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Remarks of Clay T. Whitehead, Director
Office of Telecommunications Policy
at the

Workshop on Cable Television for Minority Municipal Officials
Washington, D. C.
February 13, 1971

"Oh what a tangled web we weave/when first we practice to receive."

It sometimes requires a little modification, but Mr. Shakespeare can usually be found to have a line appropriate to any subject.

I wish I had some wise words for you in this tangled web of CATV. But in many ways, I would much rather empathize; we in the Federal Government are struggling to come to grips with it just as you are.

It is a difficult problem. First of all, we don't even know what CATV is: Is it Community Antenna Television or cable television? Does it receive signals, or does it send them? Is it a technological frill or a bright new broadcasting medium? Is it a force for certain kinds of social change? a precursor of "Big Brother"? or a neutral forum for the open exchange of ideas and entertainment?

The answers to these questions depend somewhat on technology and economics, somewhat on the services the public wants. But mostly, they depend on what we in government -- local, state, and national -- do about it.

Making sense of cable TV will require technical and economic analysis, social awareness, a bit of philosophy and foresight, and a lot of common sense. The public discussion on this subject so far has been short, or shallow, on almost all these ingredients. In such a situation, common sense takes on especial importance. It alone is not enough, of course, but then neither is economics, or philosophy, or social awareness. Yet we have many who would prematurely decide the future of this potentially great medium on the basis of one or two considerations alone.

It was only 50 years ago that broadcasting began. We have come a long way in that short time, and our private enterprise system of over-the-air broadcasting served us well. The broadcasting media already have become the major means of distributing information and entertainment to mass audiences. First radio, then television, now cable; and the rate of technological change is continuing to accelerate. We are at the dawn of an age where the electronic media will have an increasingly pervasive, direct, and influential affect on the lives of our citizenry. It is significant that a social commentator can say, with some credibility, that the medium is becoming the message.

Several weeks ago, I spoke at the Columbia University School of Journalism on the subject of public policy and the regulation of broadcasting. The basic theme was that many -- if not most -- of the dissatisfactions expressed about current over-the-air broadcasting result from the way

that industry has been structured by governmental policies rather than from failings inherent within the industry itself.

In the area of public affairs programming, I suggested that much of our current difficulty stems, in particular, from the way we have limited and controlled access to the radio and TV channels. The concerns and regulations dealing with station ownership, fairness, prime time programming, and community needs in reality are roundabout expressions of concern regarding the limited number of TV stations allowed in any community and the limited access granted anyone but the station owners. Many of the dissatisfactions with entertainment programming can be traced, although not so visibly, to the same causes.

Many critics of broadcasting -- and many broadcasters themselves -- assume that this is the basic nature of things, that cable TV is the same kind of cat, to be given the same kinds of incentives and put into the same kind of restraints. But before we automatically strike out on the same confused course for cable broadcasting, shouldn't we ask what our end objectives are? and whether there aren't better ways of reaching them?

What is it your community really wants from cable? You no doubt want all elements of the public and community interest to be served in some objective way without a lot of hassle. You probably want:

- a diversity of views and ideas available to your viewers

- a reasonable access to channel time for those with something to say
- a diversity of good entertainment programming in good taste
- availability for education, for civic use, for community involvement
- reasonable cost
- modern systems and the latest services

I hasten to point out that OTP has not itself fully explored all the complexities of cable, nor how these objectives can best be achieved. However, our studies so far convince us that many practical alternatives do exist, and that cable need not necessarily go the confused policy route of over-the-air regulation.

What are some of these alternatives? They have not been adequately explored, but perhaps some analogies would be helpful.

Telephone is the first analogy that comes to mind. Both cable and telephone involve communications lines coming into the home providing an important service. But that's about as far as the analogy goes. In telephone service, all the cost is in the hardware; for cable it is mostly in the programming. There are strong elements of natural monopoly in telephone switching that are not present in one-way cable distribution. Competition in telephone service can lead to the need for several telephones in order to be able to be connected to all other users; competition in cable systems simply gives the consumer a choice of which services he will subscribe to.

If telephone is not an appropriate analogy, what about movie theaters? No major qualitative differences really. Cable TV comes directly into the home, and thereby affords more convenient choice of programming. Movie theaters could, in principle, offer public affairs programs and live news. But then movie theaters don't need access to public conduits and don't need to connect physically to every home they serve. Movies are perhaps a better analogy than telephone, but still not completely accurate.

Perhaps trash collection is somewhat in between telephone and movies as a policy analogy for cable. Both are quasi-public services; each can be provided by municipal government or by private operators. Both have to serve all areas of the community; each can be regulated in as much or as little detail as government sees fit. Of course, we do not have a national trash distribution system that is Federally regulated -- but with the current concern over pollution, we may be moving toward a more complete analogy than I intended. In any event, maybe the best off-hand analogy is the trash collector or milk delivery man who takes up TV recorded cassette delivery on the side.

These analogies shouldn't be carried too far; and I don't intend them seriously as models for your deliberations, but thinking about them a bit may help you put cable in some perspective compared with other municipal services you have more experience with.

While the best overall concept for cable policy and regulation is not yet clear, some specific facts do stand out from our studies. I pass them on to you in the hope that they will be helpful in deciding how your community will proceed:

(1) Exclusive operating rights are unnecessary and unwise. Few cable companies need the protection of exclusivity in order to wire your community -- although they obviously would like it if you care to give it away. To be sure, in many towns once a single operator is in, there may continue to be only one. If that turns out to be the case, and if the operator gives good service, there is no need for exclusivity. If this turns out not to be the case, the city and its citizens will be the worse for having granted exclusivity.

(2) Franchise fees should be nominal. The value of cable to your community is not the few added revenues you can get for municipal government; its value is the profoundly important communications service it can bring to your citizens. Excessive fees can discourage innovative and modern system operators, encourage graft, and retard the growth of cable services in your community. Let it grow; and tax it like any other business.

(3) Municipal ownership is not best for your citizens or your municipal government. It is the exclusive franchise carried to the absurd. Cable systems require large amounts of capital and the revenues are far in the future; a municipally owned system would almost inevitably be an obsolete, limited system. Municipal ownership of various service industries was a fad at one point in our history, but it is contrary to all the best current thinking on the subject, liberal and conservative alike.

(4) Be wary of "free" channels reserved for special purposes. Reserved channels for educational stations made sense in over-the-air broadcasting because of the severely limited number of channels and the law that private broadcast station owners were not common carriers. With cable, the total number of channels is limited only by demand -- or government policy. Transmission costs are trivial compared to programming costs. Reserved "free" channels for cable will pass the costs on to the consumer in a regressive way. We do not reserve movie houses for blacks or for educational films; we do not require so many hours of free film for poor people or provide free trash collection to public interest groups. Does it make sense to do so in cable? Access and subsidy can be achieved in more direct ways that raise far fewer political headaches and better serve the public.

(5) Don't automatically treat cable as a public utility. There are strong reasons why we treat some public services as utilities and not others -- and those reasons revolve around getting maximum benefit for the individual user. Most of those elements of a public utility, such as large economies of scale or wasteful duplication arising from competition are not readily apparent in cable. It is true that we tend to automatically associate communications with tight regulation, but then we don't treat newspapers or movies that way. Let's get our analogies right before we lock ourselves in. Many vital public services are best achieved with minimal, but purposeful, municipal involvement. To go back to trash collection for a moment, the vital public interest is sanitation, convenience, and low cost. In spite of the overwhelming importance to our national health of public sanitation, we find that the best approach is a mix of private competition with governmental prescription as to standards of cleanliness, frequency of collection, and such. Even though all the information is not yet in, the same also may be the case with cable. Simple requirements on the cable operator of nondiscriminatory access, equal service to all households, and the like might well achieve your end objectives far better than extremely detailed municipal or Federal regulation ever could.

My general message, then, can be summed up in two thoughts:

Go slow and don't lock yourselves in. The great hay-day of cable is not 1971 -- or 72 or 73. It will take time to develop; its potential and its nature will evolve. It is easy to add restrictions as the need arises; it is almost impossible to remove privileges once they are granted.

It is up to you in the cities and to us in Washington to see that cable develops wisely. The potential of broadcasting, whether by cable or over-the-air, for dealing constructively with the problems of minority groups in American society is tremendous. Neither our rapid progress in civil rights nor our increased sensitivity to the problems of the cities or rural areas would have been possible without the impact of television.

But your main concern should be a vital, flexible, low-cost, many-channel, easy access broadcasting system that ties us together as a people. The hardware of communications should not be physically structured or divided up in time to enforce separate-but-equal service to minorities of any sort. Rather, we should seek the widest possible opportunities for access and let the man with the message and the would-be listener or viewer find each other out.



Not to Be 22
Released

Rough Notes for the Speech of
Clay T. Whitehead
before the
National Association of Television Program Executives, Inc.
February 17, 1971
Houston, Texas

1. Jack Gould last Sunday -- if TV so bad, why do so many watch?
 - Fashionable to criticize TV and those who program for it, but bum rap by and large.
 - Anyone can tell TV not pinnacle of human creative endeavor.
 - Doing what our system has set it up to do -- mass and private and information -- by and large, done it well.
 - Become whipping boy for those who would rather see (or have us see) something else.
2. But that you have done well does not imply all is well.
 - Growing dissatisfaction, and we should ask why -- public, you, Government.
3. If to capture in two words why . . . "impact" and "access"
 - Impact has grown to unprecedented level -- broadcasting media are: most pervasive and powerful media.
 - Access is, therefore, a problem because most don't have (blacks, etc., anyone).
 - ("How to Talk Back to Your Television"; agree that frustration exists)

- Won't patronize by lecturing on impact, but just remind.
 - You profoundly affect mores, child's view of role; attitudes; blur the distinction between reality and illusion; even affect reality.
 - Educate in the broadest sense and deepest sense -- schools are child's play in comparison.
4. What to do -- What as a society? in government to do?
- Deplore increasing government involvement in content -- unhealthy if not dangerous.
 - Columbia thesis.
 - What is a medium? Technique vs. content: opportunities to program (access).
 - OTP for maximum freedom in programming possible.
 - But in our society, freedom implies responsibility.
5. Every keynote should have an exhortation:
- Mine is to a more profound sense of professionalism by you as program directors.
 - Not just skill and expertise; I mean sense of professional responsibility and opportunity.
 - It goes beyond hours devoted to public affairs, culture; implies quality, diversity.

- Given your impact, your hopefully growing freedom, what are your obligations? What can you accomplish?
 - TV not analogy to yellow journalism as some suggest, but maybe paperback books.
 - Sense of status (ref. newspaper editors, book publishers).
 - Contribution to Government -- let us hear from you as professionals (prime time; children's programs and advertisements; etc.).
- What do you think?

6. Government keynotes are supposed to talk about the future (whither omniscience?)

- TV has reached a turning point -- where to, we don't know. On our way to new system; not only because of social change. Also TV has changed society. Reached new plateau, must mature.
- Tube will survive, but will TV as we know it? (limited channels, limited audience, and limited talent)
- OTP is supposed to be helping find out and decide; can succeed only by dialogue.
- Whatever it is, it will have more diversity, impact, and dollars.
- If cable really takes off (or UHF!) -- channels galore, how to fill?
- If OTA, basically VHF, stays (perhaps with a few more channels) -- more highly politicized TV climate.

7. What does this mean for programming?

- If channels expand -- new specialized sources, computers, syndication and editorial and magazine format services.
- If channels highly limited or cable access is limited -- more responsibility for diversity, access, taste; unfortunately, more Government.
- Either way -- (1) program direction as a profession will grow; (2) new challenges, new responsibilities, increasing importance; (3) concern by you with content in deepest sense -- for what purposes will the electronic media be used?

8. Human needs and wants fantastically complex and diverse. You aim to please; big job.

- Lowest common denominator centrist programming "good" in that it gives "most" audience; but not necessarily the "best."
- You can do "better."

9. Don't feel outcast or prostituted or crucified or paranoid.

- Recognize: communications uniquely important in American society.
- Recognize: role you perform; could perform; and that its importance will increase.
- Think about it: Develop a sense of professionalism in broadest sense.

-- Help us in Government -- come talk to us.

-- Have a constructive conference.



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Remarks of
Clay T. Whitehead, Director
Office of Telecommunications Policy
at the
Spring Conference
Industrial Electronics Division
Electronic Industries Association
Statler-Hilton Hotel
Washington, D. C.
March 9, 1971

I have thought a lot about communications in the last year -- about the opportunities, about the problems, about where the changes in communications are coming from, about the impact of those changes on our economy and on our society. I would like to share with you some of my thoughts now that I have responsibility for implementation as well as for lofty objectives.

I am particularly happy to have the chance to address this audience, because the industries represented here are the predominant source of the innovation that has made communications what it is in this country -- and promises to make it even more important in the future.

Unlike so many areas that our Nation is concerned with these days, communications -- for the most part -- presents us with constructive opportunities rather than nagging problems. Thanks to your inventiveness,

your practicality, and your sense of public needs, the 70's will be a decade of bright possibilities for communications.

The major question of communications policy for the 70's will be whether those opportunities and possibilities are to become realities. The answer to that question depends, in large measure, on what your Federal Government does.

By virtue of the 1934 Communications Act almost no type of communications service can be offered to the public without the prior consent of the Federal Government. Communications will always be a regulated industry because of its unique role in a free society and because of its heavy reliance on the radio spectrum which is allocated by the Federal Government. But there is regulation -- and there is regulation.

The question is not whether, but how, the Government should exercise authority over communications. Are the regulatory concepts of the 30's still appropriate or even adequate to the challenge of communications in the 70's? The answer to that question is a clear "no" for two reasons:

First, the rate at which new services are being developed is now so great compared to the delays of the regulatory process that both the would-be user of communications and the would-be supplier are frustrated in their efforts.

Second, our current concepts of communication regulation were drawn up in a day when communications meant one of two simple services: radio broadcasting or public telephone service; those concepts are far too rigid and far too constraining for the new directions communications is now taking.

These problems of regulation are not unique to communications; all tightly regulated sectors of our economy are today facing similar problems which give rise to the same dilemmas of public policy. There has been concern for some time that the regulatory process has become obsolete. There is much evidence that the delays and rigidities are very costly -- not only economically, but also in terms of the public interest.

This Administration is now reviewing proposals made by the Ash Council to reorganize the independent regulatory agencies and soliciting comments on those proposals. The President has chosen wisely not to endorse any proposal for reorganizing the regulatory agencies at this point in time because the problem of regulation is a singularly complex problem for public policy and because wider public discussion is needed.

The basic problem goes beyond the organization of our regulatory agencies -- and even the procedures which they employ. Our fundamental regulatory theory is at the center of the problem, and for this the executive branch and the Congress, as well as the agencies, are responsible. The time has come to reconsider how we regulate.

Consider communications. For two-thirds of a century, communications has meant over-the-air broadcasting and public telephone service. Over that time, we have become accustomed to thinking of all communications as natural monopoly services, delivered by public utilities that are at once tightly restricted and closely protected by a regulatory agency.

But the technological change that your industries have brought upon us is suddenly making it feasible to offer a whole host of new, practical, and exciting communications services that defy the old tradition and cut across the old concepts.

While the communications expert, narrowly defined, has been expanding the capacity and lowering the costs of the communications pipeline, the communications expert, broadly defined, has been developing all kinds of new services that now make it possible for the customer to use communications for purposes not even dreamed of ten years ago -- and in ways that neither the regulatory agencies nor anyone else could reasonably anticipate.

To be more specific, let me mention three particular communications developments, each of which must be regulated in its application, but none of which can be pressed into the framework of old regulatory concepts -- at least not without seriously distorting its usefulness.

Consider cable television. When first conceived only ten years ago, this was simply community antenna television -- a convenient way to improve the quality of television reception in hard-to-reach areas. Everyone was happy; the public was happy because television reception was clearer; the broadcaster was happy because his signal reached more viewers; the FCC was happy because it decided that this was an antenna, and somehow not a medium, and therefore not under their jurisdiction.

But look at cable television at the beginning of the 70's. It has now become a medium in its own right. To be sure, it is a medium that syphons its signals from over-the-air broadcasting, and it reaches out to get more and more of those signals from increasingly distant stations in a way that disregards the rights of copyright owners and the reasonable expectations of the broadcast station licensees. As a broadcasting medium, cable theoretically offers a far wider choice of programming for the public, clearer signals, and easier opportunities for access to the television screen.

But cable also offers the possibility of many new services other than simple one-way broadcast of television to mass audiences; for example, facsimile distribution of newspapers or special-interest news services and highly localized advertising, governmental, and educational programming. Return signalling from the cable customer offers possibilities for instantaneous polling, purchasing, accounting and banking services, library and computer services, programming on demand -- and it seems the list is almost endless.

Of course, it is not at all clear that all of these new services will be economically viable when the pricing factors of both supply and demand are taken into account. But it is very clear that almost none of these services fit the regulatory concepts that were set out in the 1934 Act, even as they have been modified by the Commission over the years.

Second, consider the diversity of new, specialized communication services proposed in recent applications to the FCC. For the most part, these are nonstandard services not now offered by existing common carriers or not readily combined with their service to the general public. In other words, unsatisfied demands are creating pressures for competition in the provision of specialized communications services.

There are many valid arguments against competition in the provision of public telephone service. But competition in the public telephone service is not at issue here. Rather, we have the unsettling situation of businessmen with technology and capital wishing to offer specialized services to customers who want and need those services -- but the customer and supplier have thus far been forbidden from dealing with one another.

The problem is not technology; the problem is not economics; the problem is that the Government has not been able to decide whether or how to let these people do business with one another.

It has been eight years since Microwave Communications, Inc., filed its first application. That application was finally approved after numerous hearings and counterfilings. This seems to me a good example of the impact traditional regulatory procedures and concepts can have on a potentially dynamic field. Can new enterprises maintain creative engineering staffs for eight years and also afford the large sums of money needed for lawyers to deal with a regulatory agency? Can existing common carriers fulfill their obligations to the public in the face of such uncertainty? Can we really expect industry to do its part in translating possibilities into realities in such an environment?

As a final example, consider the use of satellites for domestic communications. Satellites are now commonplace in international communications, but six years after the first request, no one has been

permitted to establish a satellite system to serve domestic communications opportunities in the United States. Six years -- and still no permission. It took only eight years to land men on the moon.

I recall that as I watched that first moon walk with Frank Borman, we both remarked that the amazement of the event itself was matched only by the amazement that we were able to watch it live on television. When the decision to go to the moon was made, no one thought that the whole world might watch it, but satellites -- international satellites -- made it possible. Had we in the U. S. been dependent on domestic satellites for watching that moonwalk, we would never have done so.

Now I am not suggesting that the existence of a domestic communications satellite system is essential to the vital interests of this country, but rather pointing out the inability of the regulatory process to come to grips with this problem. Here again the problem is not technology. The problem is not money. The problem is not public interest. The problem is that the Government has not been able to make up its mind.

I would add that the technology for communications satellites was developed largely at public expense. That has nothing to do with how satellite communications should be organized and operated; but it does seem a shame -- and a bit ironic -- that the Government has taken the

taxpayer's money from the private sector to develop a potential new service and then refuses to let the private sector go about the business of implementing that service.

Cable, specialized services, satellites -- each has presented the regulatory process with new challenges -- and the regulatory process has not met those challenges. And I am referring to the regulatory process in the broad sense -- not just what the FCC does -- but what the FCC, the executive branch, Congress, and the courts do when taken as a whole.

Can we meet those challenges with the old concepts? Can we continue to indulge in the comfortable notion that all electronic communications must be treated as a public utility? Is it really in the public interest to require every significant new service offering to prove its potential, to prove that it will not harm any other regulated service offering, to prove that it satisfies some vaguely defined optimum use of the Nation's resources?

Must we continue to require that all of these things be determined before new services are permitted? Is it really in the public interest to weigh precedent over common sense? Is it really in the public interest to force new services to conform to old molds as the price of their survival? Can we afford to rehash the arguments which apply to telephone regulation for every new communications service just because that service happens to use electrons rather than ink?

Or is there a better way? Can we not have regulation to a considerable extent by policy? Policy within which the private sector -- supplier and user alike -- seeks out and provides new services? I think we can. I think we must if we are to do the job the public expects of us.

I do not mean policy in the sense of artificial precedents accumulated over the years; nor do I mean policy in the sense of window dressing in which the Government speaks of noble purposes and ignores what actually happens in the real world. I mean policy in the sense that the Government -- strongly, but in the least meddlesome way possible -- lays out what is expected of industry, establishes the limitations beyond which industry may not go, and then leaves it to the industry and the public to find their own equilibrium.

This is not a call for laissez-faire, nor for unbridled competition in lieu of regulation; it is a call for recognition of the limits of your Government's ability to reflect the public interest intelligently when meddling in decisions so detailed and so anticipatory that no one can possibly have all the answers. We should as much as possible let the consumer seek out those services which are to his best advantage and encourage business to find ways of providing those services, rather than having the Government decide in detail what the consumer ought to have.

Government is better at correcting situations contrary to the public interest as they appear than it is at foreseeing all possible abuses. In regulation, as elsewhere, an ounce of prevention is worth a pound of cure; but a pound of prevention can be fatal.

I would like to point out that this approach of regulation by policy was taken over a year ago when this Administration made its recommendations regarding domestic satellites. That policy was called by some an "open skies" policy, one of wide-open competition. It did call for competition -- in the sense of freedom for the supplier and user to work out mutually advantageous arrangements. But it did so only after a thorough examination; and only with the inclusion of a number of very pointed restrictions to ensure that the competition would work toward the public interest and not against it.

When I spoke to this audience last year about that policy, I noted that some people felt that we really didn't mean it at heart -- that our statement could be interpreted as a change in regulatory rhetoric, but status quo in terms of industry structure and regulatory policy. My message to you then was: "We really meant what we said." We have recently reviewed the technical and economic studies that led up to that policy in the light of subsequent developments. We are reinforced in our convictions that this policy was and is sound. My message to you a year later is: "We really meant, and still mean, what we said." It remains the policy of OTP and of this Administration.

In the year since I was here, the FCC has requested specific proposals from potential suppliers of satellite services. Even with the door opened only that slight crack, there has been a suddenly renewed vitality in the domestic satellite field. Customers for the first time have given serious thought to the use of satellites and found new ways they might turn them to their advantage. Potential suppliers for the first time have considered customer requirements seriously in planning and pricing their services. Common carriers for the first time have found ways to use satellites in their operations.

It is no accident that that kind of thinking did not take place earlier. When both customer and supplier felt that their realistic requirements and capabilities had little role in regulatory rituals, why should they bother?

The date is almost upon us -- perhaps -- for the final filing of applications and comments with the FCC. We are hopeful that the Commission will use this occasion to evolve further the policy approach to regulation: create the incentives, set the rules, and let the great resources of this country get on with the business of domestic satellite communications.

The Government will in the future have to find ways of dealing with other areas of communications, such as specialized carriers and cable TV, by the policy approach rather than the ad hoc precedent approach. There will not always be agreement on particular policies,

but I hope we can agree that regulation by policy is the only way we can responsibly function. Nothing less will enable Government to meet the challenge of innovation you have created; nothing less will be equal to the public interest.



MIT/Howard Seminar



Independent Telephone Pioneers Assoc.

Yale Seminar on Television
and the Public Interest

NO TEXT

REMARKS OF
Mr. Clay T. Whitehead
at the
GREATER MONTANA FOUNDATION
UNIVERSITY OF MONTANA AWARDS BANQUET
Missoula, Montana
May 21, 1971

Thank you very much, Senator Dill, Mr. Craney, guests, ladies and gentlemen. I am very pleased to be here today. Although I normally enjoy answering questions, I am in the process of recovering from my first experience of answering Congressional questions about the budget of my Office; after that I think I would like to give up answering questions for awhile.

This talk may be a little rough; in some ways, I think it's the modern equivalent of the Gettysburg Address. It was written on the back of a Government memo flying out here on the airplane.

I was asked to talk tonight about the future of communications and, in particular, the theme that was suggested was man's communications in 1990. I am not sure what is so special about the year 1990, but I thought a bit about it and I decided that this might make a good theme for a talk, after all.

Talking about communications in 1990 is a big order, even though 1990 is only 19 years away. I've been in my job as Director of the Office of Telecommunications Policy for about 8 months now and, as Senator Dill said, I was still learning - learning very rapidly. Quite frankly, one of the first things I had to learn, and one of the most difficult, was how do you spell telecommunications.

Nonetheless, it is clear to me that man's communications for 1990 are already taking shape. Communications technology and the regulatory framework are already in their formative stages. In addition, we're beginning to see the shape of the new services that might be available by 1990; mobile communications in a sense we have never known it may be available - that is, a telephone in every car, perhaps in every pocket. We may have world-wide international communications at very low cost. There is also cable television, which may make feasible direct transmission from satellite to your local community; such transmissions could be distributed by cable, which would replace a world of channel scarcity with a world of channel

plenty. Computers will come into their own in conjunction with communications systems in the next 19 years. In particular, data communications will make possible an information economy; total information communications may become a reality.

From this, it is clear that communications of all types will have quite a different shape in 1990, but it's very difficult to see what that shape will be. What will be its effect on our lives? How will it affect our economy? Some possibilities come to mind: It may bring about less geographical concentration of information and education. It may create more plentiful opportunities for person-to-person contact and for mass communications. It may bring more services into the home and the office. It is the prime responsibility of the Office of Telecommunications Policy to assess all of these possibilities and to develop policies for Government regulation or deregulation. Such long-range evaluation will help this communications potential turn into an actuality.

Why is it important that we have an office such as the Office of Telecommunications Policy? What's going on in communications that makes this necessary? First of all, I think communications are having a major impact on us as a people that we're only beginning to understand. Communications are growing, growing in use; growing in kinds of service; growing in scope and growing in importance to us. Communications affect intimately how we deal with one another; how we see ourselves as people, as a country; and how we see our world; it affects how we exchange ideas; how we conduct our political processes.

I've mentioned the technology that will be available to us by 1990. What man's communications is in 1990 depends as much on what Government policy is, as on what technology can produce, because communications is a very highly regulated industry. For example, the FCC table of television station allocations was made in 1952. That happens to be 19 years ago, and yet the table remains virtually unchanged today. This allocation drives the structure of our television

industry, and is responsible for much of what we will do and have available nineteen years from now in the year 1990.

I think - well, I know, there are a great many issues that will shape what man is in the 1990s. There are two issues that I think are particularly important, and I would like to focus on these tonight. One way or another, sooner or later, we will resolve these issues through the political process; but by 1990 however we resolve them, they will have a great impact on our communications. Those two issues are cable television and the FCC's Fairness Doctrine.

Let me talk about cable television first. This is a seemingly innocent technology that started out some time ago as community antenna television. The concept was very simple - help people in remote areas get improved picture quality. But then people became aware of the potential of cable television, not just as an adjunct to over-the-air television broadcasting, but as a totally different medium. Why, many people said, do we have to pick up the signal off the air? Why not run it directly from the studio to the home? As people began to think about having this wide-band cable coming into every home in the country, or at least into a large number of homes, they began to think of the possibilities this would create. Among them were: large numbers of channels providing a diversity of programming, satisfying specialized tastes, providing local programming, perhaps even at the level of a neighborhood channel; also programming on demand - current movies when you'd like to see them; accounting and banking services because the computer would be tied to a home through the cable; shopping services; library and computer services; access to data files for inventory control; library research; facimile reproduction of newspapers; specialized news services; stock market reports; instant agricultural market reports; mail distribution. The list goes on and on.

Many people began to get very excited by the potential of cable as a new medium; many people still are. People also began to see problems. There was the question of economic competition with our existing system of over-the-air broadcasting. There was the risk of eroding the economics of the over-the-air industry without replacing it with anything new or anything better. There was a possibility that less service would be provided to remote areas of the country that could not economically be wired. There was the problem of copyright protections. And, finally, people began to realize that someone has to pay for all of the new developments and that isn't

likely to be the advertisers.

What would be the pluses and minuses if we were to attempt by 1990 to wire this nation with cable television? I think the results are very hard to foresee but, again, we can see some possibilities. A wired nation could result in changes in the urban/rural pattern of living, but in what direction? Would the changes be good or bad? Would wiring the country produce more local channels? Would it help pull us together again as a country or would it fragment us into a group of local communities talking only to ourselves? Would it make possible offices in the home so that we would no longer have to commute to work? Ending commuting might be a solution to auto pollution and auto congestion, but, on the other hand, it might produce a kind of human isolation that we'd rather not have. If information all came together in the home, could it be a force to pull the family together again? Would this be good or bad for the home?

Do we really want to risk an erosion of the economics of over-the-air television before we are sure we have something to replace it with? Do we really want to run the risk of a reduction of service to our rural areas? What about the effect on our political process? Cable would probably bring about a great reduction in campaign costs; but, on the other hand, it would be very hard for a politician to draw a large cable audience, because the audience might be fragmented among many channels. Could a President command a truly national audience for his major addresses? For the majority of people, would there be a common basic news service, which would provide as much service as the one we have today? On the whole, would those kinds of developments be good or bad?

How would the large number of channels made possible by cable be filled? Twenty, fifty, a hundred channels is an entirely different undertaking than the kind of television programming and distribution that we have today. Who will decide what goes on those channels, or how they're used? Who will pay for all those channels? Who will decide who gets on and who does not?

Answering these questions will be difficult because cable does not fit the FCC regulatory molds either for a

common carrier or for over-the-air broadcasting. This makes short-run regulatory decisions difficult, and it is productive of great conflict and great emotion. We need to think through this kind of problem. We need to understand it, and we need to understand what we want to become as a nation and how man's communications affects us as a nation. We need to think in terms of a long-term policy for communications and related broad policy questions. We have never been able to do that before. We need a policy that is firm in its recognition of the public interest. We need a policy that is very flexible to deal with America's diversity, and to deal with the very rapid change in the technology that is making all this possible.

I think that it's fair to say that cable television may affect man's communications more broadly by 1990 than any other area of communications.

Let me talk now for a moment about the second major issue that we will have to resolve and the second issue that will heavily shape what man's communications looks like in 1990; the Fairness Doctrine. The Fairness Doctrine is much in the news these days. There seems to be a case every week: Who gets to answer whom. I think of it as a politician's who, what and where game. Now I can't here get into specific Fairness cases because that's not the nature of my Office. But I would like to explore the basis for the Fairness Doctrine, the kinds of considerations that gave rise to it and some of the problems that flow from it. Whoever thought up that name for the Doctrine was a genius - it's even harder to be against fairness than it is to be against motherhood.

But the Fairness Doctrine has its problems. On the surface it's very simple: if a broadcaster presents one side of a controversial issue, he has to present the other side fairly. Now these days it seems like everything is getting controversial, and I ascribe that in large part to television. Television has created in this country an extremely educated, aware populace. People know what's going on - they care about it - they have opinions. That contributes to the controversy.

Why do we have the Fairness Doctrine in radio and television? We don't have a Fairness Doctrine in the newspapers. We don't have it in the magazines; we don't have it in any of the print media. Why then do we have it for the electronic media? The argument goes something like this. If everyone were allowed to use the people's airwaves - the radio frequency spectrum - without regulation, there would be chaos. Everyone would interfere with everyone else. Therefore, we need regulation. Regulation, of course, must be in the public interest. Fairness is clearly in the public interest. Therefore, the Government should insure fairness.

Now that seems kind of simple on the surface, but let me go a little bit deeper. Let's consider the radio and television press. We want a free and a fair press in this country, but the electronic media require regulation, so we regulate these media in an attempt to obtain the benefits of a free press. But, as I'm sure all the journalism students here tonight know, a regulated press can never really be a free press. We find ourselves in an absolute dilemma, and this dilemma extends to documentaries, to talk shows, and the next thing we know, it may extend to soap operas.

Again, here is a very fundamental issue - fairness in how we as a people exchange ideas. We as a people need to think through how we want this doctrine to develop, because its development is going to profoundly affect what man's communications are like in 1990.

In the rationale for the Fairness Doctrine that I sketched out for you a moment ago, I see at least two problems, and these discrepancies may, upon further examination, reveal some ways to get out of the fairness dilemma. First of all, I don't think it's axiomatic that technical regulation of frequencies necessarily leads to federal regulation of content. When you stop to think about it, that concept really seems like the technocracy run rampant. Secondly, I think there's an inevitable conflict in the way we have structured the broadcast industry. The broadcaster is a business man. His private rights inevitably conflict with his theoretical duty to defend a great public trust and responsibility. The problem is not directly one of channel scarcity; we have more radio and television stations in most markets than we have newspapers. The problem

is not directly connected to the control of frequencies. There is no necessary reason, as I said, why the frequency chaos cannot be cured without content regulation.

The problem, it seems to me, is one of access and economic control, both of which are determined by government policy. Because the man who owns the transmitter, by public policy, determines what is transmitted, there is no public right of access to television in this country unless you want, and can afford, to buy a television station. You don't have to own a newspaper to use a printing press. The broadcaster as a businessman decides who, when and what appears on his television station. By and large, station owners do a tremendous job of meeting the public's interests. Most broadcasters are not greedy businessmen; they are truly dedicated to the welfare of their community.

But as controversy grows in the country, the problem arises of who determines when the broadcaster's private rights and his private decisions conflict with his public duty. Under our current system, it's the FCC. Who determines when the broadcaster's concept of the public interest differs from the Government's concept of the public interest? Again, it's the FCC. Now that means Government control of content. No matter how you say it, it's Government control of content and I think that's a very bad precedent in a country such as ours.

In fact, the FCC has moved toward a standard of fairness in the presentation of ideas rather than fairness in the condition of their exchange. That is a very important distinction. The approach should be exactly the opposite in this country. Fairness in the conditions of exchange of ideas is rooted deep in the American tradition. Government-enforced fairness in the presentation of ideas leads, I'm afraid, to a very dim if not a very dark road of bureaucratic brokering of ideas. Regulation tends to beget regulation in Washington. And here I think that means more Government control of content. Now, I'm not too worried because the people at the FCC are fine, dedicated people. I'm not so worried about tyranny in this country. I'm worried about just plain, old bureaucratic mediocrity - dulling bureaucratic mediocrity. If you think the range of choices that's available to this country with only three television

networks is not enough, just remember that down the road that I was talking about there is only one FCC.

And the FCC's Fairness Doctrine has become an increasingly confusing, arbitrary and in many ways conflicting, set of rules. I'm not sure anyone understands them all. These rules are augmented by randomly raised eyebrows at the Commission. This can only confuse the broadcaster and, in the end, it can only intimidate him. It's far, far safer to do nothing than to risk the displeasure of the Commission. Inaction and contradictory action can only confuse and irritate the public, because they wonder why they don't get the discussion on radio and television that they have the right to hear.

Because of all this, my Office, the Congress, and many other people have been calling for a review of the Fairness Doctrine. The FCC has just recently indicated that they may conduct such a review. I think it's important that such a review consider thoroughly the premises on which the Fairness Doctrine is based - and a review should consider what we're ultimately trying to achieve, rather than just looking at the detailed rules. I can think of nothing more important for man's communication in 1990 than now we exchange ideas in this country. The Fairness Doctrine and the principles it relates to, more than anything else, will affect man's communications in 1990.

Related to the Fairness Doctrine and of some current interest is the dialogue between this Administration and the press, and I thought I'd like to talk briefly about that. Some people suggest that this Administration is trying to erode the credibility and vitality of the press, to use the great power of Government licensing and regulation to intimidate the press. Some even claim to fear a malicious conspiracy designed to achieve that end. This is simply not true. I think it's clear that it's not true. If it were true, my comments here tonight would be directed at an expansion of the Fairness Doctrine - not at questioning it.

The press, of course, should be free of Government intimidation. But when the Government seeks to create politics and conditions that make possible a strong and independent press, (a press that is free to criticize the Government), the press should not then expect to be insulated from strong, open and above-board replies to criticism by elected Government officials.

There are many ways an Administration can use its power to influence the press, even underhanded and thoroughly improper ways. This Administration has not sought to do so. Any criticism this Administration has had of the press has been totally open and above-board. Those who charge conspiracy must ascribe a great deal of maliciousness and, in addition, a great deal of stupidity to the Administration in the attempt to reconcile their theory to the facts. They should not, I think, be quite so sensitive. If the Government should not require balance and objectivity on the part of the press, then elected officials should not be precluded from pointing out publicly where they feel that balance does not exist.

There is a world of difference between the professional responsibility of a free press and the legal responsibility of a regulated press. Let me point out that it is not this Administration that is pushing legal and regulatory controls on radio and television, in order to gain a more active role in determining content. It is not this Administration that is suggesting an extension of the Fairness Doctrine, as some have suggested for even the print media.

If the radio and TV press of this country is to carry on the traditions of a fourth estate, they must recognize the legitimacy of criticism from other estates. A strong, robust and free press should recognize this dialogue as a very healthy alternative to a much expanded Fairness Doctrine, and I think that a strong, robust and free press really would settle for nothing less.

In conclusion, I've tried to suggest by my remarks about communications in 1990 that we have the potential before us of a really bright, new world. But that bright, new world creates many complex questions and raises many complex political issues. We want to be very careful that our world does not become Huxley's "Brave New World". Sorting out all its complexities, making some sense out of it, requires us to devote more of our public discussions to these communications issues. For the long run, we will have to develop some sensible, hopefully some

wise and forward-looking policies.

But, in the short-run, it's going to require much more. I don't need to tell this audience that the public is concerned about the media. They're concerned about press objectivity, they're concerned about programming quality, programming choices; they're concerned about its impact on our children and many other things. A great deal of self-regulation by all parts of the radio and television industry is going to be required in the next few years. The alternative, I'm afraid, is backlash, piecemeal legislation and regulatory action that will serve no one, but could very seriously warp the potential that communications has for man even in the year 1990.

I regret that I don't have a crystal ball to tell you precisely how we're going to resolve all these questions by then, whether for better or for worse; and I think probably for better. That is not given to us to see. But radio and television have served us very well in the past in this country, very well, indeed. The men in it have every right to be proud of their service to this country. The awards we are going to see given tonight I think are testimony to that service. This industry has built a great base for the expansion of man's communications and I am confident that the future will be even brighter.

Communications of all types in 1990 will play a far larger role in shaping lives, in shaping careers, and even in shaping the very nature of our society. The outlines of man's communications for 1990 are being shaped right now. These future conditions deserve our attention; they deserve our very best thinking, because communications, in the deepest sense of the word, is what man is really all about.

Thank you very much.



1971

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

Remarks of
Clay T. Whitehead, Director
Office of Telecommunications Policy
before the
Twenty-Fourth Annual Conference
International Communications Association
Atlanta, Georgia
June 2, 1971

You have chosen as your theme for this conference the topic "Telecommunications: Dynamic Innovation in Business." I would like to talk specifically about the important force which you and your organizations provide in stimulating the innovation which we are experiencing today in the communications industry. More importantly, though, I want to emphasize the future importance of this role and your responsibility as consumers to stimulate the application and use of this innovation for the benefit of business and the consuming public.

There are obviously three major parties to be considered when we talk about the telecommunications marketplace: the suppliers of products and services; the commercial and

private consumers of communications; and governments at local, state, and national levels. While narrow labels are not appropriate, I think it fair to say that you represent major consumers of communications services. It is this, your role as the consumer element in the communications marketplace, on which I want to focus.

The role of the consumer has many dimensions. We in America hold a fundamental philosophy which says that the consumer has a particularly important part to play in encouraging and directing the competitive nature of industry. Specifically, this role includes demanding new services, seeking out new sources and corresponding new industry structures for these services, and demanding new pricing mechanisms when they are appropriate to the innovation which has occurred.

At this point, you are probably wondering how your role as the "demanding" consumer fits with the real world in which you have to operate. For the most part, you manage your communications operations within the framework of a highly regulated and monopolistic environment. In many instances, you have not been able to exercise the full range of your consumer powers due to the structure of the industry. And it is

only fair to point out that the government bears a major portion of the responsibility for the industry structure in which you now live and operate. Nonetheless, there are numerous examples of the demand for innovation which you as consumers have fostered. New services, including common carrier TV and closed-circuit television, terrestrial microwave, and satellite transmission, are based primarily on the communications needs and demands of industry. To provide these new services, new sources and industry structures have developed through the years, including the specialized carrier, the private carrier, and the common-user carrier -- the latter two being owned by the user or by user organizations. And, finally, you have recognized the inconsistencies which arise from rate-averaging and cross-subsidization and are seeking new pricing structures, including specialized carrier tariffs, revised Telpak and Telpak-sharing plans, and proposed switched service offerings which are now being talked about for industry and government. All of these examples (and more) reflect in large part the demands which you have demonstrated to various segments of the supplying industry and government. It is unfortunately all too obvious that many of these demands have not yet been satisfied.

At this point, I would like to reflect on two situations which illustrate the problems encountered when industry attempts to introduce new products and services. These problems indicate the difficulty which we encounter if the natural behavior of the market is replaced by regulatory control.

The first is the domestic satellite situation in which we are presently involved. I think most of you are generally aware of my thoughts and the position of this Administration in regard to the specific policy involved. The point for us to consider is that a potential consumer of domestic satellite service was the first to formally propose, and request permission to build, a domestic satellite system. Unfortunately, it is now almost six years later, with still no service available, and with no hope of such service for several years. Without belaboring the reasons or excuses for delay, it is interesting to note that the total demand for such satellite services has continued to increase up to the present. But what is equally interesting is the realization that the original applicant no longer needs or desires to build his own system. As a result of a new policy approach, ABC, along with the other networks, has available the possibility of several competing suppliers of this service.

Not only that, but you and your companies share in that possibility. A new industry structure is being formed, with entities dedicated primarily to system construction and operation -- entities which propose to offer services to you and other potential consumers. No longer must the customer propose to satisfy his own need, for in response to new potential demands a new supplying segment of the industry is emerging.

I should mention that this Administration generally endorses the recent decision of the FCC in regard to the specialized carrier applications and supports the general direction in which the Commission appears to be going with this action. We still need the groundrules for real competition if we are to expect real results in terms of services for the customer.

The second situation is one with which I think you are all familiar, and that is the wide variety of products and services readily available in the computer and data processing industry -- an industry which exhibits a great deal of flexibility

in responding to customer needs by supplying appropriate and, in many cases, tailor-made products. While there are valid concerns about certain anti-competitive aspects of this industry, when viewed in its total context we see an industry which offers a great deal of choice to consumers from which they can make buying decisions. Many of your firms obtain a wide mix of computer equipment and service through a variety of means, including purchase, rental, and lease. You may choose to do your own software programming, or purchase software services. In still other cases, you purchase computational services and eliminate the need to engage directly in either hardware or software activities. A further example of the fluidity and change of market conditions in response to user needs is the recent experience of the computer peripheral market, with its major price fluctuations, entry and exit of competitors, and new equipment introduction. And in the computer software business we have witnessed new industry arrangements which tend to offer greater flexibility to the customer in the purchase of software products.

As purchasers of communications services, you become deeply involved in the computer and data processing activities of your corporations. Increasingly, the computational or

data processing activities are becoming more dependent on the communication facilities which link men and machines. It is becoming more and more difficult to retain a clear distinction between the computer/data processing industry and parts of the communications industry. We only need to consider the FCC inquiry into the interdependence of computer and communications services and facilities and its recent ruling on the role of common carriers in providing data processing services to appreciate the extent of this relationship and its potential consequences. Yet, the nature of the two industries is sufficiently different to cause major policy problems as their interdependence increases. For example, the following:

- The emergence of a highly specialized data transmission industry;
- The entry of common carriers into the data processing field;
- Interconnection restrictions;
- Restrictions on leased lines;
- "Foreign" attachment problems;
- Sharing arrangements and tariffs for Telpak offering.

Although progress has been and is being made in some of these areas, you as users of these services have suffered from the regulatory delay inherent in the process by which new services or service arrangements are approved. You are acutely aware that, as the per-unit cost of computation falls, the communication cost and capability becomes the principal economic limitation on the extension and broader application of computer and information processing services. Thus, you are interested in telecommunication services not only for their own sake, but also for the advantages to be gained in separate, although related aspects of your business.

In regard to the market for communications products and services, I think your options in terms of goods and services in the telecommunications industry are more limited than they are in the computer and data processing area. To a large extent, I believe this is a direct result of the stifling effect of government regulation. This limitation prevents you from thinking as broadly as you might as to how the carriers, regulated though they may be, can help you in your business by supplying the products and services of technological innovation. There is also evident a great deal of hesitancy on the part of both consumers and the suppliers which is the result of the large degree

of uncertainty which government regulation introduces. The United States common carriers, to a very large extent, want to provide good service. They are caught, however, between the desire to meet consumer demand and the need to produce real evidence of the demand for the services which they are asked to supply. Unfortunately, the carriers are often able to argue with some evidence that this "demand and need" for new and unique services and applications doesn't really exist, or is in fact many years down the road. The regulatory process creates as many difficulties for the carrier as for the customer, for the carrier must conduct his operation under the scrutiny of a public which can be extremely critical. He must make major capital investments in order to supply his service requirements, and either his stockholders or his customers will suffer if the demand estimate is in error. This means that you must press even harder to convince suppliers that your needs are real and that they exist here and now.

All of this brings me back to the third party in this communications market mechanism about which I am speaking: and that third party is government.

Your active and intelligent seeking out of new products and suppliers increases the pressure on regulatory agencies.

When this happens, there is a great temptation to extend regulation in an attempt to end what some would term the "abuse" of well-intended regulations. Government cannot operate much longer under this assumption, for it must either regulate wisely or provide mechanisms which allow self-regulation to act in its place. Unfortunately, there are too many vivid examples of our failure to regulate wisely or, through no action at all, to abdicate our responsibility to the detriment of all. It is my intention that government give far greater consideration to policies which would permit and encourage a more competitive self-regulatory environment in the communications services industry.

— If we are successful in shaping new policies in this manner, then you as the major consumers will bear a heavy responsibility for pressing the demands for services. You will benefit from a more active marketplace, but your industry will have to work much harder to define its needs, both in terms of new products and new types of service.

You must accept this responsibility if you are to fully realize the benefits which innovative telecommunications technology has developed. We have around us today many examples

of the power which an intelligent and aggressive consumer can wield. When you choose not to wield that power, or relinquish the initiative for new products, services and applications to the supplying industry, you weaken the free market and allow its character to become warped by this undue influence.

Government as a regulating party should do no more than make policy decisions which set the guidelines for market operation. As a major consumer of communication services, it too must exercise the force of customer demand; for no matter how sound and progressive the policy, only these forces of customer demand will "create" the actual services which can result in real progress and better service to consumers.

I have talked quite a bit in the past few minutes about the role of industry, both as a supplier and a consumer of communications services, and the role of government primarily as a regulating party. I have tried to convey to you my assessment of the importance of the role of the consumer in shaping and operating a healthy market system. I have talked about the problems which arise when government attempts to make choices for consumers in the name of enlightened regulation. It is this behavior of government that I find most difficult to

defend. As I said, the government as a regulator should do no more than make policy decisions which set the guidelines for market operation. The government has a very difficult time when it attempts to interpret market conditions and make detailed decisions about what services you, the consumer, may purchase, under what conditions, and for what prices. But it is not only the government's difficulty in doing this that is bothersome. The fact is that when government either purposefully or inadvertently makes decisions of choice for the consuming public, we dangerously weaken the market system of decisions upon which the private enterprise system is based.

For the heart of the private enterprise system is that the customer decides what it is that he needs and wants. It is the private sector, the "private" individual or corporate consumer, which is best qualified to make the buying decision, not the public sector -- which is really the government, not the public. Too often, the term private enterprise is thought of solely in terms of private sector corporations making their own decisions about how and what to produce so as to make a profit. I think private enterprise can be understood and defended only as the best way for the consumer to get what is to his best advantage as he judges it.

Government should encourage competition or regulation not so much to control the behavior of corporations as suppliers of services, but to guarantee the consumer the opportunity to exercise his own decision as to what he needs and wants. The consumer's choices provide a strong incentive for corporations to conduct themselves as suppliers in the manner most appropriate to the needs of their customers. In providing this incentive, we must allow the existing carriers to compete on an equitable basis in the market. It would not be competition if we rule out the existing carrier which may be able to provide the best service at the least cost. The government should not consider protective competition any more than it considers protective monopoly.

We urge competition where it provides the consuming public and you, as the consuming corporation, with the best opportunity to satisfy your needs as you define them. But, if such competition is to work, you must exercise the responsibility which is commensurate with the opportunity. If you are content to let government make your purchasing decisions for you, do not be too surprised if all manner of noble -- put peripheral -- considerations begin to dictate what services you may and may not purchase and at what price.

We all realize the rapid pace with which the telecommunications industry is changing. There is no doubt that it does provide dynamic innovation in business. But the potential benefit to you as industrial consumers and to our society as a whole is far from being realized. We in government must do much more, and should be held responsible for setting new guidelines and groundrules for the market system in order that you can effectively exercise your consuming decisions. But when we have set the new rules, and have provided the new market conditions, we and all society will look to you and your corporations to assume your full responsibility as intelligent consumers -- to exercise the private enterprise freedom to demand the goods, services, and pricing arrangements which are appropriate to the dynamic innovation which the telecommunications industry is capable of supplying.

We will encourage greater competition where that seems appropriate, but only an active market can put forth the demand. I admit it is a little like the chicken and egg situation. But I believe you can help yourselves, your corporations and stockholders, the industry which supplies, and the government

which regulates by accepting, both as individuals and as an association, the responsibility of being an informed, intelligent, and aggressive consumer of communications products and services.

Thank you.

REMARKS OF

DR. CLAY T. WHITEHEAD

Director, The Office of Telecommunications Policy

before the

SOCIETY OF CIVIL ENGINEERS OF FRANCE

Paris, June 9, 1971

I have been asked to speak about the future of satellite communications -- with regard to likely technical development over the next few decades, and to some of the social, political, and economic implications which recent and forthcoming advances in communications will have for mankind.

The twentieth century has seen an enormous number of inventions and innovations, many of which have improved the quality of life on this planet. But a select few of these inventions, such as the automobile and airplane, have actually wrought a fundamental change in the way people live and work.

New and radical advances in the communications field could prove more important to mankind's way of life than perhaps anything else developed in this entire century. The impact of this technology may well in the long run forge a major restructuring of the world's basic social and economic organization -- far more rapidly and far more fundamentally than one might think. Consider the progress of the past few years in communications satellites alone.

The first experiment with a passive satellite was conducted by the United States in 1946 when radio signals were directed at the moon and reflected by the moon back to earth. In 1960, the famous artificial moon, ECHO I, demonstrated relay techniques using a man-made passive satellite.

In 1964, ECHO II conducted the first tentative international experiments involving the U.S., the U.K., and the USSR. The following year, the Soviet Union began launching its series of MOLNIYA communication satellites.

Following the successful launch of Syncom II in 1963, improved launching capability permitted INTELSAT to use synchronous satellites for the initial global system. INTELSAT has subsequently followed through with four generations of satellite technology, which rapidly evolved over the past six years.

Technological Developments and Reduced Costs

During the Coming Decades

The single most important aspect of the projected satellite technology in the communications field is not the capability to send messages of all kinds rapidly to all points of the earth. This capability is already here. The question is cost. And the really dramatic advances in satellite technology over the coming decades will probably not appear in spectacular headlines in Le Monde or the New York Times. Rather these developments may well, to a layman, appear monumentally dull since they will involve the step-by-step reduction of costs in the transmission of voice, television, and data messages. But the implications for mankind of this cost reduction will be profound.

Launch costs will decline significantly, but not dramatically in the coming decades. Higher frequency bands will become usable for satellite communications. Space power systems producing hundreds of kilowatts will be developed and will be of great importance. But probably the most significant technological development of the near future will be the use of stabilized, highly directive spacecraft antennas. The tremendous capability of these techniques is yet to be fully realized. This technique for domestic or regional services involving limited geographic areas might reduce the cost of satellite circuits by a ratio of 10 to 1.

In addition, the cost per circuit of satellite communications will be driven downward dramatically through reduction in earth station size and sensitivity, as well as from the derivation of more channels per satellite. As the coverage area per satellite beam is reduced, satellite systems will become more competitive with terrestrial alternatives in many applications.

The next most significant development in satellite communications probably involves the ability to allocate satellite channel capacity flexibility and so demand among the multiple routes served. Because terrestrial multi-channel transmission facilities are inherently limited to single-route operation, channel capacity cannot be reallocated among routes.

However, since traffic demand between any two points varies widely, efficient operation of transmission facilities requires some means of shifting idle capacity to productive use. The basic technology for providing this demand-assigned channel usage is available, and several prototype systems have already been built.

This capability is likely to be in widespread use in the next decade. This will mean that satellites may provide for some applications of both the transmission and the switching-routing facilities required in terrestrial networks. You can imagine, I think, how greatly this will drive down the costs of the overall system.

One of the problems of planning satellite communication systems has been the limited capacity and visibility of individual satellites. While the deployment of additional satellites could alleviate most, if not all, of these problems with present technology, the use of additional satellites would necessitate a multiplication of expensive earth stations, and would create vast and complex problems of scheduling and organizing the routes to be served through this multiplicity of facilities. But technology will soon make it feasible to install radio repeaters and directive antennas on satellites to provide inter-satellite relay links eliminating the need for the expensive solutions to the problem.

While satellite technology may seem to the layman more exotic and sophisticated than terrestrial transmission methods, much of the

benefit of satellite applications in the future may be in areas that do not now have extensive communications systems. As I have noted, the ability to focus full satellite energy on increasingly small areas of the earth's surface will reduce the basic cost of satellite circuits to a small fraction of present costs. In addition, the elimination in some places of intermediate switching requirements through use of demand-assigned satellite channels will reduce the total system cost considerably below what would be required to construct a complete terrestrial transmission and switching system. So in a comparison with all-new facilities for a total communications capability, satellite systems could prove the most economic for most long-haul needs in many areas of modest traffic volume.

The satellite's ability to "broadcast" one or more broadband signals over a large geographic area for simultaneous reception by suitable receivers is unparalleled by terrestrial facilities. This capability immediately suggests the use of satellites for the broadcasting of television programs directly into the home. Again, however, the spectacular gives way to the cost considerations: In areas with highly developed communications systems, coaxial cable and broadened terrestrial transmission techniques offer far more television channels at lower cost. In less developed areas, the most economical arrangement appears to be the use of satellites to distribute television signals to community antenna receiving stations, similar to the experimental system planned for India: a system with 5000 community receiving stations.

Thus, television broadcast satellites do not seem likely for general use -- even by the year 2000. However, operational needs and economics point to the very early establishment of television distribution service in areas having well developed local broadcast and cable systems -- probably within the next five years.

Computer and communications technologies will undoubtedly grow closer together by the year 2000. Today the two technologies are largely separate, with separate professions, so that the potential of their joint application is not being exploited fully. By the year 2000, I believe we will see a large overlap, with many information services consisting of distributed systems of computer hardware, telecommunications, and software. Satellites will contribute to this by helping to bring about a highly flexible, low-cost, world-wide telecommunications capability, but I doubt that we will see many satellites dedicated to such systems.

Many of the problems envisaged some years ago for communication satellites have already vanished in principle and by the year 2000 will be completely gone. One of these problems is the concept of limited orbital "slots" and their allocation and use. The transition from global-coverage to limited-coverage satellites permits the geostationary orbital arc to accommodate many more satellites and much greater communications capacity than heretofore seemed feasible; in fact, several satellites serving different geographic areas will be able to occupy essentially the same

orbital position in space with just enough separation to prevent actual collisions. Possibly even the same frequency bands can be used without mutual interference. The point is that the advancing state of the art has made possible tremendous flexibility in the planning and operation of satellite systems. Trade-offs among antenna size, power levels, polarization, beam shaping, and frequency diversity will make it possible to accommodate far more systems with far more communications capacity than would the old concept of a static technology and rigid orbital slots.

Other anticipated breakthroughs such as the use of the higher frequency bands and routine technical improvements will steadily reduce the costs and increase the capabilities of satellites over the coming decades. By the year 2000, satellites will be in much more common use. We will see a great diversity of satellite concepts and applications, ranging from large multi-purpose systems to quite small and highly specialized systems. The lowered cost and the great flexibility make it inevitable that by the year 2000, the application will shape the system far more than will the limits of the technology.

I do not wish to imply by my focus on satellite technology in this paper that I believe other technologies will occupy insignificant roles in future telecommunication operations. Quite to the contrary. With improved capability and lower cost, satellites will play an increasingly

large role in world communications in the future. However, satellites alone can never make up a complete communications system, and even in the year 2000, terrestrial microwave and undersea cables will have a major place in meeting the world's communications needs. Particularly in developed nations with high traffic volumes, the highly developed terrestrial networks will develop into more advanced, high capacity transmission and switching facilities.

Advanced communication satellite and terrestrial systems will interact synergistically. The dramatic reduction in transmission costs and the improved capability of transmission systems of all kinds will permit not only the greater use of existing communications systems, but will accelerate the development of a whole range of new services that modern electronic technology -- digital computers and low-cost terminal devices -- is making possible.

Economic, Social, and Political Implications

New communication services in which satellites will play a major role promise to revolutionize customary patterns of business and finance, commerce, and industry, and the processing, storage and retrieval of information. This will be true for all of us including farmers, bankers, fishermen, public utility companies, departments of agriculture and

forestry, etc., who, without consciously realizing it, will find ourselves heavily relying on the new technology in our daily operations.

The economic value of meteorological satellites -- and their potential for the saving of life -- has already been demonstrated. The use of satellites for air-traffic control will have an economic value of thousands of millions of dollars a year and will contribute greatly to the safety of the travelling public. The only real solution to the problem of air congestion, and the mounting risk of collisions, may be through navigational satellites which can track every aircraft in the sky.

More broadly, Peter Drucker has observed:

"We face major changes in the world's economy. In economic policies and theories, we will act as if we lived in an 'international' economy, in which separate nations are the units, dealing with one another primarily through international trade and fundamentally as different in language or laws or cultural tradition. But imperceptibly there has emerged a world economy in which common information generates the same economic appetites, aspirations, and demands -- cutting across national boundaries and languages and largely disregarding political ideologies as well. The world has become, in other words, one market, one global shopping center."

In every economy today, advanced or developing, knowledge has become a central "factor of production." Knowledge has become useful to the point where purposeful acquisition of information and its systematic application are emerging as a major new foundation for employment, productivity and social advance throughout the world. Telecommunications and computers are accelerating that trend.

Communications technology, unlike many other advanced technologies, can be directly and immediately applied to less-developed nations. Many of these nations lack the climate or the natural resources to readily develop the broad industrial base of the more-developed countries. For them, investment in knowledge and communications can make immediate use of existing communications technology, which are not dependent on climate or natural resources and which promise a high rate of economic and social return for their people.

New developments in communication, including satellites, television, information systems, and other applications will for the first time in the history of this planet make knowledge widely available to all peoples in all nations. The major questions we must face in the decades ahead are what will be the conditions under which that knowledge will be made available; and how can we facilitate its assimilation.

One of the most fundamental shifts in telecommunications over the coming decades will be the extension of wideband distribution systems, including television, from mass distribution of general interest programming to the provision of individualized knowledge and entertainment as varied as the best of libraries -- and even more convenient. Here, computer and communications technologies will interact closely.

The potential is truly inspiring. There are about a thousand million children of school age on this planet, but the number of people who want more education must be much higher, perhaps as many as two thousand million.

An effective short-term strategy for meeting this world-wide need for education -- and first of all, for literacy -- is inconceivable without the widespread use of television.

Some of the studies of educational communication satellite broadcasts to developing countries have gone so far as to suggest the cost of the hardware may be as little as a few dollars per pupil per year. It is conceivable that for the cost of a few billion dollars a year, one could provide a global EDSAT system which could someday lift this whole planet out of ignorance, which is the cruelest form of disadvantage.

Such a system would make obsolete the traditional concept that less-developed countries would require fifty to one hundred years to teach their citizens to read. It would also expand far beyond current capability (based on the printed word), the ability of such people to have access to information and knowledge.

This is why the forthcoming experimental use of direct broadcast Educational Satellites in India in 1972 is of such interest and importance. This early Educational Satellite experiment could ultimately be followed by an answer-back capability which many educators consider essential to the teaching and learning process.

By the year 2000, children throughout the world may go to schools primarily for group activities, but not strictly to learn things. Much actual learning will be done through locally controlled television programs which will teach reading and arithmetic more effectively than most teachers do now. In fact, reading and arithmetical ability will no longer be the sole vehicles for access to knowledge, for television and computers are creating a wholly new medium for access to knowledge.

Knowledge has always been power, and men have risen to the top largely because of their ability to gather information and understand how to use it. The universal distribution of this information of all sorts -- economic,

political, and cultural -- means that the trend toward a meritocracy will gain added momentum throughout the world. In centuries past, men followed their fathers' occupations. This was true because of family ties and of the difficulty to secure the vital apprenticeships and knowledge needed to enter and participate in other professions.

This concept will have nearly vanished by the end of this century -- and in large part because of communications technology. Increasingly, men will succeed because of superior intelligence, character, and ability to use information, rather than because of where and, under what circumstances, they were born. This new era will be one in which virtually every citizen will have greatly improved access to cultural, educational, and professional opportunities.

It is, of course, almost impossible to predict with accuracy all the social implications of communications satellites for the peoples of the world. But the major impact of satellites will be realized not so much for satellites alone, as by the total telecommunications capability they enhance. Some social changes that modern telecommunications could bring about do seem obvious and inevitable.

Stated in a very general way, modern telecommunications will bring the world and its people closer together in an intellectual sense, enabling inexpensive instantaneous communications between friends,

neighbors, co-workers, and the peoples of different continents. This closeness will bring understanding, but as we have seen from the impact of television in my country, it also brings problems. It is easy to pretend that you understand your fellow countrymen or the countries that are your allies when you are not made daily aware of the differences between you; but it is a very wrenching experience to have unfamiliar customs, ideas, and morals brought directly into your home via the television screen.

Marshall McLuhan has expressed the phenomenon of physical separation but intellectual closeness in his term "The Global Village."

As the people of the world draw closer together, a largely unified overall culture will surely develop. Regional dialects and customs are already becoming less pronounced in almost every country around the world. Increasingly, the world is adopting a unified standard for an "educated man," a standard little different in Russia, France, South Africa, Brazil, the United States, and India. I do not think this means the world will become a dull and uninteresting place. The old diversity of nationalisms will yield to a new global diversity of ideas, interests, and idioms.

The world stands poised on the threshold of great possibilities for reducing illiteracy and suffering, disseminating culture and ideas, upgrading the world economy, and aiding peace by bringing men everywhere together.

Whether this will happen is not the question. It will happen, and much of it by the year 2000. Developments in communications technology will play a large role in making it happen. Much of the technology is here already. But when and how will it be applied?

Because the social and economic changes which this technology will cause will occur at a phenomenal rate, there will be problems which will have to be faced by all nations. One of these is the necessity to adapt psychologically to the new opportunities communications technology will open up. Another will be the necessity to cope with and allow for national and local control over the use of the new communication services and facilities. Many businesses will have to change. We will have to learn to manage the flow of information and educational materials better and more efficiently.

New international political frameworks will be necessary to deal with the political problems arising out of satellite and other new communications technology. Our political institutions should insure rapid application of new technology for the benefit of mankind and prevent its misuse. I do not know exactly what kind of organization is needed to accomplish this. But let us give some thought to some general considerations.

The question is not whether the world's governments collectively should exercise authority over communications, but how they can more effectively coordinate the services we can anticipate will be offered.

Current concepts of communication regulation were drawn up in a day when communications meant one of three simple services: radio broadcasting, public telephone or telegraph service. Those concepts are far too rigid and far too constraining for the new directions communications is now taking. Now it is possible for the customer to use communications for purposes not even dreamed of ten years ago. And by the year 2000, we will have almost a continuum of services rather than a few discrete categories.

The basic problem goes beyond the organization of our international agencies -- and even the procedures which they employ. Our fundamental international regulatory theory is at the center of the problem. The time has come to reconsider that theory.

For two-thirds of a century, we have become accustomed to thinking of all communications as natural monopoly services, delivered by tightly regulated public utilities or by government entities. Is this the appropriate model for the future? As the technology becomes more complex, can governments continue to be involved in so much technical detail, with any confidence that they are making their decisions wisely? As the general public around the world becomes aware of the possibilities, can we afford politically to have the decisions made by technical experts?

These are complex and difficult problems. But they can be dealt with in a positive and constructive way.

Problems facing us as a result of technology in the next two or three decades are not hardware or scientific problems so much as they are social, cultural, political problems of learning to use our technological ability in the common interest of man as we live in the global village of earth. As such, these problems should be soluble. But we must retain international flexibility. Our organizational responses should not be based on narrow technological definitions, for we are learning that neither the technology of communications nor man's use of it will stand still. Our national and international institutions must be geared to cope with change.

Today we have in the communications field the oldest and the newest of major international organizations -- The International Telecommunications Union, established in 1865, and the International Telecommunications Satellite Consortium, to be placed under permanent arrangements in the coming months.

We have just completed a major overhaul of INTELSAT to internationalize its management and expand the role of governments in the broad policy areas. In 1973, we will look again at the ITU in its entirety to consider necessary changes or modifications.

Other agencies are becoming more aware of and active in space communications -- UNESCO, the UN Committee on Peaceful Uses of Outer Space, international unions for protection of intellectual properties and so forth.

But will any or all of these organizations meet our needs for international cooperation between now and the year 2000? Will these forums develop the ability to resolve the increasingly pressing problems of program content, propaganda, political, racial, cultural sensitivities?

I do not pretend to be able to answer definitively these questions. It seems, however, clear to me that we are at the outset of a truly revolutionary era in electronic mass media services. I can only suggest from my personal conviction that existing agencies and methods for dealing with emerging problems will simply not be sufficient.

We will have to learn to develop as radically and as dynamically in our social and international political relations as we are developing in the field of technology. The framework established must be global in participation and global in application, yet it will have to recognize the regional, national, and ethnic prerogative of peoples.

The importance of communications to man's future cannot be exaggerated. Our values, our cultures, our children's education, our entertainment, and our political processes, will all be profoundly affected by the development of communications technology and telecommunications institutions by the year 2000.

This conference is concerned with all aspects of technology in the year 2000. It is clear that technology is playing an increasingly important role in the lives of all mankind. But nowhere, I think, are the implications more immediate and more fundamental than in communications. In communications more than anywhere else, men are shaping the very nature of mankind through technology.

Because of the scope and the profound importance of communications in its effect on men's lives, those of us concerned with technology and those of us concerned with institutions should begin to work more closely together in an effort to make these communications serve man's highest needs and interests.

REMARKS OF
Mr. Clay T. Whitehead
Director, The Office of Telecommunications Policy

at the

National Cable Television Association

Twentieth Annual Convention

Washington, D.C.

July 8, 1971

First of all, I want to tell you how pleased I am to be here. For several weeks, I've been looking at a very large pile of forget-me-not seed packages and now I am getting the chance to meet those responsible for this "greening" of OTP.

I visited a number of the convention exhibits yesterday, and I was both intrigued and impressed. I found that they demonstrate once again, and in a very tangible way, the vitality and potential of the cable industry.

Like all electronic communications industries, cable TV's future depends only in part on vitality and potential. It also depends on how the government chooses to let it grow. Tonight, I would like to talk a little about the development of cable television, and about the government's role in that development.

I think it is safe to say that we all view the development of cable as the most important single policy issue on the communication front -- perhaps one of the most significant domestic issues of this decade. Naturally, the Administration wants to take its own careful and constructive look at the problem before any definitive policy is formulated.

We are hoping that we will be able to develop a policy on cable within the next few months. Our purpose in doing so is not to cause the FCC to delay its proceedings, but rather to provide a different perspective on cable regulation -- a perspective we feel is badly needed.

The policy issues which OTP is studying are different from the issues with which the FCC is presently concerned. The President wants an imaginative, forward-looking policy - one which is sufficiently comprehensive to be a valid framework for the next decade.. We are not going to achieve that kind of policy framework by worrying about whether there should be three distant signals or four or none; or by trying to resolve the Byzantine enigma of "footnote 69." The FCC -- and those of you here at this conference -- are rightly concerned with these immediate issues, because they are your bread and butter issues. But those issues are not the real policy issues government must ultimately address -- we must also take the longer and broader view.

Indeed, it was precisely for that purpose that the Office of Telecommunications Policy was established. Our role is

quite simply to formulate executive branch policy on communication matters. We are not a regulatory agency. Our interest is in policy, not the details of rules and regulations. Thus, we would hope to formulate the policy framework within which the FCC, the states, or the courts might regulate -- or not regulate -- cable. A sound cable policy framework must specify such matters as industry structure; common carrier or limited carrier status; the degree and type of regulation; jurisdictions; copyright in the broadest sense; access; ownership; public service uses; and the effect on broadcasters and on special classes of viewers.

I wish that I could predict for you now the results of our policy-making efforts. Of course, I cannot. There are, however, a few things that seem to us to be obvious and fundamental. Let me briefly outline three points.

First, it seems plain that cable is an important example of a new technology which simply does not fit any of our existing institutions. We want to avoid the danger of trying to force cable into unnatural regulatory molds -- molds developed for different purposes in different times. We need a comprehensive new policy to deal with the special problems

and unique capabilities of cable. And we certainly do not want to repeat the mistakes all too apparent in our present framework of broadcast regulation.

Second, the basic criterion by which the Administration will assess the policy options is by their effect on the viewing public. Our principal concern is for people, and the effect of our policies on people. The cable industry has rightfully emphasized the benefits of cable to consumers, and you must expect this to be the criterion by which you will be judged. I think there is a tendency for the regulatory process to get caught up in the short-run dynamics of competing industry viewpoints, without sufficient attention to the longer run impact on the public interest. This typically results in a series of short-run, ad hoc decisions -- compromises, really -- which never add up to a meaningful policy. The potential impact and importance of cable make it exceedingly hazardous to make cable policy by accumulating a series of short-run compromises. Of course, I would be less than candid if I did not admit that political pressures present serious problems. Whatever policy we come up with will have to be not only a good policy, but a timely and politically realistic policy.

Third, and in the same context, it is perfectly clear that television service as we now know it is valued very highly by the public. People spend a lot of time and money on television. No policy will be good, or acceptable to the American people, if it threatens to reduce this basic level of television service. On the other hand, consumers also value additional options very highly -- that is why people subscribe to cable service. The promise of cable lies in its potential for expanding consumer choice, and in reducing the cost of access to transmission facilities. But cable will not reduce the cost of program creation. If we want new and better programming and new services of other kinds, more money must be brought into programming than advertiser-supported TV now seems able to produce. Cable must make its way by offering the public new options that consumers or advertisers are willing to pay for. It is very hard to find a rationale for keeping people from paying for something they would like to buy, particularly if the existing level of advertiser-supported television service is not reduced.

We hope that we can develop a policy which will allow

and encourage cable to offer the public a wide variety of new services, including but not limited to, entertainment, while at the same time preserving or even augmenting the quality and value of existing television service. Only in this way can the full benefits of cable in terms of education, public access, and other special uses be realized. While these special community services offer the potential of great benefit to the public sector, they can be achieved only if cable is a viable business proposition in the private sector.

Combining these three principles in a comprehensive national policy is not going to be easy. Nevertheless, the time for decision has arrived. I think that what we would like to do is to formulate a policy which creates an industry structure conducive to our policy goals. This offers a clearer, more manageable regulatory approach than does the highly detailed, meddlesome, and unpredictable Federal regulation of the traditional sort.

As you know, the President asked that we have a special cabinet-level committee to look into all aspects of cable policy. The purpose of this committee is to provide a forum

within the Administration to discuss the important ideas, explore the alternatives, and provide for the President the views of the concerned Cabinet departments and Administration officials. The purpose of establishing the committee is not, as some have suggested, to delay the growth of cable, but rather to accelerate the development of cable policy.

The second generation of cable can be very exciting, but we must be very certain that we create an environment in which you can plan and grow into the far more important third generation. Your potential and your claim to high level government consideration lies in the diversity and service you can bring to the public, not in the quick profits you can make tomorrow.

You must recognize that you are laying the groundwork for exciting future developments that will profoundly affect this country's future. Although I have been talking tonight mainly about the government's role in that development, we in government - and particularly this Administration - realize that the energy and thrust -- the initiative and vitality -- must come from the private sector. I encourage you in your enthusiasm and your vitality.

I have an economist on my staff who tells me I should make policies which make everyone better off -- or at least no one worse off. Unfortunately, policy making is seldom so easy. But the potential of cable is so great, and its implications for our way of life so far-reaching, that we really may be able to achieve this kind of "blue sky" goal in the cable field. I hope we can all - government, broadcaster, cable owner - work together to that end. I am optimistic that the future is bright and I wish you well. Thank you.

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International Communications -- An American View

Remarks of Clay T. Whitehead
Director, Office of Telecommunications Policy
at a Joint Meeting of the ABA
Section of Public Utility Law and
Section of International and Comparative Law
at the Inn on the Park
London
Wednesday, July 14, 1971

I would like to comment today on the prospects for improved international communications during the next several decades and on some of the problems involved in facilitating that improvement.

Not too many years ago, international communications were of immediate and serious concern to only a small segment of our population -- the topmost leaders of our industrial community, senior diplomats, and those responsible for our national security. That is no longer the case. Whereas in 1960, one international telephone call was terminated or originated in the United States for every 45 persons in our population, the figure last year was one for every eight. By 1980, it is expected to be about one for one, with a total of over 200 million calls. With direct dialing, the growth is likely to expand even faster. I expect that many of you here have had occasion to call back home within the past few days -- on business, or for social or personal reasons. And you may even have dialed direct.

In addition to voice communication services, there is now substantial and rapidly expanding use of international telegraph, teletype, facsimile, and data communication links, as well as television. Last year, the INTELSAT system transmitted an average of 3 hours a day of television programming.

Of all the new technologies which seem to be bursting upon us in recent years -- rocketry, nuclear energy, radically new medical and agricultural techniques -- I think it is no exaggeration to say that the technology of communications is the most important. The others may alter our physical environment; but communications can directly alter ourselves -- our knowledge, our values, our prejudices, our cultural patterns, our morality.

Perhaps we have tended to dwell excessively, in recent years, upon the harmful effects of technology. To be sure, it has given us the capacity to erode or destroy the quality of human life as we know it; but it has also given us, through improved communications, the opportunity to forge a world community more unified, more understanding, and less inclined to self-destruction than ever before. It is communications,

more than travel, that is shrinking the world, and for better or worse we are rapidly approaching the international "global village."

The first permanent international telecommunications facility was established more than 120 years ago -- a telegraph cable between Dover and Calais. It was laid by the paddle tug Goliath on August 28, 1850. During the first night of its existence, the cable was inadvertently severed by a fisherman. (This incident, by the way, signalled the commencement of what has come to be known as The War of the Hooks and the Cables. It is still raging furiously. As in most wars, one side develops new defensive stratagems, only to see them neutralized by offensive innovations of the other side. The cable forces recently developed a "sea-plow," which buries the cable several feet under the ocean floor. Judging from recent events, however, the fishermen have evidently perfected an anti-seaplow plow which will enable them to drag up the cable nonetheless.)

It was not until 1866 that a major ocean was successfully spanned, when the Anglo-American Telegraph Company laid an operational telegraph cable across the Atlantic. The next major step in transoceanic communications was high frequency radio,

which could carry not only telegraph messages but also voice communication. The first commercial system, between London and New York, went into operation in 1927. I am sure many of you remember how unsatisfactory transatlantic "short wave" telephone was by modern standards. There was static, and the entire system could be disrupted by weather or sun spots. I suspect that not many of you remember, however, the approximate date at which we left behind the "short wave" era of transoceanic telephone communications. Technological advances have such a way of weaving themselves into the fabric of our daily existence that they seem always to have been with us. The first transatlantic telephone cable was laid, believe it or not, only 15 years ago, in 1956. Yet, in 1965 -- less than a decade after this major step forward in the cable art -- the United States successfully launched the "Early Bird" synchronous communication satellite. It increased by almost half the prior existing cable capacity for transatlantic telephone traffic. Since that time, satellite technology has improved to the point where the satellite most recently launched for use in the Atlantic Ocean basin has a capacity almost 25 times that of "Early Bird." Cable technology has also seen rapid progress, so that newer

cables will be providing many times the capacity of those now in operation -- and at much lower cost.

My point in recounting this brief history of international communications transmission is to emphasize the accelerating pace of technological innovation: transatlantic telegraph in 1866; shortwave telephone in 1927; cable telephone in 1956; satellite in 1965. Transoceanic transmission capacity and quality has improved so rapidly that the connections at the two ends of that path are becoming the limiting factor. But this same phenomenon of accelerating innovation is observable in aspects of communications other than the transmission function. Operator switching was replaced by automatic mechanical switching, which in turn was soon replaced by electronic switching. Within the past decade, we have passed through two generations of compression techniques, which enable more information to be conveyed over the same facility. In short, technological innovation in communications is not slowing -- but the opposite -- it is cascading.

A second important fact concerning communications technology -- and one which sometimes comes as a surprise to the layman -- is that its progress is fairly predictable.

For example, although there do not exist today economically feasible solutions to all the technical difficulties involved in constructing a submarine cable capable of handling 3,500 voice-grade circuits, it is predicted with some assurance that such solutions will have been devised and the cable actually in operation by the first quarter of 1976.

There seems to be no such thing, however, as an unmixed blessing. One of the curses of accelerating an increasingly predictable technology -- a curse which happens to lie heavy on me -- is that the job of governmental regulation becomes enormously more difficult. Indeed, at times it seems that of all the factors which contribute to a healthy, growing, responsive communications environment, it is only the factor of governmental regulation which has become less satisfactory in the past few decades. The government has always had to assure that the applicants for construction of new international facilities were economically solvent and responsible, and that the new facilities would not create such excess capacity as to render the entire system uneconomical. But in recent years, the accelerating pace of technology has added the necessity of making much more fundamental decisions with some regularity --

basic choices between different modes of communications (for example, cable versus satellite), or between different technologies for achieving improved reliability or other performance specifications. And the increased predictability of technological development -- as well as the enormous "lead time" necessary for the planning, development, and construction of modern communications facilities -- causes these fundamental decisions to be presented as much as 5 years ahead of the time when they are to be implemented.

One might conclude that what is needed is increased efficiency in the regulatory process. Under the chairmanship of Dean Burch, the FCC has been taking significant steps in this direction. But improvement in the efficiency of regulation cannot by itself possibly keep pace with the rush of technology. The basic problems which innovation forces upon us will continue to increase beyond the growth in our capacity to deal with them. At least, that is, if we continue to deal with them by the method we have used in the past: a method developed for an era in which it took 90 years to progress from a transatlantic telegraph cable to a transatlantic telephone cable.

I am suggesting that the solution to this dilemma is to be found not in more efficient regulation of the old type, but in a

new regulation of a less detailed, more flexible character. For want of a better phrase, I shall call it "regulation by policy." It differs from the old regulation -- to use a rough analogy -- somewhat as legislation differs from court-made law. And just as the multiplication of private disputes has forced us to depart from a case-by-case legal system, the multiplication of regulatory problems demands that we depart from regulation by unpredictable adjudication. Regulation by policy would lay down for the guidance of the regulated industry general but firm, strong but not meddlesome, policies that will govern the regulatory decision when it must be made. Having provided such guidance, it will be unnecessary to make the actual decision 5 years in advance of the date for its implementation. That may await the time at which all of the economic, political, and technical considerations can be adequately assessed. Only by such a process, I am convinced, can we steer between the two rocks of either retarding an innovative and developing industry by uncertainty, or else providing the public with decision-making that is uninformed because it is premature.

In order to put these thoughts in concrete context, let me discuss for a moment the matter of licensing new

international facilities. Recently the American Telephone and Telegraph Company applied to the FCC for permission to construct a new transatlantic telephone cable. I will not go into the details of that proceeding -- they are unimportant to my point. What is important is that at the time the application was made, the company had no assurance as to what it needed to establish, in order to obtain the permission -- other than the vague statutory criterion that the installation had to be "in the public interest, convenience, and necessity."

Recently, in connection with the FCC inquiry into policy and guidelines for the licensing of overseas facilities, the Office of Telecommunications Policy submitted Policy Recommendations which would reduce this uncertainty. They provide an example, in the international field, of the kind of new regulatory approach I have in mind. I will, if I may, briefly summarize a few of those Recommendations for you.

1. New facilities will be authorized when necessary to meet valid growth requirements, and when it can be shown that they will result in the lowest additional cost for comparable capacity, reliability, and quality.
2. Excess capacity or redundant facilities will be authorized only to make prudent allowances for

failure of facilities and to enable automatic restoration of service.

3. The government will not be committed to any particular ratio between satellite and cable facilities, as investment in new facilities should be governed principally by operational needs and economic advantages.
4. Specialized government requirements do not justify the approval of inefficient facilities, but will be met instead by government lease or construction of its own facilities.

—Such guidelines are obviously very basic -- but they have infinitely more content than that empty bottle, "the public interest, convenience, and necessity." They are, I think, necessary, unless the industry is to be left completely incapable of that long-range planning which modern technology both permits and requires; or unless the actual authorization of a particular facility is to be made years before we can be confident it is desirable.

Regulation by policy cannot give the industry utter certainty. Nothing can do that in a rapidly changing field except hasty commitment to a particular technology which may well turn out to be wrong when all the facts are in. But regulation by policy, with explicitly stated criteria, can at least avoid adding to the normal risks present in any innovative field, the blind gamble of governmental whimsy. Industry can then be less dependent on the task of alternately divining and cajoling governmental reaction, and may direct more of its energies to sound planning and efficient operation. The industry and the public are the gainers.

I may add, by the way, that the "framework of policy" for ~~international~~ facilities which the FCC ultimately adopted in its inquiry was consistent with our recommendations -- although providing somewhat less specific guidance to the industry than I would have desired. In its future proceedings, the Commission will presumably flesh out its rather brief general statements.

I have been speaking up until now as though we were concerned with exclusively national regulation. We are not. There must be someone at the other end of that international line -- which means that other governments' actions must also

be considered in our policies -- and vice versa. One of the major difficulties in the field I am discussing -- and one, I think, which has not been given adequate analysis and attention -- is that the long range predictability, essential to intelligent technological advancement, cannot be achieved without close international cooperation.

The usual problems of international cooperation are complicated here by the fact that communications is a commercial activity in the United States, but a governmental function in most other countries. It is, by and large, inappropriate for the FCC, as an independent regulatory agency, to speak for the United States in dealing with foreign governments; and the problem cannot be left to private industry alone. The United States must find a way to combine government and industry to speak to our foreign partners -- so that we can deal effectively with them, and so that they can have some confidence in the direction and predictability of US action. The problems are many and complex, but we must begin to talk -- informally at first and perhaps later with more formal cooperation. No adequate framework now exists for such cooperation, and to my knowledge not even very much systematic thought is being given to the creation of such a framework.

To be sure, the International Telecommunications Union -- the oldest and perhaps the most successful of international organizations -- is performing excellent and indispensable service. Its focus, however, is the formulation of technical standards -- such as the achieving of essential agreements concerning frequency allocations. The major issues and problems, however, are no longer technical. Consider, for example, the problem of establishing generally accepted criteria for approval of new international facilities. Even a criterion as basic as "use of lowest cost facilities" may not receive, in practice, international allegiance. In some cases, the lowest cost facility may happen to be beyond the present technological capacity of one or more nations, so that all would not share equally in procurement. These are inevitable conflicts of national economic interest. If the international communications industry is to enjoy the predictability of government regulation which I seek, some means must be developed for isolating such basic conflicts, assessing their gravity, and coming to some understanding as to their resolution, well in advance of the time when specific new

facilities are to be installed. The developing technology and the lengthy "lead time" for new installations require this.

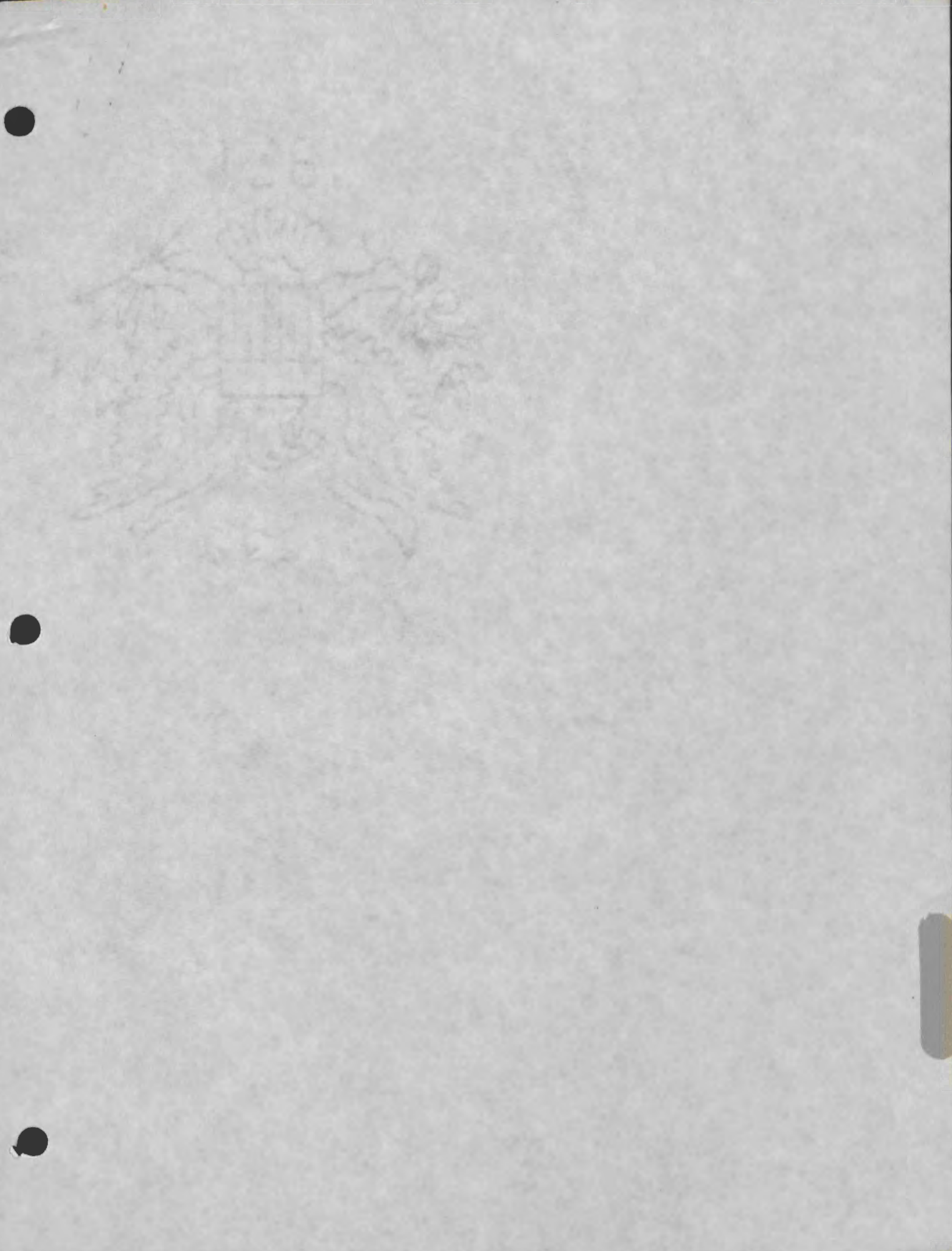
I frankly do not know the precise form which such a framework for early international agreement on such matters should take. I tend to think that the ITU is not likely the proper forum, since it is desirable to separate as much as possible the rationally soluble technical problems from the less analytical -- not to say irrational -- political and economic issues. Other organizations, such as UNESCO, have concerns too broad to serve for the efficient and timely resolution of the complex and rapidly changing problems involved. It may well be that a new organization is needed, in which US industry, as well as the US Government, can participate with other nations. I have no quick solutions -- but I do voice a call for an immediate and active investigation of such an organization.

When I first learned of the composition of the group which I was to address today, it seemed to me like something of an unnatural union. The more I have thought of it, the more I have become convinced that it is not. The utility lawyer -- in particular the lawyer concerned with communications regulation -- and the international lawyer must form an ever

closer partnership in the future. Communication technology travels further and faster than our other scientific advances. It can be applied directly and immediately even in those countries which lack the climate, the resources, or the industrial base for other modern technology. In fact, it is such nations which communications technology can benefit most. The bright future of communications, it seems to me, is international. And as I indicated earlier, the bright future of international relations -- the Global Village -- is to be found in communications.

And so in government, as well as in the private sector, the public utility bar and the international law bar will have to draw increasingly upon one another's talents. And Government will have to draw on the ideas of both.

I am pleased to be present with both groups today, and hope we can see more of each other in the future.



REMARKS OF

Mr. Clay T. Whitehead

Director, Office of Telecommunications Policy

at the

Office of Communication, United Church of Christ
Broadcast and Film Commission of the National Council of Churches
Cable Television Seminar
New York, New York

September 13, 1971

I can think of two reasons why this group is interested in cable television. The first is that cable is a new mass communications medium with uncertain -- but potentially profound -- effects on society. As such, you are doubtless interested in public policy which will determine the social effects of cable, and you probably want to try to affect that policy. Most of my remarks will be directed to that sort of interest. The other reason you might have for interest in cable is the possibility of religious and other "public interest" programming on the new medium. I will say a few words about that at the end.

The opportunities of cable television and the political conflict that surrounds it cannot be understood or appreciated outside of the context of the present television industry and its regulation. Present day commercial television does some things very well indeed, and other things badly -- or not at all. One of the things it obviously does well is to provide very inexpensive entertainment for a large majority of our population. Television also provides daily coverage of the most significant news events so successfully that it has become the number one source of news for the average American. And in spite of the fashionable criticism of television commercials, television does perform an important role as America's number one advertising medium.

These are all things that in a democratic, free-enterprise society ought to be done, and it should be clear that in these ways television already serves the public interest. But these are not the only things worth doing, and it is to the undone or unserved areas that most people refer when speaking of public interest programming. Commercial television, for example, does not provide very much good religious, educational, or children's programming. It does not offer the viewing public a very wide range of choice in terms of political discussion or social commentary. Nor does it offer entertainment programming that appeals to smaller audiences, even though a "smaller" audience may still number millions of people. It does not provide a significant opportunity for the expression of ideas, free from implicit private and governmental censorship. It does not, in short, provide a significant measure of choice to the individual viewer, to the would-be programmer, or for that matter, even to the advertiser.

There is wide agreement in America today that television should be doing many things it is not now doing. But there is not wide agreement how this can be brought about. It is common for the younger generation to talk of the "system" or the "establishment," usually to berate it. It seems to me they are close to the point, although they don't quite hit it. The problem we have with commercial television today is simply that our "system" for governmental regulation has created an industry structure

which makes it almost inevitable that commercial television will offer the kinds of programming it does -- and will not offer the kinds of programming it doesn't. The preferable approach, it seems to me, is not to berate corporations or stations for what they do or do not do; but rather to ask why our current regulatory system does not provide appropriate incentives and structures for meeting those aspects of the public interest which it clearly does not.

We have forced television into an institutional structure designed some 40 years ago for radio broadcasting which requires the individual private licensee to exercise direct control over content. Recognizing the great power implicit in such an arrangement, together with the limited number of channels, there have been growing pressures in recent years to substitute for this private content control a countervailing power of Federal content control.

At this point, we are perilously in danger of jumping out of the frying pan into the fire: We have created and actively preserved a structure which makes it unfailingly uneconomic for television to serve many public service needs, however strongly felt, in an industry that is by public policy uneconomically competitive. But we indignantly berate the broadcaster for following the incentives of economic survival that public policy has sent out for him in the first place, and in the process we raise the very dangerous specter of Federal content control.

The present procedures for ensuring reasonable public access to the airwaves are awkward, expensive, uncertain, and lengthy license challenges or fairness doctrine cases -- which by their very nature make adversaries of the licensee and the challenger. We should minimize this problem in the new medium, and thus reduce its importance in the old.

One thing is very clear, and that is the need for a very wide and vigorous public debate on the nature of our national objectives for mass communications. Good policy is never made in a vacuum. Yet this issue has not received one-tenth of the public attention that it deserves. The issue should be decided in the context of active public debate and the widest possible forum.

Cable policy must look ahead of the probable environment of the 70's. The institutions of our society and our economy will continue to be subjected to unprecedented stress in the seventies. The word "television" now represents a fairly rigid institution; it is a box with 12 channels, on which you can view three networks, and perhaps two or three other kinds of channels. The TV institutions of today will have to change over the 70's and cable will be a major part of that change.

I refer to changes which will make TV less a vehicle for the presentation of entertainment, and more a medium for mass communications

and interaction in all fields of human endeavor. People may rely upon TV for purposes which today would not occur to them -- to keep informed on local politics and school affairs; to shop or vote; to advance their education, including education in some fairly specialized skills; and, it could be, to receive a new type of religious support.

But just as TV will have to change institutionally, so our other institutions will have to change in response. For although the medium may not be the message, the medium has an enormous impact upon the nature of the messages that can be conveyed and on how they are perceived.

It is this interaction between the medium and the message that makes the structure of television so very important in a free society. How we structure TV -- the kinds of mass communication we allow and disallow, encourage and discourage -- determine in a very fundamental way how our other institutions communicate and relate to one another and to the general public. Mass communications have a way of changing us as a people at the same time that they are changing how we communicate. The generation which came of age during the 60's, the so-called first "TV generation" responds quite differently than those of us who grew up before television. They are more aware and more perceptive; less reflective and less patient. My point is not to pass judgment, but to observe that under the influence of new mass communications media, the people as well as their media are quite simply different than they used to be.

I suspect that much of the problem faced by organized religion, structured education, and government in reaching young people can be traced to this cause. Religion and education, as well as many other of our social institutions, will have to shape their message to the new media. The commercial advertisers have mastered that skill in the medium of the old TV. Public interest groups by and large have not.

As you work for changes in our broadcast institutions, therefore, I think it is essential not merely to clamor for more "free" time for "good" causes; not merely to challenge licensees for the failure to provide a small percentage more time for religious and social matters -- but to analyze what the most effective roles and messages of religion, education, and other social institutions should be in a mass communications society and how they can most effectively use existing and new electronic media.

In summary, I see the challenge which presently confronts you as twofold. First, to take an active role in developing the structure -- the syntax, if you will, which will govern the language of mass communications in the coming decades -- that is, to help develop the organizational framework for the media in such a way that they will be able to convey the message which you wish to impart. And second, to use that syntax in the manner which will most effectively reach the citizenry of the TV age -- for access does not assure that people will watch.

We in Government earnestly seek to work with you in the first challenge -- for we share it with you -- and we encourage you in the second.

It is my hope that we can create a mass communications structure for our future society that is compatible with our society, religious and economic heritage. License challenges and fairness doctrine disputes are not the answer to the need for a constructive approach.

I hope that government, broadcaster, cable owner, and public groups can all work together to find that constructive approach we so badly need in this field.

USITA

9/16/71

(No Text)

National Association of Radio Telephone Systems

9/24/71

NO TEXT

REMARKS OF

Mr. Clay T. Whitehead, Director
Office of Telecommunications Policy
Executive Office of the President

at the

Ohio Association of Broadcasters
Fall Convention
Columbus, Ohio

September 29, 1971

When I started to prepare my remarks here today, I thought I would focus on those issues that are of critical, current concern to broadcasters. Unfortunately, the schedule does not permit me to devote six or seven hours to this subject. But I don't mean to make light of it--the sheer volume of problems facing you and those in government is almost a problem in itself. Someone must have opened Pandora's Box when we weren't looking.

If it's of any comfort to you, many of your economic problems at least are not too different from those faced by other businessmen. Although there may be some questions to be cleared up, I understand that the price guidelines for broadcasting are working smoothly. If there are any problems, however, we want to hear about them. You should be assured of equity and clarity in the administration of this set of regulations. I've heard this hasn't been your experience in your other brushes with government regulation.

We're working to change this. We should approach your broadcast regulatory problems in the same vein that the President has faced our economic problems. The President's new economic policy is coming to grips with fundamental problems in our economy--

problems which not long before seemed intractable. I want to take the same general approach to our communications policy problems by doing a thorough job of analysis and then proposing a solution that goes to the heart of the matter. I want to apply the Administration's style of policy-making to such problems as CATV, license renewals, the Fairness Doctrine and radio/TV regulation generally. Let me give you some idea of how OTP views these problems.

CATV

First CATV--the President's Cabinet committee on cable television has almost completed its study and will soon issue recommendations on a policy to guide the careful integration of cable technology into our public communications system. While this long-range study was going on, we sought an accommodation to the short-range problems of CATV growth. We tried to see if the parties could resolve the tough regulatory problems of distant signals, Footnote 69 and leapfrogging in a rational framework of CATV copyright liability and broadcast program exclusivity. The attempt failed--some say it was doomed to fail. The doom sayers were proved right--they regularly are in Washington.

But we haven't given up. Shortly, we will respond to Senator Pastore's invitation to comment on the FCC's CATV proposals, in light of the Cabinet committee's work and our own views on the FCC's regulatory approach. Naturally, it would be premature to go into these matters now, but at the appropriate time we will make our proposals to Congress. You probably will not like all that you will hear.

Does this mean that OTP is pro-cable? Of course we are. Does it follow that we're anti-broadcasting? Definitely not; although sometimes you make it harder for us to support you. Take what's happening in Akron, for example. The cable system there will be carrying home games of the Cavaliers and the Barons live from Cleveland. Cable is giving Akron residents what they want and it doesn't involve taking your signals. We can't oppose CATV for providing this type of service and, if you put up a fight, you can't expect our support.

On a broader basis, we think cable has a lot of appeal. It's the appeal of a technology that offers an opportunity to recast the mold set for our public communications system back in 1934. As cable is integrated into our communications structure, we should try to modify that structure. A system of regulation that requires government intervention in program content can't be our model for the future.

License Renewals

One of the most drastic means of government intervention is the license renewal process. I don't have to tell you of the difficulties that can result at renewal time when your judgments conflict with the government's notions of the type and amounts of programming that will best serve the public in your community. How will you juggle your schedules to get 3% of public affairs programs in prime time? Is it safe to put that U.S.D.A. film at 5 a.m. on Mondays? Is there anyway to count "The Chicago Teddybears" as a children's instructional show? What about radio--will there be a Commission inquiry when you switch from the all-Guy Lombardo format?

Don't bother to do any ascertainment to see what format will serve the public; remember, it's not supposed to deal with program preferences, only problems and issues.

It's really not a joking matter, you risk your future on the way you answer some pretty ridiculous questions. The risk is measurably increased when you have no assurance that your good faith performance over the years will count for much when a rival group decides that you are ripe for picking. Even when a competing group is not involved, renewal time is an appropriate time for negotiations and challenges involving the responsiveness of your programs to local needs, your employment practices and your commercial practices. You can't be insulated from this aspect of the renewal process, but the Commission tried to avoid the worst features of a comparative renewal hearing with its 1970 Policy Statement. OTP generally supported it as a sensible way of giving the conscientious licensee the consideration he deserves, while protecting the interest of the public.

The Court of Appeals held that the policy violated the hearing requirements of the Communications Act. I have no doubt that this interpretation was sound from a strictly legal standpoint. But I question the appropriateness of the court second-guessing the Commission on its so-called "substantial performance" standard. A long established principle governing judicial review of agency action is that the court should defer to the expertise of the agency and not substitute its judgment on the substantive merits of the case. In the broadcast area, this principle seems to be avoided whenever there is a conflict between the public and the

broadcasters. Here the issue seems to be resolved on the basis of whether the court agrees with the result reached by the FCC. This compounds the absurdity of a regulatory round-robin that began with a broad grant of power from Congress to the FCC. The vagueness of the public interest standard under which that power was granted simply invites this type of court review. Besides the courts are just as expert as the FCC in determining the public interest.

You may argue that one for a while, but what's the most appropriate response to the license renewal problem in the aftermath of the court's decision? I'm not certain it is to have the FCC merely change the standard from "substantial" to "superior" and then go on as usual until the next court challenge. The problem is caused by the 1934 Act and it should be solved in the Act. We should have a direct approach which will go to the heart of that problem.

Fairness Doctrine

The direct approach may also be necessary to bring some order and clarity to the Fairness Doctrine area. There must be public access to the air waves. For the public's benefit and your benefit, the access mechanism should be uncomplicated and inexpensive. But it should not be administered in a manner that intrudes unduly on your operations. You have an obligation to the public to provide access for contrasting viewpoints on public issues, but the government has a duty to you to make clear the limits of your obligations, especially as we find ourselves in contentious times when a consumption-oriented life style is just as much a controversial issue as a referendum item or some other specific short-run dispute.

When the application of Section 315 began to get out of hand, the congressional intent was made known and the boundaries of the equal time requirements were clearly defined. Can you discern the boundaries of your Fairness Doctrine obligations? Where is the line drawn in the area of product advertisements? When is an auto company selling a way of life and not a car? Do you balance Chrysler spots with Volkswagen spots? I shudder to think of the controversial issues lurking in certain deodorant ads. What about public service announcements? Army recruiting PSA's don't raise controversial issues; can the same be said for all the anti-drug spots? When do appearances of the President or Governor Gilligan prior to election campaigns call for Fairness time? What ruling applies: the Zapple ruling; the one in the latest Democratic National Committee cases; or all of the above? When do you give free time for contrasting views? What are the relationships between the new right of paid access to the air and the Fairness Doctrine requirements?

Right now I'm not saying how these questions should be answered. I'm not sure I know the answers to some of them. All I'm saying at this point is that we in government have let you down by not doing our job of setting the metes and bounds of what is now an amorphous set of far-reaching requirements which you interpret at your peril: if the renewal policy of the 1934 Act is its Sword of Damocles, then the Fairness Doctrine is its revolver in a game of Russian roulette. We intend to take a careful look at the Doctrine--if the bullet can't be removed you can at least be given some idea of where it is.

Broadcast Regulation

The problems created by CATV, by renewal policies and the Fairness Doctrine are all related in the struggle for public access to broadcast channels.

The trustee role of the licensee under the Communications Act is workable as long as the public is willing or at least content to trust you. But when hard questions are being asked of all institutions that have traditionally enjoyed the benefits of public trust, you can expect that you will be challenged--that ways will be sought to make you more responsive to the public through the renewal process and the Fairness Doctrine and even to phase you out in favor of a technology that need not be dependent on any individual public trustee.

Despite all the bitterness engendered by specific access disputes, as evidence by the the license challenges right here in Columbus, and other Ohio cities you should recognize that your critics are doing nothing more than seeking more effective and more practical means of achieving the intended results of the Communications Act. It's fruitless to argue at this late stage that the intent of the Act has been perverted. Times change--this is the way it is now. If you don't like it, either change the Act or find a line of business where there's no Communications Act and a public committed enough to tell you what its interest is. It's a fundamental issue--one that won't be solved by patchwork approaches to superficially unrelated regulatory problems.

No matter how the renewal challenges are resolved in Columbus and elsewhere, the process of redefining the broadcasters' relationship with the various publics to be served is just beginning. This painful and difficult process can proceed as it has begun. It can go on city-by-city in an atmosphere of mutual distrust, emotional blood-letting and even fear, or it can be recognized for the critical policy problem it is and approached in a manner that does not pit broadcasters and citizens in a battle that both view as essential to their survival. No progress can be made when local broadcastors and local citizens groups see themselves as adversaries--this is the ultimate perversion of the intent of the Communications Act -- from public trustee to public enemy. We've got to go back and work out a new relationship between the licensee and the public before this goes much further.

We must address ourselves to these basic flaws that are all too apparent in our broadcast regulation, especially the structural flaws that developed in our public access mechanisms. At the same time, we need a separate policy for cable television. The growth of cable technology will force us to consider access problems in the overall context of a public communications system of the future. We can't simply engraft broadcast regulation to cable technology. The Communications Act is the only source of policy guidance for the FCC, but cable television does not fit the Act. We must have a clear conception of what we want from cable and how we want to regulate it. The cable

policy must be consistent with a modified broadcast policy and must reflect the ultimate goal of that policy. We should, in short, end up with two TV communications policies--each tailored to the different technologies of distribution but each directed to the same access goals.

Most discussions of new policy directions sound pretty abstract, this one is no exception. But what's the bottom line? How does it all affect the daytimer in Dayton? Let me give you one example. So far I've focussed on the implications of your relationship to the public, but changes in this relationship also call for a modification in the way the government deals with you. We have to move to a more flexible style of regulation--to regulate by legislative policy rather than by detailed agency oversight. Let's be realistic--we simply can't continue to proliferate renewal applications that are weighed rather than read--don't worry about what your programs say, just be sure the percentages look ok and the application weighs a lot--10 lbs. will be superior service-- 3 lbs. will lead to a short-term renewal.

Where has this type of regulation led us in the radio area, for example? We started out regulating TV as if it were radio with pictures--now we regulate radio as if it were TV without pictures. This is not much progress in 40 years of regulation. Our regulators are so bogged down in detail that they haven't been able to notice that radio is different, or, if they've noticed, they've been too busy to do anything about it. When we deal with access and other problems in radio, our thinking

must take account of radio's greater numbers, its different competitive situation, its different impact on the public mind and the public debate. It is a different medium with a different message. Does the difference justify, for example, a different set of fairness obligations, different treatment for cigarette commercials, political spots and other forms of radio advertising; different license renewal policies; different ascertainment requirements?

The whole rationale of radio regulation started changing in the early 1950's. It's going to change more as CATV systems start offering more and more audio services. Let's recognize this. We don't have to change human nature -- even I'm not expecting this -- all we have to do is to give our regulators fewer details to get into. Let's start with radio. Maybe we should think about the deregulation of radio, instead of pulling it along as television regulation is expanded in a policy vacuum.

We've covered a lot of ground here today, but, as I said at the outset, we're besieged with problems -- problems that call for a more searching analysis than they've received up to now. The Administration will undertake this responsibility and will deal directly with the crux of each problem. The President is committed to this type of approach, but if it's to succeed you must participate in the process by letting us know your views and helping us work with you to a responsible and responsive solution.

***REMARKS OF**

Clay T. Whitehead, Director

**Office of Telecommunications Policy
Executive Office of the President**

at the

**International Radio and Television Society
Newsmaker Luncheon**

**Waldorf-Astoria Hotel
New York, New York**

October 6, 1971

***AS DELIVERED**

This is a major speech -- I read the advance billing and felt I had to say that. I was also billed as one of the youngest and most controversial figures in government and communications. Before I've even opened my mouth, Nick Johnson hates me.

Before I read that advance billing, we had planned one of my usual speeches. You know -- a state of the universe message. But after a year of stating and restating the problems, I guess I can't get away with that any more. So this won't be that kind of speech, but I've gotten attached to the format, so I'd like to spend a little time on the state of broadcasting. I don't claim to have the expertise that any of you have in broadcasting; but in the first year of OTP's life, we've been exposed to many of the relationships between government, broadcasting, and the public. Today, I want to focus on those relationships.

I'll probably sound a bit naive to you when I say that some of these relationships don't make sense and should be changed. But why can't they be changed? -- especially when they are the cause of many of our problems. The Communications Act isn't sacrosanct. It's a 37-year-old law that was intended to police radio interference -- and it has frozen our thinking about broadcasting ever since. But something more than that is needed in a day when the electronic mass media are becoming the mass media.

There are a number of directions to choose from, and I'm here to propose one -- one that redefines the relationships in the Communications Act's triangle of government, private industry, and the public.

But before I tell you what my proposals are, let me first tell you why I think a change is needed and why you should want one too.

Look at the current state of the broadcasting business. You sell audiences to advertisers. There's nothing immoral about that, but your audience thinks your business is providing them with programs. And the FCC regulates you in much the same way the public sees you. It requires no blinding flash of originality on my part to see that this creates a very basic conflict.

CBS's Programming Vice President says:

"I've got to answer to a corporation that is in this to make money, and at the same time face up to a public responsibility. . ."

His counterparts at the other networks have the same problem. They all have to program what people will watch -- what gets the lowest cost-per-thousand. Sometimes that's what the people want to watch, but more often than not it's the least offensive program.

But you don't care what I think about your programs -- and you shouldn't have to care what any government official thinks about your programs.

But what does the public think? The signs aren't good.

Look at the new season: Twenty-two new prime-time network law and order shows and situation comedies fill in between movies and sports. It's the same old fare. Life's Harris poll is being interpreted to show that there is wide public dissatisfaction with the entertainment you offer.

Kids and teen-agers are developing an immunity to your commercials. Do you doubt that advertisers are questioning the effectiveness of TV as a sales medium?

How long will you be able to deliver our children to food and toy manufacturers? Parents are calling the Pied Piper to task -- there were 80,000 letters to the FCC concerning the ACT petition alone.

Consider the anomaly of **Blacks** as your most faithful viewers and your most active license challengers.

I suppose it looks like I'm just another critic taking cheap shots at TV. But there's another side to the broadcasting business. In my part of Washington, it's no insult to call someone a successful businessman. You have created a successful business out of the air -- people do watch television. Sure your success is measured in billions of dollars, but it's also measured in public service and all those sets in use.

But your success is taking its toll. It's giving you viewership, but not viewer satisfaction -- public visibility but not public support.

You've always had criticism from your audience but it never really mattered -- you never had to satisfy them; you only had to deliver them. Then the Rev. Everett Parker read the Communications Act. You all know the outcome of the WLBT-United Church of Christ case. Once the public discovered its opportunity to participate in the Commission's processes, it became inevitable that the rusty tools of program content control -- license renewal and the Fairness Doctrine -- would be taken from the FCC's hands and used by ~~the~~ public and ~~the~~ courts to make you perform to their idea of the public interest.

Surprise! Nick Johnson is right. The '34 Act is simply being used and enforced. But where is that taking us?

Look at where we're going on license renewals. In city after city, in an atmosphere of bewilderment and apprehension, the broadcaster is being pitted against the people he's supposed to serve. The proxy for the public becomes the patsy who is held responsible for the Vietnam War, pollution, and the turmoil of changing life styles. As the East Coast renewals come up again, you're snickering about ascertainment -- sure it was designed for Salina, Kansas, and not New York City -- but I'll wager you'll all wrap yourself in interview sheets when your applications are filed in March. But that won't make you less vulnerable at renewal time because you can have no assurance that your efforts over the years will count for anything if a competing application is filed. "Substantial

performance" becomes "superior performance" at the drop of a semantic hat and means that the government has finally adopted program percentage minimums. That's the current price of renewal protection.

So while we all talk about localism, we establish national program standards. You go through the motions of discovering local needs, knowing that the real game is to satisfy the national standards set by government bureaucrats. But it's not a game. Right now your programs are being monitored and taped and the results will be judged under the FCC's 1960 Program Statement. Can you be safe in all 14 program categories?

The Fairness Doctrine and other access mechanisms are also getting out of ~~hand~~ control. It is a quagmire of government program control and once we get into it we can only sink deeper. If you can't see where it's leading, just read the Red Lion and BEM cases. The courts are on the way to making the broadcaster a government agent. They are taking away the licensees' First Amendment rights and they are giving the public an abridgeable right of access. In effect, the First Amendment is whatever the FCC decides it is.

However nice they sound in the abstract, the Fairness Doctrine and the new judicially contrived access rights are simply more government control masquerading as an expansion of the public's right of free expression. Only the literary imagination can reflect such developments adequately -- Kafka

sits on the Court of Appeals and Orwell works in the FCC's Office of Opinions and Review. Has anyone pointed out that the Fiftieth Anniversary of the Communications Act is 1984? "Big Brother" himself could not have conceived a more disarming "newspeak" name for a system of government program control than the Fairness Doctrine.

I'm not seriously suggesting that the FCC or the courts want to be "Big Brother" or that 1984 is here, or that we can't choose a different path from the one we now seem to be on. You are at a crossroads -- now you're probably clutching your "Chicago Teddy Bears" and wondering when Whitehead is going to get to the point. The point is: We need a fundamental revision of the framework of relationships in which you, the government, and the public, interact. The underpinnings of broadcast regulation are being changed -- the old status quo is gone and none of us can restore it. We can continue the chaos and see where we end up. But there has to be a better way.

I have three proposals. They are closely related and I want you to evaluate them as a package that could result in a major revision of the Communications Act. The proposals are: One, eliminate the Fairness Doctrine and replace it with a statutory right of access; two, change the license renewal process to get the government out of programming; and three, recognize commercial radio as a medium that is completely different from TV and begin to de-regulate it.

Here are my proposals for television.

First, I propose that the Fairness Doctrine be abandoned. It should be replaced by an act of Congress that provides for both the rights of individuals to speak, and the need of the public at large to receive adequate coverage of public issues. These are two distinct claims, and they cannot both be served by the same mechanism.

To provide for the individual's right to speak, TV time set aside for sale should be made available on a first-come, first-served basis, at nondiscriminatory rates but there must be no rate regulation. The individual would have a right to speak on any matter, whether it's to sell razor blades or urge an end to the war.

This private right of access should be enforced -- as most private rights are enforced -- through the courts, and not through the FCC. The licensee should not be held responsible for the content of ads, beyond the need to guard against illegal material and deceptive product ads should be controlled at the source, by the Federal Trade Commission.

My second proposal is for license renewals. There should be a longer TV license period, with the license revocable for cause. The FCC would invite or entertain competing applications only when a license is not renewed or is revoked. To assure the right of the public to be informed on public issues, the licensee would be obligated to make the totality of programming that is under his control (including PSA's) responsive to the interests and concerns of the community.

The criterion for renewal would be whether the broadcaster has, over the term of his license, made a good faith effort to ascertain the needs and interests of his community and to meet them in his programming. There would be no place in the renewal process for government-conceived program categories, percentages, formats, or any value judgment on specific program content.

I believe these revisions in the access and renewal processes will add stability to your industry, and avoid the bitter adversary struggle between you and your community groups. They recognize the new concerns of access and fairness in a way that minimizes government content control. But there are just too few TV channels, and there is too much economic concentration in TV, to leave these rights completely to the good intentions of private enterprises.

I'm not say that this will eliminate controversies. But it will defuse and change the nature of the controversies.

My third proposal is for Radio De-Regulation: Most of what I've suggested for TV also should apply to radio. But we can go further with radio. This week I sent a letter to Dean Burch proposing that OTP and the FCC jointly develop an experiment to de-regulate commercial radio operations.

We proposed that one or more large cities be selected as de-regulatory test markets, in which radio assignments and transfers would be pro-forma. Renewals would not be reviewed for programming or commercial practices. And the Fairness Doctrine would be suspended. The experiment should be only a first step. For most purposes, we should ultimately treat radio as we now treat magazines.

These are my proposals. The proposals are just that -- I have no legislation tucked in my back pocket that we are about to introduce. But, I will work for legislation if there is support for these proposals. In short, my message on all these proposals is that we've tried government program control and bureaucratic standards of fairness and found that they don't work. In fact, they can't work. Let's give you and the public a chance to exercise more freedom in a more sensible framework and see what that can do.

There is one further aspect of freedom I would like to discuss. Some people suggest that this Administration is trying to use the great power of government licensing and regulation to intimidate the press. Some even claim to see a malicious conspiracy designed to achieve that end. They must ascribe to us a great deal of maliciousness, indeed -- and a great deal of stupidity -- in the attempt to reconcile their theory to the facts. It is not this Administration that is pushing legal and regulatory

controls on television, in order to gain an active role in determining content. It is not this Administration that is urging an extension of the Fairness Doctrine into the details of television news -- or into the print media.

There is a world of difference between the professional responsibility of a free press and the legal responsibility of a regulated press. This is the same difference between the theme of my proposals today and the current drift of broadcasting regulation. Which will you be -- private business or government agent? -- a responsible free press or a regulated press? You cannot have it both ways -- neither can government nor your critics.

Kansas State University
Fall Managers Seminar

NO TEXT

10/8/71

(Rehash of 10/6/71 speech at IRTS)



REMARKS OF

Clay T. Whitehead, Director

Office of Telecommunications Policy
Executive Office of the President

at the

47th Annual Convention
National Association of Educational Broadcasters

Miami, Florida
October 20, 1971

It would be refreshing for you, I'm sure, to hear a convention speaker dwell on all the good things that public broadcasting has accomplished--after all the accomplishments are real. But government policy making doesn't usually concern itself with good news, it deals with problems and policy is my topic today.

Public broadcasting occupies a very special role in my Office and in the Executive Branch generally. It is one of the few elements in our communications system that has had a policy blueprint. The policy for public broadcasting--even its very name--was the result of deliberate study, public discussion, and legislation in the form of the 1962 ETV Facilities Act and the 1967 Public Broadcasting Act. Much of the policy has been developed and administered by the Executive Branch.

The process of developing policy is a continuing one. After four years of experience with the system created by the Act, you and OTP are asking whether the policies that guide public broadcasting work--where they have taken us and where they are taking us. The process has taken much longer than we all wanted it to take. But now I'd like to talk to you about the factors that have shaped our thinking about public broadcasting and how we view the policy questions.

I honestly don't know what group I'm addressing. I don't know if it's really the 47th Annual Convention of NAEB or the first annual meeting of PBS affiliates. What's your status? To us there is evidence that you are becoming affiliates of a centralized, national network.

For example, CPB calls PBS our fourth national TV network--and the largest one at that, with over 210 affiliates. Don Quayle's National Public Radio may be the only real national radio network we have--I half expect Arthur Godfrey--or maybe David Susskind--to be hired to do a "morning magazine" show for NPR. I see NAEB's ETS Program Service transferred to PBS and NPR. Because of CPB's method of funding program production, it's less than candid to say the production system is a decentralized group of seven or eight regional centers. Who has real control over your program schedules?

On a national basis, PBS says that some 40% of its programming is devoted to public affairs. You're centralizing your public affairs programs in the National Public Affairs Center in Washington, because someone thinks autonomy in regional centers leads to wasteful overlap and duplication. Instead of aiming for "overprogramming" so local stations can select among the programs produced and presented in an atmosphere of diversity, the system chooses central control for "efficient" long-range planning and so-called "coordination" of news and public affairs--coordinated by people with essentially similar outlooks. How different will your networked news programs be from the programs that Fred Friendly and Sander Vanocur wanted to do at CBS and NBC? Even the commercial networks don't rely on one sponsor for their news

and public affairs, but the Ford Foundation is able to buy over \$8 million worth of this kind of programming on your stations.

In other kinds of programming, is it you or PBS who has been taking the networks' approach and measuring your success in rating points and audience? You check the Harris poll and ARB survey and point to increases in viewership. Once you're in the rating game, you want to win. You become a supplement to the commercial networks and do their things a bit better in order to attract the audience that wants more quality in program content.

The temptation to make your mark this way has proven irresistible. The press is good. You've deserved the limelight much sooner, but it's coming now with truly outstanding efforts in the up-coming "Electric Company" and "Sesame Street" and "Forsyte Saga" and the BBC's other fine dramatic and cultural shows. You do this job brilliantly. You can pick up where the commercial networks leave off. You can do their children's shows, their drama, their serious music, their in-depth informational programs--you can even be their "farm system" and bring up young, minority-group talent to work in the "majors" in New York and Los Angeles.

You can program for the Cambridge audience that WGBH used to go after--for the upper-middle class whites who

contribute to your stations when you offer Julia Child's cookbook and Kenneth Clark's "Civilisation." It also has the advantage of keeping you out of the renewal and access conflicts now faced by commercial broadcasters. With a few notable exceptions, maybe the community activists don't think you're meaningful enough in your own communities to warrant involving you in these disputes.

As the fourth national network, things are looking pretty rosy for you. Between 1968 and 1970, national broadcast hours went up 43%. This year alone PBS is sending an average of two hours a night down the interconnection lines. But local production of instructional and "public" programs continue a decreasing trend--down 13% from 1968 to 1970. The financial picture at the local stations looks bleak, even though CPB can now raise the range of its general support grants to between \$20,000 and \$52,000 per TV station. But it's still not enough. The average TV station's yearly operating costs are over \$650,000 and the stations are suffering--Delaware may be without a state-wide system, local programs are out on WHYY in Philadelphia, things look bad elsewhere--even at the production centers.

Money alone--great bales of it--would solve a lot of the problems. CPB would be able to fund programs on America's civilization and programs on the Adams family instead of the Churchill and Forsyte families. The production centers could be more independent and the other local

stations could devote more energy to programming, ascertainment and community service instead of auctions, fund-raising gimmicks and underwriting grants. More money could even lessen the internal squabbling that seems to occupy so much of your attention.

But money alone won't solve the basic problems that relate to the structure of public broadcasting--a structure that was to be built on a bedrock of localism. I've read Arthur Singer's speech last June at Boyne Highlands and I've read the Carnegie Commission Report and the legislative history of the '67 Act. Singer wins--the reality of 1971 doesn't match the dream of 1967.

Do you remember that the Carnegie group put its principal stress on a strong, financially independent group of stations as the foundation of a system that was to be the clearest expression of American diversity and excellence; that the emphasis was on pluralism and local format control instead of a fixed-schedule, real-time network, and that this view was reflected in the House, Senate and Conference reports on the '67 Act; that CPB was supposed to increase options and program choices for the stations; and that the Carnegie Commission wanted general operating funds to come from HEW because of the concern that the corporation not grow too big or become too central. As Dr. Killian put it, if stations had to look to the corporation for all their requirements, it would lead "naturally, inevitably,

to unwise, unwarranted and unnecessary centralization of educational broadcasting." The concept of dispersing responsibility was essential to the policy chosen in 1967 for public broadcasting. Senator Pastore said on the floor of the Senate that, "since the fundamental purpose of the bill is to strengthen local noncommercial stations, the powers of the Corporation itself must not impinge on the autonomy of local stations."

The centralization that was planned for the system--in the form of CPB--was intended to serve the stations--to help them extend the range of their services to their communities. The idea was to break the NET monopoly of program production combined with networking and to build an effective counterforce to give appropriate weight to local and regional views.

In 1967, the public broadcasting professionals let the Carnegie dreamers have their say--let them run on about localism and "bedrocks" and the rest of it--let them sell the Congress on pluralism and local diversity--and when they've gone back to the boardrooms and classrooms and union halls and rehearsal halls, the professionals will stay in the control room and call the shots. The professionals viewed the Carnegie concept of localism as being as naive and unattainable as the Carnegie excise tax financing plan. They said that no broadcasting system can succeed unless it appeals to a mass audience in one way or another;

that networking in the mold of the commercial networks is the only way to get that audience; that a mass audience brings a massive reputation and massive impact; that it's cheaper, more effective, more easily promoted, simpler to manage, and less demanding on local leadership than the system adopted by the Congress; and they are right. But is that kind of public broadcast system worth it? Is it what you want? What your community needs? What's best for the country?

You've been asking yourself these questions. For you, the past few months have been a time for self-analysis and hard questions--from Singer's Boyne speech, to the Aspen meetings; the Jack Gould-Fred Friendly debate on the pages of the Sunday New York Times; the discussion that's been going on between my Office and CPB; and the emotional debate within public television over the FBI sequence on "Dream Machine." Your public debate has focussed on the fundamental issues and you're to be admired and respected for it.

You are grappling with the policy imposed on a going enterprise in 1967. That policy was not only intended to change the structure of ETV, it was also supposed to avoid the structure of commercial TV and to steer clear of a government-run broadcast system. There are trade-offs in this policy. For example, if you imitate the commercial structure, all we have is a network paid for by the government and it just

invites political scrutiny of the content of that network's programs. We're asking a lot of you when we expect that you implement the policy chosen for public broadcasting. But some of you haven't succumbed to despair yet. Some of you don't want to be a fourth network. Some of you are trying to make the policy work.

For example, PBS will be trying to use its interconnection for program distribution as well as networking; it's trying to broaden the base of small station representation on its Board; CPB is trying to devote more funds to general operating grants; as long as there is a centralized network, Hartford Gunn is trying to make it work in a responsible manner despite the brickbats and knives that come his way; some local stations are really trying to do the job that must be done at the community level. I recognize this. I appreciate the problems you face.

CPB seems to have decided to make permanent financing the principal goal and to aim for programming with a national impact on the public and the Congress to achieve it. But look at the box that puts you in. The local station is asked--and sometimes willingly accedes--to sacrifice its autonomy to facilitate funding for the national system.

When this happens, it also jeopardizes your ability to serve the educational and instructional needs of your communities. All the glamor is packed into your nighttime schedules and the tendency is to get more public attention

by focusing on the news, public affairs and cultural programs that are aimed for the general audience. But there must be more balance in your service to your communities. In quantitative terms, your schedules are already split equally between instructional and general programming. But in qualitative terms, are you devoting enough of your resources to the learning needs of your in-school and in-home audiences?

Do any of you honestly know whether public broadcasting--structured as it is today and moving in the direction it seems to be headed--can ever fulfill the promise envisioned for it or conform to the policy set for it? If it can't, then permanent financing will always be somewhere off in the distant future.

The legislative goals for public broadcasting--which I hope are our common goals--are:

- (1) to keep it from becoming a government-run system;
- (2) to preserve the autonomy of the local stations; and
- (3) to achieve these objectives while assuring a diversity of program sources for the stations to draw on in addition to their own programs.

When you centralize actual responsibility at a single point, it makes you visible politically and those who are

prone to see ghosts can raise the spectre of government pressure. When you, as local stations, are compelled by the system's formal structure, its method of program distribution, the mere lack of a programming alternative or simple inertia to delegate formulation of your program schedules to a central authority, how can you realistically achieve the objective of local autonomy. All we are left with is the central organization and its national programs and that was never intended to be an end in itself. When the struggle is simply between the Washington center and the New York center, it doesn't much matter who wins. It probably isn't even worth the effort.

You've been told at this convention all that you should do--that you should be--as cablecasters, minority group employers, public telecommunications centers and the lot. But is enough expected of you when you are branch offices of a national, public telecommunications system? It would be a shame for you to go into the new world of electronic education centers offering a dazzling array of services without engaging in the most exciting experiment of all--to see if you as broadcasters can meet your wide responsibilities to your communities in instructional and public programming. It's never been tried and yet, as a policy, it's America's unique contribution to broadcasting--it's our concept of mass communications federalism.

Your task then is one of striking the most appropriate balance in determining the local station's role in the public broadcast system--a balance between advancing the quality of electronic instruction and the quality of programs for the general public and, ultimately, the balance between the system's center and its parts. You have to care about these balances and you have to work for them.

We in government want to help, but the initiative must come from you.

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National Association
of
Manufacturers Telecommunication Committee

11/11/71

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REMARKS OF

Clay T. Whitehead, Director

Office of Telecommunications Policy
Executive Office of the President

at the

Regional Conference of
The National Association of Broadcasters

Dallas, Texas
November 17, 1971

Last Wednesday the Boards of both the cable television association and the NAB compromised many of their differences and agreed to support significant modifications in the FCC's proposals for ending the distant signal freeze. On Thursday, the MST Board voted to go along and we learned that the major program production companies had also agreed. As news, this is pretty stale, as history it's very current, and it could be a most significant milestone for the electronic media. Today I'd like to tell you why I think this assessment is not extravagant.

First, how was it accomplished? Let's face it--broadcasters and copyright owners were ready for a settlement once it became apparent that cable's star at the FCC was on the ascendancy. Cable operators chose certainty and a quick end to the freeze rather than endless challenges to their right to exist. This is not to say, however, that the outcome of the settlement discussions was a certainty. There were some very doubtful moments. Obtaining agreement on the details of the compromise among the disparate factions in each industry was a difficult and, some thought impossible, task. It was accomplished by extraordinary leadership on the part of industry representatives. I can't give them enough credit. We in government, especially Chairman Burch and his staff, worked with the industry leaders, but it was truly an industry effort in which government cooperated.

The substantive details of the settlement dealt with the bread and butter issues of the number of distant signals, the definition of a local signal under the significant viewing standard, and leapfrogging restrictions. These types of determinations are best resolved by the affected industries and the FCC. OTP did not impose its judgment on how these matters should be decided. We simply felt they should be decided without a free-for-all in the Congress and the courts. We felt that the public had a substantial interest in having the industry representatives agree on provisions that would permit cable to expand its program services to many new areas, while preserving the continued availability of programming offered by local television broadcast stations. This goal has been achieved.

The settlement also achieves other important public interest goals. It deals for the first time with the problems of radio distant signal importation and provides exclusivity protection for copyrighted television programs. The settlement assures the economic viability of the existing television program production companies and encourages new ones to enter the field by enabling them to collect copyright fees from cable operators and to sell adequate exclusivity protection to broadcasters. The public has a substantial interest in fostering a diversity of program supply sources in this manner.

Copyright and programming were central to the compromise. This reflects the view that government policy must treat the electronic media from the public's viewpoint. We do this when we focus on the program services offered and not the means of transmission.

But where's the programming going to come from? What incentives are we going to use to encourage new program sources? Will the availability of many channels simply illuminate the scarcity of attractive programs or will it spur the development of programs of a kind not feasible today? These are the appropriate questions government can ask about programs--not how can we manipulate each station's or cable system's programming, but how can we encourage program diversity and choice so we won't have to manipulate content.

The compromise gets cable growth underway and enables us to turn our attention to this type of very basic, longer range problem. To get back to my opening point, I see this as the real significance of the settlement. With the skirmishing on distant signals, footnote 69, and leapfrogging out of the way, we can concentrate on how broadband cable can become an integral part of our communications media.

This basic issue is being actively considered by the Administration. I recently wrote to Senator Pastore, Representative Staggers and other Congressional leaders giving

them our views on the FCC proposals. Let me summarize them briefly for you:

- (1) We said the "freeze" on cable development should be eliminated and cable should be allowed to grow in an atmosphere conducive to stability and cooperation among the various interests providing program services to the public.
- (2) We also supported modification of the proposals regarding cable retransmission of broadcast signals, as agreed upon in the settlement reached by the parties.
- (3) We ended by sounding a note of caution concerning the balance of the FCC proposals--the ones that don't relate to the requirements for cable carriage of broadcast signals, but aim to mold cable as a new communications medium in its own right. While we favor immediate implementation of the FCC proposals, we recommended that the Congress carefully review these broadband policy issues before the economic structure and the character of the new medium becomes irreversibly shaped by the FCC's proposals.

This means that cable should get going immediately to offer distant signals, build new markets and attract the investment capital it will need for its growth. We have not

yet stated our views on the desirability of the direction for that growth chosen by the Commission. We think that the issues posed by broadband cable must be resolved by the Congress, since there is no statutory guidance for the FCC on how to deal with these issues. While this should not delay implementation of the cable rules, in our view, the Congress will have to give its full attention at a not too distant time to the fundamental and complex policy issues involved in the future of broadband communications.

Broadcasters have an important role to play in the future--and not as cable's adversaries. Broadcasters, cable operators and program production companies are parts of one industry--an industry that provides programming to the public. That's how the public views you. That's how government policy should treat you. If we fail to establish such a policy, broadcasters and cable owners will be pitted against each other and each compromise will be harder to get. It will become a matter of economic survival and then compromise will be impossible. More importantly, we can't predicate media development on a series of short-range compromises. We need a policy and we need Congressional assistance in creating one. This should be our mutual goal.

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REMARKS OF

Clay T. Whitehead, Director

Office of Telecommunications Policy
Executive Office of the President

to the

Undergraduate Communications Class 301:
"Introduction to Mass Communications"
School of Communications
University of Texas

Austin, Texas
November 18, 1971

Schools of communication used to be called schools of journalism. The change represents a recognition of two important trends. The first trend is the belatedly growing awareness that the character of the mass communication media has become technology dependent. The second trend is the increasing acceptance of communication as a legitimate academic discipline, largely through the work of a few distinguished social psychologists and sociologists.

Now it is true that some schools of journalism became schools of "communication" simply by adding a course or two in film-making to their curricula and perhaps buying a video-tape machine. But I think it is generally recognized today that communication means much more than that. People who want to understand the creative process and effects of mass communication in modern society must know something about psychology, law, economics, engineering, political science, and education. Whatever one may think of Marshall McLuhan, he has certainly underscored the breadth of erudition required to understand and use mass communication.

McLuhan's famous dictum, "the medium is the message," is a popularization of some very profound, but not very readable, insights of the Canadian economist, Harold Innes. The point, of course, is that the means of communication in society -- the technology -- is an important determinant of what interpretation is finally conveyed -- and therefore

has great impact on broad economic and political patterns. So long as information could be easily controlled by the church in medieval Europe, the social organization of the Middle Ages could be maintained. The invention of cheap printing processes inevitably changed all that, and helped determine the course of economic and social development for several centuries.

The pace of technological change is accelerating -- particularly communication technology. And it is having profound impacts beyond the school of engineering. The student of communication today must understand not merely newspaper and periodical journalism, but films, radio, television, videocassettes, cable television, and (I suppose) "guerilla theater." Each is a distinct medium, although they more and more interact; and each has its own special opportunities, its own constraints on creativity, and its own peculiar effectiveness in the marketplace of ideas.

Let me take just one example of the effects on creativity of a new technology of communication. It is fairly well established that the long-term trend toward one-newspaper cities is the result of economies of scale in printing and distributing newspapers. Imagine the implications, for both journalists and the public, of a city with a dozen or more newspapers. Of course, these would likely be different from newspapers as we know them today. They might use electronic distribution, with the newspaper being "printed" by facsimile in the home. Or they might

involve video displays of printed and pictorial still frames, other cathode ray tube displays, and other new electronic techniques. People could select their favorite sections of the paper -- sections from each of many papers -- and also select their favorite editorial source for news selection and summaries. These are real possibilities, not science fiction, for the world of journalism you will be working in; they will create a new and exciting challenge for the next generation of journalists and editors, and they will make those professions! much more flexible and creative.

This is only a sample of the opportunities new technology will make possible in the next decade. The real question is whether we will be able to make intelligent use of the new media, and whether there will be a coherent government policy on its use. Many people are questioning the ability of man to really master the fruits of scientific research, or to understand the full implications of their use. I hope the question is not whether we can do so, but how.

The trouble is that new technology strains our institutions. Most industries are economically based on a particular technology of production. But when governmental institutions base policy on particular production technologies, they sanctify existing economic relationships, and are unable to cope with technological innovation. Not only are they unable to cope, they make it still harder for industry and the public to cope. The result is often that government, industry, and public combine in

implicit cooperation to resist -- or ignore -- technological progress. But technology will out, and this means that new technologies often progress in a policy vacuum -- mere stepchildren of existing institutions. No one takes the trouble to think through the full implications of new inventions -- until things finally get out of hand and we can no longer ignore or stifle the new.

Where does this leave government communication policy? It certainly suggests that public and press ought to be very much aware of and participate in the policy process. Recent trends in communication policy are not all encouraging.

We have a basic Communications Act which was written in 1934 -- long before television, much less the newer media. Communication policy in the United States has historically been made by the Congress and the FCC. The FCC is a "quasi-judicial" regulatory agency, responsible to the Congress, not to the President. Because of its collegial structure and because of its judicial nature, the Commission is simply not well structured for policy development. It tends to make policy the way the courts make policy -- by retrospective case history, rather than conscious future planning. It was for this reason that the President asked the Congress to establish the Office of Telecommunications Policy. The Office of Telecommunications Policy serves as the central focus of Executive Branch communication policy development, and as

the President's principal advisor on such matters. We are specifically designed to avoid the pitfalls of case-by-case regulatory intervention. Indeed, we have no regulatory powers at all. Our role is thus necessarily confined to the promotion of policy approaches which are sufficiently useful and persuasive in themselves to convince the FCC and the Congress of their merits.

The Federal courts and the Federal Communications Commission have steadily increased the role of government in communications. For some perverse reason, the First Amendment keeps getting bent into the awkward framework of the 1934 Communications Act, instead of the other way around. We continue to acquire new "rights." The courts have granted us a rather dubious "right to hear" which appears to hold that the electronic media, as "instruments of the government," are required to "inform" us on public issues of controversy and importance. And who is the arbiter of this function? Why, the government itself. There is an important difference between a "right to be informed" and a right to a media structure which is conducive to freedom of press and speech. Freedom here must mean freedom both from private monopoly and from government censorship, implicit or explicit. The right of free speech and press is quite a different animal from a "limited" right of access, selectively defined and enforced on a case-by-case basis by some Federal agency. Yet, it is in the latter direction that we seem to be moving. There is also an important

distinction between a policy approach to these issues and a regulatory approach. This distinction is best understood by imagining the FCC existing only once a year, for a month, instead of continuously. Such a contrivance would force the Commission to make conscious policy decisions, instead of continuous small interventions in particular cases. It would force the Commission to find structural remedies for structural deficiencies in the industries it regulates.

There is an important distinction to be made between dictation by the government of the outcome of private business decisions (the regulatory approach) and the formation of industry structures which take advantage of natural economic incentives, and which lead industry to produce results consistent with government goals. This is the policy approach, and it is much more consistent with economic and First Amendment freedoms than the regulatory approach.

The President is much concerned that government has lost the confidence of the people. It's a question not of the size of government, not of what it does, but of quality. It matters very much how policies are decided, and what mechanisms are employed in carrying them out. It's a question of style. Government must begin to share more responsibility with the people, and to structure institutions which are responsive to the needs of the country.

One of the things we will need most is an informed public and a media establishment which recognizes these distinctions. That is why

your training is so important. You will do well to try to master the complex relationships among media content, technology, economics, and government policy. Only then can you help the public and the government achieve the full promise of the new media, while avoiding the dangers to freedom which lie along that path. Only then will you really have mastered your art, and be prepared to help create a world in which men master technology and ideology, not the reverse.

We are entering the most exciting era in the history of communication. It will be your responsibility as journalists, film makers, editors, and media specialists to take full advantage of the opportunities which will be available to you. It will be the people's and the government's responsibility to ensure that our institutions are flexible and responsive to the new opportunities. I hope that we can move ahead together to make the next generation one in which freedom and progress move hand in hand. Those are, after all, the principles on which our nation was founded. The challenge and the opportunity are no less today than they were then.

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REMARKS OF

Clay T. Whitehead, Director

Office of Telecommunications Policy
Executive Office of the President

to the

Arizona Broadcasters Association

Mountain Shadows Resort Hotel
Phoenix, Arizona

December 3, 1971

Nearly two months ago I made three proposals for halting the present drift of broadcast regulation by lessening the regulatory controls on commercial radio, abandoning the present method of enforcing fairness, and making various reforms in the renewal process. I said I had no legislation tucked in my back pocket, but would work for legislation if there is broad support for the proposals. Since then, people have been discussing the proposals and checking my pockets.

My back pocket is still empty but the proposals have had the intended effect of moving along the discussion of some of the real issues that confront broadcasting today. We have talked to broadcasters, government officials, public interest advocates and others, and have explained many of the details of the proposals, which were necessarily compressed in my New York City speech. In light of this process, today I'd like to "fine-tune" the Fairness Doctrine and license renewal proposals.

I won't get into the details of radio deregulation because everyone seems enthusiastic to give it a try. An experiment in deregulation will do a lot of its own "fine-tuning." It makes a world of sense to streamline the regulatory controls on radio and rely more upon the self-regulation of a marketplace in which there is a multiplicity of outlets and wide latitude for consumer choice. Hopefully the FCC will select a representative group of radio markets--including some small markets--where assignments and transfers would be granted on a pro forma basis

and licenses would be renewed without a review of program and commercial practices. I predict that such an experiment would prove that broadcasters are responsible and can serve their communities without detailed supervision from Washington.

Let's get into the details of the fairness proposal first. I said the Fairness Doctrine should be abandoned. This prompted a few snide remarks comparing my sensitivity to the public interest with that of Attila the Hun. Most of the comments, however, were quite favorable. Most people understood that I suggested abandoning only the confusing, highly detailed procedures for enforcing the broadcaster's fairness obligation. As long as we have a licensing system, we're going to require that broadcasters adequately cover public issues and do so in a fair and balanced manner. But it's virtually impossible virtually impossible to enforce this obligation on a case-by-case, issue-by-issue basis. It means that the FCC and not the licensee decides what issues exist in a community and how they should be covered. For example, in Dayton, Ohio, the FCC defined the precise terms of a local controversy involving the United Givers Fund so that presenting public service announcements for the UGF now requires the broadcaster to give response time to a group that objects to the way donations to the UGF are allocated to local charities.

When the fairness obligation is enforced by Washington in this detail at the local level, the focus shifts--from the

public's interest in being informed on important issues in an objective manner to the interest of various individuals or groups in gaining access to the airwaves to state their particular points of views. Both interests must be served. To you, broadcasting is a livelihood and a public responsibility, but to the public it's our most important communications medium-- you've made it such by your own success. It's no longer a question of whether you must let individuals get on the air to state their views but how they will be provided this access. If individuals must gain this access through the Fairness Doctrine, which is issue-oriented and not intended to give personal access, it would be an illusory right indeed. Exercise of this right would be dependent on the FCC's ideas about who shall speak and who shall not. The individual would have no rights as such, but you would still be forced to put on, sometimes free, sometimes for pay, those assorted groups and spokesmen that the FCC decides you should.

My proposal would create a self-limiting right of direct personal access not dependent on the Government's discretion. This right would be enforced in a manner that would not intrude on the broadcaster's obligation to inform the public on important issues in a fair and balanced manner. It would be a statutory right of paid access to the 10 to 16 minutes in each television hour which the broadcaster sets aside for sale to advertisers. The right would be enforced through the courts and not by the FCC. Views stated in ads would not have to be balanced in

program time. Advertising time and program time would be two separate forums, and the willingness and ability to pay would determine access to the advertising forum. That's not a shocking concept. No one gets free access to the advertising space even on publicly-owned bus lines, let alone newspapers, magazines, or billboards. And we pay more for a full page color ad in Life magazine than for a small ad in the local paper. There is no reason to treat broadcasting differently. No individual has a direct right to have for free the large audience you have built with your programming.

In the program-time forum, an issue-oriented access mechanism would control. The public's right to be informed on important issues and points of view must be recognized and served in program time. Here the licensee's obligation would be enforced as originally contemplated in the FCC's Editorializing Report of 1949. The totality of the programming that is under the licensee's control (including PSA's) would be reviewed by the Commission at renewal time to determine whether the licensee has met his fairness obligation--that is to provide balanced presentations and an opportunity for partisan voices to be heard on the issues. And during the license period, if the licensee badly fails--or doesn't try--to be balanced and fair, a petition for revocation of the license would be entertained by the FCC.

Let's turn now to license renewals. Ever since the days of the "Blue Book," the FCC has told its licensees what type of programming is in the public interest. In the 1960 Programming Statement, it was refined into 14 program categories, featuring public affairs, news, religious, educational and stationproduced programming of virtually any sort. Informally, the signals go out through the jungle-drum network of regulators, lawyers, and licensees, and you get the message as to what kind of programs the FCC wants from you. With the Cox-Johnson 5:1:5 standard, the Commission has also flirted with minimum percentages for the most favored program types. The flirtation has almost become outright seduction, as the FCC now seems ready to adopt percentage standards for determining "superior" performance when an incumbent's renewal application is challenged.

These are disturbing developments--for the public and the broadcaster. If value judgments on program content are unavoidable in the present context of broadcast regulation--and they may be--they should be made as much as possible by the public served by the station and as little as possible by government bureaucrats. As things stand now, hypocrisy prevails, and lip service is paid to local needs and interests while the Broadcast Bureau's concerns and forms really call the tune.

It is largely our regulatory policy, not the broadcaster, that is hypocritical. The theory is that licensees should be local voices, that they should investigate the needs and interests of the public they serve and reflect them in their programming. Government has created a set of incentives for

you, but when the results aren't what the regulators think are in the public interest, they try to fight the system they have created and tell you and your audiences how much of what kinds of programs are best.

If the public, through the government, doesn't like the programming the broadcasting system produces, they ought to change the incentives rather than encourage the government to make the programming decisions. To provide you with the right incentives, I suggested that we eliminate all government-conceived program categories, percentages, formats and other value judgments on specific program content. Then let the Commission strictly enforce a meaningful ascertainment requirement-- hopefully not in the incredible detail of the Primer--let them judge you by your audience's criteria rather than their own. If this means that New York City stations will have no agricultural programs, and Phoenix stations will have Spanish-language public affairs programs, so be it. And if it means one channel in a large market carries little news while others provide a lot, who are we in Washington to impose our judgment and say no?

Although the FCC will still be second-guessing the licensee in order to give content to this "good faith" standard, we will have shifted the focus and purpose of government supervision to enforcement of the local needs and interests requirement in programming. This alone is an effort worth making.

As part of my renewal proposal, I also suggested that the license period should be lengthened and that the FCC should consider new applicants only when the incumbent's license is not

renewed or is revoked. This was seized upon as evidence of my support for broadcasters' present legislative efforts on renewal policy. But that represents a highly selective view of what I said. I share your concern about the stability of the licensing process, for I think that is a key part of the public interest in broadcasting, but I specifically emphasized that the proposals are closely related and should be evaluated as a package. Let me tell you why.

In evaluating any plan to change renewal procedures, you should be highly skeptical of a change that enhances government review of program content, measured against national standards and percentages. In your current mood you may not be inclined to inspect gift horses very carefully, but you must if you care about your longer range future. I sense that your attitude is one of compliance: "Just tell me what I have to do by way of fairness, access, and programming and I'll do it--I'll even be superior to anyone the FCC wants me to be superior to, just tell me who it is. Let's not rock the boat with Whitehead's unrealistic proposals."

I don't think my proposals are unrealistic. Things have been getting worse for broadcasters and they will continue to do so. The battle lines are being drawn tighter every year between you and dissatisfied elements of your public. If I were a true revolutionary, I would watch this trend and say the worse it gets, the more sense my proposals make. But I do not have this revolutionary vision; I want to start now to stop the trend to make the licensee an agent of the government for programming

purposes. The social and economic forces that are causing this unhealthy trend are not going to go away. You are not seeing a temporary madness in the body politic, you are seeing the times change. There is no easy way out. It's more difficult to be private licensees with public responsibilities than it is to be "gate-keepers" For a government-controlled broadcasting forum of communications. It's harder to be free and to exercise that freedom responsibly. I know you want the latter approach. So do I and I'm convinced the public does too.

These are difficult, but exciting times for broadcasting-- indeed for the whole country and the world. The President is working hard to bring about the kinds of change that will let us build our potential into reality in the years ahead. In foreign policy, the New Economic Policy, government reorganization, we are building for the future. In broadcasting too, we want to work with you to make it the exciting and responsive part of our Nation that it can be.

REMARKS OF

Clay T. Whitehead, Director

Office of Telecommunications Policy
Executive Office of the President

at the

Hollywood Radio and Television Society
Newsmaker Luncheon

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I was reluctant to come here today. I heard that the program business was so bad that Hollywood had become a ghost town in the vast wasteland. It's not really a ghost town, of course, but it's not what it used to be. It's no longer just a film town -- it's a communications town now and is heavily dependent on the television market for its viability. This point was pressed on me by the film companies and other program producers during the recent discussions which led to the cable-broadcast settlement a few weeks ago. It became clear that royalty payments from cable operators and the ability to sell adequate exclusivity protection to broadcasters are needed to keep the industry alive. If the industry keeps alive for just a little bit longer they expect to find new markets as broadband cable systems develop.

This immediate objective was achieved. The compromise assures the financial viability of the production industry and encourages new entries since copyright liability and program exclusivity were central to the settlement. The longer run significance of the settlement is that, with cable growth beginning in earnest, we can turn our full attention to the fundamental issue of how broadband cable will be integrated into our communications media. The Cabinet-level special committee on broadband cable is working actively on the complex issues involved in the future of broadband communications, and, as I advised Senator Pastore and other congressional leaders, we hope to work with the Congress and the FCC to resolve these issues.

In recent months, OTP has tried to tackle some of these and other policy problems that will shape the future of electronic

mass communications for years to come. For instance, I proposed changes in the regulatory framework in which government, broadcasters and the public interact. Those proposals deal mainly with ways to give broadcasters the right incentives for covering the problems and issues in their communities in a fair and balanced manner, and to provide a meaningful right of personal access to groups and individuals to discuss these matters on the air. They also are an attempt to bring stability to the license renewal process and preserve the private enterprise nature of the broadcast media.

These are important matters, yet they don't weigh heavily in the public mind. For the public, television is what they see when they turn on their sets; but what do they see and why is it there? What they see is largely entertainment programs, principally network programs, prepared at great expense for a national audience. In the year July 1970 to July 1971, 57 per cent of network programs were music-variety shows, situation comedies and feature films alone, without even counting sports, "soaps" and game shows. Right now the networks supply 3,300 hours of this type of programming in prime time each year. These and other program hours produce some \$4 billion in advertising revenues. The 4 million channel hours of broadcast programs presented each year break down fairly evenly among network, syndicated and locally-originated programs, but the breakdown of program expenditures is strikingly different. More is spent on network programs alone than on all syndicated and local programs combined -- it works out to about three times as much per channel hour. Talent

costs are a big part of the expense and, even when the networks are willing to pay, there's a real scarcity of the kind of talent that's needed -- entertainment talent that can deliver a mass audience -- even when competing against other talent of the same high drawing power. This talent has been and always will be scarce.

The entertainment programs appear on the screen only if the ratings justify it, and the numbers control the programs. Advertising dollars flow to programs attracting the largest audience, since the economic value placed on each viewer is so small. But the margins are small too, and the numbers are hard to get. The competition creates a business that makes ulcers a communicable disease. And the business is getting tougher every day. There are indications that the public is becoming increasingly dissatisfied with what they see on TV. Even the least offensive programming doesn't keep significant segments of the audience tuned in. It's part of a problem that the media have helped create. An aware public is not going to sit still and be sold to advertisers in rating point lots.

Broadcasters can and must do better, but their efforts can have little significant effect because they can't change the system. They are locked into a mold of programming for what is, in effect, three national channels on which competition is fierce for the maximum share of the mass audience, and 20 million people means only viability, not great success. The

system is forced to consider programs only as a means of attracting audience and not the end product of creative labors.

You know these facts and we didn't need an OTP to discover them. What you may not recognize so well is that government regulatory policy has had a big part in shaping the economic structure that broadcasters are locked into; and in recent years, the government has been getting more deeply involved in this process. Government started to set public policy for communications on the assumption that all it was doing was regulating transmission facilities. Then it began to encourage certain favored kinds of informational programming. But we kid ourselves when we think that the FCC has an impact only on this type of program. The impact on entertainment programs is enormous. We are starting to recognize that, although the means of transmission is of secondary importance to the programming, the manner in which government regulates the mode of transmission shapes the economic incentives for the programs themselves. When we recognize this, we realize that we have to treat broadcasters, cable operators and program production companies as parts of one industry -- an industry that provides program services to the public.

It's hard to treat broadcasters this way because, up until now, they never had to satisfy the viewers -- just deliver them to advertisers. The missing element in TV has always been the opportunity for meaningful viewer choice as to what programs they will see. The frustration that this creates often leads the public to urge the government to force

broadcasters to provide the kind and quality of programming that they want or think they want. The FCC has often succumbed to this pressure. But regulatory agencies rarely deal with economic incentives. They more often try to order certain types of results -- in this case programs. Then the broadcaster's program customer becomes the FCC as well as the advertiser. This is a relatively new and disturbing development. For example, we can fight the system all we want and order networks to free prime time for their affiliates. But if the prime time rule fails, it will not be because broadcasters don't want to provide high-quality programs or the programming industry doesn't want to produce them. It's just that the economics of the medium make it difficult or impossible for them to do so. We cannot change these facts by dictating the kinds of programs that are in the public interest. This type of program regulation is unfortunate but perhaps inevitable, when there is no opportunity for consumer choice in programming and when government attempts to force the outcome it desires while ignoring the economic structure of TV and the incentives built into that structure.

But what impact will new technologies, such as broadband cable and video cassettes, have on the present economic structure of TV? The cassette technology is growing fast and attracting the kind of capital that could make it a major force in the media. It's a technology that does not depend on electronic transmission, but already the FCC is contemplating its regulation. There's been a lot of talk about direct satellite-to-

home as a means of program transmission, but it doesn't look very practical or economical. The most promising new transmission technology will be coming down the street and not from outer space. There is no doubt that broadband cable technology will have a profound impact on the economics of your industry. Cable penetration is expected to increase rapidly in medium-sized metropolitan areas and eventually will be proliferating an ever-growing number of channels throughout the country. The mere quantity of channels and program outlets galore will force you to rethink your present assumptions about programming for a national audience -- assumptions which are based now on only three national channels.

The way TV cassettes and related technologies are developing, people will be able to buy programs at the store and carry them home. I doubt they can be stopped from buying them at home and having them carried by cable. Opponents of cable won't be able to force people to leave their homes and go to a motel for the immoral purpose of paying for a movie on closed circuit TV. As broadband cable and video cassettes grow in the streets and homes and minds of America, you must now begin to consider what lies ahead for your industry beyond next season.

The point is that it isn't bad or immoral to think in the old terms about these newer technologies -- it's simply not economic, or even realistic, to do so. You can't program the new media of outlets a-plenty with the same mass audience syndrome that is at the heart of current broadcast programming.

The networks' 3,300 hours of prime time programs would be a drop in the ocean. With just twenty channels there are 29,000 prime time channel hours in a year. The entire stock of movies produced since 1948 would barely supply enough programming to fill such a system for two years in prime time. Even if we reran all original network programming, that would only add about 18 months. It's clear that the present economics of television simply won't provide twenty channels of quality entertainment programming. And a twenty channel system is already obsolete. Channel capacity is just not a problem. Looking ahead, some cable operators are already sinking two or three cables into the ground. It won't be all that long before 50 to 100 channel systems are operational and, even then, channels could still keep growing at a visible rate.

We are going to need a public policy for the new technologies and, in creating that policy, we must be cognizant of the economic incentives our policy creates. If we don't grapple with this central economic issue, the present programming problems will be magnified when there are 20 or more channels, and the public will still not have the opportunity to make meaningful program choices.

Mass audience programming on a few channels is certain to continue, but the new economics cannot be dependent solely on mass appeal programming. With lots of channels and the relatively low transmission costs they entail, there will be exciting new opportunities to reach specialized audiences:

not just minority audiences of special ethnic or cultural interests, but those slivers of the mass entertainment audience that don't rate anywhere near a 30 share. There is room for programs for those kinds of audiences as well as mass appeal programs. That's what diversity is all about. There are opportunities not only for diversity of programs and program sources, but also, for the first time, for meaningful consumer choice. Not every channel then has to seek out only that exceptional talent that can win in the mass audience competition and this could reduce the costs and increase the volume of program production.

I don't think this is blue sky, but there are many practical problems that must be solved before it actually comes about. Where is the money going to come from to support this new programming? How will public policy for the communications media affect the supply and the demand?

It's clear that revenues from advertisers aren't infinitely expandable. It doesn't seem likely that advertisers will pay much more than the \$4 billion or so they now do. But what if we weren't totally dependent on advertising revenues? Suppose we allowed a mixed system for the electronic media, as we do for the print media? In a mixed system, funds would be provided by subscribers only if a different kind of programming is offered. Specialized interest programs could generate the subscriber revenues they need to be viable but they won't replace mass appeal programs on either cable or broadcast channels. There will always be mass appeal programs and

advertisers willing to spend billions on them. The important thing is that a mixed system would provide more diversity in both mass appeal and special appeal programs. Imagine the kind of program diversity and choice that could be created by doubling the dollars presently available for television programming.

The rapid pace of change in communications makes it imperative that we anticipate these developments. For all of us actively involved in shaping public policy for our electronic communications media, the future is now -- our lead time expired yesterday. We're not just on the threshold of a communications revolution -- we're in the middle of one. It's a revolution involving many different technologies -- broadcast, cable, and cassette. The key to this is the public policy we choose for the transmission technologies, for they are the intermediaries between the programmers and the viewers. We should seek to provide the appropriate economic incentives so that the would-be viewer and the would-be programmer can get together as easily and constructively as possible.

But naturally, you can't plan for the revolution that is upon us, if programmers are worried about where they are going to find the money to keep going today and broadcasters and cable owners continue to see each other as enemies. The cable settlement was good news to Hollywood, and the Administration recently sent more good news on such matters as amortization of film production costs, investment credits, tax incentives and financing for exporting Hollywood's products.

In these ways, and more broadly through the President's new economic policies, we hope to see a turnaround out here during the next year. And the Administration's views on the long run aspects of cable are still very much in the works.

All this will certainly help you face the communications revolution I have spoken of, but many questions remain. We'll have to keep asking the questions until we find the answers and the questions are likely to change about as fast as the technology and the role of the new media. We need your help in formulating the questions as well as in answering them. Private enterprise and government must have a common goal of expanding business opportunities to serve the public interest.