

REMARKS OF

Clay T. Whitehead, Director

Office of Telecommunications Policy
Executive Office of the President

before the

National Association of FM Broadcasters
Convention

Palmer House
Chicago, Illinois

April 8, 1972

FM broadcasters--even educational FM broadcasters--are particularly blessed. Engineers consider your portion of the spectrum to be the best one for broadcasting. If true, we should ask what FM broadcasters have done to benefit the public in return for this blessing. It's also appropriate to ask about the role of government regulation--does it help or hinder the public in extracting performance from the broadcasters? I'll suggest answers to these questions today.

It is very difficult to talk broadly about public benefits provided by radio because it is such a diverse and pluralistic medium. With over 7,000 AM and FM commercial and educational stations, you can't describe radio in generalities. It's urban and rural in outlook; it's fundamentalist and radical; it's Muzak and music; it's Top 40 and free form; it's a personal companion, yet it reflects the lifestyle of a new generation; it's variety can be endless.

This alone suggests an answer to my first question about the benefits the public receives from FM radio. FM offers the benefits of quality and diversity; an alternative and a choice. When people turn to FM radio, they find a quality sound, they find something that is unique, and, within FM's great diversity, they find what they want.

Commercial and educational FM broadcasters have not provided this public benefit out of the goodness of their hearts or the fatness of their wallets. They haven't done it because the government has ordered them to be diverse or to offer programming alternatives. Just stop and think what the regulations would look like if government had to order

into existence the sounds you hear when you scan the FM band in a major city.

No, it's clear that FM's service to the public has been spurred primarily by competition in the rough and tumble radio market. In order to survive, FM broadcasters have had to be innovative. You invested in stereo to compete with AM and now anybody who is serious about music has to have at least one FM stereo receiver. And some of you are ready to take the plunge once more and see if quadrasonic sound can be the next breakthrough. The fight for survival ironically has led a lot of FM broadcasters to cut back on heavy doses of commercials every hour. This in itself is an alternative that benefits the public. Automation and other innovations in radio operations are also part of the competition for survival in radio broadcasting.

To many of you, however, competition may not be an unmitigated joy. While it has benefitted the public, and FM revenues have climbed substantially, strong competition also means that many commercial FM broadcasters will lose money. The FCC's financial data bear this out. While there'll always be losses as long as there's competition, the percentage of stations losing money needn't be as high as it is at present. We hope that increased penetration of FM-equipped radios and greater advertiser acceptance of FM and interest in its audience demographics will improve FM's viability and increase service to the public. Educational FM's financial picture will also brighten as the Administration makes good on its commitment to greater Federal financial support.

To sum up on the public benefit side, we can conclude that the highly competitive FM medium is generally providing entertainment, information, and educational services of a type and in a manner that serves the public.

Turning to the regulatory side, the success or failure of a government policy has to be judged in terms of the results it produces. In this regard, FM's success in serving the public is due in no small measure to the fact that government policy has allowed FM broadcasters freedom from detailed regulation. Don't underestimate the importance of this factor. The absence of onerous regulation has left FM broadcasters free to compete by using specialized programming and technical innovations. And effective competition in the FM band has served the public. In our view, this regulatory freedom resulted in part from a coincidence and in part from deliberate FCC policy.

First the coincidence. It is a fact of life that new communications technologies are regulated in direct proportion to their social impact and their technical or economic impact on existing technologies. So FM was fortunate to arrive on the scene at a time when the government's attention was diverted by television. TV was and is a medium of such great social and economic impact that FM benefitted from some inattention on the part of a regulation-minded government.

In addition to the coincidence, the FCC decided to encourage FM by easing up on regulatory strictures regarding common ownership, joint station operations, and specialized program formats. Generally speaking, the FCC's FM regulation has been flexible and intelligent. The Commission nudges you from time to time with prohibitions on excessive AM-FM duplication and by increasing requirements for minimum hours of operation. But there's no denying that it's been easier to own, transfer, renew, program, ascertain, and otherwise comply with regulations in the FM radio service. The FCC deserves credit for regulating you in this manner. And FM broadcasters deserve credit for using this freedom to compete in the radio marketplace and to offer real alternatives to the public.

There is a lesson for us in FM's history. If allowing more leeway for competition has worked to strengthen FM's performance, it may be wise to use this approach more widely in broadcast regulation. We could even move beyond a simple extension of this approach and develop a new style of regulation by clear policy guidelines rather than detailed supervision. This brings me to the suggestions for radio that OTP made last fall.

We made two suggestions. First, radio must be viewed as a different medium from TV and it must be regulated differently. We pointed out that government regulatory policy must take account of radio's greater numbers, its different competitive situation, and its different impact on the public mind and on public debate. Radio is a different medium with a different message. It more closely approaches the competitive free

enterprise system than many other segments of the broadcast industry. In urban areas, there are many radio services and competition is vigorous. Indeed, FM's growing success confirms our hypothesis that, in radio, competition is a regulatory device that can produce substantial benefits to the public--many of which simply can't be regulated into existence. Therefore, with respect to regulation of radio, where there is little scarcity of outlets, competition is vigorous, and access costs for speakers and listeners are low, we should harness natural competitive incentives and use them to serve performance goals such as program quality, diversity, and innovation.

That's the first of our suggestions for radio regulation. The second is that we need a comprehensive experiment to test the hypothesis that more regulation by competitive incentive will produce more benefits for the listener. An experiment would help us determine how best to combine competitive forces and government requirements to produce the desired public service objectives.

This led us to suggest that OTP and the FCC develop a pilot program to test the feasibility of this more flexible type of regulation. The details of the project could be worked out within the limits of the FCC's power to conduct experimental programs. The essential concept is to select a few representative radio markets and remove some regulatory requirements not mandated by the Communications Act--requirements which seem to be counterproductive or unnecessary. The results of the experiment, which would extend over three or more years, would be closely monitored while

it is in progress, station performance would be reviewed, and public satisfaction would be gauged. For example, in the test areas, all radio assignments and transfers could be pro forma, the programming section of applications would not require information on programs and commercial practices, and case-by-case enforcement of the broadcaster's fairness obligation could be relaxed.

There is evidence that a more flexible and selective style of regulation will produce better service to the public. However, there just isn't enough known about alternatives to the present mode of regulation to warrant immediate changes, but we'll never know enough until we try. Therefore, rather than get involved in an extensive rulemaking proceeding or in a congressional debate, an experiment would simply allow us to proceed at once to test the hypothesis. We would know what types of regulation produce the desired results of diversity and innovation; what types of regulation are counter-productive; and what types do not make a difference either way.

I should stress that we are not suggesting this approach because we are slavishly devoted to an ideology based completely on competitive free market theory. We think that by lessening detailed supervision and giving more leeway to competitive incentives, broadcasters' performance would improve and the public would benefit. But if the experiment shows, for example, that FM broadcasters use their freedom to increase commercial matter to 20 minutes an hour, to become the 32nd middle-of-

the-road station in a market, to scream news headlines in the middle of Top 40's cacophony, or to go back to 100% AM-FM duplication, then government will have to regulate to achieve valid public interest goals. We also will have learned that broadcasters cannot match their rhetoric with performance, unless they are closely supervised by the government.

In short, we are not suggesting a simplistic approach to radio regulation. It's not an "either-or" proposition of regulation or nonregulation. We are result-oriented. We have suggested this experiment in selective regulation because we think it would benefit the public. We will not know whether a new type of regulation would produce these results without making the attempt. And we should make the attempt. I urge you to work with us and the FCC to define the ground-rules for an experiment and help us get on with the task of serving the larger public interest to which we are all dedicated.

ITINERARY FOR
CLAY T. WHITEHEAD
CHICAGO, ILLINOIS
APRIL 8-11, 1972

SATURDAY, April 8, 1972:

8:15 a.m. Coyt will pick you up at the apartment.

8:55 a.m. Lv Washington National Airport, via UA #567.

9:43 a.m. Ar Midway Airport, Chicago.
(You will be met by Mary Lee Schiffer (NAB) at the airport.)

12:30 p.m. Luncheon - speech - NAFMB Annual Convention:

Presentation of FM Programming Awards by the Armstrong Memorial Research Foundation. Elie Abel is Master of Ceremonies.

Palmer House, Adams Room (312) RA6-7500
State & Monroe Streets

HOTEL RESERVATIONS:

Sheraton Blackstone Hotel (312) 427-4300
S. Michigan & Balbo

SUNDAY, April 9, 1972:

3:00 p.m. ABC Radio Network Reception
Drake Hotel (312) 787-2200
Lake Shore Drive and
Upper Michigan Avenue
Gold Coast Room

5:00 p.m. Cocktails - Max Baker - Federation
of Austrailian Commercial Broadcasters

Conrad Hilton Hotel (312) 922-4400
720 S. Michigan Ave.
Williford "A" Room

MONDAY, April 10, 1972:

10:00 a.m. Astor Towers Hotel (312) 943-1111
1300 N. Astor Street

MONDAY, April 10, 1972:

12:00 p.m. NAB Reception
 Beverly Room
 Conrad Hilton Hotel (312) 922-4400
 720 S. Michigan Ave.

12:30 p.m. NAB Management Luncheon -
 Sit at Head Table.

 John Connally is guest
 speaker.

 International Ballroom
 Conrad Hilton Hotel

2:30 p.m. Speech - 50th Annual Convention
 of the NAB - Joint Radio/Television
 Session.

 Conrad Hilton Hotel
 Grand Ballroom

6:30 p.m. Cocktails with Officers and Directors
 of the NAB & Broadcast Music, Inc.

7:30 p.m. Twenty-Fourth Annual Dinner for
 Present and Past Officers and
 Directors of the NAB and Broadcast
 Music, Inc.

 Hotel Ambassador West (312) 787-7200
 N. State & Goethe
 The Guildhall

TUESDAY, April 11, 1972:

9:30 a.m. News Conference
 NAB Press Room

12:00 p.m.
(Tentative) MCI First Specialized Common Carrier
 Operation.

 John Hancock Tower
 875 N. Michigan Ave.
 Suite 3749 or 97th Floor

11:25 a.m. Lv O'Hare Airport, via UA #444

1:58 p.m. Ar Washington National Airport
 (Coyt will pick you up.)

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CROSS REFERENCE OR
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FROM
SUBJ.

Director

John L. Richar, Pres NAFMR

Thanking Director for the re-
marks he made at the Armstrong
Boards Luncheon in Chicago.

Speech 4/8/72

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CTW

FYI

COURIER NO.

ANSWERED

NO REPLY

4

May 1, 1972

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

Dear Mr. Whitehead:

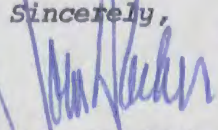
On behalf of the Officers and Directors of the National Association of FM Broadcasters and for everyone who attended our convention in Chicago, I thank you for your remarks made at our Armstrong Awards Luncheon.

I sincerely hope that you now have a greater appreciation for FM radio and our problems. If we are to have a total aural service in this country, FM must achieve true equality with AM radio.

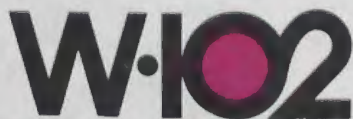
I hope we have aroused your interest in our problem.

Again, thank you for taking time to share your thoughts with us.

Sincerely,


John L. Richer
President & General Manager - W-102
President - NAFMB

JLR:cr



Chic
Trip

APR 3 1972

Mr. Kenneth K. Goldstein
Executive Director
Major Armstrong Awards
Office of Information Services
Columbia University
New York, New York 10027

Dear Mr. Goldstein:

Thank you for the invitation to attend the
Armstrong Awards Luncheon to be held in
Chicago on April 8. I am delighted to be
able to accept, and I look forward to
meeting the Prize Winners and to seeing
Deans Hennessy and Abel.

Sincerely,



Clay T. Whitehead

LKSmith:jem 3/31/72

cc:

DO Records

DO Chron

Mr. Whitehead ✓

Mr. Lamb

Eva

LKS Subject

LKS Chron

Columbia University in the City of New York | New York, N. Y. 10027

SCHOOL OF ENGINEERING & APPLIED SCIENCE

Office of Information Services

Seeley W. Mudd Building

March 27, 1972

Mr. T. Clay Whitehead
Director
Office of Telecommunications Policy
The White House
1600 Pennsylvania Avenue
Washington, D. C.

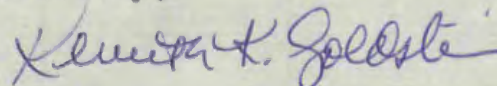
Dear Mr. Whitehead:

There is going to be a small reception for this year's Armstrong FM Awards winners, NAFMB officials and other guests just before the Armstrong Awards Luncheon at Chicago's Palmer House on Saturday, April 8th.

We would be pleased if you could attend, also. It will give you a chance to meet the prize winners, along with Wesley Hennessy, Dean of the School of Engineering and Applied Science, and Elie Abel, Dean of the Graduate School of Journalism, who will also be speaking at the luncheon.

The reception will begin at 11:30 a.m., in Parlor A on the sixth floor of the Palmer House, about an hour before the luncheon.

Cordially,



Kenneth K. Goldstein
Executive Director
Major Armstrong Awards

KKG:ph



Rp Long NAFMB

MAR 3 1972

Mr. John L. Richer
President and General Manager, W-102
President, NAFMB
2 Decker Square
Bala-Cynwyd, Pennsylvania 19004


Dear Mr. Richer:

Thank you for the invitation to address the 1972 National Association of FM Broadcasters Convention luncheon on Saturday, April 8 in Chicago.

I am glad that my schedule will permit me to accept your invitation, and I am looking forward to exchanging ideas with the NAFMB members. I know it will be both informative and useful.

Brian Lamb, my Assistant for Press and Media Relations, would be glad to work with you on the final arrangements for the luncheon. I am looking forward to it, and to meeting with you.

Sincerely,


Clay T. Whitehead

cc:
DO Chron
DO Records
Whitehead (2)
Lamb ✓
Eva
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LKSmith:jem 3/1/72

February 3, 1972

Miss Linda Smith
Special Assistant to the Director
Office of Tele-Communication Policy
Executive Office of the President
of the United States
Washington, D. C. 20504

Dear Miss Smith:

Thank you for your follow up call the other day concerning Mr. Whitehead's possible availability as keynote speaker at our 1972 NAFMB Convention at the Palmer House in Chicago, April 7th and 8th.

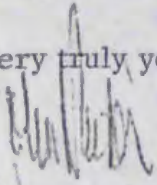
The National Association of FM Broadcasters Annual Convention is attended by 450 - 500 owners and managers of successful FM stations around the country. Traditionally, two major luncheons are scheduled during the convention. Our Saturday luncheon is reserved for the presentation of FM programming awards by the Armstrong Memorial Research Foundation under the direction of Columbia University. Our Friday luncheon will feature our keynote speaker.

Keynote speakers over the past several years have included FCC Commissioners Robert Wells, Robert Bartley, Robert E. Lee, F. Rex Lee and FCC Chairman Rosel Hyde. In addition, Senator Frank Moss of Utah and Congressman Lionel Van Deerlin of California and Sam Stratton of New York have addressed our gathering.

It seems fitting that someone from the Administration join us in Chicago, considering our government's interest in communications.

I would appreciate an answer from your office as soon as possible regarding the availability of Mr. Whitehead. If you require any additional information, please feel free to contact me.

Very truly yours,


John L. Richer
President and General Manager, W-102
President, NAFMB

JLR:f

NATIONAL ASSOCIATION OF FM BROADCASTERS
(NAFMB)

c/o Station KITT, U.S. Grant Hotel
San Diego, California 92112

Fred Rabell, President

Founded 1959 - Members 100. Executives of FM radio stations.
To promote FM time sales and listenership, encourage technical
development and provide liaison with the Federal Communications
Commission.

Formerly: FM Development Association.

Mr. Lutz NAFMB

MEMORANDUM FOR

Mr. Fred F. Fielding
The White House

Mr. Whithead has asked me to reply to your memorandum of January 14 regarding the NAFMB annual convention in April. We wanted to let you know that he will speak at the April 6 luncheon.

We certainly agree with you that the NAFMB are "doers" and are glad to have this opportunity to meet with them and exchange ideas. I am sure it will be a profitable exchange.

Signed
Brian P. Lamb
Assistant to the Director

cc: DO Chron
DO Rec
B. Lamb (2)

MAIL/ADM/3/4/72

10-14

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

February 8, 1972

To: MR. WHITEHEAD

From: Linda Smith **LKS**

Subject: Invitation to Speak to the National Association of
FM Broadcasters

OK

You have been invited to be the keynote speaker at the National Association of FM Broadcasters Annual Convention, April 7-9, in Chicago.

The NAFMB is an association of executives from some 100 independent FM radio stations. The Convention is attended by 450-500 FM owners and managers. It proceeds the NAB Convention by two days.

The Convention consists of 2 1/2 days of workshops, Friday, Saturday and Sunday. Friday lunch is the keynote speech; Saturday lunch is the presentation of FM programming awards by the Armstrong Memorial Research Foundation under the direction of Columbia University. The lunch is attended by about 400 registrants.

Past keynote speakers include Robert Wells, Robert Bartley, Robert E. Lee, F. Rex Lee, Rosel Hyde, Senator Moss and Congressman Van Deerlin have addressed the Convention.

Fred Fielding, Associate Counsel to the President, would like you to accept, as he feels that NAFMB members "are real 'doers' and innovators in broadcasting who are not reluctant to consider and support changes in their industry." He has talked to John L. Richer, NAFMB President, about this. (See attached memo.)

Nino feels that you probably should not accept, as it would take the edge off your appearance at the NAB Convention, which might make Wasilewski mad. He does feel that we could demonstrate special concern for radio, and that this is a good forum for our deregulation proposals. Perhaps in light of the proposed NAB Convention radio initiative this would be a good forum.

Brian feels that we should accept if you can speak at lunch on Saturday, rather than Friday as you have been asked. This would cut down on the amount of time you would have to spend in Chicago, but would mean you would be at the lunch following the Armstrong Award presentation by the Columbia University School of Journalism.

Elie Abel will be master of ceremonies and the presentation will take 30 minutes following lunch. This arrangement is agreeable to the NAFMB.

We must answer them by Wednesday, February 16. Brian has the NAB supporting this change in schedule.

February 3, 1972

Miss Linda Smith
Special Assistant to the Director
Office of Tele-Communication Policy
Executive Office of the President
of the United States
Washington, D. C. 20504

Dear Miss Smith:

Thank you for your follow up call the other day concerning Mr. Whitehead's possible availability as keynote speaker at our 1972 NAFMB Convention at the Palmer House in Chicago, April 7th and 8th.

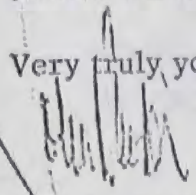
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Keynote speakers over the past several years have included FCC Commissioners Robert Wells, Robert Bartley, Robert E. Lee, F. Rex Lee and FCC Chairman Rosel Hyde. In addition, Senator Frank Moss of Utah and Congressman Lionel Van Deerlin of California and Sam Stratton of New York have addressed our gathering.

It seems fitting that someone from the Administration join us in Chicago, considering our government's interest in communications.

I would appreciate an answer from your office as soon as possible regarding the availability of Mr. Whitehead. If you require any additional information, please feel free to contact me.

Very truly yours,



John L. Richer
President and General Manager, W-102
President, NAFMB

JLR:f

NATIONAL ASSOCIATION OF FM BROADCASTERS
(NAFMB)

c/o Station KITT, U.S. Grant Hotel
San Diego, California 92112

Fred Rabell, President

Founded 1959 - Members 100. Executives of FM radio stations.
To promote FM time sales and listenership, encourage technical
development and provide liaison with the Federal Communications
Commission.

Formerly: FM Development Association.

THE WHITE HOUSE
WASHINGTON

For Acc
4/7-8/72

January 14, 1972

MEMORANDUM FOR: CLAY T. WHITEHEAD
DIRECTOR, OFFICE OF
TELECOMMUNICATIONS POLICY

FROM: FRED F. FIELDING *[Signature]*
ASSOCIATE COUNSEL
TO THE PRESIDENT

In a conversation earlier this week with John L. Richer, President of the National Association of FM Broadcasters (NAFMB), he expressed his organization's desire to have you appear as a speaker at the NAFMB annual convention in April.

From my exposure to the NAFMB while in private practice, it was my experience that its members are real "doers" and innovators in broadcasting who are not reluctant to consider and support changes in their industry.

It is my understanding that the NAFMB convention will be held on April 7-8, 1972 at the Palmer House in Chicago, and that they would desire you to speak at a luncheon on either date.

I assume that Mr. Richer will be in contact with you shortly in this regard. I sincerely hope that your schedule will permit you to give favorable consideration to this request, as I feel sure that your appearance would be enthusiastically received and would be of significant value to all in attendance.

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TO
FROM
SUBJ.

Director

Ward L. Quaal

Newspaper clipping in the
Chicago Sun-Times, dated
February 15, 1972. --"White House threat to
public TV."

ROUTING

DATE
SENT~~L. Smith~~ 2/25

DIRECTOR 2/25

FBI

COURIER NO.

ANSWERED

NO REPLY

X

4



WARD L. QUAAL

Honorable

Clay T. Whitehead

Tom - merely

F.Y.I.

I'm in total
agreement with you!
Best Wards

CHICAGO Sun-Times

MARSHALL FIELD, publisher

JOHN G. TREZEVANT
executive vice president

JAMES F. HOGE JR., editor
RALPH OTWELL, managing editor
ROBERT E. KENNEDY, associate editor
RUSS STEWART, vice president
ROBERT W. McALLISTER, vice pres., industrial relations

EMMETT DEDMON
vice president, editorial director

LEO R. NEWCOMBE, vice pres., general manager
GABE JOSEPH, vice pres., advertising-marketing
ALBERT E. VON ENTRESS, vice pres., circulation
WALTER C. BISHOP, vice pres., financial
VIRGIL P. SCHROEDER, vice pres., production

Editorial Page

Tues., Feb. 15, 1972

White House threat to public TV

→ The White House is currently trying to stifle what was supposed to be a communications dream — a financially and otherwise secure public broadcasting service. In addition to discouraging the financing of a "fourth network" on anything but a now-you-see-it-now-you-don't basis, Clay T. Whitehead, White House telecommunications director, now says "there is a real question whether public television should be carrying public affairs, news commentary, that sort of thing."

This is a two-tined fork. By sticking to its idea that public television programming should be the principal responsibility of local stations — which are subject to terrible local pressures — the administration is assuring little or no public discussion of major issues. When this is joined with a general attempt to keep public broadcasting free of controversy, then

the original standing rib roast has become a puree. And when funding depends annually on the whim of politicians, the outlook is far from brilliant.

Public television, writes Fred Powledge for the American Civil Liberties Union, may not starve to death, but "the lack of the proper kinds of food leads to irreversible damage to the brain, the body and the spirit."

Britain now spends \$13.20 per capita per year on public television, Canada upward of \$6 and Sweden \$5. The current American government outlay is 15 cents. To be sure, private sources help provide viewers with what they cannot see on commercial television (such as the current and brilliant series on Queen Elizabeth I, donated by Mobil). But public television needs public financing on an on-going basis and freedom from political meddling—in Washington and elsewhere.