

"FOOD FOR THOUGHT
A CONGRESSIONAL PERSPECTIVE"
FOUR-STATE NON-FOOD USE CONFERENCE
OVERLAND PARK, KANSAS
MARCH 29, 1989

LET ME FIRST SALUTE YOU FOR ORGANIZING THIS
REGIONAL 4-STATE CONFERENCE ON AN ISSUE THAT
LOOMS LARGE IN AMERICA'S FUTURE.

THE STRONG INTEREST IN THIS CONFERENCE IS ANOTHER SIGN OF THE RENEWED EMPHASIS AT THE LOCAL, STATE AND FEDERAL LEVELS AND IN THE PRIVATE SECTOR IN DEVELOPING AND MARKETING NON-FOOD USES OF OUR FARM PRODUCTION.

ALL OF US UNDERSTAND THAT THE NATION'S DOMESTIC ECONOMY AND BALANCE OF TRADE ARE BOTH HIGHLY DEPENDENT UPON AGRICULTURE. THE AGRICULTURE SECTOR IS ONE OF THE FEW WHERE WE

HAVE A TRADE SURPLUS -- EXPECTED TO CONTRIBUTE MORE THAN \$15 BILLION TO OUR OVERALL ECONOMY THIS YEAR. AS AMERICA'S LARGEST MOST IMPORTANT INDUSTRY, AGRICULTURE MUST CONTINUE TO BE OUR CORNERSTONE FOR PROSPERITY AND INTERNATIONAL COMPETITIVENESS.

NO DOUBT, OUR BASIC GRAIN CROPS WILL ALWAYS SERVE AS PRIMARILY HUMAN FOOD AND LIVESTOCK FEED SOURCES. STILL, SOME OF US HAVE BEEN TRYING TO FIND NEW AND CREATIVE WAYS TO USE OUR UNRIVALED AGRICULTURE BOUNTY. AND THAT WOULD BE ANOTHER WAY OF HELPING TO REVITALIZE RURAL AMERICA.

THE GOOD NEWS IS, FINDING NEW USES FOR EXISTING CROPS, AND DEVELOPING NEW ONES, HAS PLENTY OF POTENTIAL, ESPECIALLY IN INDUSTRY.

DIVERSIFYING OUR RURAL COMMUNITIES

THERE ARE IN FACT, SOME EXCELLENT EXAMPLES RIGHT IN OUR OWN BACKYARD. YESTERDAY, I HAD THE OPPORTUNITY TO SPEAK AT THE GRAND OPENING OF A THE SIGCO SUNFLOWER PLANT IN COLBY KANSAS. THE OPENING OF THAT PLANT UNDERSCORES THE GROWING COMMITMENT TO NEW HORIZONS AND OPPORTUNITIES IN RURAL AMERICA.

THE ACREAGE THAT WILL BE USED TO GROW AMERICAN SUNFLOWERS IN THE 1990'S WAS WHEAT LAND JUST TEN YEARS AGO. BUT NOW, THE PRODUCTION AND COMMERCIALIZATION OF KANSAS' NATIVE FLOWER WILL GIVE FARMERS IN THE COLBY AREA A NEW MARKET AND, BEST OF ALL, NEW HOPE.

ANOTHER DEVELOPMENT ON THE AG ENERGY FRONT KEEPS RIGHT ON GROWING--I'M TALKING ABOUT ETHANOL. TODAY, CORN FARMERS SEE ETHANOL AS A MAJOR MARKET -- ABOUT 350 MILLION BUSHELS PER YEAR -- AND IT'S ONE THAT SHOULD KEEP GROWING IN THE FUTURE.

ETHANOL IS GOOD FOR AMERICA: IT USES SURPLUS FARM COMMODITIES THAT ARE RENEWABLE, CREATES MARKETS AND STRENGTHENS PRICES FOR FARMERS, IT MAKES US LESS DEPENDENT ON FOREIGN OIL IMPORTS, AND WILL ENHANCE AIR QUALITY. I AM URGING THE ADMINISTRATION TO TAKE THE LEAD IN EXTENDING THE SIX-CENT PER GALLON EXCISE TAX EXEMPTION FOR ETHANOL, WHICH IS SET TO EXPIRE IN 1993, TO ENCOURAGE CONTINUED GROWTH AND DIVERSITY IN THE INDUSTRY.

THE ENVIRONMENTAL ASPECT I MENTIONED IS IMPORTANT BECAUSE THE CONCERN OVER THE ENVIRONMENT -- THE QUALITY OF OUR AIR, WATER AND SOIL -- WILL PLAY AN INCREASINGLY IMPORTANT ROLE IN FUTURE FEDERAL POLICIES. IN FACT, PRESIDENT BUSH HAS MADE THE ENVIRONMENT A PRIORITY ISSUE FOR HIS ADMINISTRATION. A REAL BONUS HERE IS THAT ALL NON-FOOD USES OF AGRICULTURAL COMMODITIES ARE BENIGN TO THE ENVIRONMENT: THEY ARE DEGRADABLE, NON-TOXIC AND DON'T POLLUTE.

ANOTHER DEVELOPMENT ON THE "NON-FOOD"

FRONT BURNER IS THE JOINT EFFORT BETWEEN KANSAS STATE, IOWA STATE, NEBRASKA AND THE UNIVERSITY OF MISSOURI AND OTHERS WORKING WITH USDA ON THE SO CALLED "CRAMBE RAPESEED PROJECT." CRAMBE IS A SPRING CROP WITH SIMILAR PLANTING AND HARVEST TIMES AS OATS, WHILE WINTER RAPESEED HAS A PLANTING AND HARVESTING SCHEDULE SIMILAR TO WINTER WHEAT. IT LOOKS LIKE THESE SEEDS MIGHT TURN INTO VALUED INDUSTRIAL LUBRICANTS OR, IN ANOTHER FORM, AS NYLON FIBER.

SO WHETHER WE'RE TALKING ABOUT MAKING
DEGRADABLE PLASTIC BAGS FROM CORN, WHEAT, AND
GRAIN SORGHUM STARCH, PRINTERS INK FROM
SOYBEANS, OR SUPPLYING MEDICAL AND
PHARMACEUTICAL NEEDS FROM ANIMAL CO-PRODUCTS,
I BELIEVE WE HAVE PLENTY OF OPTIONS THAT SHOULD BE
EXPLORED.

FEDERAL GOVERNMENT'S ROLE

I'D LIKE TO COMMENT BRIEFLY ON WHERE THE
FEDERAL GOVERNMENT FITS INTO THIS PROCESS. THE
MARKET-ORIENTED APPROACH ADOPTED IN THE 1985
FARM BILL HAS BASICALLY BEEN SUCCESSFUL IN IT'S
MAJOR GOAL. ENHANCING U.S. COMPETITIVENESS
ABROAD WHILE PROTECTING THE INCOME OF PROGRAM
CROP PRODUCERS FROM LOWER PRICES.

AT THE SAME TIME, NON-PROGRAM CROPS HAVE SEEN THEIR MARGINS SQUEEZED AND THEIR ACREAGE DIVERTED INTO GOVERNMENT-PROTECTED CROPS OR THE CONSERVATION RESERVE. AND THE CROP-SPECIFIC BASE PROGRAM CURRENTLY IN PLACE HAS PREVENTED PRODUCERS FROM RESPONDING TO MARKET SIGNALS THAT ENCOURAGE SWITCHING TO MORE PROFITABLE ALTERNATIVES.

THERE ARE ANY NUMBER OF IDEAS CIRCULATING IN WASHINGTON ON HOW TO RESOLVE THIS RIGID BASE SITUATION, BOTH FOR PROGRAM AND NON-PROGRAM CROP PRODUCERS. I AM NOT HERE TO PROPOSE A NEW ONE. I WOULD ONLY SAY THAT WE NEED TO ADJUST POLICIES SO THAT THE MARKETPLACE, RATHER THAN GOVERNMENT PROGRAMS, IS THE PRINCIPAL FACTOR IN PRODUCTION DECISIONS.

THIS ISSUE OF SO-CALLED "FLEXIBILITY" BETWEEN PROGRAM CROPS OR "SUBSTITUTION" OF NON-PROGRAM CROPS ON BASE ACRES, OR EVEN ON SET-ASIDE ACRES AS PROPOSED BY THE TASK FORCE ON NON-FOOD USES OF KANSAS AGRICULTURAL PRODUCTS, IS ONE ITEM THAT SOME WOULD LIKE TO ADDRESS BEFORE CONGRESS SITS DOWN TO WRITE THE NEXT MAJOR FARM BILL. WE MAY BE ABLE TO DEAL WITH LESS CONTROVERSIAL CROPS SUCH AS SUNFLOWERS AND INDUSTRIAL-USE CROPS BEFORE PLANTING THIS FALL, FOR 1990 CROPS.

IN FACT, SENATOR BOND HAS INTRODUCED A BILL WHICH WOULD ALLOW THE PRODUCTION OF SIX INDUSTRIAL CROPS ON BASE ACRES WHICH HE WOULD LIKE TO SEE PASSED THIS YEAR.

ALLOWING MORE FLEXIBILITY IN FARM PROGRAMS MAY HELP OVERCOME A TRADITIONAL BARRIER IN THE DEVELOPMENT OF NEW CROPS OR EXPANDING MARKETS FOR EXISTING CROPS -- THE NEED FOR A SUFFICIENT NUMBER OF FARMERS TO PRODUCE ENOUGH OF A RAW PLANT MATERIAL TO SUSTAIN INDUSTRIAL DEMAND. FARMERS WANT A DEPENDABLE MARKET AND INDUSTRY WANTS A DEPENDABLE SUPPLY.

WE COULD ALSO ADD TO AGRICULTURE'S POSITIVE
BALANCE OF TRADE SINCE WE ARE NOW A NET IMPORTER
OF VEGETABLE OILS AND OATS.

WE MAY ALSO NEED TO LOOK AT WAYS TO
FACILITATE TECHNOLOGY TRANSFER BETWEEN PUBLIC
RESEARCH AND THE PRIVATE SECTOR TO HELP IDENTIFY
AND COMMERCIALIZE NEW OR EXISTING IDEAS.

BUT THE BOTTOM LINE IS THAT WHATEVER WE DO IN
CONGRESS -- WHETHER IT IS COORDINATING
PUBLIC-PRIVATE PARTNERSHIPS, PROVIDING RURAL
DEVELOPMENT INITIATIVES TO ATTRACT SMALL
BUSINESSES TO RURAL COMMUNITIES, OR PROVIDING
FINANCIAL LEVERAGE TO HELP COMPANIES
COMMERCIALIZE PRODUCTS -- IT WILL BE DONE AGAINST
THE BACKDROP OF LIMITED RESOURCES AND THE NEED
TO REDUCE THE FEDERAL BUDGET DEFICIT.

REASONS TO PUSH AHEAD

WE RECENTLY IDLED ABOUT 75 MILLION ACRES FROM PRODUCTION AND ARE SPENDING ABOUT \$11-\$12 BILLION EACH YEAR ON FARM PROGRAM OUTLAYS ON AN ANNUAL BASIS. ALTHOUGH IDLED ACREAGE HAS DECLINED DUE TO RISING WHEAT AND CORN EXPORTS AND CARRYOVER LEVELS ARE LOWER NOW, WE NEED TO ASK OURSELVES IF OUR PRODUCTIVE CAPACITY CAN BE PUT TO BETTER USE AND IF WE CAN BOOST INCOME TO FARMERS AND INDUSTRY BY PROVIDING GREATER FLEXIBILITY.

THERE IS SOME CONSENSUS WHICH SUGGESTS THAT IF WE COULD DIVERSIFY THE NUMBER OF CROPS THAT CAN PROFITABLY BE GROWN, PERHAPS WE COULD REDUCE OUR TRADITIONAL SURPLUSES, MAKE FARMERS LESS DEPENDENT ON GOVERNMENT PAYMENTS AND MORE MARKET-RESPONSIVE, AND MAKE AGRICULTURE LESS VULNERABLE TO WEATHER DISASTERS AND INSECT AND DISEASE OUTBREAKS AS WELL AS ABRUPT MARKET SWINGS. WE MAY ALSO BENEFIT FROM INCREASED INTERNATIONAL COMPETITIVENESS AS WE DEVELOP NEW MARKETS.

BUT WE NEED TO KEEP IN MIND THAT THIS IS A LONG-TERM PROCESS AND OUR PROGRESS MAY BE MORE EVOLUTIONARY THAN REVOLUTIONARY. FOR EXAMPLE, IT MAY BE DIFFICULT FOR YOU TO CONVINCING A SMALL COMMUNITY TO PAY THE HIGHER INITIAL PRICE FOR CORN-BASED ROAD DE-ICERS, ALTHOUGH IN THE LONG RUN THEY MAY SAVE MONEY BY REQUIRING FEWER REPLACEMENT REPAIRS ON ROADS AND BRIDGES DUE TO CORROSION FROM USING SALT. MAINTAINING AN ADEQUATE INFRASTRUCTURE, ESPECIALLY ROADS AND BRIDGES, IS A BASIC NEED OF OUR RURAL COMMUNITIES.

OUR SUCCESS OR FAILURE WILL DEPEND ON OUR
WORKING TOGETHER AT THE LOCAL, STATE AND FEDERAL
LEVEL WITH THE PRIVATE SECTOR IN IDENTIFYING MARKET
NICHEs AND POTENTIAL EARNINGS THAT EXCEED THE
COST OF DEVELOPMENT AND COMMERCIALIZATION.

CONCLUSION

FINALLY, IT SEEMS THAT NEW IDEAS, WHETHER IN THE PUBLIC OR PRIVATE DOMAIN ALWAYS NEED EITHER A CONSTITUENCY OR A CHAMPION -- SOMEONE OR SOME GROUP THAT HAS THE ENTHUSIASM AND DEDICATION TO PUSH AN IDEA TO COMPLETION.

HOPEFULLY, THE FEDERAL GOVERNMENT CAN JOIN
FORCES WITH YOUR EFFORTS AND BE A CATALYST IN THIS
IMPORTANT AND PROMISING AREA. I LOOK FORWARD TO
WORKING WITH YOU. THANK YOU.

page 2

SUBJECT: LEGISLATIVE SUMMARY OF NON-FOOD USE LEGISLATION

Senator Conrad proposed S. 2413, the Ag Research Commercialization Act, (ARC) which set up a corporation within the institute to foster research commercialization. It would provide technical assistance and business and financial counseling to help small businesses commercialize new nonfood uses. Financial assistance would be through loans, subsidizing interest payments, investing venture capital and making repayable grants. Advisory councils at regional centers would decide which projects to support. Reintroduced this session with Bond, Daschle, Boschwitz, Burdick, Fowler, Glenn, Harkin & Kennedy.

Both the institute and corporation would be financed through a revolving fund established in the U.S. treasury. Part of the money would be appropriated and part from payments for services, royalties from patents, loan repayments, private donations.

PAST USDA REACTION -- At hearings on some of the proposed bills last session, USDA officials were firm in their opposition both to an independent R&D entity involving public/private collaboration and to the proposed commercialization corporation because of the budget impact, creation of new bureaucratic structures, duplication of current R&D efforts and authority and the possible usurption of power from the Secretary.

BOND BILL -- Bond has introduced what should be a relatively non-controversial bill to allow the planting of six industrial crops on base acres while ensuring protection of base acres. The crops are crambe, high erucic (U-RIS-IC) rapeseed, meadowfoam, kenaf, guayule and milkweed.

He would like to pass it this year.

March 24, 1989

TO: SENATOR DOLE
FROM: MARK SCANLAN
SUBJECT: LEGISLATIVE SUMMARY OF NON-FOOD USE LEGISLATION

PAST STUDIES -- OTA did studies in 1983 and 1988. OTA noted: barriers to new crop/product development include insufficient knowledge of plant biochemistry applications to commercial usefulness, lack of growth in USDA research budget, regulatory uncertainty. OTA recommended Congress develop a coordinated comprehensive plan involving Government, industry and universities to screen plants, assess new chemical resources and foster commercial development. OTA recommended more funding for research.

In 1984 the Council for Ag Science and Technology (CAST) recommended a joint public/private entity that would be a clearinghouse for new product information, processing, marketing and funding.

In 1987 the USDA-formed New Farm and Forest Products Task Force noted barriers included unstable research funding, lack of commitment among necessary public and private partners to high-risk, long-term ventures, inadequate linkages between public and private sectors to identify markets and transfer technology. They suggested a \$1 billion trust fund with initial funding from the sale of \$200 million in CCC commodities each year for five years. They also suggested an autonomous commercialization entity or technology transfer company within USDA.

REASONS FOR INSTITUTE/CORPORATION -- The perceived need is that few of the product ideas from our investment in ag research are being commercialized compared to other countries such as Japan. The reason is the high cost and risk of moving an idea from conception to production to marketing. Thus, such an entity would be a "bridge" from research to commercialization. The benefits include creating new jobs in manufacturing/processing, increasing the demand for ag crops, increasing international competitiveness and reducing the trade deficit.

LEGISLATION / 100th CONGRESS -- The idea of an autonomous institute or corporation was included in various forms in legislation introduced last session. The Senate passed Harkin's Alternative Ag Products Research Act under UC and the House passed de la Garza's Ag Research Act. Congress adjourned before a conference could convene.

The institute within USDA would further development of new products from ag commodities, would be governed by a board composed mostly of nongovernment individuals representing commercial processing, product development, marketing, finance, business development and management and would have top USDA officials as nonvoting members. Support would be through competitive grants, cooperative agreements and contracts for demonstration projects.

BACKGROUND ON FOUR-STATE NON-FOOD USE CONFERENCE

You will be introduced by Charles Kruse, the Director of Agriculture for Missouri. They would like you to speak 30-40 minutes if possible. They would encourage Q and A but that is up to you. Breakfast begins at 7:45 in Salone F.

There will be about 125 people in the audience. 1/2 of the audience will be representing business interests, 1/4 will be public administrators and 1/4 will be university types.

Other speakers include Martin L. Andreas, Sr. VP of ADM, Virginia Smith, and Dan Glickman. Virginia Smith will speak at the Monday night banquet and Dan Glickman will speak at the Tuesday noon Luncheon.

CONFERENCE MATERIAL IS ATTACHED.

NOTE: FOLLOWING IS AN IN-DEPTH MEMO ON CURRENT LEGISLATIVE PROPOSALS OUTSIDE THE REALM OF FARM LEGISLATION. THIS MAY BE OF USE SHOULD YOU DECIDE TO DO A QUESTION AND ANSWER PERIOD AND SPECIFIC QUESTIONS COME UP.

STATE OF KANSAS



STATE BOARD OF AGRICULTURE

SAM BROWNBACk, Secretary
 Honorable Robert Dole
 United States Senate
 141 Hart Senate Office Building
 Washington, DC 20510

DONALD L. JACKA, JR., Assistant Secretary
 20 January 1989

Dear Senator Dole:

I would like to invite you to have key placement on the agenda during a four-state non-food uses conference in Kansas City in March, 1989. Directors of Agriculture in Nebraska, Missouri, Iowa and I are jointly sponsoring the event. Co-sponsors include U.S.D.A./C.S.R.S., Washington, DC and our Four State Regional S.B.A. Office in Kansas City, (William Powell).

Secretary of Agriculture Clayton Yeutter has also been invited and his staff has responded with a further inquiry. We would appreciate your contacting Dr. Yeutter or Sharon Marshall* of his staff to further encourage his participation. President Bush pointed out in his first television debate that non-food uses is an area of promise for American Agriculture.

Our four-state conference is titled, "Commercializing Industrial Materials from Agricultural Commodities" with the target audience being the processing companies in our four states that could utilize feed stock from agricultural sources in the composition of their product (ie corn starch in bio-degradable plastics, soy ink, wheat starch in carbonless paper, pharmaceutical ingredients from slaughter houses, or industrial feedstock from new oilseed crops). We project a high quality of attendees with the majority from private industry.

The conference will begin at 1:30 pm and include dinner on March 28th. It will continue with breakfast and lunch as scheduled events on March 29th and conclude at 3:00 pm & coordinate a Congressional Hearing beginning at 3:00 pm. The hearing will be bipartisan involving Congressional members from each of the four states. Preliminary commitments include sub-committees from Agriculture and Energy and Commerce.

Our agenda has the flexibility to allow you an opportunity at any time that your scheduling would allow. We are reserving a suite at the conference facility Marriott Hotel, Overland Park, Kansas at our expense for your convenience. We hope that you will arrange your schedule to assist the further development of non-food uses of agricultural commodities.

Sincerely,

Sam Brownback
 Kansas Secretary of Agriculture

cc: Director Charles Kruse, Missouri Department of Agriculture
 Director Roy Frederick, Nebraska Department of Agriculture
 Secretary Dale Cochran, Iowa Department of Agriculture

* (202) 395-3204

Overland Park, Kansas
Overland Park Marriott
March 28-29, 1989

Ag Commodities
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Commercializing
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**Commercializing
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March 28-29, 1989
Overland Park Marriott
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Name: _____

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Mail this form, along with \$100 per registrant, to:

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for Agricultural Commodities
Conference
Marketing Division
Kansas State Board of Agriculture
109 S.W. 9th
Topeka, Kansas 66612-1723
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Make check payable to Chamber
of Commerce of Greater Kansas
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COMMERCIALIZING INDUSTRIAL USES FOR AGRICULTURAL COMMODITIES

A conference for the states of Iowa, Kansas, Missouri, and Nebraska.

March 28-29, 1989

Overland Park Marriott
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Overland Park, Kansas
913-451-8000
FAX 913-451-1547

Sponsored by

Conference Sponsors

Iowa Department of Agriculture
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Des Moines, Iowa 50319
515-281-5993

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Missouri Department of Agriculture
P.O. Box 630
Jefferson City, Missouri 65102
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COMMERCIALIZING INDUSTRIAL USES FOR AGRICULTURAL COMMODITIES

INTRODUCTION TO THE CONFERENCE

Iowa Secretary of Agriculture Dale M. Cochran, Kansas Secretary of Agriculture Sam Brownback, Missouri Director of Agriculture Charles E. Kruse, and Nebraska Director of Agriculture Dr. Roy Fredrick welcome you to this two-day conference on the commercialization of industrial uses for agricultural commodities. The focus of the conference is on the possibilities these new uses of existing agricultural products bring to the economies of the Midwestern states. The conference brings together a number of experts on non-food uses of agricultural commodities.

Many people believe the agricultural industry in the four states must expand its opportunities to sell non-food products in addition to food items. Agriculture must become a business of energy and materials as well as one of food and fiber. Midwestern agriculture then can visualize and actively seek new and expanded markets for agricultural products.

CONFERENCE OBJECTIVES

Increase knowledge and interest about opportunities that exist for non-food uses in industrial applications of agricultural commodities involving agriculture and industry. Also, informing the investment community, economic development leaders, legislative leaders, the media and the general public.

Demonstrate specific examples of non-food uses in industrial applications of agricultural commodities in the mid-west.

Suggest methods for commercializing non-food uses in industrial applications of agricultural commodities and bringing them into common use.

The U. S. Small Business Administration's participation in this cosponsorship does not constitute an express or implied endorsement of the cosponsors' or participants' opinions, products or service.

COMMERCIALIZING INDUSTRIAL USES FOR AGRICULTURAL COMMODITIES CONFERENCE PROGRAM

Tuesday, March 28, 1989

12 noon -
1:30 p.m.

Registration - Refreshments available in the Exhibit Room

1:30 p.m.

Welcome

Sam Brownback, Kansas Secretary of Agriculture
Topeka, Kansas
Presiding

Clean Air and New Products Via Agriculture

Martin L. Andreas

Senior Vice-President & Assistant to the Chief Executive, Archer Daniels Midland
Company, Decatur, Illinois

2:30 p.m.

Public/Private Interface

Dr. Paul O'Connell

Deputy Administrator, USDA Cooperative States Research Service, Washington, D.C.

3:00 p.m.

Concurrent Sessions

1. Starches

Rollie McCubbin, Chief, Commodity Bureau
Iowa Department of Agriculture and Land Stewardship
Des Moines, Iowa
Presiding

Industrial Uses for Wheat Starch

Ladd Seaberg

President, Midwest Grain Products, Inc., Atchison, Kansas

Industrial Uses for Corn Starch

Dr. Gene Iannotti

Associate Professor, Department of Agricultural Engineering
University of Missouri-Columbia, Columbia, Missouri

2. Oils

S. Wayne Yokley, Director, Market Development Division
Missouri Department of Agriculture, Jefferson City, Missouri
Presiding

Use of Soybean Oil and the Production of Printing Ink

Wilson Cunningham

Research Manager, The Newspaper Center, Reston, Virginia

2

Vegetable Oil Use with Agri-Chemical Crop Protectants
Dr. George Kapusta, Professor, Weed Control and Crop Protection
Plant and Soil Science Department, Southern Illinois University, Carbondale, Illinois

Commercial Application of Soybean Products
Jerry C. Weigel
Director of Nutrition, Archer Daniels Midland Feed Corporation, Decatur, Illinois

4:00 p.m. Break between Concurrent Sessions - Refreshments in Exhibit Room

4:15 p.m. Concurrent Sessions
Repeat of same Concurrent Sessions offered at 3:00 p.m.

5:15 p.m. Adjourn until Social Reception at 6:00 p.m.

6:00 p.m. Reception

7:00 p.m. Banquet

Dr. A.L. (Roy) Fredrick
Director, Nebraska Department of Agriculture, Lincoln, Nebraska
Presiding

Legislative Outlook for Agricultural Industrial
Commercialization
The Honorable Virginia Smith
United States Congresswoman from Nebraska

Wednesday, March 29, 1989

7:45 a.m. Breakfast

Charles E. Kruse
Director, Missouri Department of Agriculture
Jefferson City, Missouri
Presiding

Food for Thought: A Policy Prospect for the 1990's
The Honorable Bob Dole
United States Senator from Kansas

9:30 a.m. Concurrent Sessions

1. New Crops

Dr. Ray Burns, Agricultural Marketing Specialist
Marketing Division, Kansas State Board of Agriculture,
Topeka, Kansas
Presiding

Production and Marketing of Specialty Crops
Steven D. Chambers
Vice-President & General Manager
Montana Vegetable Oil and Feed Company
Division of Evans Grain and Elevator Company
Great Falls, Montana

Commercializing Industrial Rapeseed Production
Frank Filder
General Manager, Calgene Chemical, Inc.
Des Plaines, Illinois

2. How to Commercialize Industrial Uses of Agricultural Commodities

Dr. Melvin G. Blase
Professor, Agricultural Engineering and
Coordinator, High Erucic Acid Oil Project
University of Missouri-Columbia, Columbia, Missouri
Presiding

Commercialization of Natural Fibers
Robert Raun
Natural Fibers, Ogallala, Nebraska

The Process of Decisionmaking Concerning New Products
Rich Schafermeyer
Product Development, Procter and Gamble, Cincinnati, Ohio

3. Livestock Co-Products

Stan Garbacz, Director, Agriculture Promotion and Development
Nebraska Department of Agriculture, Lincoln, Nebraska
Presiding

The Importance of The Use of Livestock Co-Products Now
Dr. Terry Klopfenstein
Professor, Animal Science, University of Nebraska
Lincoln, Nebraska

New Opportunities From The Packing House
A. Severin Johnson, Trade Liaison
Meat Export Research Center, Iowa State University, Ames, Iowa

Waste Not! Want Not!
Richard Waybright
Owner-Manager, Mason-Dixon Dairy Farm, Inc.
Gettysburg, Pennsylvania

10:30 a.m. Break between concurrent sessions - Refreshments in Exhibit Room

10:45 a.m. Concurrent Sessions

Concurrent Sessions repeated

- 1. New Crops - repeat of 9:30 session**
- 2. How to Commercialize Industrial Uses of Ag Commodities - repeat of 9:30 session**
- 3. They Said It Couldn't Be Done**

**Stan Garbacz, Director, Agriculture Promotion and Development
Nebraska Department of Agriculture, Lincoln, Nebraska
Presiding**

**Technical Support for Commercialization
Dr. L. Davis Clements
Chair, Department of Chemical Engineering
University of Nebraska, Lincoln, Nebraska**

**Potential Financing of Innovative Ag Products
Sam D. Campbell
Owner-Partner, Campbell-Becker, Inc., Lawrence, Kansas**

**Initiating and Managing Change
Lee Reeve
President, AgriEnergy, Garden City, Kansas**

12 noon

Lunch

**Dale M. Cochran, Iowa Secretary of Agriculture,
Des Moines, Iowa
Presiding**

**New Directions for New Uses of Farm Products:
Making the Private Sector-Federal Partnership Work
The Honorable Dan Glickman
United States Congressman from Kansas**

**Developing Your Strategy with Industrial Uses of Agricultural Commodities
Loren Kruse
Editor, Successful Farming Magazine, Des Moines, Iowa**

BIOSKETCHES

Keynote Speakers

MARTIN L. ANDREAS

Martin L. Andreas is Senior Vice-President & Executive Assistant to the Chief Executive of Archer Daniels Midland Company, Decatur, Illinois. Andreas holds a degree in business from Miami University. Following his graduation in 1959 he became President of the Andreas Corporation, a privately-held company that managed the family stock investments and business ventures. In 1970, he returned from Florida to Iowa, where he was born, to serve as Executive Vice-President of Corn Sweeteners in Cedar Rapids. The company is now a division of Archer Daniels Midland. In 1975, Andreas became President of ADM Corn Sweeteners. In 1983, he became a Corporate Vice-President & was appointed to the ADM Board of Directors in April 1983. Andreas assumed his current position with the corporation in December 1988. Andreas is Chairman of the Board for the Corn Refiners Association.

CONGRESSWOMAN VIRGINIA SMITH

Virginia Smith of Chappell, Nebraska, is serving her 15th year in the United States House of Representatives as the Member of Congress from the Third District of Nebraska. Congresswoman Smith is the senior ranking Republican woman in the 101st Congress and serves on the House Appropriations Committee. She serves on the Appropriations Subcommittees on Agriculture and Energy and Water Development. In the current Congress, Mrs. Smith chairs the House Republican Research Committee Rural and Agricultural Communities Task Force. Her key legislative initiatives in the 100th and 101st Congresses have included the establishment of a national institute to develop new industrial uses for agricultural commodities. Born in Randolph, Iowa, Congresswoman Smith attended Iowa public schools and received her bachelor of arts degree in education from the University of Nebraska.

SENATOR BOB DOLE

Bob Dole of Russell, Kansas, was first elected to the United States Senate in 1968. Prior to that he served four consecutive terms in the United States House of Representatives. Senator Dole is Kansas Senior Senator and serves on the Senate Finance, Agriculture, and Rules Committees. Respected as a master legislator, Bob Dole was unanimously reelected by his Republican colleagues to a third term as their Senate leader on November 28, 1988. A tough, common sense conservative from America's heartland, Senator Dole has been a leader for budget responsibility, tax reform, a sound Social Security system, quality and affordable health care, rights for the disadvantaged and persons with disabilities, and for a better future for rural America. Bob Dole was born in Russell. During World War II, he left premedical studies at the University of Kansas to enlist in the Army. He was gravely wounded in 1945 and spent thirty-nine months in hospitals fighting for his life. After the war he continued his education at the University of Arizona at Tucson and at Washburn Municipal University in Topeka where he earned his bachelor's and law degrees.

CONGRESSMAN DAN GLICKMAN

Dan Glickman, a Wichita, Kansas native, was elected to the United States House of Representatives in 1978. Congressman Glickman currently serves on the House Agriculture, Science, Space and Technology, and Judiciary Committees. He is Chairman of the Agriculture Subcommittee on Wheat, Soybeans, and Feed Grains. He is a member of the House Permanent Select Committee on Intelligence. Congressman Glickman was named the House Assistant Majority Whip in 1985 and elected regional representative to the Democratic Steering and Policy Committee in 1987. Congressman Glickman holds a bachelor of arts degree in history from the University of Michigan and a law degree from George Washington University. Prior to his election to Congress he served as a trial attorney for the U.S. Securities and Exchange Commission 1969-70; was an attorney with Sargent and Klonda Law Firm of Wichita 1971-73, and in 1973 became a partner in the same firm; and was a member of the Wichita School Board 1973-76, serving as Board President 1975-76.

March 28, 1989

County Chair and Legislators

Johnson County

Chairman

Lyle D. Pishny

House Members

Eugene Amos, Shawnee
Phil Kline, Overland Park
Arthur Douville, Overland Park
Barbara Allen, Prairie Village
Rex Hoy, Fairway
Al Lane, Mission Hills
Vince Snowbarger, Olathe
Nancy Brown, Stanley
Kerry Patrick, Leawood
Robert Van Crum, Overland Park
Frank Weimer, Lenexa
David Miller, Eudora

Carol Sader, Prairie Village (D)
Gary Blumenthal, Merriam (D)

Senate Members
All Republicans

Audrey Langworthy, Prairie Village
Dick Bond, Overland Park
Bud Burke, Leawood
Gus Bogina, Shawnee
Jim Allen, Ottawa

March 28, 1989

County Chair and Legislators

Miami County

Chairman

Harold Sevy

House Members

Marvin Barkis, Louisburg (D)
George Teagarden, LaCygne (D)

Senate Members

Doug Walker, Osawatomie (D)
Jim Allen, Ottawa (R)

March 28, 1989

County Chair and Legislators

Franklin County

Chairman	Sam Sheldon
House Members	Betty Sue Shumway, Ottawa (R) George Teagarden, La Cygne (D)
Senate Member	Jim Allen, Ottawa (R)

KANSAS SCHEDULE FOR SENATOR BOB DOLE

March 27, 28, and 29, 1989

MONDAY MARCH 27

- 6:30 p.m. Arrive Jabara Airport - Midwest Corporate Aviation -316/682-5551 - Ron will meet you and drive you to fundraiser. (10 min. drive)
Hawker, Tail #6TM
- 6:00 p.m. HAYDEN FUNDRAISER - at the home of Mr. and Mrs.
to Larry Fleming, #6 Hampton Road, Wichita, phone
7:30 p.m. 316/688-0006
CONTACT: John Petersen, 913/296-2714
- 7:30 p.m. Cocktails and dinner at the Olive Tree.
Olive Tree - 316/681-3404
- 8:15 p.m. PRIVATE DINNER - Hayden and Dole
key people. Olive Tree

RON - WICHITA - Ramada Broadview - 316/262-5000

**Fred Logan, Republican State Chairman, and Ron Wineinger, will be travelling with you Tuesday and Wednesday.

TUESDAY, MARCH 28

- 7:30 a.m. WICHITA CHAMBER BREAKFAST
to CONFIRMED - Century II, Room 210
9:00 a.m. Century II - 316/264-9121
CONTACT: Amy Williams, 316/265-7771
- 9:10 am. Depart Century II for Wesley - Ron will drive you.
- 9:30 a.m. VISIT WESLEY FOUNDATION - Meeting w/ Board of
to Directors - CONTACT: Steve Coen - 316/262-8575
10:15 a.m.
- 10:15 a.m. Depart Wesley for Post Office - Ron will drive you.
- 10:30 a.m. WICHITA DIVISION POST OFFICE
to CONTACT: Steve Green 316/946-4615
11:00 a.m. Postmaster - Mary Brown
- 11:00 a.m. Depart Post Office for Wichita Midcontinent Airport
Ron will drive you.
- 11:15 a.m. Depart Wichita Midcontinent - Air Center One
316/946-4300 - King Air 90, Tail #N228RA
Pilot - Duane Gulker & co-pilot, Max Picking
Manifest: Senator, Ron, and Fred Logan
- 12:15 p.m. Arrive Colby Airport, Holtzmeister Aviation
913/462-3609 - Wes Dick, Controller for Sigco
Sun Products, will drive you to and from airport.

12:30 p.m. COLBY - Grand Opening luncheon speaker for Sigco
to Sun Products - state-of-the-art facility for
1:15 p.m. processing confection sunflower. (250 people)
Plant will employ 20-25 people and process up
to 60,000 acres of sunflowers.
CONTACT: Wes Dick, 218/643-8467

1:30 p.m. Depart Colby for Goodland - King Air 90, #N228RA

12:50 p.m. (MST) Arrive Goodland Airport, Butterfly Aviation
Marilyn (pronounced Marlin) Mangus, GOP County
Chairman, will meet you and drive you to event.

1:00 p.m. (MST) GOODLAND - Reception - Town Meeting
to VFW Hall - 913/332-8981
2:00 p.m. CONTACT: Marilyn (Pronounced Marlin) Mangus
GOP Chr. 913/899-3585
Tom Oglevie 913/899-2994 (Dole Chr.)

2:15 p.m. (MST) Depart Goodland for Liberal (same plane)

4:00 p.m. (CST) Arrive Liberal Airport, Liberal Aircraft
316/624-1646 - Don Jones, GOP Co. Chrm. will drive
you to and from the airport.

4:15 p.m. (CST) LIBERAL - Reception - Town Meeting
to Library, Seward Co. Community College
5:30 p.m. CONTACT: Don Jones, GOP Chr. 316/624-5801
Mike Dreiling, Dole Chr. 316/624-2548
Community College - 316/624-1951

5:45 p.m. Depart Liberal for Johnson - (same plane)

6:05 p.m. (CST) Arrive Johnson, Gerard Aircraft 316/492-2414
Millie Johns is arranging transportation to and
from the airport.

6:15 p.m. JOHNSON CITY - Reception - Town Meeting, Hamilton/
to Stanton County Event. Johnson High School
7:15 p.m. CONTACT: Millie Johns, GOP Chr. 316/356-6871, Lyle
Davidson, Jr., Dole Chr. 316/492-6462
Harry Long, Hamilton Co. Chr., 316/384-7414

7:30 p.m. Depart Johnson for Overland Park - (same plane)

9:15 p.m. Arrive Johnson County Executive Airport
Kansas City Aviation - 913/782-0530
Gale will meet you and drive you to the
Marriott.

RON - OVERLAND PARK MARRIOTT - 913/451-8000

WEDNESDAY, MARCH 29

8:30 a.m. BREAKFAST - FOUR-STATE NON-FOOD USE CONFERENCE,
to Overland Park Marriott - Sponsored by Directors of
9:15 a.m. Agriculture from Iowa, Nebraska, Missouri and
Kansas - 200-300 people. CONTACT: Sam Brownback,

913/296-3558 - Marriott - 913/451-8000

- 9:15 a.m. Depart Overland Park (via car) for Paola
(27 miles) John Petersen will drive you.
- 10:00 a.m. PAOLA - Reception - Town Meeting at Paola Senior
to Citizen Center with coffee and donuts. CONFIRMED
11:00 a.m. Harold Sevy, GOP Chr. 913/294-3281 Marvin Clark,
Dole Chr. 913/294-4031 - Senior Center 913/294-4630
- 11:15 a.m. Depart Paola (via car) for Ottawa
(23 miles)
- 11:45 a.m. OTTAWA - Chamber Luncheon at Ottawa University
to CONFIRMED, Ottawa Chamber: 913/242-1000 - Bob
1:15 p.m. Whitworth, Chamber Pres. Sam Sheldon, GOP Chr.,
913/242-1113 Kristeen Armstrong, Dole Chr.
913/262-9066 - University - 913/242-5200
John Petersen will drive you to the airport.
- 1:20 p.m. Depart Ottawa for Olathe
John Petersen will drive you
- 1:50 p.m.. Arrive Olathe Library
- 2:00 p.m. OLATHE - Reception - Town Meeting - Library
to Bill Tschudy, Olathe Dole Chr. 913/474-8833
3:00 p.m. Lyle Pishney, GOP Chr. 913/642-7300
Olathe Library - 913/764-2259
- 3:10 p.m. Depart Library for Airport - Gale will drive you.
- 3:30 p.m. Depart Johnson County Industrial Airport
Executive Beechcraft - 913/782-9003

THE TELEPHONE-TELEVISION DEBATE

1. The telephone-television debate is likely to involve a wide range of groups who oppose allowing the phone companies into the provision of video programming. Groups opposed to allowing the telephone companies into the television business include: Weekly and Daily Newspapers, The Consumer Federation of America, The American Association of Retired Persons, and the television industry (broadcast and cable).

In addition, there are a host of other industries which have expressed reservations about lifting the Modified Final Judgment (MFJ) restrictions. These include computer-related companies (i.e., data processors), manufacturers and long-distance providers. For these companies, this issue is not merely about protecting profit margins it is a matter of survival.

2. This is a debate which will split the Republican business constituency and possibly jeopardize the party's 1990 fundraising efforts. The party needs to focus more on finding common grounds for support among the various business interests rather than to focus on an issue which will force GOP candidates to choose sides within major American industries.
3. There is a broad range of new businesses telephone companies could enter with little or no incremental cost. However, telephone company entry into television programming would require ripping out copper wires to the home, and replacing them with broadband (fiber optic). It would cost \$500 billion to put fiber in across the nation.

For this exorbitant capital outlay, the only new service the telephone companies will be able to provide with fiber is video programming. All other residential information services can technologically be provided over existing copper wire plant.

4. Current law only prohibits the telephone companies from providing or controlling the content of video programming. However, there is nothing in current law which prohibits the telephone companies from building cable facilities or from modernizing their existing plants to carry video programming as long as they do not control or provide television services.
5. Although the RBOC's contend that the deployment of fiber optic will increase the United States' competitiveness in the international marketplace, the reality is the competitiveness issue is fundamentally a manufacturing one. It should be noted that the RBOC's, if freed from MFJ restrictions, refuse to commit to manufacture domestically. If the RBOC's are allowed to get into manufacturing and then locate off-shore there will be a negative impact on the U.S. trade deficit. The RBOC's foreign manufacturing efforts would be aimed at taking market share away from the major U.S. manufacturer of telecommunications equipment--Western Electric.

to off-network hour programs. "We certainly have the momentum right now," he said. "Hour-long have gotten the most publicity as far as the soft market," he said, "but it has been shown that hour-long can be successful on basic cable if programed properly. Therefore," he said, "many distributors are looking to us for distribution of their hour product."

Hoffman said that USA Network is not jumping at the opportunity to acquire any of the four properties. "As far as USA goes, we said we would look into whether we had the proper schedule slots and if the shows fit our audience needs." □

Battle plan

ABC will schedule the remaining 11½ hours of its *War and Remembrance* mini-series over five nights beginning Sunday, May 7, 8-11 p.m. The remaining installments will air on Monday, May 8, 9-11; Tuesday, May 9, 9-11, and Wednesday, May 10, 9-11, and the series will conclude on Sunday, May 14, from 9 to 11:30. Scheduling the first and last episodes on Sundays puts those two installments on a night that traditionally has the week's highest HUT level.

How this second part of the mini-series performs during the May sweeps could determine whether ABC maintains its second-place position over CBS in the network season race. The first 18 hours of the mini-series, which aired during the November sweeps, while critically acclaimed, were a disappointment ratings-wise. Over its 10 days, the first part averaged an 18.6 rating/29 share, well below the 20.5 rating guaranteed to advertisers.

Telcos step up lobbying effort

USTA members updated on group's efforts on phone company entry into video; included is videotape presentation of arguments

The U.S. Telephone Association's campaign to eliminate the legislative and regulatory barriers blocking telcos from entering the television business is moving at an accelerated pace. In Washington last week, telco executives attending USTA's annual government relations conference were given an expansive briefing (with a videotape presentation) on the subject before calling on Capitol Hill.

The industry had the FCC's price caps decision to digest (see page 27), and the Bell operating companies are trying to remove restrictions in the modified final judgment that prevent them from providing information services and manufacturing equipment, but it was clear from the conference agenda that USTA was activating its membership on the telco-TV front.

During the meeting, lawmakers, Hill staff, telco executives and broadcasters addressed the idea of telephone companies becoming a full-fledged video provider.

Reaction on the Hill was mixed. Senate Minority Leader Robert Dole (R-Kan.) told the USTA crowd he endorses the idea of telcos as video programmers. But for some congressional staff the issue is not a priority.

Tom Cohen, senior counsel with the Senate Commerce Committee, does not see any "press on the Hill to change the existing law." Larry Sidman, chief counsel and staff director for the House Telecommunications Subcommittee, said the "burden of proof rests upon the telcos to demonstrate change is necessary or desirable." This is not an issue where the telcos have "marched on the field and cable is making a goal-line stand. The play is still between the 40-yard lines," he said.

Sidman said there is a "growing disquiet" among subcommittee members over what is happening in the cable industry. Nonetheless, those concerns are "very far from any critical mass."

Roy Neel, an aide to Senator Al Gore (D-Tenn.), who is a frequent cable critic, thinks cable rate increases have the potential of becoming the "most important consumer issue in this country."

As for the telephone industry's desire to build an alliance with broadcasters, repre-



sentatives from the Association of Independent Television Stations and Fox Television expressed a willingness to work with the USTA. But John Abel, the National Association of Broadcasters' executive vice president, operations, was far more cautious about an alliance with the telcos. Abel said telco entry "on the surface appears to be a great idea" given that "the broadcasting industry has been pushed around by the cable industry." But Abel expressed concern about replacing one monopoly with another. With telcos, "we think we'll get pushed around even more," he said. "You could bid up the price of programming," he said, adding, "I don't believe it when you tell me you're just interested in distribution."

Tom Herwitz, vice president, corporate and legal affairs, Fox Television, was blunt on why Fox supported telco entry—"because we're getting screwed by the cable industry." Citing carriage and channel positioning, Herwitz said, "We have this tremendous pent-up frustration at the way things have existed for the past five years." He went on to say telco entry "is really a consumer issue rather than another line of business telcos can get into."

Jim Hedlund, vice president, government relations, INTV, denied that INTV's talks with USTA were meant to put heat on the cable industry. "Our interest is totally unrelated to attempting to leverage the cable industry in terms of must carry or syndex," Hedlund said. The INTV-USTA dialogue, he said, is needed so both sides can understand each others' businesses.

To help mobilize grass-roots support, the USTA has distributed a 35-minute videotape called *The Telco Challenge*, produced by USTA President John Sodolski and distributed to association members. In material accompanying the tape, Sodolski urged his members to "use this information in your discussions with local business and community leaders, state legislators and regulators, and your customers." Members were also urged to lobby their congressmen.

The commentators in the tape warn that, among other things, the existence of small

Sitting on the sidelines

As the United States Telephone Association presses ahead with its effort this year to eliminate the barriers to telephone companies' entering the television business, it will do so without U.S. West.

In a March 1 memo obtained by BROADCASTING, Wayne Allcott, executive director, public affairs, U.S. West, advised the state public affairs directors of the Bell operating company that the telco "is not joining the USTA lobbying effort on this issue."

The memo cites two reasons for the company's passivity: "We have not yet defined our position on a crossownership bill...[and] we have marketing interests at variance with the USTA position. USWC is pursuing a cooperative supplier relationship with cable TV industry, and has no plans at this time to compete in the domestic cable market."

After confirming that the memo was his, Allcott said U.S. West believes any restriction on its business activities "ought to be removed." But at the same time it does not want to do anything to "jeopardize" the business relationships it is trying to build with cable operators, the nature of which he declined to describe. "The point of the memo is we are not going to be on the leading edge in this effort," he said.

Said USTA President John Sodolski: "We have a board vote to do what we are doing and U.S. West has supported us in everything we've asked for."

6-TV DIGEST

MORE ON CABLE-TELCO DEBATE: Any changes in cable-telco cross-ownership scheme are far in future, congressional staffers said at U.S. Telephone Assn. (USTA) Govt. Relations Seminar in Washington last week. Staffers said telcos must go beyond bashing cable and make specific, compelling argument showing that telco entry into cable will benefit public. House Telecom Subcommittee Chief Counsel and Staff Dir. Lawrence Sidman said that while cable-telco issue is gaining more attention in Congress, it has far less than "critical mass" of support needed to move significant bill. Sen. Dole (R-Kan.) told group he supports telco entry into cable.

On another panel, U.S. Conference of Mayors Gen. Counsel Gerard Lederer said his group favors telco entry with safeguards, including protection of local control of cable franchising. But he said while USTA is sending positive signals, BellSouth and Southwestern Bell are saying that they don't think they should have to pay franchise fee or comply with local franchises.

Sidman and Roy Neel, top aide to Senate Communications Subcommittee member Gore (D-Tenn.), agreed telcos must make compelling case. Sidman said telcos are at disadvantage because 1984 Cable Act, which codified cross-ownership restrictions, still is relatively new and telcos have burden of proving change in law is needed. Issues on which cable may be vulnerable are rate increases and service quality, he said. General Accounting Office (GAO) study of rates will be completed in April or May, he said. Sources tell us that Subcommittee Chmn. Markey (D-Mass.) has been pressing GAO to have something ready for NCTA convention in May. In terms of service, cable has shown willingness to resolve problems when Congress brings them to operator's attention, Sidman said. Issues raised by Time Warner deal include cable concentration and need to be competitive internationally. Sidman said price to be paid for being competitive may be greater vertical integration and concentration vs. more diversity.

Sidman said Markey intends to consider cable-telco issue as part of larger equation that includes Modified Final Judgment and cable-network cross-ownership (now being considered by FCC). But Markey stopped short of saying that in his own address later, in which he stressed need to guard against adverse impact of any policy change on consumers. Neel said major legislative initiative will come later this spring on (1) concentration of cable, (2) vertical integration, (3) cable treatment of competing technologies. Effort won't be on fast track this year, he said.

NAB Exec. Vp-Operations John Abel and INTV Vp-Govt. Relations James Hedlund stopped short of embracing telco entry at another session, with Hedlund calling for more dialog with telcos. Fox Vp-Corporate & Legal Affairs Thomas Herwitz said Fox wants telcos in cable so there will be competition because cable has "screwed" Fox. Abel said broadcasters already are being pushed around by cable, a small industry compared with telcos. "We think we'd be pushed around even more by telcos," he said. While they said they were upset with way cable has treated them, broadcast representatives expressed similar concerns about how they would be treated in event competing broadcaster were allowed to own cable.

Abel said he didn't believe telcos when they said they're interested only in distributing programming. He said he thinks they want to be programmers, basing view on cable, home video and direct broadcast satellite industries, all of which at first said they wanted only to distribute programming. Abel said NAB would be interested in joining

with telcos to get structural changes in cable industry, such as limits on horizontal and vertical integration.

CABLE LABS HIRES GTE OFFICIAL: In what cable industry is billing as coup, Cable TV Labs has hired Thomas Gillett, executive in charge of GTE cable test facility in Cerritos, Cal., as vp-business development and technology transfer. Labs also announced it has formed Fiber Optics Subcommittee, and subcommittee met earlier this month in Stamford, Conn., to discuss implementation of fiber technology.

NCTA has opposed Cerritos project, charging that relationship between GTE and cable operator Apollo Cablevision violates 1984 Cable Act cable-telco cross-ownership provisions. GTE has termed Cerritos one of most advanced communications projects in world. At GTE, Gillett held title of dir.-advanced operations testing. GTE spokeswoman Carol Huff said no successor has been named; Don Bache remains day-to-day manager of Cerritos facility.

GTE has constructed 68 of 170 miles envisioned and has 1,800 subscribers. Bureau action is on reconsideration before full FCC. Meanwhile, agency staff is weighing separate Sec. 214 application from GTE to build fiber optic test system in Cerritos.

Cable industry has been attempting to rebut telcos' argument that only phone companies will implement fiber optics and that to do so they need revenue generated in cable. Companies represented included ATC, Cablevision Systems, Comcast, Cox, Jones, Prime, Rogers, TCI, U.A. Columbia, United Cable, Warner.

Meanwhile, FCC gave quick approval to Southern Bell's Sec. 214 application to extend Hunter's Creek, Fla., cable delivery trial.

Ex-ATC Chmn. Trygve Myhren seeks to rejoin NCTA board, this time representing small operators. Myhren, who 3 years ago was NCTA chmn., left cable briefly last year when he resigned ATC chmn. post rather than move to Stamford, Conn., from Denver. Now he's head of Myhren Media, has purchased system serving 930 subscribers in Ajo, Ariz., and is building new system in upstate N.Y., we're told. Seat had been held by Jerry Craft, who has sold all his cable properties. In elections for district seats, candidates are unopposed: Dist. 2 (Ariz., Cal., Colo, Guam, Hawaii, Nev., N.M., P.R., Utah and Wyo.) -- incumbent Edward Allen, InterMedia Partners; Dist. 3 (Ark., La., Okla., Tex.) -- incumbent Clive Runnels, MidCoast Cable; Dist. 4 (Ia., Kan., Minn., Mo., Neb., N.D., S.D.) -- Donald Sbarra, Multimedia. Incumbent James Cownie isn't seeking reelection to district seat. Dist. 5 (Ala., Fla., Ga., Miss., N.C., S.C., V.I.) -- incumbent Henry Harris, Metrovision. He was named to board as midterm replacement for David Hamilton, Summit Communications; Dist. 9 (Conn., Me., Mass., N.H., N.Y., R.I., Vt.) -- incumbent Jack Clifford, Colony Communications. He replaced Charles Townsend in midterm.

Tutorial on digital TV will be hosted by FCC Office of Engineering & Technology at 1:30 p.m. March 22, Rm. 856. John Henderson of Sarnoff Research Center will describe theory and method of manipulating information contained in normal and augmented NTSC color systems to increase picture quality, reduce interference. Session is open to public.



Information age: An issue of access

Here's a science-fiction nightmare for you.

A giant computer in some impenetrable bunker connects to every home and office in the land. It gives you all your news and opinions. It handles your bank account and takes care of your shopping. It profiles your interests, then assigns you a job, a spouse and a home. It helps you find compatible friends, then keeps you in touch with them. It's marvelously convenient, always ready to serve you and thoroughly benign (except when its own interests are threatened).

But its deadly, cheerful sameness casts a numbing spell over society, chilling all that's contentious and creative.

It's over that frightening vision — or less extreme versions of it — that lines are being drawn this year for an important battle in Congress. At one extreme, the outcome could decide whether the science-fiction nightmare becomes real. At the very least, it could set the level of diversity and competition in the new electronic services you'll enjoy in the years ahead.

The fight is over electronic information services. Today, that primarily means business databases. But increasingly, it's expanding to include consumer



telephone monopoly, on which it's completely dependent, would jump in on top of it.

The phone company owns and controls the wires. It decides who gets access, when and on what terms. It knows all about traffic patterns — which services are succeeding and which are not. And as one of the world's largest corporations, it enjoys virtually limitless financial resources.

If that's not enough to put fear in the heart of a would-be competitor, it certainly should have a chilling effect on his financial backers.

THE solution is simple. In order to promote diversity, competition and experimentation in electronic information, Congress should enforce a simple, limited restriction on the Bell Operating Companies: Don't let them sell their own information over their own lines.

information and advertising — such as Wichita's Cityline and The Eagle-Beacon's Weatherline. In the future, it could mean electronic banking and shopping.

THE question before Congress is deceptively simple: under what terms should the Bell Operating Companies — the "Baby Bells" carved out of AT&T — be allowed to provide electronic information?

Its implications are far-reaching. Essentially, Congress is debating whether the future electronic information business will work like a railroad or a freeway.

Ironically, the Baby Bells were created specifically so that the phone company, AT&T, could be unleashed as a competitive force. But now the offspring are pushing hard to be released from the very restrictions they were born to support.

Lined up against the Baby Bells are AT&T, equipment makers and many companies that provide information and services over phone lines.

On one point, all parties agree: The telephone wire that reaches every home will carry a growing cargo of information and transactions.

The Bells now have to handle that cargo as common carriers. But they're pressing for a larger role. They also want to create and sell information, alongside competitors using the same wires.

This is of understandably great concern to those competitors, including this newspaper, who must depend on the local phone company's cooperation.

TODAY, the United States is served by more than 3,000 databases marketed through over 500 different electronic information services. The number is growing rapidly, thanks to a telephone system that serves as a conduit, not a competitor.

So the choice between railroad and freeway is important. If we choose the freeway, it'll be easy for anybody with a bright idea to launch a service. Wichita's Cityline, for example, is the creation of a local entrepreneur, Stan Brannan. If a new service meets a need, and does so better or cheaper than the competition, it should be able to succeed.

But if we choose the railroad, then any new entrant would face a daunting uncertainty. Not only would it face the risk of failure; but even success would pose a risk — the risk that the

That way, they'd have an incentive to develop a diverse, competitive information industry. The faster it developed, the more the Bells would benefit because they could gain revenue from the traffic.

If they were allowed to compete against the independent services using their lines, though, they'd have both the means and the incentive to favor their own services unfairly, and thus stifle competition.

But would that actually happen in the real world? Would a kindly phone company, regulated at both state and federal levels, really be able to discriminate against competitors who must connect to its monopoly facilities?

That's not just possible; it's traditional. It was precisely that kind of unfair discrimination — in the face of regulatory safeguards — that led to the anti-trust suit that broke up AT&T.

The Bells are pushing hard to have the restrictions removed. They get Congress' attention when they point to the trade deficit. Why, they ask, should seven of the world's largest and most technically advanced corporations be restrained from competing for world markets and American consumers? They point out, correctly, that the United States is a net importer of telephone gear.

But they overlook the important differences between hardware and information. Yes, we import hardware. But America leads the world in exporting electronic information. A 1987 government tally gave U.S. suppliers a 67 percent share of the world market for data, compared with 18 percent for all of Europe, 6 percent for Canada and 2.5 percent for Japan.

We've achieved that dominance in a system that separates content from conduit, that assures all providers unbiased access to the means of delivery.

That's especially important in an infant industry, in which no one — not telephone companies, not broadcasters, not publishers — claim the expertise to provide the right services at the right price. It's a field that's ripe for invention. It should be as open as possible to innovation and entrepreneurship.

The important goal is to preserve a free, diverse and vigorously competitive market for electronic information. To accomplish that, Congress should keep strictly separate the roles of providing content and conduit. Let's build a freeway for information, not a railroad.

MEMORANDUM
March 27, 1989

TO: CHRIS/RON

From: Judy

Re: Additional briefing for Kansas Trip

WICHITA

MEDIA REQUEST - KNSS Radio would like to do a minute and a half live interview with Senator (via telephone) tomorrow morning, Tuesday, March 28. Would need to call the newsroom at 7:20 a.m. - telephone number 838-8255. Suzanne Gardner made the request. If the Senator does not wish to do this, Ron should call the newsroom tonight and leave a message accordingly.

PAC CHECK PRESENTATION - Chamber Breakfast, Tuesday, March 28. Bruce and/or Sue Johnston will be at the breakfast and want to present the Senator with a \$1000 PAC check from the Textile Rental Service Association. Ron or Diana will get them together immediately following the breakfast.

OTTAWA

I have been working on a case for a Dr. W. B. "Bud" Ransom who is a very popular physician whose family goes back several generations in Franklin County.

The bottom line is, Dr. Ransom started medical school in 1974 on a Physicians Shortage Area Scholarship. At that time, Franklin County was a shortage area and he agreed to return to Ottawa when he completed his medical training and residency. However, while he was completing his training, Franklin County was removed from the shortage area list.

Now Health Care Delivery and Assistance is demanding that he repay his scholarship, or leave Franklin County to fulfill his obligation for the scholarship. The State of Kansas designated Franklin County a shortage area in 1984, and he if Dr. Ransom leaves, they will qualify as a "critically underserved area". Another doctor in Franklin County recently lost his license because he believes in UFO's.

I wrote to Health Care Delivery and Assistance, and they basically said he did not comply with the terms of the scholarship, but that he can request a waiver. His case was referred to the Department of Justice on February 22 for litigation.

TRAVEL SCHEDULE
FLORIDA

THURSDAY, MARCH 29, 1989

8:10am DEPART Residence for National Airport/Butler Aviation

8:25am ARRIVE National airport and proceed to departing
aircraft

FBO: Butler Aviation
703/549-8340

8:30am DEPART Washington, DC for Ft. Lauderdale, FL/Ft.
Lauderdale International

FBO: Ft. Lauderdale Jet Center
Aircraft: Lear 25(Higgins)
Tail number: 715JF
Flight time: 2 hours 20 minutes
Pilots: Dave Logan
Dan Hardy*
713/266-4532
Seats: 7
Meal: Breakfast
Manifest: Senator Dole
R. Dole
S. Sherwood

10:50am ARRIVE Ft. Lauderdale, FL/Ft. Lauderdale International

FBO: Ft. Lauderdale Jet Center
305/359-3200

Met by: Seaview car and driver.

PAGE 2
TRAVEL SCHEDULE
FLORIDA

THURSDAY, MARCH 30, 1989

10:55am DEPART airport for Seaview Hotel

Location: 9909 Collins Avenue
Bal Harbor, FL

Drive time: 30 minutes

11:25am ARRIVE Seaview Hotel and proceed to PRIVATE
305/866-4441

12:45pm DEPART PRIVATE for meeting with Team 100 members

Location: Alec Courtelis' office
Barnett Tower
701 Brickell Avenue
Suite 1400
Miami, FL

Drive time: 45 minutes

NOTE: You will be driven to the meeting by a
Seaview car and driver. Directions have
been given to them and a copy is attached.

1:30pm ARRIVE Alec Courtelis' office for meeting with
Team 100 members 305/379-8467

NOTE: By Wednesday, I will have a list of those
attending the meeting.

PAGE 3
TRAVEL SCHEDULE
FLORIDA

THURSDAY, MARCH 30, 1989

DIRECTIONS TO ALEC COURTELIS' OFFICE:

From Seaview drive to I-95 South. Proceed down I-95 South towards Miami and exit on Biscayne Blvd. At first stop light turn right on Brickell Avenue. Drive down Brickell Avenue until 7th Street. Turn left on 7th Street and you will be at the entrance of the parking lot for Barnett Tower, Alec Courtelis' office building.

ADDRESS:

Barnett Tower
701 Brickell Avenue
Suite 1400
Miami, Fl

TELEPHONE #:

305/379-8467

PAGE 4
TRAVEL SCHEDULE
FLORIDA

THURSDAY, MARCH 30, 1989

? DEPART meeting for Seaview Hotel

Location: 9909 Collins Avenue
Bal Harbor, FL

Drive time: 45 minutes

? ARRIVE Seaview Hotel and proceed to PRIVATE

RON _____ Seaview Hotel
305/866-4441
FAX 305/866-1898

PAGE 5
TRAVEL SCHEDULE
FLORIDA

FRIDAY, MARCH 31, 1989

PRIVATE - SEAVIEW HOTEL

305/866-4441
FAX 305/866-1898

PAGE 6
TRAVEL SCHEDULE
FLORIDA

SATURDAY, APRIL 1, 1989

PRIVATE

2:55pm DEPART Seaview Hotel for Ft. Lauderdale International
Airport
Drive time: 30 minutes

3:25pm ARRIVE Ft. Lauderdale International Airport and
proceed to departing aircraft
FBO: Ft. Lauderdale Jet Center
305/359-3200

3:30pm DEPART Ft. Lauderdale, FL for Washington, DC/National
Airport
FBO: Butler Aviation
Aircraft: Lear 25(Higgins)
Tail number: 715JF
Flight time: 2 hours 20 minutes
Pilots: Dave Logan
Dan Hardy*
713/266-4532
Seats: 7
Meal: Snack
Manifest: Senator Dole
R. Dole
S. Sherwood

5:50pm ARRIVE Washington, DC/National Airport
FBO: Butler Aviation
703/549-8340

5:55pm DEPART airport for Residence

6:10pm ARRIVE Residence for PRIVATE