

December 3, 1971

Col. Joseph A. Bailey  
Committee Executive  
Telecommunications Committee  
National Association of Manufacturers  
1133 Fifteenth Street, N.W.  
Washington, D.C. 20005

Dear Col. Bailey:

I enclose for you, as you requested, a copy of Mr. Whitehead's prepared remarks, which he had planned to give at the National Association of Manufacturers Telecommunications meeting on November 11, 1971.

I am also enclosing an edited version of the transcript of Mr. Whitehead's actual remarks to the Telecommunications Committee. If it is possible, I would appreciate it very much if you would send on several copies of the final transcript.

If there are any questions, my handwriting proves too illegible, or you need any other materials, please feel free to call me.

I look forward to seeing you again soon.

Sincerely,

Linda K. Smith  
Special Assistant  
to the Director

Enclosures

LKS/dgm

cc:

DO RECORDS

DO CHRON

Mr. Whitehead

Mr. Lamb  
LKS subject

LKS Chron

DRAFT (3)

SPEECH:MCCRUDDEN:MBC

NAM Seminar 11/11/71  
not used

Revised  
11-84

It is a real pleasure to be with you again today. When I visited with you in March of 1970, we were just embarking on the journey to establish OTP. Now we have behind us a year of real operation. It has been a very exciting experience for me, and I hope the beginning of a productive one for those involved in the communications business. I'd like to talk with you for a few minutes about some specific things that have occurred since we last met, and then I'd be happy to answer any questions you may want to ask.

One of the things you asked me to talk about today is the role of the consumer of communications services and his responsibility for demanding new products and services. We all have heard a great deal of discussion about the new role of the consumer; the current vogue is to think of consumers in the retail sense, of individuals buying products and services for themselves or their families. But consumerism as a concept is much older and much broader than Ralph Nader and others may think. In fact, the role of the consumer is the real basis for the system of free private enterprise which we hold as the foundation of our economic philosophy.

The heart of the private enterprise system is that the customer decides what it is he needs and wants. It is the private sector--the private individual, the private corporation--which usually is best qualified to make the



buying decision, not the public sector. Too many who have ~~discussed~~ just observed consumerism don't realize that the public sector is really not the public ~~after~~ <sup>at</sup> all, but the government. Too often the term private enterprise is thought of solely in terms of private corporations making their own decisions about how to make a profit. You and they and government have to realize that the private enterprise system ~~can~~ <sup>must</sup> be defended ~~only~~ as the best way for the customer to ~~get~~ <sup>achieve</sup> ~~what is to~~ his best advantage as he judges it.

We believe that the <sup>sophisticated business</sup> consumer has a particularly important part to play in encouraging and directing the competitive nature of industry. This role includes demanding new services, seeking out new sources and thereby fostering new industry structures, and demanding new pricing mechanisms where that is appropriate to the innovation that has occurred.

~~At this point, you may be wondering how your role as the "demanding" consumer fits with the real world in which you have to operate.~~ For the most part, you must manage and deal with communications operations within the framework of a highly-regulated and monopolistic environment. In many instances, you have not been able to exercise <sup>your</sup> ~~the~~ full range of consumer powers due to the structure of the industry. This fact is even more frustrating when we realize that ~~your~~ active and intelligent seeking out of new products and services increases the pressure on our present regulatory structure. Our present regulatory

institutions have a great temptation to extend regulation. ~~in an attempt to end what someone termed the "abuse" of well-intended regulation.~~ We cannot operate in this way much longer. Government must either regulate wisely in detail, or it must provide mechanisms which allow self-regulation to act in its place.

Unfortunately, there are ~~too~~ many vivid examples of the government's inability to make wise detailed regulations. I think that government should give far greater consideration to policies which would permit and encourage a more competitive self-regulatory environment in the communication services industry.

When we were last together, I talked about the ~~reasons~~ <sup>need</sup> for major new initiatives in communications policy, and how our first proposal, ~~that of~~ a new approach to the regulation of domestic satellite service, met ~~those needs.~~ <sup>this need.</sup> Since then my Office has spent a great deal of time watching and analyzing the ~~subsequent~~ results. As many of you are aware, I have recently written again to the FCC to express the Administration's continued concern over the seemingly never ending delay in allowing the provision of domestic satellite services.

~~Without belaboring with you the reasons for this delay,~~ I pointed out to Chairman Burch that the potential demand for domestic communications satellite services has been growing. <sup>It</sup> ~~What is interesting to note is the realization~~ that the original proposer of this service, a potential user,



no longer needs or even desires to build his own system. As a result of applications filed in response to the Administration's new policy, ABC, along with the other networks, has available the possibility of several competing suppliers of services.

We have reviewed the applications submitted to the FCC to see if they raise problems with any of the guidelines which we originally set forth. We have looked at the technical and economic feasibility, <sup>of competition</sup> particularly as it related to spectrum and orbit utilization, and to the existence of economies of scale or other natural monopoly conditions; and we have reviewed the legal and procedural issues raised. We have found no evidence which would change our original recommendation. I think that the point has been well proven, and it has been the demonstrated interest of the private sector that has supplied the proof.

<sup>ugh!</sup> This whole process of change which we have suggested is hard to implement ~~as quickly as we would like~~. But with any luck, we may soon see the light in the end of the tunnel.

The domestic satellite policy is, in a sense, behind us. Still before us is <sup>the task of</sup> ~~a great deal of work in~~ re-orienting the philosophy which underlies so much of the regulatory function of government. We believe that the new policy initiatives which are being developed by this Administration will <sup>help</sup> ~~do a great deal~~ to create <sup>a</sup> ~~a new and~~ more flexible environment for industry to work in. I have said to you before that government policy and industry efforts are not

independent. The concept of government regulation simply slowing or speeding what industry wants to do is overly simplistic: Innovation will head into new directions or not, depending on policy. ~~And policy takes its cues from industry potentials.~~

For example, you are all aware of the fantastic growth of ~~our present day~~ electronic technology. Much of this growth has already been transformed into new communications services and concepts and we know the technology revolution won't quit. On the other hand, the



consumers of these services will never receive the full benefit of these breakthroughs until we institute new <sup>policy</sup> approaches <sup>to regulation</sup> ~~that will allow industry to fully develop.~~ There are numerous examples of the demand for innovation which consumers have fostered. Many are based on the communications needs and demands of your industries. To provide the services, new suppliers and new industry arrangements are being developed including specialized carriers, private carrier, common-user carrier, and the full-fledged common carrier. The inconsistencies that arise from rate-averaging and cross-subsidization practices have encouraged new pricing structures, including the specialized carrier proposals, revised Telpak and Telpak-sharing plans, and major new switched service offerings now being discussed by various industries and by the government.

These examples, and many others reflect ~~in large part~~ the demand <sup>of</sup> ~~which~~ industrial consumers, ~~have demonstrated to the various segments of the supplying communications industry.~~ It is unfortunately true that many of these demands have <sup>still</sup> ~~not yet~~ been satisfied.

Although progress has been made and is being made in providing many of these new services, suppliers and consumers <sup>continue to</sup> suffer ~~from the regulatory delay, that is inherent in the process by which new arrangements are approved.~~ Delay and <sup>its</sup> ~~the~~ related uncertainty forces the communications industry to live with a limited choice of goods and services, ~~which are available from the communications industry.~~

This limitation prevents industry from thinking as broadly as it might about new services and products. There is a great deal of hesitancy on the part of consumers, manufacturers, and the carriers.

We need only look at the expenses already committed in the specialized carrier and domestic satellite proposals to see the dollar risks <sup>of a waste of regulatory procedure</sup> that now hinge on government decisions. I believe the carriers and manufacturers want to provide good service and new products to their customers. Industry is caught, however, between the desire to meet the needs of their customers and the need to operate successfully in the competitive market. Uncertainty and risk introduced by government delay cost <sup>everyone</sup> ~~both the manu-~~ ~~facturers, carriers, and the customers~~ a great deal of time, effort, and most of all, money. We lose jobs, tax revenues, and real economic growth from this delay.

Manufacturers and carriers must make major capital investments in order to supply the service requirements of your customers. <sup>Both</sup> ~~Either~~ stockholders <sup>and</sup> ~~or the customer~~ <sup>s</sup> will suffer if a legitimate demand for a product or service is not met. Many of you are also consumers of communication services and recognize the difficulty in which all parties find themselves. If help is to be forthcoming, the regulators must be convinced that new rules <sup>(or no rules)</sup> ~~(or the absence thereof)~~ are needed to allow



the introduction of new technology, ~~and the related benefits.~~

If this Administration is successful in shaping ~~these~~ new policies in this manner, then the major consumers, manufacturers, and carriers will bear a heavy responsibility for insuring that the demand for new services and new products is properly met. Carriers, suppliers, and consumers will benefit from a more active marketplace, although all will have to work harder to define both the needs and prices of the new products and types of services.

All parties must accept this responsibility if we are to realize the benefits of innovative telecommunications technology. We have around us today many examples of the power which an intelligent and aggressive consumer can wield. If it is not used wisely, the position of all parties will be substantially weaker.

In this regard, government should do no more than make policy decisions which set guidelines for ~~the~~ market operation. Serious problems arise and will continue to arise if government tries to make choices for consumers, manufacturers, and carriers in the name of enlightened regulation. The government has a very difficult time when it attempts to interpret market conditions and to make detailed decisions about what services you may purchase or produce, under what conditions, and for what prices. When the government either purposely or inadvertently makes decisions ~~of choice~~ for the consuming public, we dangerously

weaken the market system, ~~of decision upon which the private enterprise system is based.~~

Competition should be promoted in order to guarantee customers and suppliers <sup>an</sup> with the opportunity to exercise their own <sup>choice</sup> ~~decisions~~ concerning ~~the offering of~~ products and services. Government should encourage ~~the~~ industry to recognize legitimate needs and to provide appropriate services. ~~The~~ consumers choices provide the strongest incentive ~~I know of~~ for corporations to conduct themselves as suppliers in the manner most appropriate to ~~the~~ <sup>the</sup> needs <sup>of their</sup> customers. That is the real public interest we're talking about.

In the case of domestic satellites, in the specialized carrier applications, and in other areas, this Administration <sup>r</sup> urges competition where it provides the manufacturing and the consuming public with the best opportunity to satisfy <sup>legitimate</sup> ~~legitimate~~ needs as defined by private parties working in the framework of a free enterprise environment. ~~If such competition is to work, the responsibility~~ must be borne equally by all parties. If we are content to let the regulatory agencies make these operating decisions, we should not be ~~too~~ surprised if all manner of noble--but peripheral--considerations begin to dictate what services you may purchase, at what price, and from whom.



We all recognize the pace at which the telecommunications industry is changing. ~~and~~ <sup>T</sup>he exciting thing about the change is that the potential benefit applies equally to individual consumers, major manufacturers and carriers alike. ~~in effect to all of our society and to the economy as a whole,~~

We in government should be held responsible for setting ~~new~~ <sup>new</sup> guidelines and ground rules for the market system. ~~in order that the market can effectively respond to the inputs of responsible parties.~~ When we set policies which provide new and less restrictive market conditions, you and your corporations will assume the responsibility to exercise the private enterprise function of negotiating for the goods, services, and market arrangements which may be required to handle the dynamic innovations which the telecommunications industry can supply.

The electronic revolution is here, and you are directly involved in making it happen. The posture of government can be reshaped so that the positive forces of consumer demand work for the benefit of consumer and manufacturer alike. We believe that our new policies will do this. We believe that our free enterprise system will serve the interests of all ~~parties~~ <sup>parties</sup> by providing the framework within which carriers, manufacturers, and consumers can effectively negotiate.

Thursday 10/28/71

MEETING  
10/28/71  
4:45

12:30 Mr. McCrudden asked for about 15 minutes today to discuss the  
NAM speech with Mr. Whitehead -- scheduled it for 4:45 when  
Mr. Whitehead returns from Secretary Richardson's office.



Tuesday 10/26/71

MEETING  
11/11/71  
12:15 p.m.

9:55 We have called Mr. Laskin's office and regretted the invitation to the luncheon prior to your speech to the NAM Telecommunications Committee (at 2:30).

Joe Bailey said if you find you can make it, they'd love to have you.

Thursday 10/21/71

MEETING

11/11/71

12:15 p. m.

1:10 We have had a call from Mr. Laskin's office to see if you would be attending the luncheon of the NAM's Telecommunications Cmte. which will be held at 12:15 - 2:15 on Thursday (11/11), in the International Ballroom of the Washington-Hilton. (Approximately 1,000 people attending) You are speaking to the group at 2:30 p.m. in the Crystal Room.

Mrs. Leupen

833-1800, Ext. 252



JUL 30 1971

Mr. Sylvester Laskin  
Chairman  
Telecommunications Committee  
National Association of Manufacturers  
1133 Fifteenth Street, N.W.  
Washington, D.C. 20005

Dear Mr. Laskin:

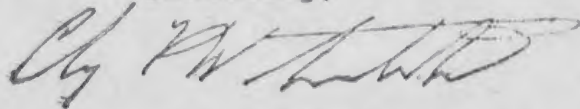
Thank you for the invitation to address the NAM's Telecommunications Committee on November 11, 1971.

I would be delighted to speak to the Committee along the lines that you suggest.

Mrs. Smith, of my Office, has been in touch with Joe Bailey, and will, I'm sure, work out the details with him.

I look forward to meeting with the Committee again.

Sincerely,



Clay T. Whitehead

LKSmith:kj 7/27/71

cc: Lamb ✓  
Lyons  
Subj  
Reading  
Chron

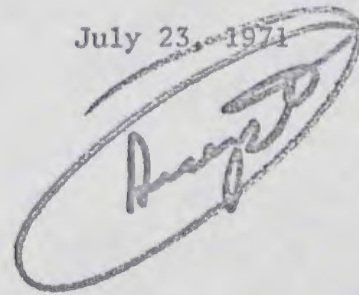
# NAM

## National Association of Manufacturers

Joseph A. Bailey, Committee Executive  
Telecommunications Committee

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

July 23, 1971



Dear Dr. Whitehead:

NAM's Telecommunications Committee will be meeting at the Washington-Hilton Hotel, Washington, D.C. on Thursday afternoon, November 11, 1971. This meeting will be in conjunction with the Joint Policy Committee Conference on November 11 and 12 of NAM's fifteen Policy Committees which follow areas of interest to industry.

The theme of the Joint Policy Committee Conference will be "Industry/Government Dialogue for Action." Discussions by leaders from both sectors will center on the problems of today as a basis for initiating action for tomorrow.

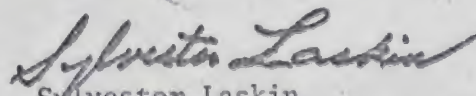
On June 2, 1971, before the International Communications Association, you made an outstanding presentation relating to the role of the consumer of communications services and products and specifically the responsibility of consumers "for pressing the demand for new services and products."

A similar presentation, I believe, would be of great benefit to all the members of NAM's Telecommunications Committee, and would be well received by the 25-35 corporate officials expected to attend the Committee meeting. We are thinking in terms of about one-half hour of formal remarks followed by a fifteen minute question-and-answer period.

It would be appreciated if you would make a presentation to our committee at about 2:15 p.m. on Thursday, November 11, 1971. I recognize that the November date is relatively distant but to enable us to complete our planning and promotional activities, would you be kind enough to answer by July 28, 1971. I have asked Joe Bailey, the Committee Executive to provide you with additional information concerning the meeting and to maintain liaison with your office.

Our Committee meeting on November 11, 1971, will be preceded by a Joint Reception and Luncheon by the fifteen NAM Committees. We would be honored if you would be our guest at this Joint Reception and Luncheon.

Sincerely,



Sylvester Laskin  
Chairman, Telecommunications Committee

SL:b1



7/28/71  
called +  
left message

## NATIONAL ASSOCIATION OF MANUFACTURERS (NAM)

277 Park Avenue  
New York, New York 10017

W. P. Gullander, President

Founded 1895 - Members 14,000 - Staff 282. Manufacturers. Co-operating members: Non-manufacturers having a direct interest in or relationship to manufacturing. Represents industry's views on national and international problems to government. Maintains public relations program representing industry's views on national issues. Reviews current and proposed legislation, administrative rulings and interpretations, judicial decisions, and legal matters affecting industry. Sponsors Institute on Industrial Relations (Human relations and labor-management problems).

Policy Committees: Area Industrial Problems; Education; Employee Benefits; Employee Health/Safety; Government Expenditures; Industrial Relations; International Economic Affairs; Marketing; Money/Credits/Capital Formation; National Defense; Natural Resources; Patents; Science/Technology; Taxation; Telecommunications.

Publications: (1) NAM "In Brief," weekly; (2) NAM "In Depth," monthly; also publishes reports and bulletins on finance and taxation, economic problems, industrial relations, international relations, legal studies, public relations, and educational aids. Affiliated with: 385 state, trade, and national associations of manufacturers through National Industrial Council.

Convention/Meeting: Annual - always New York City. 1970 December 2-4.