might be for them to submit an annual report listing what the licensee considers were the most significant problems and needs in his service area during the preceding twelve months and listing the programs televised during that period that dealt with those problems and needs. The new public announcement proposed in Part I of this docket would refer to the annual submissions and would invite viewers to examine the lists and make comments and suggestions to the licensee. This would encourage continuous dialogue between the licensee and members of the public concerning what both consider to be the major problems and needs of the community.
4. In addition to an annual reporting of problems and needs and programs designed to meet them, television licensees would be required to submit quantitative information regarding program performance in specified program categories during the/composite week/announced by the Commission each July or early August. These reports, along with the lists of community problems and needs and programs directed to them, would be submitted each year on or before September 1st, and, barring unusual circumstances (e. g. a complaint filed during the license period in which the material in the annual reports is germane), would be filed without evaluation at that time by the Commission. The purpose of these reportings are: first, to provide the Commission with yearly nationwide statistics regarding television programming during a given composite week - statistics which are not now available to the Commission but which would be valuable in shaping any new policies in this area and in simply making more informed the Commission, or Congress or



other interested persons; second, to enable the Commission to make a more complete evaluation of programming performance of the licensee during the past renewal period; and third, if necessary, in a comparative hearing (where upgrading during the last year of the renewal period would not be determinative in concluding that a station was providing substantial as opposed to minimal service - see 22 FCC 2d 2040) to enable the Commission more readily to ascertain if programming during the first two years of the license period differed significantly from programming during the third year. It is important to emphasize that initiation of annual reporting would not constitute the initiation of an annual renewal process and that except in unusual circumstances, evaluation of the station's performance by the Commission would still take place only every three years.

5. The definitions used for "news," "public affairs," "other programs" and "local programs," would remain the same. These definitions read:

(a) "News programs" (N) include reports dealing with current local, national, and international events, including weather and stock market reports; and when an integral part of a news program, commentary, analysis and sports news.

(b) "Public Affairs programs" (PA) include talks, commentaries, discussions, speeches, editorials, political programs, documentaries, forums, panels, round table, and similar programs primarily concerning local, national, and international public affairs.

(c) "Other programs" (O) include all other programs excluding entertainment and sports.

(d) A "local program" (L) is any program originated or produced by the station, or for the production of which the station is substantially responsible, and employing live talent more than 50% of the time. Such a program, taped, recorded, or filmed for later broadcast shall be classified by the station as local. A local program fed to a network shall be classified by the originating station as local. All non-network news programs may be classified as local. Programs primarily featuring syndicated or feature films, or other non-locally recorded programs shall be classified as "Recorded" (REC) even though a station personality appears in connection with such material. However, identifiable units of such programs which are live and separately logged as such may be classified as local (e. g., if during the course of a feature film program a non-network 2-minute news report is given and logged as a news program, the report may be classified as local).

Parties may comment on the above definitions in light of these proposals and indeed we specifically raise the issue whether the news and public affairs categories should not be viewed together. (See Notice of Inquiry (FCC 71-159), paragraph 4, issued this day.)

6. While Parts I, II and III of this docket apply equally to both television and radio licensees, this Notice of Inquiry and Proposed Rule Making applies



APPENDIX F

New Section IV-B of Form 303

1. Using the form provided (Form I), list what you consider to be the most significant problems and needs of your service area during the past twelve months (DO NOT LIST MORE THAN 10). Indicate (1) the number of programs or program segments (excluding ordinary news inserts */), (2) the amount (hours and minutes) of program time and (3) the amount (hours and minutes) of local programming devoted during the past twelve months to each of these problems or needs.

2. As Exhibit No. _____, give for each problem or need listed in Form I a brief description of each program or program segment aired by the applicant during the past twelve months that addressed itself to that problem or need. Identify each program by source and indicate the time of broadcast.

3. State in Exhibit No. _____ the methods by which the applicant during the past three years determined the problems and needs of the public served by his station.

4. Does the applicant anticipate any significant new problems and needs in his service area during the next renewal period? Yes ____, No ____.
If Yes, indicate in Exhibit No. ____ the new problems and needs.

5. Does the applicant expect to air during the next renewal period any new programs or program services devoted to significant problems and needs of his service area? Yes ____, No ____.
If Yes, indicate in Exhibit No. ____ the new program or program services and briefly describe these.

6. Does the applicant, during the next renewal period, plan to change the methods described in his answer to Question 3 for determining the problems and needs of the public served by his station? Yes ____, No ____.
If Yes, describe in Exhibit No. ____ the changes planned by the applicant.

7. In Exhibit No. ____ summarize and comment upon the complaints and suggestions received by the applicant from members of the public during the past renewal period in each of the following categories: (1) technical operations, (2) advertising, (3) employment practices, (4) criticisms of programming, (5) compliments on programming, (6) suggested programming.

8. State the total hours of operation during the most recent composite week:

*/ By news inserts, we refer to the daily or ordinary news coverage of breaking newsworthy events; an insert in a newscast that is not merely coverage of breaking events but rather seeks to deal in more depth or analysis with some problem should be counted.

RULES AND REGULATIONS

9. Using the form provided (Form II) state the amount of time (rounded to the nearest minute) the applicant devoted in the most recent composite week to the categories (see Definitions) listed. Commercial matter within a program segment should be excluded in computing time devoted to that particular program segment (e. g. , a 15-minute news program containing 3 minutes of commercial matter shall be counted as a 12-minute program).

Attach as Exhibit No. ___ a brief description of each program included in each category. Indicate the source (see Definitions) and the number of minutes of all programs listed as News, Public Affairs and all other programs, exclusive of entertainment and sports.

10. Using the form provided (Form II), state the amount of time (rounded to the nearest minute) the applicant devoted in the most recent composite week between the hours of 6-11 p. m. to the categories listed. Commercial matter within a program segment would be excluded in computing time devoted to that particular program segment.

Attach as Exhibit No. ___ a brief description of each program included in each category. Indicate the source and the number of minutes of all programs listed as News, Public Affairs and all other programs, exclusive of entertainment and sports.

11. State (a) the total number of public service announcements, (b) the number of public service announcements involving local organizations and (c) the number of public service announcements aired between 8 a. m. -11 p. m. during the most recent composite week.

12. State the number of 60-minute segments of the most recent composite week (beginning with the first clock hour and ending with the last full clock hour of each broadcast day) containing the following amounts of commercial matter.

- A. Up to and including 8 minutes _____
- B. Over 8 and up to and including 12 minutes _____
- C. Over 12 and up to and including 16 minutes _____
- D. Over 16 minutes _____

List each segment in category D above, specifying the amount of commercial time in the segment, and the day and time broadcast.

13. If the applicant was affiliated with one or more national television networks during the past year, specify which and list all of the individual network public affairs programs during that period that the applicant was offered but never carried and indicate what programs were aired instead. If an entire network public affairs series */ was not carried, the applicant may so indicate without having to list each individual program within that series, but still having to indicate what program or program series were aired instead.

*/ E. g. Issues and Answers, Face the Nation, Meet the Press.



FORM I

1. List what you consider the most significant problems or needs of your service area during the 12 months ended July 30. Do not list more than 10. Complete columns 2, 3 and 4 for each item listed.

	PROBLEM OR NEED (Do not list more than 10) (1)	Programs Devoted to This Problem or Need Broadcast During the 12 Months Ended July 30, 1/			Leave Blank
		No. of Programs or Program Segments 2/ (2)	Total Program Time (In Hrs. & Min) (3)	Local Program Time Included In Col. 3 (In Hrs. & Min) (4)	
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

1/ If the report does not cover the full 12 month period, indicate period covered: _____, 19__ to _____, 19__.

2/ Do not count ordinary news inserts.

Fair shake

Broadcasters have learned the hard way that if they are looking for sympathy, they will find it in the dictionary.

Having come to that harsh realization, they are getting the fight-for-survival zeal. In so doing they are learning another truth. Everybody, particularly anyone in public life, likes inspired fighters.

Delegations of state associations of broadcasters are finding that out in calling on their congressmen in Washington. It is evident too in state and regional meetings. The eyeball-to-eyeball confrontations make the difference.

In the last fortnight, for example, an old warrior for the broadcasters' cause, after an absence of several years, reappeared in the broadcasters' corner. Senator Vance Hartke (D-Ind.), second-ranking majority member of the Senate Communications Subcommittee, came out in favor of repeal of Section 315, fairness doctrine and all. And he endorsed a return to reason on license renewals, and full First Amendment safeguards for news.

Senator Hartke 12 years ago espoused repeal of Section 315 when very few broadcasters and practically no newspapers favored it or thought repeal had a chance. That was before the "fairness" provision was appended to the political-broadcasting section.

What is significant here is that Senator Hartke, stalwart Democrat, and Clay T. Whitehead, in his role of telecommunications spokesman at the Republican White House, obviously think alike on broad legislative relief to overtake the assumption of undue controls in erstwhile forbidden areas by the congressionally created licensing authority—the FCC—and the arrogation of legislative functions by the Circuit Court of Appeals in Washington.

The first task must be immediate relief on license renewals. If broadcasters will keep themselves lean and active, they can later achieve the kind of relief hoped for by Democrat Hartke and Republican Whitehead.

FCC Chairman Dean Burch would find it advantageous to invite these gentlemen as lead witnesses in his upcoming comprehensive hearings on the fairness doctrine.

12/20/72 Wall St. J: Hartke charges Administration with censorship.

FAIRNESS

OTP Position

- Fairness obligation will always remain.
- But, Fairness Doctrine--relatively recent shift to enforcement of obligation on case-by-case and issue-by-issue basis--should ultimately be replaced, when reasons for its existence (scarcity, myopia, concentration) change because of technology (domsats, cable).
- Ultimately fairness should be enforced through obligation during overall programming time, reviewed at license time, and through right of access by individuals during ad time. (Two separate claims or kinds of legitimate interests, therefore two sets of mechanisms).
- Exception: perhaps case-by-case enforcement for timely issues and ballot box issues; candidates for public office already specified by Congress.

Reaction

- Industry: interprets IRTS and Indianapolis speeches as inconsistent; favors former and confused by the latter. Endorsed by Broadcasting, however, plus NAB and all networks.
- Congress: unfavorable: Tiernan, McDonald against IRTS proposals, as was Nicholas Johnson.
- Public: Public interest groups especially United Church of Christ concerned about minority access rights and about their ability to exert leverage on broadcaster. Feel threatened by inability to use program category.
- Nick Johnson: "My enthusiasm for the FD has never been unqualified. I don't like the government being involved in that kind of programming detail."
(New Republic 1/15/72)

Remember

- FCC 1949 Editorializing Report: fairness obligation an issue-oriented, not person-oriented mechanism. Serves public's right to be influenced, not person's right to be heard.
 - Senator Hart was co-sponsor of the 1959 amendment to Section 315 which gave rise to the Fairness Doctrine.
- P1

- FCC 1960 Programming Inquiry: "This responsibility [§315 fairness] usually is of the generic kind and thus, in the absence of unusual circumstances, is not exercised with regard to particular situations, but rather in terms of operating policies of stations as viewed over a reasonable period of time." (20 RR 1910)
- Supreme Court Red Lion (1969) affirmed general propriety of Fairness Doctrine within CA 34 and First Amendment.
- Pending FCC Fairness Doctrine Inquiry, Docket 19260 has four parts:
 - generally (personal attack and editorializing rules; Cullman rule)
 - product commercials
 - individual access
 - political broadcasts
- Problems with case-by-case enforcement:
 - "Threat of escalation" of Commission surveillance
 - e.g. rise in # Fairness Doctrine complaints from 409 in 1962 to 60,000+ in 1970.
- Sen Erwin (2/3/72) compared FCC and ct FD rulings with government censorship of books, to which CTW agreed (FA hearings).

B1

FAIRNESS DOCTRINE

Quotes from 1949 FCC Report on Editorializing by Licensees.

"The Commission has consequently recognized the necessity for licensees to devote a reasonable percentage of their broadcast time to the presentation of news and programs devoted to the consideration and discussion of public issues of interest in the community served by the particular station.

"It is this right of the public to be informed, rather than any right on the part of the government, any broadcast licensee or any individual member of the public to broadcast his own particular views on any matter, which is the foundation stone of the American system of broadcasting.

"And the Commission has made clear that in such presentation of news and comment the public interest requires that the licensee must operate on a basis of overall fairness, making his facilities available for the expression of the contrasting views of all responsible elements in the community on the various issues which arise. Mayflower Broadcasting Co., 8 F.C.C. 333; United Broadcasting Co. (WHKC) 10 F.C.C. 515; cf. WBNX Broadcasting Co., Inc. 4 Pike & Fischer RR 244 (Memorandum Opinion).

"It has been suggested in the course of the hearings that licensees have an affirmative obligation to insure fair presentation of all sides of any controversial issue before any time may be allocated to the discussion or consideration of the matter. On the other hand, arguments have been advanced in support of the proposition that the licensee's sole obligation to the public is to refrain from suppressing or excluding any responsible point of view from access to the radio. We are of the opinion, however, that any rigid requirement that licensees adhere to either of these extreme prescriptions for proper station programming techniques would seriously limit the ability of licensees to serve the public interest.

"Fairness, in such circumstances might require no more than that the licensee make a reasonable effort to secure responsible representation of the particular position and, if it fails in this effort, to continue to make available its facilities to the spokesmen for such position in the event that, after the original programs are broadcast, they then decide to avail themselves of a right to reply to present their contrary opinion."

Fairness Doctrine Quotes

"It is clear that any approximation of fairness in the presentation of any controversy will be difficult if not impossible of achievement unless the licensee plays a conscious and positive role in bringing about balanced presentation of the opposing viewpoints.

"The licensee will in each instance be called upon to exercise his best judgment and good sense in determining what subjects should be considered, the particular format of the programs to be devoted to each subject, the different shades of opinion to be presented, and the spokesmen for each point of view.

"It should also be clearly indicated that the question of the relationship of broadcast editorialization, as defined above, to operation in the public interest, is not identical with the broader problem of assuring "fairness" in the presentation of news, comment or opinion, but is rather one specific facet of this larger problem.

"We do not believe that any such consequence is either inevitable or probable, and we have therefore come to the conclusion that overt licensee editorialization, within reasonable limits and subject to the general requirements of fairness detailed above, is not contrary to the public interest.

"The main arguments advanced by these witnesses were that overt editorialization by broadcast licensees would not be consistent with the attainment of balanced presentations since there was a danger that the institutional good will and the production resources at the disposal of broadcast licensees would inevitably influence public opinion in favor of the positions advocated in the name of the licensee and that, having taken an open stand on behalf of one position in a given controversy, a licensee is not likely to give a fair break to the opposition. We believe, however, that these fears are largely misdirected, and that they stem from a confusion of the question of overt advocacy in the name of the licensee, with the broader issue of insuring that the station's broadcasts devoted to the consideration of public issues will provide the listening public with a fair and balanced presentation of differing viewpoints on such issues, without regard to the particular views which may be held or expressed by the licensee.

"We do not believe that programs in which the licensee's personal opinions are expressed are intrinsically more or less subject to abuse than any other program devoted to public issues."

Fairness Doctrine Quotes

"Assurance of fairness must in the final analysis be achieved, not by the exclusion of particular views because of the source of the views, or the forcefulness with which the view is expressed, but by making the microphone available for the presentation of contrary views without deliberate restrictions designed to impede equally forceful presentation.

"The Commission is not persuaded that a station's willingness to stand up and be counted on these particular issues upon which the licensee has a definite position may not be actually helpful in providing and maintaining a climate of fairness and equal opportunity for the expression of contrary views. Certainly the public has less to fear from the open partisan than from the covert propagandist.

"The basis for any fair consideration of public issues, and particularly those of a controversial nature, is the presentation of news and information concerning the basic facts of the controversy in as complete and impartial a manner as possible.

"The action of the station in carrying or refusing to carry any particular program is of relevance only as the station's actions with respect to such programs fits into its overall pattern of broadcast service, and must be considered in the light of its other program activities.

"The question is necessarily one of the reasonableness of the station's actions, not whether any absolute standard of fairness has been achieved. It does not require any appraisal of the merits of the particular issue to determine whether reasonable efforts have been made to present both sides of the question.

"Licensee editorialization is but one aspect of freedom of expression by means of radio."

Trouble Spots and Questions

If paid-access proposal is adopted, need for fairness with respect to advertising is obviated; as number of transmission channels increases, and the influence of each channel as a result diminished the need that programming on each channel be "fair" is removed.

- How does your renewal bill effect the Fairness Doctrine?
- Deprived of categories, would not the FCC simply fall back, in assessing fairness obligation on an overall basis, their own subjective determinations?
- In a press conference in December 1971, prior to IRTS speech, you said "I'm one of those people who happens to believe that business properly structured and given the right incentives does serve the public interest." And you went on to say in commercial TV today it is economically feasible to program for the mass audience but not the minority audience. Doesn't your license renewal bill even further insulate broadcasters from programming for the minority audience? How then do you expect local broadcasting stations to serve all the needs of its community, even its minority needs, or don't you care?
- Toward the end of 1971 you proposed abolition of the Fairness Doctrine. Last December you made an about face and said it was necessary. Which is it? What explains your change? Are you using the Administration position on the Fairness Doctrine as a carrot or stick over broadcasters depending on which way the political winds are blowing? The three reasons you gave for retaining Fairness Doctrine in 1972 were just as relevant in 1971

"REAL-WORLD" ALLUSIONS

Communications is the third fastest growing industry in the world next to the education and health fields.

Multiplier effect: One thing OTP is trying to do is to establish a healthier regulatory environment for the computer industry which would lead to better access to government information, improved health care, better library services. A farmer in Kansas should be able to have immediate access to the latest available Department of Agriculture research on the soil conditions for growing oats, and a doctor in Georgia should have immediate access to the latest hemaphiliac research.

The telecommunications industry has been estimated as a \$19-billion-a-year industry. (Fortune, April 1970)

Americans have over 100 million telephones -- five times more than any other country. (Fortune, April 1970)

Paintings done by a pen light beam on a television screen rather than a brush on paper.

Symphonies by synthesized electronic sound rather than traditional musical instruments.

Need for dialogue between engineers and artists so that they can see each other's possibilities -- new mediums for artists.

"Demand pull" policy to reduce the economic concentration in the system and would expand the outlets.

Domestic satellite policy will lead to tremendously increased programming possibilities and services.

Television is not yet 50 years old and yet it has had an enormous impact on our lives. Over 95% of American homes have a set and its potential uses other than for entertainment and news are unlimited. For example a two-way video system similar to a picturephone could be used to save a trip to the store -- an environmental benefit and less traffic congestion by not driving to store.

S.372 - Pastore's "Federal Election Campaign Act of 1973"

- Repeals equal-time with respect to candidates for President and Vice President

- Changes spending limit to 25¢/voting age person, from the greater of 10¢/person or \$50K specified in original 1972 Act.

- Applies spending limit to nonpresidential primaries for Federal office.

- Repeals special certification relative to broadcasters and substitutes proviso that no one can charge a candidate more than \$100 for services/items without candidate's certification that he won't be exceeding spending limits.

- Does not appear to eliminate:
 - (a) lowest minimum rate for broadcasters for all candidates (newspapers must charge "comparable rates," but only with Federal candidates (Sec. 103(b) of 1972 Act).

 - (b) Mandatory carriage requirement applicable only to broadcast licensees.

DRAFT

This is privileged information;
not for release to the press.

~~United States~~ International Communication Objectives
and Policy ~~Proposals~~

United States activities involving international communications for the 1970's should reflect the following objectives:

- Foster the continued development of reliable, low cost, widespread international communications services, taking full advantage of new technology and conserving use of the limited electromagnetic spectrum.
- Ensure that all United States participation in the ownership of international communications facilities and the provision of services will be by the private sector.
- Limit United States Government ownership of communications facilities to those cases in which the required services cannot be obtained satisfactorily at reasonable cost from the private sector.
- Promote constructive relationships between the United States communications industry and its foreign partners.

- Secure fair international trade opportunities for United States technology and products to enhance our competitive position in the world communications market and obtain the full advantage of our technological leadership.

- Assure the continued development of a global communications satellite system under the auspices of INTELSAT, as well as appropriate national, regional, or specialized satellite systems.

- Facilitate the availability of communication links among all nations of the world.

In furthering these objectives, the policy proposals described below are intended to serve as general guidelines for future Government oversight of the United States international communications industry. Broadly stated, that policy should be to create conditions that will allow ample competition among United States international communications firms, reduce the need for detailed regulatory intervention in industry decisionmaking, and simplify relationships with foreign entities. Our specific proposals are as follows:

1. There should be no forced merger of international record companies or of international transmission facilities.

2. Federal regulation of carriers owning international transmission facilities should not involve heavily detailed intrusion into the investment and operating decisions of the industry.

3. The provision of international communications services other than public telephone service (i.e., record and other specialized services) should be as competitive as possible, with only such regulatory oversight of rates as is necessary to protect the public from potentially anti-competitive practices.

4. Changes should be made in the Communications Satellite Act of 1962 to reflect the new INTELSAT agreements, the maturity of Comsat as a private enterprise common carrier, and the emergence of new satellite systems.

5. There should be a clarification by executive order of how the executive branch will exercise its responsibility for cable landing licenses and satellite approvals in order to permit international common carriers to do the advance planning and make necessary commitments with their foreign partners with some assurance of Federal agreement and to reduce friction with governmental dealings with foreign nations on these matters.

This is a prospective policy that should be implemented in carefully considered steps over a period of time. The executive branch is preparing now to begin detailed discussions on each aspect of the policy recommendations with the FCC and the industry, with a view toward recommending whatever legislative or other actions may be appropriate or necessary in the future.

don't have to satisfy; just pacify
 audience as product:
 characteristics, not interests (unions)
 What will watch, not want
 L.O.P.

innovation in programming
 diversity
 checks balance - kids, violence, sex
 why not monopoly?
 Presumption for competition; not
 for 3 firms

Collegiate: people will pay for more.

NETWORK POWER

Networks (including O & O's) as % of all
 Broadcasting in 1971 (millions)
 (Source: FCC)

	All Broad- casting	Network	% Network
Total TV Ad Revenues	\$3179.0	\$1490.0	47%
Gross TV Profit	\$ 389.2	\$ 144.9	37%
TV Program Expense	\$1488.4	\$ 925.0	62%

Handwritten notes:
 47% ~~47%~~
 37%
 62%
 >60% incl. report & book.

Earnings/Share, CBS and ABC

	1971	1972	% Change	Comment	Source
CBS	2.23	2.88	29%	Topped previous best year ('66) earnings (2.63) by .25	Broadcasting, 2/5/73 TV Digest, 2/5/73
ABC	1.92	4.05	111%	Dividends up 6.7%; 2-for-1 split due 3/20/73	Wall Street Journal, 2/13/73; p. 8

Generally

- 95% of homes have TV
- Average hours watched per day by each home: (6+)
- Men spend 68% of man's media time (TV, radio, print) on TV, women 75%; men 23 hours/week, women 30.
- 61% of affiliate programming is network; during prime time, 93% of audience is watching an affiliate.

FCC Report on Chain Broadcasting 72 (1941):

"[Congress] rejected government ownership of broadcasting stations, believing that the power inherent in the control over broadcasting was too great and too dangerous to the maintenance of free institutions to permit its exercise by one body even though elected by or responsible to the whole people. But in avoiding the concentration of power over radio broadcasting in the hands of government, we must not fall into an even more dangerous pitfall: <the concentration of that power in the hands of self-perpetuating management groups.>

NATIONAL POLICY FOR THE USE OF
TELECOMMUNICATIONS TO WARN THE GENERAL PUBLIC

The Administration has completed a review of National policies and programs for the use of telecommunications to provide the American public with warning of an enemy attack or of natural disasters. The review was conducted by an interagency group chaired by the Office of Telecommunications Policy (OTP), and included representatives of the Office of Emergency Preparedness (OEP), the Department of Transportation (DoT), the Office of Civil Defense (OCD), the National Oceanic and Atmospheric Administration (NOAA), and the Federal Communications Commission (FCC).

The review encompassed existing warning systems, warning systems under development, and proposals for feasible future warning systems. The emphasis was on warning systems capable of being extended directly into the home and of operating 24 hours per day. Specifically, the following alternatives were evaluated:

1. The use of private broadcasting stations and modified conventional broadcast receivers.
2. The Decision Information Distribution System (DIDS), an on-going program of the Office of Civil Defense, a radio system operating in the low frequency range.
3. An expansion of the VHF warning system currently operated by NOAA for weather warning and advisory services.
4. A system concept based upon the use of a warning satellite.
5. The use of the commercial telephone system.
6. A system of nighttime warning coverage, using home television sets, during periods of international tension, or when advanced notice of a possible weather disaster occurs, based upon voluntary cooperation of television broadcast stations (this system is known as CHAT-TV).

With respect to these systems the following conclusions were reached:

1. The telephone system is an undesirable alternative because use of the warning capability would interfere with the operation of

The telephone system during critical periods, including natural disasters. Also, the initial and recurring costs would be very high in comparison with the other alternatives. Finally, regular testing of the capability would be impractical.

2. A direct broadcast satellite for warning dissemination is a complex technological development. The deployment of such a system is unlikely before 1980 unless a forced draft program is undertaken. It is more vulnerable to enemy disruption of Civil Defense warning and may have no cost advantage relative to other approaches.

3. The CHAT-TV proposal would only be useful for situations in which an attack or natural disaster can be predicted well ahead of time (12-24 hours).

4. Of the remaining three options, the DIDS system appears capable of providing the greatest coverage and geographical selectivity (which is important for natural disaster warning), and the fastest response time. It avoids any necessity for the automatic preemption of the facilities of private broadcast stations in an attempt to meet the requirements for rapid response.

No warning system is effective unless it can reach the individual citizen promptly at any hour of the day or night. And no national warning program will be satisfactory unless it is capable of providing service for substantially all of our citizens. In light of these facts, consideration was given to proposing legislation which would mandate the inclusion of a warning receiver in new radios or television sets. The purpose of such legislation would be to assure the widest deployment of warning receivers. However, it was concluded that under present conditions at least, such a proposal could constitute an unwarranted imposition upon the buying public.

Accordingly, a basic national policy has been adopted by this Administration that the acquisition and use of a warning receiver by any citizen for use in his home or automobile shall be a voluntary decision on the part of the individual. The Federal Government will pursue a program to establish a rapid, reliable warning capability, and to bring the cost of a warning receiver within the reach of every American household. To this end, a program of studies and tests will be conducted during the coming year to assure that the DIDS system performs as expected, and that DIDS receivers can be

produced, distributed and maintained, within the private sector, at a cost affordable by all. Should these studies show that DIDS cannot be brought within the reach of all of our citizens, other options available to reduce the cost of the warning system will be reconsidered.

November 11, 1971

USA Communications Forecast for 1973

	1971 FACT	1972 ESTIMATE	1973 FORECAST
Telephones in service	125,504,900	131,200,000	135,000,000
Telephone plant expenditures	\$9.7 billion	\$10.6 billion	\$10.9 billion
Radio stations	6,593	6,810	7,000
Television stations	892	925	940
CATV systems	2,570	2,650	2,800
Radios in use	354,000,000	375,000,000	390,000,000
TV sets in use	98,600,000	100,000,000	103,000,000
Households with TV	63,100,000	64,000,000	65,000,000
Households served by CATV	5,300,000	6,000,000	6,400,000
Radios manufactured, auto	10,355,000	10,500,000	10,700,000
Radios sold, AM	24,803,000	25,400,000	26,000,000
Radios sold, FM	22,807,000	25,000,000	27,000,000
TV sets manufactured, monochrome	4,848,106	4,500,000	4,300,000
TV sets manufactured, color	6,348,606	7,800,000	8,100,000
Citizens radio transmitters	3,991,738	4,200,000	4,500,000
Amateur radio transmitters	286,118	287,000	288,000
Aviation radio transmitters	177,171	180,000	185,000
Industrial radio transmitters	1,488,626	1,700,000	2,000,000
Public safety radio transmitters	1,539,271	1,800,000	2,200,000
Marine radio transmitters	234,343	240,000	260,000
Transportation radio transmitters	1,140,955	1,300,000	1,450,000
Total electronics market . . .			
Government	\$10.7 billion	\$10.8 billion	\$10.9 billion
Communications and Industrial	11.1 billion	12.0 billion	13.0 billion
Consumer	4.7 billion	5.5 billion	5.8 billion
Replacement	.6 billion	.7 billion	.7 billion
TOTAL	\$27.1 billion	\$29.0 billion	\$30.4 billion

COMMUNICATIONS
NEWS JAN. 1973

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

*Int
Comm
facilities*

DIRECTOR

October 13, 1971

Honorable John O. Pastore
United States Senate
Washington, D.C. 20515

Dear Senator Pastore:

In January of this year, I wrote to you to express our hope that my Office would be able to submit recommendations on international communications policy to you by mid-year. I am writing to tell you of our progress and the efforts which we have underway.

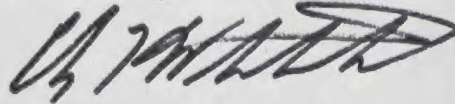
Early this year, OTP initiated a review of procedures connected with construction of new international communications facilities. This review led to enunciation of the Administration policy in May -- a policy which we believe will provide a sound basis for future planning and evaluation of proposals for new facilities.

Following completion of the facilities policy, we initiated a review of the broader policies which are germane to the international communications industry. As you well know, the international and domestic industries are interrelated in a complex way, and we have concluded that a study of all the policy issues with our somewhat limited resources would, at best, be dangerously superficial. Accordingly, we are focusing on those policies which influence the structure of the transmission sector. I have informed the major U.S. international carriers and interested Government departments of our intention, and they have indicated a desire to cooperate closely.

I expect to complete our preliminary evaluation in November and will be able to appraise you informally of its results at that time. This will make it possible for us to make our final proposals early next year.

I recognize the importance you attach to this area and the need for a prompt resolution of the policy confusion that has existed so long. I can assure you that our time schedule is the fastest that is consistent with the responsibility and orderly examination this field deserves. I would be pleased to review with you at any time our thinking on this subject and to have whatever views you and your committee may have.

Sincerely,

A handwritten signature in dark ink, appearing to read 'C. T. Whitehead', written in a cursive style with a large, sweeping flourish at the end.

Clay T. Whitehead

FOR IMMEDIATE RELEASE

JUNE 23, 1971

Office of the White House Press Secretary

THE WHITE HOUSE

The President announced today that he has established a special Administration committee to develop proposals for a comprehensive policy with regard to cable television. Members of the Committee will be:

Elliot L. Richardson
George Romney
Maurice H. Stans
Robert H. Finch
Leonard Garment
Herbert G. Klein

Secretary of HEW
Secretary of HUD
Secretary of Commerce
Counsellor to the President
Special Consultant to the President
Director of Communications
for the Executive Branch

The committee will be chaired by Clay T. Whitehead, Director of the Office of Telecommunications Policy. An OTP review of broadcasting and cable TV policies has been underway for several months and will serve as the focal point of the deliberations.

Coaxial cable provides a means for the distribution of television programming and for the development of new communications services as well. The President recognizes that television, which has rapidly become an enormously important nationwide news and entertainment medium has a profound impact on the social fabric of the nation. He wishes to avoid in the field of television that instability which technological change has caused in some of our heavily regulated industries.

A number of complex issues must be resolved if cable TV is to grow in an orderly way and without serious disruption of existing television service. The President has asked the committee to develop forward-looking policy proposals that will permit the full potential of cable TV to be realized and enhance the television service available to the American public.

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BURCH 1973 OVERSIGHT STATEMENT

Domsats

December 22 Decision

- Limited, multiple entry.
- Limitation on COMSAT and AT&T entry.
- Approval of COMSAT/MCIL.
- Divorcement of AT&T membership on COMSAT.
- Uniform rates for Alaska, Hawaii, Puerto Rico.
- Terrestrial carrier requirement to prove FCC interconnection arrangement descriptions.

AT&T Rate Case

Phase I

- Disallowed AT&T 9.5% return request.
- Authorized \$145 million pre-tax earnings.
- Permit 8.5%-9.0% interstate earnings.
- Increases imposed on MTS and WATS

Phase II

- Examination of Western Electric prices.
- Examination of Bell investment/operating expenses.

Private Line Rate Cases

- Approval of new carrier construction of microwave system.
- Examination of Bell tariff request to reduce monthly service charge to TV Nets and increase occasional user charges.

Interconnection

- Federal/State Joint Board to study telephone requirements and restrictions.

Computers

- No FCC regulatory jurisdiction over data processing services at this time.

Other Common Carrier Issues

- MCI and WUT competition is specialized communications services.

International Telecommunications

- 10% annual growth.
- July 7, 1972, approval of TAT-6.
- COMSAT participation in INTELSAT IV-A.
- Examination of COMSAT participation in INTELSAT.
- New policy study of aeronautical/maritime satellites.
- Determine COMSAT rate of return proceeding.
- Examination of relationship between international record carriers and Western Union.

Cable

- Examination of cable industry ownership.
- Rule making proceeding on regulation of importation of radio signals.
- Proposed sports anti-siphoning rules to conform to subscription T.V. rule.

Childrens TV

- Two studies completed include funding:
 - Program diversity depend on governmental and citizen pressures.
- Consideration of children's needs in license renewal proceedings, prime-time access rule, and cable.

Fairness Inquiry and Political Broadcasting

- June 22, 1972, Docket 19260 - overall inquiry on fairness, political broadcasting, and access.
 - Fairness related to Presidential appearances.
- Wait until BEM decision.

Broadcast Re-Regulation Study

- April 6, 1972, Public Notice.
- Receipt of 600 responses.
- FCC Order of November 1 and December 20 relaxing technical and engineering rules.

AM Freeze

- February 14, 1973, termination of freeze.

Broadcast License Renewals

- Docket 19154 (Comparative Hearings)
- Docket 19154, Further Notice (Quantitative standards)
FY 1972 had 68 petitions to deny against 108
broadcasting stations.

Prime-Time Access

- Docket 19622 (Examination of Rule's operation)
- Comments due February 26.

Spectrum Management

- Docket 19150 (December 20, 1972) adopting new policies to land mobile.
- Provision of relief for land mobile services.
- 115 MHz of spectrum expected to meet mobile demands through 1985.
- 100,000 microwave route miles presently required for cable.

Draft

→ Mr Lamb

STATEMENT OF CHAIRMAN DEAN BURCH
FEDERAL COMMUNICATIONS COMMISSION
Before the
SENATE SUBCOMMITTEE ON COMMUNICATIONS

Review of Commission Activities

February 22, 1973

Mr. Chairman and Members of the Committee: I welcome the opportunity to review with you today significant Commission activities of the past year. With me are Commissioners Robert E. Lee, Nicholas Johnson, H. Rex Lee, Charlotte T. Reid, Richard E. Wiley, and Benjamin Hooks.

Principal staff members are also here: the Executive Director, John Torbet; General Counsel, John Pettit; Chief Engineer Raymond Spence; the Chief of the Broadcast Bureau, Wallace Johnson; the Chief of the Cable Television Bureau, Sol Schildhause; the Chief of the Common Carrier Bureau, Bernard Strassburg; the Chief of the Field Engineering Bureau, Curtis Plummer; and the Chief of the Safety and Special Radio Services Bureau, James Barr. We will be pleased to provide you with whatever information you may require.

Mr. Chairman, I have a rather lengthy statement and, if it meets with your approval, I would like to offer it for the record and then highlight some of the issues, saving the additional detail for those matters which prove of more particular interest to the Committee.

Let me begin by noting some of the principal issues in the common carrier area.

Domestic Satellites

Our most significant achievement in the common carrier field last year occurred on December 22 when we concluded our Domestic Satellite Inquiry. By this action, we have formulated with finality a framework of policies to govern the establishment of communications satellite systems to serve domestic communications requirements within the United States, including Hawaii, Alaska and Puerto Rico. I will not detail the long and arduous history of this proceeding or the many difficult and controversial issues it involved. I believe that the purpose of these hearings will be served best by outlining the principal policy determinations we have made, considerations that led us to these determinations, and the steps now being taken to implement them.

First, we have determined upon a policy that will permit limited but multiple entry by qualified entities. We believe this policy will lead to the establishment of multiple systems, with the resulting competitive spur benefiting the public in terms of technical innovation, new and improved services, and lower rates.

While our policy favors multiple competitive entry, we have imposed certain conditions on the entry of Comsat and AT&T. We found this to be necessary for a variety of reasons, including AT&T's substantial ownership of Comsat, AT&T's dominant position in the domestic communications market, AT&T's role as the predominant customer of Comsat for international satellite circuits, and Comsat's role and obligations in the international satellite field.

With respect to AT&T, the Commission has limited its initial use of satellites to its monopoly services and service to the U. S. Government. In

essence, we have prohibited AT&T from using satellites to offer services which are competitive with those offered by other carriers for a three-year period. This will provide a "grace" period during which AT&T's dominant terrestrial communications position will not thwart entry and competition by other domestic satellite entrants. **This limitation will terminate at the end of three years unless the Commission takes affirmative action to extend it. Termination of this limitation is also subject to a condition that AT&T divest itself of its 29 percent stock ownership in Comsat or that the Commission has approved an acceptable plan for such divestiture.**

Congress has recognized that the passage of time has lessened the need for the carriers to be involved in Comsat's internal affairs. Thus, in 1969 you amended the provision of the Satellite Act which provided for six carrier directors on the Comsat Board regardless of the amount of carrier stock ownership so that carrier representation on the Board is now proportionate to their stock ownership. Except for AT&T, all of the major carriers have completely divested themselves of Comsat stock, so that there are now only three carrier directors, all of whom represent AT&T.

The Commission's divestiture requirement is further recognition that the Congressional purpose of encouraging carrier participation in Comsat management has been fully satisfied and Comsat no longer needs the expert internal guidance and assistance which Congress provided for through carrier ownership of Comsat and representation on its Board of Directors. Moreover, we stressed that Comsat's and AT&T's assumption of competitive roles in the domestic satellite field "dictates the need for maximum independence from each other and an arms-length relationship."

With respect to Comsat, the Commission in its final decision withdrew previous objection to a proposal that Comsat launch and operate a domestic system to provide service solely to AT&T. In its earlier decision of June, 1972, the Commission had rejected this proposal, and held that Comsat would have to choose between operating a system as a carrier's carrier serving AT&T and other carriers, by a multipurpose system that would serve groups other than AT&T, including other carriers as well as the general public. Our final decision to permit Comsat to serve AT&T with a separate system took into consideration the withdrawal of Comsat's application to own and operate a multipurpose system. In place of the latter application, Comsat, Microwave Communications, Inc. (MCI) and Lockheed have formed a joint enterprise owned in equal shares to establish a multipurpose domestic satellite system (Comsat/MCIL).

The Commission approved the Comsat/MCIL proposal, finding that the combination of technical, operating and marketing skills would serve the public interest and the Commission's policy objectives by increasing the likelihood of a successful domestic common carrier satellite operation. However, we imposed certain conditions and safeguards designed to obviate or minimize any conflicts of interests or competitive advantages that might result from the corporate and business relationships between Comsat and AT&T. Some of these conditions are designed to insure maintenance of Comsat's minority position in the new enterprise.

The Commission further specified that AT&T could no longer nominate present or former AT&T officers or directors to serve on the Comsat Board, and that procedures must be instituted to preclude AT&T's representatives on the Comsat Board from having access to any confidential business information concerning MCI, one of AT&T's competitors in the domestic communications field.

Another important policy determination concerned the rates charged for communications services between the contiguous states and Alaska, Hawaii and Puerto Rico. Largely because satellite transmission costs are insensitive to distance, we have specified that rates for such services must be integrated into the uniform nationwide domestic rate patterns now applicable to the mainland.

The Commission also has affirmed, over AT&T's objection, a requirement that any terrestrial carrier seeking a domestic satellite authorization must submit, for prior Commission approval, a description of the interconnection arrangements it will make with other domestic satellite system licensees who require access to its terrestrial facilities. We deem this provision essential, since the absence of timely and effective terrestrial interconnection arrangements could, as a practical matter, frustrate efforts to operate a domestic satellite system.

Finally, I would point out that the Commission has made clear that all domestic satellite applicants must, in accordance with prescribed government standards, make provision to protect the public and employees from harmful radiation and must comply with the Commission's environmental protection rules.

As you may know, in addition to the AT&T and Comsat/MCI Lockheed system proposals, we also have five other pending system applications before us. These include Western Union, which was the first to file in response to our First Report and Order in this proceeding; a joint proposal by Hughes Aircraft and General Telephone; a joint application by RCA Globcom and RCA Alascom; Western Tele-Communications; and an application from American Satellite Company, a joint enterprise recently formed by Fairchild Industries and Western Union International.

With the finalization of our policy-making, we are now actively processing those applications that are in conformity with our policy decisions. On January 4 of this year, we granted Western Union authorization to proceed with construction of the space segment of its proposed system. Certain applications still remain to be filed or amended in conformity with our policies.

AT&T Rate Case

Phase I. In the past year, by a decision reached on November 22, we completed Phase I of the AT&T rate case (Docket No. 19129). We denied AT&T's claim that the Bell System should be allowed a minimum return of 9.5% on its overall interstate and foreign operations. We found that a minimum return of 8.5% was warranted under current economic conditions. Since AT&T's earnings were below the 8.5% level, we authorized AT&T to file revised rates which would result in an increase of its pre-tax earnings by \$145 million a year to bring its return to the 8.5%. This increase is in addition to the \$250 million increase resulting from AT&T's rate filing in January 1970 which led to these proceedings.

In our decision, we also held that interstate earnings within a range of 8.5%-9.0% would be reasonable and that if, by improved efficiency and productivity, AT&T could increase its earnings within this range at the particular tariff rates we allowed, we would not take action to reduce earnings. We concluded that our action was in keeping with Administration economic policies to limit price increases on utility services to the absolute minimum required for the attraction of needed capital at reasonable terms, and to encourage improved operating efficiency and productivity as the appropriate means of increasing earnings.

AT&T has now filed the \$145 million interstate rate increase we authorized. Increases were imposed on both the interstate Long Distance Message Toll Service (MTS) and the interstate Wide Area Telecommunications Service (WATS). The increases in the MTS service (amounting to about \$135 million) became effective January 22, 1973 whereas the increases in the WATS service (of about \$11 million) are scheduled to go into effect March 13, 1973 unless suspended by the Commission. The increased MTS rates are being collected under an accounting order with provisions for refunds in the event that we should later decide that the rates are excessive in the light of the decisions we shall make on the remaining issues in Phase II of this rate case and in the Private Line Rate Case, Docket Nos. 18128 and 18684. These latter proceedings deal principally with general principles of pricing and cost allocation among AT&T's several classes of interstate services.

The decisions we have made in Phase I are being challenged in court by petitions for review and before us by petitions for reconsideration.

Phase II. The remaining issues in Phase II of the rate case call for examination of those matters that can affect the revenue requirements of the Bell System including the reasonableness of the prices of Western Electric--the manufacturing and supply arm of Bell--and the amounts claimed by Bell for investment and operating expenses and examination of the lawfulness of the internal rate structure applicable to the Message Toll Service. If we should suspend the WATS increases, the lawfulness of the rate structure for WATS would also be in issue in Phase II.

In the past year we have increased our Common Carrier Bureau staff by some 50 positions to conduct the difficult and complex task of making studies and conducting a meaningful examination of Bell's claims under the Phase II issues. The staff is also developing evidence to be adduced on the hearing record based on the investigations and studies it is now engaged in. We have also augmented our staff resources by contracting for services of consultants to help the staff in this effort.

The preparatory aspects of Phase II have taken longer than anticipated because of the difficulties involved in recruiting qualified personnel. There were also a series of procedural problems to be resolved with AT&T and particularly Western Electric involving staff access to needed information. These problems have recently been resolved and the Trial Staff is now operating in high gear in Phase II. No date has been set as yet for commencement of the evidentiary processes in Phase II. However, we hope to be able to begin such hearings by year end.

Private Line Rate Cases

As indicated above, the final determination of the lawfulness of the increased rates for MTS and WATS must await not only our determination of the Phase II issues in the AT&T rate case, but also our decision in the Private Line Rate Case (PLRC) in Docket Nos. 18128 and 18684.

The hearing record in the PLRC was closed during the year and proposed findings and conclusions are due to be submitted by the parties in April, 1973. It is a monumental hearing record and from it we hope to formally establish the principles and guidelines that should govern in the assignment of the Bell System's revenue requirements among its principal classes of interstate and foreign services, including MTS and WATS. These rate decisions will have particular importance to Western Union and other common carriers who are seeking to compete with the Bell System in the rapidly expanding market for specialized communications services. Pursuant to the policy of competitive entry we established in June 1971 in our Special Carrier Inquiry (Docket No. 18920), several new carriers have been authorized by the Commission to construct microwave systems and one of them is already providing service.

Another significant issue in the PLRC is the propriety of Bell's rate structure applicable to the furnishing of private line facilities for the transmission of television program material for television stations and networks.

AT&T has recently sought permission to file revised tariffs that would completely revamp the current rate structure. The proposed tariff would result in a substantial reduction in charges for monthly service to the large TV networks (about \$15 million a year reduction). At the same time AT&T proposes to increase the charges by about \$8 million a year for occasional users (55¢ to \$1.00 per mile for the intercity channels).

This would impose higher charges on spot or special programs (e.g., sports events, telethons, etc.) and we have received a large number of protests against the AT&T application. We have recently requested AT&T to respond to certain questions raised by our staff before we act on AT&T's request for permission to file the revised rate structure.

Interconnection

As you will recall, as a result of our Carterphone decision in 1968, telephone subscribers are now able to use equipment obtained from sources other than the telephone company. This has resulted in an expanded and competitive market for the supply of communications equipment. It also gives the user a wider number of options and conveniences in his use of the nationwide telephone network.

However, all customer-supplied equipment must be connected to the telephone network through various types of interface devices provided, at a charge, by the telephone company ostensibly to protect the network from various types of harm. These interface devices are the subject of considerable controversy in terms of their need and competitive effects. I will not detail the issues here. However, in June 1972 we established a Federal-State Joint Board proceeding within which to consider whether, and under what terms and conditions, these telephone company requirements and restrictions should be relaxed or removed.

We have received certain specific proposals from Advisory Committees that we have set up to assist us in the preliminary stages of this proceeding and from our own Office of Chief Engineer. These proposals recommend the creation of a standards and enforcement program by which the interconnection options of the customers would be expanded beyond those now available under the present tariffs. It is our plan to invite public comments on the Advisory Committee reports and recommendations and the various alternative recommendations. We will refer all such recommendations and comments to the Joint Board for its consideration and recommended decision.

Computers

We denied petitions for reconsideration of our Computer decision. In our decision we ruled that, to foster free and open competition, we would exercise no regulatory jurisdiction at this time over data processing services whether furnished by common carriers or non-common carriers. However, we required carriers to set up completely separate data processing service corporations, with separate facilities, personnel and officers as a condition to carriers selling data processing services to persons or entities other than the affiliated carriers themselves. In a split decision, the Commission also barred carriers from buying data processing services from their separated data affiliates. A minority of the Commission at that time felt that this latter requirement was an unnecessary safeguard. On judicial review of our decision, the Second Circuit Court of Appeals this month affirmed the Commission's decision in all of its essential findings, but ruled that we did not have the power to bar a carrier from buying data

service from its own data affiliate.

Other Common Carrier Issues

In the first part of 1972, Microwave Communications, Inc. (MCI) commenced the provision of its specialized communications services between Chicago and St. Louis. Later, in 1972, the Western Union Telegraph Company filed competitive tariffs matching in large part the rates of MCI. Upon MCI's challenge to the validity of Western Union's rates, we set the Western Union tariffs for hearing to determine the lawfulness issue, including whether and to what extent Western Union's tariffs are in keeping with our regulatory policy and objective of full and fair competition between the established and new carriers.

Western Union was involved in a number of proceedings before the Commission in the past year. Hearings were held but are not yet completed in cases where the government had filed formal complaints against Western Union for reparations in regard to such special services as Autodin, "Bomb Alarm" and Advanced Record Systems. We have permitted Western Union, after hearing, to begin consolidation of its offices in New York City into modern public message centers, in order to reduce costs to the carrier and improve services to the public. Recently, Western Union filed revised Telex and TWX tariffs that would (a) liberalize interconnection of customer-provided terminal devices to the carrier's facilities and (b) substantially increase the charges to the customers for Telex and TWX services. We have under review at this time the question of whether to set these revised tariffs for hearing and to suspend their effectiveness.

International Telecommunications

Revenues from international telecommunications services have continued to grow at a rate well in excess of 10% annually during the past year making this the fastest growing segment in the entire communications field. This growth pattern has brought with it many urgent problems. These problems have been further complicated by the technological advances being made available in the field of international telecommunications and by the divergent demands made upon the Commission by satellite interests and terrestrial interests as well as by AT&T and the international record carriers for rulings and policy statements more clearly defining their respective areas of service. In addition, there has been a great increase in international organizational activity in preparation for the Plenipotentiary Conference of the International Telecommunication Union, the World Administrative Telegraph and Telephone Conference, and implementation of the already approved INTELSAT definitive arrangements.

Because of growing demand, the carriers have filed, and the Commission has pending before it or has acted on, a series of applications to provide additional very high capacity cable and satellite facilities to various parts of the world. Thus, on July 7, 1972, the Commission with the concurrence of the Department of State granted a cable landing license and authorization pursuant to Section 214 to AT&T and other U. S. carriers to install and operate a sixth Atlantic Cable (TAT 6) of most modern design with a capacity of some 4,000 circuits. This is to be compared with the fifth Atlantic cable which has only 840 circuits. There are now pending before the Commission applications for authority to lay another 840 circuit cable between the Mainland, Hawaii, Guam and Okinawa to supplement existing cable facilities. Additional cables

have been authorized to connect Puerto Rico with the Dutch West Indies and Florida with the British Bahamas and AT&T has been authorized to acquire facilities in a cable between Nova Scotia and Bermuda. The TAT-6 authorization also contained provisions for its use by Canada for UK traffic and for U.S. carriers to use as a new Canadian-British cable.

In the satellite field, Comsat has been authorized to participate in another series of satellites (INTELSAT IV-A) to accommodate new earth stations and foreseeable traffic growth beyond mid-1975.

The Commission is now taking steps to re-examine its procedures with respect to authorizing Comsat to participate in the construction and operation of INTELSAT satellite facilities. This re-examination is deemed desirable to afford interested parties the opportunity to comment on the merits of satellite applications of Comsat in the same way that they do on cable applications. INTELSAT and Comsat have now reached a state of maturity where, in the opinion of the Commission, more even-handed procedural treatment of proposed satellites and cables may well be necessary or even desirable.

As the satellite technology continues to improve, additional practical uses for satellite communications are coming to the fore. The Commission is now engaged in formulating appropriate policy with respect to

both aeronautical and maritime satellites. The Commission is concerned that the satellite technology in these fields should be exploited in a manner most compatible with the established organizational structure in this country. Within this structure commercial services and facilities are supplied by privately owned, and where feasible, competitive communications carriers.

With the growth of communication demand and facilities, there have been a number of ad hoc changes in international rates, principally reductions. AT&T is working with our staff in devising new and more rational rate structures for international message telephone calls to take account of economies made available through improvement in technology, labor savings made possible through increased reliance on direct dialing in the international field and the availability of high capacity communication facilities to all parts of the world. It is hoped that an optimum rate pattern will be devised and, after consultation and coordination with the entities operating the foreign ends of the circuits, made effective during the coming year.

The Commission is now engaged in an overall and basic rate proceeding to determine for the first time what a proper rate of return should be for Comsat, what its allowable rate base should be, as well as what proportion of its claimed expenses should be allowed. It is expected that the hearings will conclude within the next few months and a decision should issue before the end of the year.

In the international record field, because of historical reasons and the existence of several competing carriers, there are a series of complex problems awaiting resolution. The first and longest pending is a re-examination of the relationship between the international record carriers and Western Union in the fields of pickup and delivery of international telegram traffic.

within the continental United States; the extension of so-called gateway cities where the international record carriers now operate and the division of tolls by Western Union, the domestic telegraph carrier on the one hand, and the international record carriers on the other hand for the domestic handling of international telegram traffic. In addition, it will be necessary to decide the extent to which Western Union may participate in the furnishing of new and different services beyond the contiguous states. Under current consideration for immediate resolution is the question of who is to provide telepost or mailgram service to Hawaii, Puerto Rico and the foreign countries.

There are a series of additional international communication problems which I shall mention only briefly. These involve who should be authorized to provide dataphone services, AT&T--or the record carriers--or AT&T and the record carriers competitively. There are also problems relating to the continued operation of marine coast stations and the charges to be made to the public for providing such service. There are numerous applications pending with respect to charges for bulk facilities and the manner in which voice grade circuits might be subdivided to meet the needs of users.

Cable Television

In the cable television field, the first anniversary of the Commission's new cable regulatory program will occur shortly. Implementation of the new cable rules has greatly increased both the workload of the Cable Television Bureau and the breadth of its regulatory responsibilities. But, despite a critical manpower shortage, the Bureau has processed more than 700 of the 2,000 applications for cable system certificates received since March, 1972. Since a certificate is required before a cable system can commence operations or an existing system can add television signals, rapid processing of applications is crucial if the industry is to grow and assume its proper role as a significant medium of mass communications. Nevertheless, more than nine months are currently required for the average certificate application to be processed.

Significant elements in the Commission's cable policy making process are two Commission-organized cable advisory committees: the Technical Standards Advisory Committee (CTAC) and the Federal-State/local Advisory Committee (FLSAC). The committees include representatives of state and municipal governmental units, the cable television industry, public interest groups, and members of the Cable Television Bureau's staff who provide the day-to-day management. FLSAC's work has focused on studying the allocation of jurisdictional responsibility for a wide variety of "local" cable regulatory matters and on developing and refining cable franchise standards. The committee's final report is expected in early Summer, 1973. CTAC is concerned with evaluating present cable technical standards and making recommendations for additional standards. Since CTAC's work is still in

its initial stages, no final report is expected in the near future; however, initial reports are already being prepared. It is anticipated that all committee reports will be the subject of detailed Commission and private analyses, including oral hearings in some instances, and will lead to further refinement of the Commission's cable program.

Administrative developments within the Cable Television Bureau should also be noted. The Commission, recognizing that its revision and expansion of the cable rules would, in turn, require a complete re-thinking of the Bureau's staffing requirements, organization, and processing procedures, engaged the management consulting firm of Harbridge House Inc. to study these matters. Harbridge House's final report is expected shortly.

Four other areas of cable policy development deserve brief mention. First, the Commission is still involved in examining patterns of ownership in the cable industry. We recently affirmed our ban on cross-ownership between cable systems and television networks, co-located television broadcast stations, and co-located television translator stations. And we are continuing to evaluate proposals for limiting multiple ownership of systems. Second, the Commission has initiated a rulemaking proceeding to study the extent to which it should regulate the importation of radio signals by cable systems. We have proposed that the sports anti-siphoning rules for cable systems be amended to conform to the subscription television rule, namely that sports events may not be cablecast with a per-program or per-channel charge if such events have been televised live on a nonsubscription, regular basis in

the community during any one of the five years preceding their proposed cablecast. The rule presently places only a two-year limitation on such cablecasts. At the same time the Commission is reexamining the rule designed to ban the siphoning to pay-cable of broadcast television's feature film product. That rule provides, generally, that films older than two years are for the most part not available to cable where a per-program or per-channel charge is made. The movie producers are urging that the rule can be modified to make more of this product available to cable without hazard to regular television, and the Commission is examining those arguments in a proceeding now under way.

Children's Television

We have continued to give special attention to issues associated with children's television. Our Communications Economist has prepared an economic analysis of children's television showing production costs and advertising revenues; the feasibility of reducing commercials; possibilities for alternative financing; and the impact of ratings on profits and programming decisions. Our staff has studied Saturday network children's programming, including a 19 year (1954-1972) trend analysis of production techniques (live, animation, and film) and noting a marked increase in animated cartoons in recent years. Another 18 year (1954-1971) trend analysis of program content indicates the peaks and valleys of program diversity and shows that fluctuations in action-adventure programming seem to depend on governmental and citizen pressures. Materials on international broadcasting practices, syndicated offerings

for children, psychological studies, studies on the impact of television viewing on children, and an in-house precis of the Surgeon General's Report on Television and Social Behavior have also been presented to us.

We held three days of public panel discussions in early October bringing together broadcasters, advertisers, educators, child psychologists, and citizen groups to consider a variety of issues -- program diversification, age specific programming, responsive scheduling of children's programs, advertising practices directed toward children, alternative methods for financing children's programs, and problems of self-regulation. These were followed by three days of formal oral argument in January on the ACT petition (Docket 19142). In addition to these proceedings, concerned directly with the ACT Petition, we are considering the needs of children in other proceedings such as license renewal proceedings, review of prime time access rule, and in our cable decisions.

We have also continued to work with NIMH and participated in a research workshop sponsored by them on television and social behavior. This follow-up meeting to the Surgeon General's Report on televised violence was held in June to determine the appropriate course of action for NIMH and future research needs. We will continue to cooperate with those concerned with television violence and children and determine the Commission's appropriate role as we go along.

The industry continues to express interest and concern in this area and has taken a variety of actions, which I won't take time to detail at this time. Overall, I believe there is still much they can do to put their own house in order.

Fairness Inquiry and Political Broadcasting

On June 22, 1972, the Commission issued its First Report in Docket No. 19260, the overall inquiry on fairness, political broadcast, and access matters. This report deals solely with the fairness doctrine as it relates to political broadcasts, and was issued at that time in order to give some guidance well before the commencement of the 1972 general election period. First, on the application of the fairness doctrine to Presidential appearances not coming within the equal opportunities requirement, the Commission stressed that the American people must be reasonably informed concerning the contrasting viewpoints on controversial issues of public importance covered by Presidential reports. It declined, however, to require something more -- something akin to equal time or some set mathematical ratio.

The report discusses the Zapple ruling (23 FCC 2d 707 (1970)), where we pointed out that on some campaign presentations not involving the appearance of the candidate, the requirements of the fairness doctrine become in effect quasi-equal opportunities: If, for example, the DNC were sold time for a number of spots, it is difficult to conceive on what basis the licensee could then refuse to sell comparable time to the RNC. The report states that the Zapple ruling simply reflects the common sense of what the public interest, taking into account underlying Congressional policies in the political broadcast area, requires in campaign situations.

As to the other facets of the fairness inquiry, we have analyzed the voluminous comments received and held extensive oral proceedings. Our Fairness Committee, under Commissioner Wiley, has made considerable progress. We shall not be in a position to adopt final definitive policies in this important area until the Supreme Court rules on the pending BEM case, which was argued October 16, 1972. A decision in that case should be forthcoming shortly and we shall then act promptly to resolve the remaining parts of the Inquiry.

I might add at this point that the 1972 elections presented us with our busiest campaign period ever -- with respect to rulings under section 315 and interpretations of the Campaign Financing Act. I look forward to discussing these matters with the Committee at its hearing on this subject in two weeks.

Broadcast Re-Regulation Study

By Public Notice of April 6, 1972, the Commission announced that it was instituting an extensive study looking toward re-regulation of radio and television broadcasting. Its purpose is to determine whether our regulatory authority is being exercised in a meaningful manner consistent with the public interest. An inherent consideration is whether the interests of the public would be served better by less detailed government regulation and more emphasis on licensee responsibility.

Each existing broadcast rule is being analyzed for current validity. The provision may be continued, modified or deleted. New provisions and

new regulatory concepts may be promulgated to reflect more accurately the present state of broadcast technology and operation. The resulting set of rules will be written and organized in a concise and understandable manner.

The Public Notice inviting comments and suggestions occasioned over 600 replies mostly from licensees in small radio markets. Their main concerns are renewals, thirty minute meter readings, political spending rules, Fairness Doctrine, counter advertising proposals, FCC paperwork requirements and five-day-a-week inspections of transmitting systems, in that order.

Substantial progress has been made. The Task Force study, thus far, has culminated in adoption by the Commission of two Orders on November 1 and December 20, relaxing numerous technical and engineering rules. These changes should relieve the Commission and the licensees of unnecessary operating burdens and result in a better serving of the public interest.

These are merely initial steps in our continuing re-regulation study. A tentative list of other subjects for early consideration in formal proceedings includes automatic transmitters, directional antennae, remote pickup operations, Subsidiary Communications Authorizations, operator testing, logging requirements, selected aspects of radio renewals, records to be filed with the Commission, application forms, FCC and licensee relationships, and reorganization and rewriting of FCC broadcast rules.

Our actions thus far have elicited considerable approval and we fully expect that this will prove to be a most worthwhile undertaking.

AM Freeze

After a four year freeze on the filing of applications for new AM broadcast stations or for major changes in the facilities of existing stations, the Commission on February 14, 1973 terminated that freeze and adopted new rules governing the filing of such applications. In essence, the regulations require that a new station provide a first service to at least 25 per cent of the population or area within its interference free contour or, in the alternative, that the new station supplement inadequate service to a community. Existing service is deemed inadequate if 20 per cent or more of the area or population of the community receives less than two aural services of a grade normally required to be provided by a station assigned to the community.

Since, in many cases, the problems associated with the growth of communities have rendered existing stations unable to serve adequately the communities to which they are assigned, the amended rules make it comparatively easy for such stations to increase power when this can be done consistent with the rules governing interference to other stations. The basic showing required for acceptance of an application from an existing station seeking higher power is a demonstration that service presently provided by the station is inadequate.

We have extended the comparatively liberal application acceptance criteria, which have heretofore been applied only to Alaska, to other outlying states and territories, finding that the more strict requirements applicable in the conterminous United States are not necessary in these cases.

Broadcast License Renewals

The Commission has continued to explore its proposals in Docket No. 19154 looking toward the formulation of policies relating to broadcast renewal applicants stemming from the comparative hearing process.

Following the United States Court of Appeals for the District of Columbia Circuit's decision invalidating the Commission's 1970 Policy Statement, the Commission by Further Notice of Inquiry issued on August 20, 1971, invited additional comments on the proposals set forth in Docket No. 19154 which, in sum, establish quantitative standards in the areas of local programming, news and public affairs to measure the degree of performance which would warrant awarding a "plus of major significance" to a renewal applicant in a comparative proceeding involving one or more new applicants for the same facilities. On May 4 and 5, 1972, some 25 interested parties participated in oral argument before the Commission concerning the proposals in that Docket. We are continuing with our consideration of these renewal matters, some of which obviously will be the focus of early Congressional attention.

During the past year the Commission continued to receive a substantial number of petitions to deny directed against license renewal applications. For instance, during FY 1972, 68 petitions to deny license renewal applications were filed against 108 broadcasting stations.

Generally speaking, most of these petitions were filed by minority and special interest groups and contain allegations directed toward the licensee's ascertainment efforts, minority programming, and employment

practices. In conjunction with these petitions, the Commission has continued to explore the proposals contained in Docket No. 19153, which are designed to encourage local participation in broadcasting throughout the license term.

Prime Time Access Rule

The "prime time access rule" (Section 73.658(k)) was a controversial proposal before it was adopted in May 1970, and has continued so since it went into effect in October 1971. The rule basically limits to three hours the amount of network programming which stations in the top 50 markets may present each evening. Effective October 1, 1972, the rule also bars, from the time on these stations thus "cleared" of network material, programs which have previously run on one of these networks ("off-network" material) or feature films shown in the market within the last two years. Three petitions, by NBC and two small-market UHF affiliated stations, were filed in the spring of 1972, seeking repeal of the rule.

Because of these petitions, and a number of problems which have arisen with the rule (including more than 70 waiver requests), the Commission in October 1972 instituted a general rule-making and inquiry proceeding into the rule's operation and what changes, if any, should be made in it for the future (Docket 19622). Possible repeal of the rule is one of the matters in issue; but the Commission emphasized that beginning the proceeding did not represent a present Commission view that the rule should be repealed. Comments have been filed, and reply comments are due February 26. We hope to resolve the matter in the next few months.

Spectrum Management

Much progress has been made in the past year in this area, although there have been a number of problems, some of which are still outstanding.

Space was leased for the Chicago Regional Center in Park Ridge, Illinois, a short distance north of O'Hare Airport. The center is staffed with 30 persons, and the first license was issued on January 12, 1973.

Although over a year late, because of technical problems, the mobile monitoring van was delivered. The van is a mobile computerized radio receiver which scans 270 frequencies per second. Use of the van will enable us to obtain an accurate picture of the radio environment.

In addition, the UNIVAC 1106 computer was installed in the Regional Center. We are now in the process of establishing a data base and developing and implementing the frequency assignment programs.

On December 20, 1972, the Commission released a Second Report and Order in Docket 19150, adopting new policies relating to land mobile allocations and assignments for use in regional centers. The Report and Order adopted the principles of interservice sharing proposed in the Notice of Proposed Rule Making. However, sharing assignments will not be made in Chicago until after August 31, 1973. This will give the Regional Center time to build the necessary data base and verify the frequency assignment methodology to be used.

We believe that sophisticated monitoring techniques coupled with computer technology in the frequency assignment process will achieve a measure of the better and more efficient spectrum use that both the Commission and the public seek.

A second major aspect of our spectrum management program is the provision of relief for the land mobile radio services. As you may recall, the Commission recently afforded a significant increase in the amount of radio spectrum available to those services through sharing reallocation of spectrum previously available for UHF television.

Since development and promulgation of rules pursuant to Docket 18261, wherein one or two of the lower seven previously unused UHF channels in the top ten urban areas was made available for the land mobile services, about 62 system assignments in the 470-512 MHz band have been granted by the Commission. Another 23 are presently pending. While it is too early to ascertain the degree of relief obtained, we are confident that our action will prove beneficial.

Although the Commission has not yet taken final action in Docket 18262, the 115 MHz of spectrum proposed therein can be expected to meet land mobile demands through 1985. Because of the large amount of spectrum involved (nearly triple the amount presently available to the land mobile radio services) coupled with the increasing awareness that social, economic and political values are as important as technical consideration in making a spectrum allocation judgment, the Commission's staff is studying the ramifications of that Docket very carefully. Additionally, new systems proposals, particularly the Bell Systems HICAP and Motorola's 3-C, as well as the impact which those systems portend on the structure of the entire land mobile industry pose extremely difficult policy

problems. We hope to make at least initial decisions in this matter in the near future in order to permit systems development to proceed.

While we recognize at least the peripheral impact television has on our society, we also recognize that new technology has already altered the television industry since its inception some twenty-five years ago and promises to accelerate its impact in the immediate future. Satellites, cable, high-resolution television, video tape-recorders, and the potential of a multiplicity of two-way communication services through a home communications center -- all will have their impact. Although many people consider the spectrum impact of television on only the broadcasting aspect, a great deal of radio spectrum is utilized indirectly. For example, cable television is often referred to as using no spectrum. Quite the contrary -- over 100,000 microwave route miles are presently required in order to bring the programs to the distributional head ends. Another 100,000 microwave route miles are leased from common carriers by the networks solely for the purpose of distributing programs to their affiliated stations. Additional spectrum is required for other auxiliary purposes.

In order to carry out our spectrum management responsibilities, therefore, the Commission believes it is necessary to determine not only the scope of communications material which broadcasting is to transmit, but to ascertain the overall system parameters of the distributional network and to determine the amount of spectrum which must be allocated for the purpose.

Management Improvement Efforts

a. Studies

I would like to turn now to efforts we have undertaken to improve the internal management of the Commission. Responding to concern about the objectives of our enforcement program, we contracted with the Georgia Institute of Technology for a study of the role of fixed versus mobile monitoring as enforcement tools, and are currently evaluating their draft computations and recommendations. Another contract, with Arthur D. Little, Inc., has provided us with a draft of a comprehensive Executive Development Program to alleviate a potentially critical situation as more of our top and middle managers reach retirement eligibility. We also have on-going contractual effort aimed at analyzing and revising major repetitive work systems, and auditing our internal report of the Commission's ADP requirements. A cost/benefit analysis of a proposed Commission-wide data processing program is also underway. Much of this effort results from the OMB Study of which I spoke last year.

b. GAO Report

As you are aware, in early November of last year the General Accounting Office issued a report on our enforcement program. We have a combination of contractual and in-house effort underway to evaluate each of the GAO recommendations. I have reported our progress in recent letters to you, Mr. Chairman, and will only emphasize here that our evaluations will be objective, positive, and aimed at a determination of how best to accomplish our many enforcement responsibilities.

c. Program Review

We have begun assembling a small staff to assist the Commission in program and priority review; and the manpower utilization program I spoke of last year will be launched in the next month. We have also established a series of briefings for the Commission to review in detail the programs and operations of each bureau and office. The Commission continues to review these presentations weekly, focusing on priorities, present or anticipated problems, workload and trends, major developing issues and manpower allocations. Through these reviews, all of us on the Commission are better able to assess budgetary requirements and participate more effectively in the development of major program and policy changes at an earlier stage than has heretofore been possible. In a further attempt to strengthen our management processes we are hiring an Internal Auditor, responsible directly to me, who will systematically examine and appraise financial records, reports, management controls, policies and procedures affecting financial conditions, operations and the safe-guarding of government funds.

d. Equal Employment Opportunity Program

We have made significant progress in the area of Equal Employment Opportunity. A full-time EEO Officer has been appointed to administer the internal program of the Commission, and a small staff has been requested in our FY 1974 budget for the General Counsel's office to develop the policies, criteria, and procedures necessary to permit our surveillance of EEO compliance in the industries we regulate. Actual administration of the Commission's EEO policies in regulated industries will be performed by the appropriate operating bureau.

e. Fees

As you know, Mr. Chairman, the goal of our fee collection program is to recover 100 percent of our current budget request in accordance with the interest the Congress has expressed. For Fiscal Year 1972 we collected approximately 24 million dollars (or 76 percent) of our 31.4 million dollar budget for that year. For the current Fiscal Year we expect to again collect approximately 24 million dollars while our budget increased to 35.8 million dollars. In order to bridge-the-gap between our current fee collections and the increased costs of supporting our regulated industries, the Commission has undertaken to revise its fee schedule upward to a level approximating our FY 1974 budget. Currently, the Notice of Proposed Rule Making has been issued and we have targeted July 1, 1973, as the implementation date for whatever new schedule may be adopted.

f. Backlog

We continue to be concerned with backlogs in the various radio services and are working toward reducing these backlogs within the constraints of our available resources.

Our largest volume of applications (97% of the total) is processed by the Safety & Special Radio Services Bureau. By the end of calendar year 1972, we disposed of 230,038, leaving only 501 or .2% in the backlog. We consider in this service that a more significant indicator of operating effectiveness is "speed of service". This represents the time it takes to issue a license from the time work begins on an application. Two areas in this Service which have a significant impact on our economy are the Business and Industrial Radio Services. In both we have increased the speed of service; in the Business Service, from 53 to 35 days during 1972 and in the Industrial Services from 37 to 26 days for the same period.

In order to further improve our performance, we have recently introduced key-to-disc equipment to process Citizens Radio Service applications. This equipment will decrease our processing time in the Citizens Service, as well as in three other Safety & Special services.

We are also concentrating our efforts in the Common Carrier Bureau's Point-to-Point Microwave Services, where as a result of new rules governing specialized common carriers, applications received during 1972 jumped a phenomenal 58% as compared with 1971. Although we were able to dispose of 41% more applications during 1972, the backlog increased accordingly. The stronger economy during 1972 resulted in a 24% increase of applications in the Domestic Public Land Mobile Services. Again, although we disposed of more applications in 1972 than 1971, we have not been able to completely stem the rise of backlog.

Similarly, in the Broadcast Bureau's Assignment and Transfer Branch, good progress was made over the first six months of 1972 in reducing backlog, but the trend reversed itself in the second half of the year. Applications received from January through June averaged 68 per month, while those of July through December reached 100 per month. This increase has slowed down our efforts to reduce the backlog.

Broadcast renewal-applications backlog presents special problems. As I mentioned to you in our meeting a year ago, many of the applications we receive are becoming increasingly complex, requiring extensive financial, legal and engineering analysis; and the public is becoming more actively involved in Commission processes each year. In addition, this year the FCC has initiated in-depth EEO queries to several hundred renewal applicants which have greatly slowed processing time. If we were to compare 1972 with the last comparable renewal year, 1969, we would find that growth in broadcasting services resulted in approximately 400 new stations up for renewal in 1972. We project that we will receive 400 new applications each time the cycle repeats itself under the present 3 year cycle.

We are not satisfied with our current ability to meet future application processing challenges, and in order to make significant progress in backlog reduction, consistent with our limited resources, we are increasing our emphasis on the automation of licensing systems. Currently we process 55,000 applications using our computer, and we plan to expand this operation. I will briefly mention two projects currently underway.

The first is a Broadcast Bureau Interference Study which will allow us to keep up with the growth in Broadcast Service activity, as well as providing valuable aid to the engineering work necessary to approve Broadcast applications.

A second impact effort in the Common Carrier area is our automation of the Individually Licensed Mobile Phone Licenses. This system will provide license renewals for approximately 10,000 licensees this year.

These projects and similar requirements, and the results of the computer related studies which I have discussed, have prompted us to work toward a FY 1975 target for acquisition of a new computer. We feel that the new computer will be crucial to our ability to meet the growing application workload.

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OFFICE OF TELECOMMUNICATIONS POLICY

ACTIVITIES AND PROGRAMS

1971 - 1972

FOREWORD

Calendar 1971 was the first full year of operation of the Office of Telecommunications Policy. The following report summarizes the principal activities of the Office in the four broad areas of its concern, and sets forth the principal programs contemplated during the present year. Omitted are those activities related to internal organization and management (which were, of course, extensive in the Office's initial year) and also routine operations, such as review of legislation referred for comment by the Office of Management and Budget.

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i. DOMESTIC COMMUNICATIONS

A. Common Carrier Communications

Common carrier communications is for the most part a monopoly public utility service provided by the Bell system and independent telephone companies. The performance of the industry has come under increasing criticism in recent years, and it has been proposed that various segments of common carrier operations be opened to competition. In response to such proposals, the carriers have asserted that the benefits of economy of scale and operational integrity derived from integrated ownership and operation far outweigh any potential customer benefits from competition.

OTP has initiated several investigations into these questions. The ultimate aims of these studies are, first, to develop recommendations as to which aspects of common carrier operation can safely be opened to increased competition, and which should remain under integrated control; and, second, to determine the regulatory principles and practices best designed to ensure that noncompetitive operations remain efficient and innovative.

Principal studies and findings to date include the following:

1. Domestic Satellite Communications

OTP has found that there are insufficient economies of scale in domestic satellite communications to warrant government restriction of competition. Its studies showed that all of the satellite applications on file with the FCC are economically viable, technically compatible, and could be accommodated within existing spectrum and orbital space. OTP therefore recommended to the FCC that any technically and financially qualified applicant be allowed to establish and operate satellite systems on a competitive basis.

2. Specialized Communications Carriers

The entry of new communications carriers offering "specialized" services (e.g., data, private line, video interconnection, etc.) in competition with the existing telephone carriers was approved in principle by the FCC, but a number of issues which could determine the practical feasibility of competitive entry was left unresolved--such as the allowable pricing response and interconnection constraints.

OTP commenced in 1971 and will continue in the present year investigation of the more important unresolved issues, including the technical and economic implications of alternative inter-connection policies which will, among other factors, affect competition in the supply of terminal equipment (e.g., telephone and data sets) to be used with the existing telephone "network." These will be long-term studies and could result in new FCC regulations or legislation.

3. Common Carrier Regulation

Even if it is feasible to introduce competition into selective aspects of common carrier operations, it will affect only about 10-20% of total operations. Most common carrier operations, notably the public message telephone service, will continue to be a natural monopoly.

Effective regulation of natural monopolies is necessary to prevent investments in inefficient facilities, excessive rates and profits, technological obsolescence, service degradation, and other problems, but it is difficult for government to second-guess a large public utility on detailed investment and operating decisions. For this reason, in the coming year OTP will continue to explore the desirability of encouraging better public performance of regulated utilities through improved policies rather than increasingly detailed regulation. Some of these policies include:

a. Alternatives to Rate of Return Regulation: Traditional common carrier regulation is based on an agency-determined "fair" rate of return which requires establishment of a "rate base" (i.e., the amount of investment) and detailed information on profit flow. But this method of regulation can create incentives for excessive investment in capital equipment and can distort normal business decisions in other ways which affect technological progress. OTP will attempt to determine (a) the magnitude of the distortions, if any, caused by rate-base regulation and (b) whether there are alternatives to rate-base regulation. It is very difficult to perform quantitative comparisons to test the hypothesis of rate-base distortions when dealing with a natural monopoly. Therefore, OTP is proceeding carefully in defining a study effort in this area.

b. Depreciation Programs: Common carrier equipment is typically depreciated over very long periods corresponding to the expected physical life of the equipment, although the useful life is often much shorter due to rapid technological

advances. This is only one aspect of depreciation policies that affect common carrier financial decisions and customer rates; other aspects are disposition of fixed asset salvage, and separation of depreciable and nondepreciable investments. In 1972, OTP will undertake a comprehensive investigation of depreciation practices, objectives, effects, and alternatives in the common carrier industry.

B. Cable Television and Broadband Communications

Broadband cable systems represent a new communications medium which can increase consumer choice in television programming and provide many new communication services hitherto unavailable. The immediate effect of cable expansion, however, is to disrupt some of the distribution practices of the existing television industry and to threaten the economic position of some broadcast stations and copyright owners. There is urgent need for policies to guide the development and regulation of cable in such a fashion that its enormous benefits can be rapidly achieved without depriving the society of its healthy programming industry and its essential broadcasting services.

OTP has undertaken a series of studies and investigations to identify and illuminate particular aspects of broadband cable development which require policy consideration, and to develop policy recommendations. These include:

- a. A study of the present and projected costs of broadband cable systems, to serve as a basis for estimating future growth patterns and rates of development of cable distribution systems.
- b. A study of the television program production industry and its economics, to serve as a basis for estimating the growth in new television programming likely to occur as a result of cable system development.
- c. A study directed to the development of an industry simulation model to be used in conjunction with the results of (a) and (b) to predict future industry development.
- d. Definition of a study project on projected consumer demand for cable television under alternative policies.

In addition to these studies, OTP has provided supporting analysis and developed alternative policy recommendations for the

President's Cabinet committee on cable television. In this work it has examined, among other matters, the economic and social effects of vertical integration in the production and distribution of cable television programming; the probable impact of expected cable growth on the broadcast and copyright industries; the problems of access to the cable media by all segments of the public and industry; and considerations pertaining to joint ownership of broadcast, cable, and telephone facilities. Policy alternatives pertaining to these various matters were developed for consideration by the Cabinet committee. The results of this activity have been presented to the committee, which is expected to complete its report in the near future.

A significant achievement in the cable television field was resolution of the long-standing controversy concerning distant signal importation, that is, cable use of signals broadcast by out-of-market television stations. The distant signal question involved complex, interrelated issues such as CATV's need to offer this service in order to attract capital and begin its growth, the effect of distant signal competition upon the economic stability of local radio and TV stations, program suppliers' need for copyright protection, and the public need for a wide diversity of quality program services. In August, the FCC announced its intention to end the six-year "freeze" on distant signal importation without provisions for copyright payment and copyright exclusivity protection. This aroused great concern within the broadcasting and copyright industries, which threatened to seek Congressional action to stop implementation of the new rules. While the outcome of such an effort was unclear, it would surely have created uncertainty and delay in the regularization of cable television growth. Since OTP believed further delay and uncertainty would be harmful to the public interest, it took the initiative in seeking to act as mediator in the dispute. The principal parties ultimately agreed upon a compromise plan, the main feature of which is to supplement the FCC's rules with regulatory and legislative copyright and exclusivity provisions. The desirability of this plan is now being considered by the FCC, which is completing action on its new cable television rules, and by the Congress, which is considering new copyright legislation.

In 1972, OTP will continue its attempts to assist the FCC and the Congress in resolving the complex, but fundamental, policy questions that attend the full development of this new technology. Presently scheduled projects include the designing of a broadband cable pilot program for a few selected urban and rural communities to demonstrate the feasibility and utility of the

technology to meet various needs in the fields of education, health information, vocational training and assistance, and business. This pilot will also seek to determine consumer demand for, and economic viability of, expanded cable services. OTP will also prepare and document whatever legislation the President may deem necessary to implement the recommendations of the Cabinet committee.

C. Broadcasting

1. Public Broadcasting

The Public Broadcasting Act of 1967 created a framework for educational and instructional broadcasting, largely as envisioned by the Carnegie Commission on Educational Television. However, the means of establishing a stable source of Federal support funds which would avoid detailed government oversight of program content, was left unresolved and has remained so. In addition, the years since 1967 have witnessed the development of important new technologies for which no provision is made in the Public Broadcasting Act.

During the past year OTP sought to achieve amendments to the Act which would eliminate both these deficiencies. It consulted with interested organizations in public broadcasting and with the relevant agencies of government, and reviewed a range of approaches to new legislation. It drafted and submitted for coordination to the Office of Management and Budget a bill which made provision for new technologies and established a financing plan consistent with the congressional intent for public broadcasting in general, and for the Corporation for Public Broadcasting (CPB) in particular. The bill was withdrawn for modification when it appeared that CPB could not support a financing approach that provided assured Federal funding of individual public broadcast stations.

On the basis of knowledge gained from these activities, OTP has focused needed attention upon public broadcasting's adherence to the goals of the 1967 legislation, particularly with respect to "networking" of CPB-funded programming and development of the programming capabilities of local broadcast stations. During 1972, OTP will continue these efforts and will seek agreement upon legislative proposals to meet the needs of public broadcasting in a manner consistent with the intent of the 1967 Act.

2. License Renewal Policy

One of the major broadcasting controversies of recent years has involved the triennial license renewal process. Although all can agree that a broadcaster who has performed well in the public interest should have his license renewed, the Congress, the FCC, and the courts have struggled with the questions of what is good performance and what standard should be used to judge the incumbent licensee's performance in the face of a challenge to his renewal application.

Late in 1971, OTP developed and proposed for public discussion a wide-ranging series of suggestions for modifying the Communications Act of 1934, one of which dealt with license renewal policy. OTP pointed out the dangers of adopting renewal standards that lead inevitably to government supervision of program content. It proposed for discussion a more "neutral" renewal standard that would place the primary emphasis on the licensee's being attuned to the programming needs and interests of his local audience. Using this standard, a premium would be placed on the obligation to be directly responsive to community problems and issues; licensees who had met this obligation would be assured license renewal. This would lead to needed stability in an industry that must make relatively long-term commitments to public service.

In the coming year OTP hopes to work with interested citizen and industry groups, the Congress, and the FCC to create a workable license renewal policy which assures industry stability and service to the public.

3. Fairness Doctrine and Access to the Broadcast Media

Another critical issue--one that is central to the role of the mass media in an open society--is that of public access to the broadcast media for discussion of and information about controversial public issues. The FCC's Fairness Doctrine requires the broadcaster to make time available for the presentation of contrasting viewpoints once a particular side of a controversial issue of public importance has been expressed. Although not originally contemplated, this "fairness" obligation is now being enforced on an issue-by-issue, case-by-case basis, instead of through an overall evaluation of whether the broadcaster has kept the public well informed, with reasonable time for contrasting views. When enforced in this manner, the broadcaster's journalistic determinations are repeatedly second-guessed by agency and courts, and the government decides who shall speak on what issues.

This diminishes the "free press" discretion of the licensee and tends to convert broadcasting from a private enterprise activity to a government instrumentality.

A major incentive for case-by-case application of the Fairness Doctrine is the fact that individuals' access to the media for discussion of controversial issues can only effectively be achieved through that device. Broadcasters do not ordinarily sell their advertising time for such purposes--partly because they may be compelled to "balance" such presentations in their program time.

One of OTP's significant projects in 1971 was a study of Fairness Doctrine enforcement and the closely related problem of access to the media. As part of the series of suggestions for modifications in broadcast regulation made in October, 1971, OTP proposed that there be considered a right of nondiscriminatory access to TV advertising time, accompanied by the elimination of any requirement that paid views be "balanced" by views expressed in program time. In program time, OTP suggested that the fairness obligation be retained, but generally be enforced by an overall inquiry into the licensee's journalistic responsibility at license renewal time, rather than in the case-by-case fashion now employed.

OTP will continue during the present year to explore various alternatives for solving the fairness and access dilemmas. It will seek to assist the Congress and the FCC in devising mechanisms to enhance free expression and to minimize government intervention in the marketplace of ideas.

4. Radio Regulation

For many years radio broadcasting has been regulated as an afterthought to television. Some of the rationales and assumptions, such as scarcity of outlets and restricted entry, which shaped early radio regulation and still justify regulation of television stations, have been rendered meaningless by the phenomenal growth in the number of AM and FM radio stations, offering widely diversified special program services to the public.

After studying the issue during the past year, OTP recently proposed to the FCC that it undertake an experiment in radio deregulation, with a view toward lessening the regulatory controls on commercial radio programming, commercial practices and other nontechnical operations. The proposal was supported by an OTP Staff Paper setting forth the reasons such an experiment seemed appropriate and promising. The FCC is now considering this proposal and OTP intends to work with the Commission, to the extent deemed desirable, in order to implement a pilot plan.

D. Federal-State Communications

Communication issues affecting State and local governments arise in every substantive area and in varying contexts. For example, the planning of a national emergency communication system requires State and local participation; regulation of the communications common carrier industry has traditionally been divided between the FCC and State public utility commissions; regulation of CATV systems has been divided between the FCC and local (municipal) authorities; public broadcasting and educational communications involve State and local governments to a significant degree; the operation of public safety communications systems (police, fire, ambulance, etc.) are usually under the direct operational control of local officials; and in many cases, local governmental communication facilities and services are funded in whole or in part through Federal grant-in-aid programs.

To provide guidance and assistance to State and local governments, OTP has undertaken one general and several specific tasks. The general task is to identify the various Federal assistance programs involving telecommunications, in order to advise State and local governments on the effective utilization of these programs, and in order to inform the Congress of duplications or deficiencies. This review is now under way in the Policy Support Division of the Department of Commerce, and should be completed by June of 1972.

Among the specific tasks which OTP has undertaken in this area are (a) assistance to the States of Hawaii and Alaska in identifying communications needs which might be met through modern technology (e.g., communication satellites), and in developing plans and programs for using such technology; (b) advice to local and State government officials concerning the potential and the problems of broadband cable communications and CATV, and the desirable manner of State and local regulation; and (c) consultation with State public utility commissioners concerning the impact of new specialized communications carriers, broadband cable systems, and data communications services on traditional regulatory policies and practices. Since these tasks are largely consultative and ad hoc in nature, no specific list of accomplishments and future timetable is feasible. OTP does expect, however, that major requirements for information and consultation will emerge from long-range cable policy development; this expectation is based upon the very large flow of such requests which were stimulated by the announcement and preliminary work of the Cabinet committee. OTP also anticipates a substantial continuing requirement for assistance to Hawaii, Alaska, and the U.S. Trust Territories as their internal communication planning activities progress.

E. Mobile Communications

The frequency spectrum available for mobile radio services has recently been tripled by the FCC. The mobile communication industry will no longer be limited by a frequency shortage but will face classical supply and demand limitations. This will raise a number of issues as to appropriate types of new services, and the institutional structure to support them. The transition from spectrum scarcity to spectrum abundance must be regulated to create an industry structure that is responsive to future demands for communications services of all kinds, including improved mobile telephone services for urban areas, integrated dispatch services, and public telephone services for domestic aircraft.

OTP has begun a program, using staff, contract, and Policy Support Division resources, to assess the technical, economic, and institutional effects of proposed new mobile systems and to formulate policy guidelines for the development of an expanded industry. In cooperation with the Department of Transportation, and HUD, OTP will assess the feasibility of some innovative uses of mobile communications in support of public safety, emergency health services, highway safety, and transportation in general.

F. New Technology

During the past decade there have been radical improvements in communications technology resulting from independent research and development of U.S. industry, research in the academic community, the U.S. space program, and other Government sponsored R&D. These technologies provide opportunities for vastly improved and expanded communications services, which could have significant social and economic effects if exploited properly.

OTP plans a study effort designed primarily to identify areas in which new technological advances are occurring and to evaluate the effect of these technologies upon the existing structure of the domestic communications industries. In 1972 OTP hopes to identify in broad terms the current state-of-the-art in major fields of communications technology, and to isolate any natural limiting factors. If necessary, OTP will develop policy guidelines regarding the application of a new technology to a particular use.

II. GOVERNMENT COMMUNICATIONS

A. Federal Communications Policy and Planning

The Federal Government's own communications consume from 5 to 10 billion dollars per year. The major concerns in this field are avoidance of duplication, effective management of the acquisition of new systems, achievement of compatibility among systems, and satisfactory operating performance. The creation of the National Communications System in 1963, which sought to integrate long-haul, point-to-point communications of the Federal Government into a single system, has resulted neither in actual integration nor in identifiable cost savings. The majority of Federal communications expenditures are beyond the scope of the NCS and have not been addressed at all from an overall Federal point of view.

The major objectives of the OTP program in the area of Federal communications are: First, identifying all the communications activities and resources of the Federal Government; second, determining the needs for effective information exchange among the various departments and agencies; and finally, taking action in those areas in which integration will best achieve the ends of efficiency and economy.

OTP has completed a review of all existing studies and analyses pertaining to the integration of the two largest communications networks in the Federal Government, the AUTOVON network and the FTS. The results of this review will be announced within the next month.

OTP has undertaken a review of existing and planned radio navigation aids operated or used by various elements of the Federal Government, accounting for the expenditure of between one and three billion dollars annually (not including expenditures by private users). It is now discussing with the affected Federal departments the designation of a single system as the standard long-range radio navigation system and the formulation of a schedule on which other long-range systems can be phased out. It is planning an evaluation of the many different position-fixing systems used by the Government, to determine how many are needed to meet all requirements, and how many could be replaced by a global, high-accuracy navigation satellite system.

OTP has begun a review of all the Government's communications satellite programs, with an eye toward identifying avoidable duplication and assuring that available economies of scale are exploited. It will initiate a similar review of

computer-communications networks as soon as resources permit. The assistance of major Federal departments and agencies will be solicited in both these reviews, and they are expected to be completed in time to influence the preparation of the Fiscal Year 1974 Budget.

OTP has begun work with other elements of the Executive Office of the President to determine the probable future communications needs of the Executive Office, particularly the needs for integration with the communications and information handling systems of the departments and agencies. It is anticipated that most of these requirements will be established by the end of Fiscal Year 1972. OTP will then determine the technical arrangements necessary to meet these requirements, including the degree of compatibility among Federal systems needed to permit the required exchange of information.

B. Emergency Preparedness

The purpose of the Emergency Preparedness Program is to insure that national and Federal communications systems are fully capable of meeting priority needs under emergency conditions, including nuclear attack. This is a demanding task, because of the numerous contingencies that must be provided for--both with respect to the nature and location of the disruption and with respect to the nature and location of the services which, in one or another circumstance, it must be considered vital to restore. Emergency communications plans and capabilities must comply with three basic principles. First, maximum dual use of facilities for both emergency and routine operations. Second, balanced survivability among communications and the facilities which are supported by communications. Third, focusing of responsibility to assure accomplishment.

OTP has completed reviews of those existing and proposed emergency communications systems which would provide warning and emergency information to the people of the United States under conditions of nuclear attack or natural disaster. These include the Emergency Broadcast System, the proposed radio warning system of the Office of Civil Defense, the radio warning systems of the National Oceanic and Atmospheric Administration, and the proposed warning capability through the facilities of private broadcasting. These reviews have resulted in the following: (1) The designing of changes in the Emergency Broadcast System, to improve its reliability. (2) The determination

that the warning function must be separated from the Emergency Broadcast System. (3) The selection from among various alternatives of the most promising approach to a nationwide public warning system. (4) Identification of a need for design of an inexpensive home warning receiver, a project which the Office of Civil Defense is now working on. (5) Establishment of an Administration policy that legislation will not be sought requiring the inclusion of a warning receiver in every new radio or television set.

OTP is now engaged in a review of the policies and procedures under which critical private line services would be restored by the United States communications common carriers. Since no system of pre-set restoration priorities can be satisfactory for all emergency conditions, some mechanism must be developed to provide for flexible management of national resources when central control is possible. To this end, OTP has directed the preparation of a new plan for providing on-the-scene communications facilities and resource management capabilities to Federal field teams deployed in areas where a natural disaster has struck. This Office is also completing a study of the basic organizational framework for emergency communications management, and has prepared a communications annex to Federal emergency plans. By the end of Fiscal Year 1972 OTP expects to have completed a plan for effective Federal field organization for communications management under war emergency conditions.

OTP is concerned with the design features that should be incorporated in national communications facilities to increase their resistance to nuclear weapons effects. The principal nuclear effect now under study is the electromagnetic pulse from high altitude nuclear detonations. The Office is also working with the Department of Defense to assure that measures taken to enhance the survivability of communications links are consistent with the survivability of the terminal points of the system.

III. INTERNATIONAL COMMUNICATIONS

A. Communications Satellites

1. INTELSAT

The Definitive Arrangements for INTELSAT were negotiated in 1971 and will take effect during 1972. They will change the U.S. role in INTELSAT, in that we will no longer have a controlling influence in its governing body, and Comsat's tenure as the manager of INTELSAT will be limited to six years. In this transition period, there is added importance to OTP's obligation, in conjunction with the Department of State and the FCC, to advise Comsat as our Government's representative to INTELSAT.

2. Domestic and Regional Systems

The FCC is considering several applications for domestic satellite systems. Most propose service between the mainland and Hawaii, which is now provided by INTELSAT. The transition from INTELSAT services to domestic satellite services may have a significant impact on the Pacific INTELSAT region. Similarly, the Europeans are planning domestic and regional systems which could affect present INTELSAT services. OTP advice will be required as to these and other interfaces between INTELSAT and domestic and regional systems.

3. Specialized Satellite Communications Services

In this area, the issue is the institutional structure within which specialized services will evolve. OTP announced a policy in January, 1971, providing guidelines for the establishment of a new structure for international aeronautical satellite communication services. Subsequently, FAA, DOT, and the Department of State discussed this matter with the European countries (ESRO) and drafted a Memorandum of Understanding defining a joint international program. OTP reviewed the Memorandum, along with other Executive agencies, and prepared a recommendation for the White House. OTP's further participation in the aeronautical satellite program depends upon the decisions taken by the White House and the Congress. If renegotiation is necessary, OTP contemplates that it would participate.

With respect to maritime satellite services, the Coast Guard, the American Institute for Merchant Shipping, and the Maritime Commission consider that such services will be required well before the end of this decade. OTP will work with those organizations during 1972 to insure that maritime requirements will be satisfied in the most efficient manner. For example,

OTP has already recommended that the aeronautical satellite program be designed to accommodate future maritime requirements.

4. Broadcast Satellites

Satellite technology is available to initiate direct broadcasts to the home, but the political problems involved in the use of broadcast media to cross national boundaries remain an obstacle to institution of this service. The UN is the principal forum in which this matter will be resolved, and the issue has already been joined. Obviously, proposals which would prohibit international satellite broadcasts whose content is not approved by the receiving state raise questions fundamental to our national principles. In conjunction with the Department of State, OTP will participate in the inter-governmental groups working in the broadcast satellite area.

B. International Industry Structure and Facilities

The U.S. international communications industry provides vital communications services for American business, the public, and national security organizations. The structure and performance of this industry have been under criticism from Congressional and other sources for many years, and this criticism has increased with the advent of the new technology of communication satellites and the creation of a quasi-governmental corporation (Comsat) to represent United States interests in the international use of this technology. As a result of a highly complex and artificial industry structure (largely the creation of the Government itself), the traditional problems of rate and investment regulation are particularly acute in the international field; and because of divergent incentives there are widely divergent views in the industry with respect to the best "mix" of international transmission facilities (i.e., cables and satellites). It thus becomes necessary for the FCC to rule on competing or alternative proposals for new facility construction, and to allocate the traffic among various facilities and carriers.

OTP has examined the present structure of the international communications industry to identify sources of inefficiency and duplication, as well as impediments to competition and rate reduction. Its recommendations will soon be forwarded to Senator Pastore in response to his request for Administration views in this area.

In May of 1971, OTP completed a comprehensive study of international transmission requirements and alternative facilities

for the Atlantic Basin, including comparative cost and performance estimates. This was forwarded to the FCC, with policy recommendations concerning authorization criteria needed to avoid inefficient future investment in international transmission facilities. OTP is presently conducting a similar case study for the Pacific Basin. It has the same objective of establishing firm analytic procedures and investment criteria for use in the authorization process, so that the international carriers and their foreign counterparts can plan future investments with reasonable assurance.

C. International Organization Activities

1. UNESCO

During 1972, UNESCO will convene several meetings to develop guidelines for use of communication satellites in the international distribution, and possible international broadcasting, of radio and television programming. OTP has worked closely with the United States Patent Office, the Department of State, and the FCC, as well as various interested groups in the broadcasting industry, to establish and maintain a sound and consistent U.S. position on standards, codes of conduct, and intellectual property rights protection. During 1972, because of the expected developments within UNESCO and, possibly, within the World Intellectual Properties Organization, these activities will continue.

2. International Telecommunication Union

The International Telecommunication Union, a specialized agency of the United Nations with 140 member administrations, maintains and extends international cooperation for the improvement and rational use of telecommunications of all kinds. The Union uses world conferences of its members to review and update the international regulations needed to assure the smooth flow of global radio and telegraph communications. A principal function is the allocation of radio frequencies among the respective radio services (amateur, broadcasting, fixed, aeronautical mobile, communication satellites, etc.). During the past year, OTP provided guidance for U.S. participation in ITU activities. As a result of the combined effort of the Executive Branch, the FCC, and industry interests, U.S. objectives in accommodating space communication requirements were achieved at the World Administrative Radio Conference on Space Telecommunications.

OTP is currently developing means of assuring implementation of the decisions of this Conference, as soon as Senate ratification of the Conference results is obtained.

In 1973, an ITU Plenipotentiary Conference will be convened to review and update the International Telecommunications Convention. Principal issues involved in U.S. participation include whether the United States should advocate changes in the organization or the purposes of the ITU, and whether a new international communications organization should be formed to cope with policy issues unrelated to technological cooperation. As part of its preparatory work, the United States must study these and other questions in depth and prepare position papers aimed at assuring responsiveness of the ITU to the international telecommunications requirements of the 1970's and 1980's. OTP has already provided Administration views to the Department of State on the recommended scope of the Conference and the general objectives the United States should seek to attain; it will remain active during the present year in developing and coordinating the U.S. position, and commenting upon the positions of other countries. Similar efforts will be begun in preparation for the World Administrative Radio Conference on Maritime Matters scheduled for 1974.

The ITU maintains two major international coordinating bodies known as the International Consultative Committee on Telegraph and Telephone and the International Consultative Committee on Radio. These organizations have numerous technical study groups which examine problems regarding international standards, practices, system planning, and rates applicable to the international communications services. OTP is responsible for coordinating the preparation of U.S. positions for such activities, particularly those dealing with technical and operational aspects of radio frequency spectrum planning, allocation, and use. During the present year, activities dealing with the problems of space technology will be particularly important.

IV. SPECTRUM PLANS AND POLICIES

There is intense national and international competition for the use of the radio spectrum for all forms of radio transmissions (radio communications, navigation, broadcasting, radar, air traffic control, etc.). The Federal Government is the largest single user of the spectrum, and directs Government activities related to spectrum management and planning. This includes cooperating with the FCC to develop plans for the more effective use of the entire spectrum, for both Government and non-Government purposes.

Specific tasks involved fall basically within the categories of allocation and assignment for particular uses, evaluation of possible biomedical side effects of electromagnetic radiations, and planning to meet Government and non-Government national needs.

In the allocation and assignment area, much progress was made in the past year. The results of improved ADP and engineering capabilities were applied to direct more effectively the assignment of frequencies to Government stations (about 120,000 actual assignments on file). Specific analyses were conducted of the interference potential among competing interests for the same spectrum resources (e.g., interference between Collision Avoidance Systems and Altimeters; malfunctioning CATV systems and Air Traffic Control services; tropospheric scatter systems and space systems) and an interference prediction model for Air Traffic Control air-ground communications was developed. Work was commenced on the development of new procedures to assess the potential electromagnetic compatibility among communications and electronics systems before budgetary support is committed; these procedures will greatly improve Federal planning and budgeting for communications systems, and will save both dollar and spectrum resources. Some 8000 MHz of spectrum, previously reserved for exclusive Government use, was made available to the FCC for sharing by non-Government interests. In the allocation and assignment area during the present year, OTP plans to continue the development of an electromagnetic compatibility analysis capability to realize better efficiency in Federal use of the spectrum. More engineering analyses are projected in such areas as interference between the Decision Information Distribution System and power line systems, interference prediction with respect to air-ground communications, the compatibility of Government systems at 7/8 GHz, and the compatibility of proposed aeronautical and maritime satellite operations between 1535 and 1660 MHz. The Office will update the national emergency readiness plan for use of the radio spectrum, and will monitor

Government agency compliance with the allocations resulting from ITU Conferences (1967 Maritime WARC and 1971 Space WARC). A stronger technical base will also be developed for Government use of the spectrum--standards, monitoring, technical characteristics, receiver improvement, research in the field of radio wave propagation, radio noise abatement.

There is some evidence and much apprehension about the hazards of electromagnetic radiations. With respect to biomedical effects, OTP established during the past year a coordinated "Program for Assessment of Biological Hazards of Nonionizing Electromagnetic Radiations." Under this program, the Office provided guidance to Federal Government agencies concerning needed research. The program will be pressed to fruition at the earliest practicable date (a coordinated five-year effort of some \$63 million allocated among the cognizant agencies of the Government, much of which is already budgeted).

In the category of spectrum planning, a study was initiated during the past year to develop alternative methods for allocation of spectrum resources which would give more accurate weight to all relevant technical, economic, and social criteria. In cooperation with the FCC, a review of present frequency allocations and uses was initiated with a view to reallocation and improved sharing arrangements between Government and non-Government uses. Both these activities will continue in the present year.