

To summarize, we favor generally some legislation along the lines of the proposed amendments, in order to eliminate direct carrier control or influence over Comsat. However, unless combined with at least some reversal of the FCC's decisions protecting existing carriers from satellite competition, such legislation is not likely to enhance significantly Comsat's competitive potential.

Sincerely yours,

RICHARD W. McLAREN
Assistant Attorney General
Antitrust Division

Bob for clearance

File
Copy
181-100

181-100-3421-133:DBB

Date 60-418-0

Subject

Inter-Evaluation

KChobinson/JJSaunders:obj

Held 5-6-70

to Donnan - Comgys - Mr. Law

"This letter should be forwarded to DAG's office for review and mailing after Mr. McLean signs."

Honorable Mike Gravel
United States Senate
Washington, D. C. 20510

Dear Senator Gravel:

This is in response to your letter of February 12, 1970, requesting comments from the Antitrust Division on a proposed draft amendment to the Communications Satellite Act of 1962 as amended ("1962 Act"), 47 U.S.C. §§701-744. This draft amendment would, if enacted, eliminate direct control over the Communications Satellite Corporation ("Comsat") by the terrestrial communications common carriers ("carriers"). It would do so by (1) barring any representatives of the carriers sitting on the Board of Directors of Comsat after January 1, 1971, and (2) barring carriers from owning any shares of Comsat stock after January 1, 1972.

In general, we would favor enactment of legislation along these lines to eliminate direct carrier control or influence over Comsat. Such a step, combined hopefully with some modification of regulatory constraints on Comsat's activities (discussed below), would significantly enhance Comsat's competitive potential.

The 1962 Act was a compromise. It ignored traditional policies that restrict the common ownership and control of competing modes of regulated business (e.g., 49 U.S.C.A. §5(14); 47 U.S.C.A. §371; 47 U.S.C.A. §314). Instead the 1962 Act provided for extensive carrier ownership of Comsat stock and for six carrier nominees as directors of the corporation. As a result carriers controlled half the shares and more than a third of the Board of Directors. American Telephone & Telegraph Company ("AT&T") alone is by far the largest Comsat stockholder, with 29 percent of the stock and 29 percent of the Board.

The arrangement has been criticized as being inconsistent with the stated Congressional policy "that the

corporation created . . . be so organized and operated as to maintain and strengthen competition in the provision of communications services to the public" (47 U.S.C.A. §761(c)). Various commentators emphasized at the outset that extensive carrier participation was unlikely to promote either present or future competition to the maximum extent possible. (See Legislation Note, The Comm. Act of 1962, 76 Harv. L. Rev. 338, 339 (1962). See generally; Kirkpatrick, Antitrust in Orbit, 33 Geo. Wash. L. Rev. 37 (1964); Levin, Communication and Control of Communications Satellites, 113 U. Pa. L. Rev. 515 (1965); Lowmich, Communications Appointed Directors in a Private Corp. - The Communications Satellite Act of 1962, 79 Harv. L. Rev. 354 (1965); Schwartz, Control the Carriers, and the Earth Stations - Some Problems With Voluntary Voluntary Insurance, 76 Cal. L. J. 441 (1967).) Six years later the President's Task Force on Communication Policy criticized it in these terms:

Comsat's interlocking directorate with the carriers has been a source of continued controversy. Experience has shown that in many areas, Comsat has interests conflicting with those of the terrestrial carriers. Despite [FCC decisions], which insulate them from . . . competition, the terrestrial carriers and Comsat are rivals in a very real sense. (Report, Chap. 2, p. 15, 1968).

In addition, such stockholding and interlocking arrangements involving competitors and suppliers are contrary to the normal antitrust rules contained in Clayton Act §87, 3 (15 U.S.C. §113, 15). Most of the judicial decisions under these provisions have imposed contentions that directors appointed by even such a minority owner (as AIST) would be independent of those who nominated them, Hamilton Watch Co. v. Horne Watch Co., 114 F. Supp. 307, 314 (D. Conn. 1952), aff'd 186 F. 2d 738 (2d Cir. 1953); Briens Mfg. Co. v. Crane Co., 185 F. Supp. 177, 181 (D. Mich. 1963), pointing instead to the minority director's opportunity to persuade or counsel relaxation of competitive vigor, and to learn competitive secrets, American Crystal Sugar Co. v. Cuban-American Sugar Co., 152 F. Supp. 337, 344, aff'd, 239 F. 2d 523 (2d Cir. 1955), and noting that it would be very difficult to show that a director had been improperly influenced by the views of his nominator since directorial decisions usually involve independent factors difficult to ascribe to the influence of the minority's special interest.

In these circumstances, we believe that a good case can be made for eliminating the direct carrier influence over Comsat. This approach is consistent with the Department's position in 1962, when we emphasized that we "place great importance on competition because the communications industry is particularly susceptible to domination by one company -- AT&T." Hearings on H.R. 10115 and H.R. 10122 Before the House Committee on Interstate and Foreign Commerce, 87th Cong., 2d Sess., pp. 2 at 365 (1962) (testimony of Attorney General Kennedy). See also Hearings Before the Antitrust Sub-Committee of the House Committee on the Judiciary, 84th Cong., 2d Sess. at 620-23 (1956) (testimony of Assistant Attorney General Hansen). Moreover, it is consistent with the policy of this Administration: to place "more reliance on economic incentives and market mechanism in regulated industries" so that "increased competition will eventually make it possible to let market forces assume more of the role of detailed regulation" in communications (Economic Report of the President 108-109 (1970)).

The problem is, however, only partially one of the Comsat corporate arrangements covered by the draft legislation. Regulatory decisions by the Federal Communications Commission have been at least as significant a factor in limiting Comsat's competitive potential vis-a-vis existing carriers.

Of particular significance is the FCC's Authorized User decision, 4 F.C.C. 2d 421 (1966), in which the Commission unanimously ruled that Comsat was to be only a "carrier's carrier," precluded from retailing its services direct to users (including the Government), except under "unique or exceptional circumstances" to be determined by the Commission. Because the Commission declared that it would authorize direct Comsat service absent a reduction in the carrier's rates "fully to reflect the economies made available through the leasing of circuits in the satellite system," some potential competition remained and was reflected in some very substantial rate reductions made by the carriers.

This decision was followed the same year by the Commission's Earth Station decision further reducing Comsat's potential to compete vigorously with the carriers. 5 F.C.C. 2d 812, 816 (1966). The Commission decided (reversing an earlier decision, 38 F.C.C. 1124 (1965)) that Comsat had to share ownership of all earth stations with the carriers: 50 percent was to be owned by Comsat, with the balance

apportioned among the other carriers on a use basis. The day-to-day management, and apparently, all equipment design and procurement decisions of the earth stations are thus made by a joint operating committee made up of Comsat and the carriers. The Earth Station order argued that this pattern of shared ownership and control would motivate the carriers to promote the use of the Comsat system, and contribute to it technologically. None of this has spontaneously happened. The carriers still prefer to use facilities which they own and control, the investment in which is large and wholly in their own bases. However, because the FCC at this time is reconsidering its 1956 Earth Station decision in Docket 15735, it may not be that further amendment of the 1962 Act is now not necessary to deal with this problem.

To summarize, we favor generally some legislation along the lines of the proposed amendments, in order to eliminate direct carrier control or influence over Comsat. However, unless combined with at least some reversal of the FCC's decisions protecting existing carriers from satellite competition, such legislation is not likely to enhance significantly Comsat's competitive potential.

Sincerely yours,

RICHARD W. MELAPEN
Assistant Attorney General
Antitrust Division

OFFICE OF TELECOMMUNICATIONS POLICY

ROUTE SLIP

TO File

ACTION ☐

Concurrence ☐

Signature ☐

Comments ☐

For reply ☐

Information ☐

Per conversation ☐

Discuss with me ☐

FROM WEP

DATE 9-18-70

REMARKS per CTW instruction telephoned Mr. C. Wm. Fischer to effect that Mr. Whithead had told Justice (Mr. Mc ^{MC LAREN} ~~LAUREN~~) of his difficulty with the Justice letter to Senator Gravel and that Justice had agreed to rewrite the letter. Mr. Fischer said the information was sufficient - he does not need a memo. Told Eva. D.

WEP

Comsat

Wednesday 7/15/70

- 10:10 Bill Fischer called to say that there was a Justice response to Senator Gravel's letter re a bill he has drafted to eliminate common carrier control of the Comsat corporation. That OTM policy letter was apparently on Tom's desk. Bill Fischer said the letter had been circulated for comment, which comments have come back and Bill needs to talk with Tom about it.
- for Bill Fischer
- 11:25 Tom said/to call Don Baker at Justice -- that he had been in discussion with Don about it and they are going to rewrite the letter.

Bill will call Don Baker.

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

OFFICE OF THE DIRECTOR

July 9, 1970

MEMORANDUM TO: Assistant Director for Legislative Reference
Bureau of the Budget
Attention: Mr. C. William Fischer

Subject: Department of Justice proposed draft amendment
to Communications Satellite Act of 1962 as
amended ("1962 Act"), 47 §§ 701-704

This is in response to your memorandum dated June 22, 1970,
requesting comments by July 1, 1970, on the subject draft legislation
which we did not receive until June 30.

Inasmuch as a Director of Telecommunications Policy has not yet
been qualified and commissioned, there is no one in a position to
make authoritative comments. The new director may wish to do
so when he takes office.


W. E. Plummer
Acting

7/9/70

Eva -

Per our telecon.

timmie

THE WHITE HOUSE

WASHINGTON

July 8, 1970

To: Timmy

From: Eva

Returned as requested.

DTM
Wednesday 7/8/70

5:00 Tom asked us to call Mr. Plummer's office and tell Timmy that he thinks the DTM's response should be that they would defer any comment until the new Director is sworn in.

(Tell Mr. Plummer that the reason is that Tom is on both ends -- as approving DTM and the White House approval -- kind of a silly relationship -- but he's been in touch with Justice so it's all kind of academic about what DTM response should be.)

Wednesday 7/8/70

4:30 As to the attached draft amendment to Communications Satellite Act, Steve Doyle advises as follows:

"The end purpose of the proposed legislation is to remove carrier directors. The thrust of the Justice letter is to remove FCC regulatory restrictions on Comsat. In my opinion, the letter is only minimally related to the legislation in terms of the objective desired. And, in my knowledge, I have serious reservations about some of the factual statements in the Justice letter."

(Steve said: FOR YOUR INFORMATION ONLY --

"DOD and State and FCC have notified BOB of no objection to the legislation but all three agencies have expressed reservations with regard to the substance of the Justice letter."

Steve said he thinks it would be useful for you to consider the relationship between the substance of the letter (which is remove regulatory constraints) and the legislation (which is intended to remove carrier directors from Comsat Board). He thinks you will find them essentially unrelated objectives.

Timmy in Mr. Plummer's office said they had had a call from Dave Lawhead in BOB asking where their comments were; she advised them it was still being reviewed.

THE WHITE HOUSE
WASHINGTON

July 7, 1970

To: Steve

From: Eva

Tom would like you to
look this over and
discuss with him.

EXECUTIVE OFFICE THE PRESIDENT
OFFICE OF EMERGENCY PREPAREDNESS
OFFICE OF TELECOMMUNICATIONS MANAGEMENT

Date: *July 7, 1970*
Subject: *Proposed Amendment of Comsat Act of 1962*
To: *Dr. Whithead*

*Please release if you
agree*

BN
From: W. E. Plummer
Acting

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

OFFICE OF THE DIRECTOR

July 7, 1970

MEMORANDUM TO: Assistant Director for Legislative Reference
Bureau of the Budget
Attention: Mr. C. William Fischer

Subject: Department of Justice proposed draft amendment to
the Communications Satellite Act of 1962 as amended
("1962 Act"), 47 §§ 701-704

This is in response to your memorandum dated June 22, 1970, requesting comments by July 1, 1970, on the subject draft legislation which we did not receive until June 30.

The Department of Justice favors enactment of legislation which would eliminate any direct control over the Communications Satellite Corporation ("Comsat") by the terrestrial common carriers ("carriers"). It would do so, first, by barring representatives of the carriers from the Board of Directors after January 1, 1971; and, second, by prohibiting carrier ownership of Comsat stock after January 1, 1972. It is the view of the Department of Justice that enactment of the draft legislation, together with modification of regulatory restraints on Comsat's activities, would significantly enhance Comsat's competitive potential.


Assuming that the development of Comsat's competitive potential is a feasible or a valid objective, we agree with Justice that the proposed amendment to the 1962 Act would not significantly affect that potential unless there are accompanying changes in FCC policy decisions regarding Comsat.

While there is no doubt that the 1962 Act was a compromise, and that in the light of experience the Act could have been written with fewer ambiguities, nevertheless the development of commercial communication-satellite service has been quite spectacular. INTELSAT, the international telecommunications satellite consortium, will be launching early next year, its fourth generation of communication satellites, each with a capacity of at least 6,000 telephone circuits. Despite the potential conflicts of interest alluded to by Justice, the carriers, and particularly AT&T, have made substantial use of satellite

circuits. We are advised that by the end of 1970 about half of the international circuits used by AT&T will be by satellite: 1,200 half-circuits, with a payment to Comsat of \$42 million.

While the Justice recommendation may have considerable merit because it might tend to make regulatory problems less complex, the policy changes alluded to by Justice might be difficult to achieve. Even if the FCC were to change its policy regarding earth station ownership, any change in its "authorized user" decision would have to reckon with possible objections by some foreign administrations. These administrations, correspondents of American international carriers, could be concerned with a change of policy which would increase the number of American entities with whom they would be required to deal. Also, some foreign administrations have an ownership interest in cables and favor their use over satellites. This combination of circumstances could create a difficult international problem. In addition, a domestic policy requiring U. S. domestic carriers to furnish Comsat with terrestrial connecting facilities so that it could serve customers directly would be difficult to develop and perhaps even more difficult for the Government to administer. Finally, even if changes are made in earth station ownership and control of the corporation, and the "authorized user" decision is amended, AT&T would continue to be a large Comsat customer and thus would continue to have a substantial impact on Comsat.

To summarize our position, amending the 1962 Act in the manner proposed will solve very few, if any, basic problems. However, if it would make the Comsat organization less cumbersome and if the legislation could be enacted without substantial controversy, we would have no objection to its enactment.


W. E. Plummer
Acting

O'Malley et al

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

June 22, 1970

LEGISLATIVE REFERRAL MEMORANDUM

To: Legislative Liaison Officer

Federal Communications Commission
Council of Economic Advisers
Department of Commerce
Department of Defense
General Services Administration

Federal Trade Commission
Department of State
Office of Telecommunications
Policy

Subject: Department of Justice proposed draft amendment
to the Communications Satellite Act of 1962
as amended ("1962" Act) 47 U.S.C. SS 701-744.

The Bureau would appreciate receiving the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with Budget Circular A-19.

- () To permit expeditious handling, it is requested that your reply be made within 30 days.
- (x) Special circumstances require priority treatment and accordingly your views are requested by

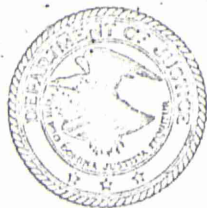
Wednesday, July 1, 1970

Questions should be referred to David Lawhead (103 X 3875) or to Jefferson D. Burrus (103 X 4874), the legislative analyst in this Office.

C. William Fischer
C. William Fischer, for
Assistant Director for
Legislative Reference

Enclosures

Justice draft



OFFICE OF THE DEPUTY ATTORNEY GENERAL
WASHINGTON, D.C. 20530

MAY 19 1970

Honorable Robert P. Mayo
Director, Bureau of the Budget
Washington, D.C. 20503

Dear Mr. Mayo:

In compliance with the provisions of Bureau of the Budget Circular No. A-19, there are enclosed copies of a proposed communication to be transmitted to the Congress relative to: proposed draft amendment to the Communications Satellite Act of 1962 as amended ("1962 Act") 47 U.S.C. §§701-744.

It will be appreciated if you will advise this office as to the relationship of the proposed communication to the Program of the President.

Sincerely,

Richard G. Kleindienst
Deputy Attorney General

Congressional inquiry --- please expedite.

Department of Justice
Washington, D.C. 20530

Honorable Mike Gravel
United States Senate
Washington, D. C. 20510

Dear Senator Gravel:

This is in response to your letter of February 12, 1970, requesting comments from the Antitrust Division on a proposed draft amendment to the Communications Satellite Act of 1962 as amended ("1962 Act"), 47 U.S.C. §§701-744. This draft amendment would, if enacted, eliminate direct control over the Communications Satellite Corporation ("Comsat") by the terrestrial communications common carriers ("carriers"). It would do so by (i) barring any representatives of the carriers sitting on the Board of Directors of Comsat after January 1, 1971, and (ii) barring carriers from owning any shares of Comsat stock after January 1, 1972.

In general, we would favor enactment of legislation along these lines to eliminate direct carrier control or influence over Comsat. Such a step, combined hopefully with some modification of regulatory constraints on Comsat's activities (discussed below), would significantly enhance Comsat's competitive potential.

The 1962 Act was a compromise. It ignored traditional policies that restrict the common ownership and control of competing modes of regulated business (e.g., 49 U.S.C.A. §5(14); 49 U.S.C.A. §78; 47 U.S.C.A. §314). Instead the 1962 Act provided for extensive carrier ownership of Comsat stock and for six carrier nominees as directors of the corporation. As a result carriers controlled half the shares and more than a third of the Board of Directors. American Telephone & Telegraph Company ("AT&T") alone is by far the largest Comsat stockholder, with 29 percent of the stock and 20 percent of the Board.

The arrangement has been criticized as being inconsistent with the stated Congressional policy "that the

corporation created . . . be so organized and operated as to maintain and strengthen competition in the provision of communications services to the public" (47 U.S.C.A. §701(c)). Various commentators emphasized at the outset that extensive carrier participation was unlikely to promote either present or future competition to the maximum extent possible. (See Legislation Note, The Comsat Act of 1962, 76 Harv. L. Rev. 388, 398 (1962). See generally, Kirkpatrick, Antitrust in Orbit, 33 Geo. Wash. L. Rev. 89 (1964); Levin, Organization and Control of Communications Satellites, 113 U. Pa. L. Rev. 315 (1965); Schwartz, Governmentally Appointed Directors in a Private Corp. - The Communications Satellite Act of 1952, 79 Harv. L. Rev. 350 (1965); Schwartz, Comsat the Carriers, and the Earth Stations - Some Problems with "Melding Variegated Interests," 76 Yale L. J. 441 (1967).) Six years later the President's Task Force on Communication Policy criticized it in these terms:

Comsat's interlocking directorate with the carriers has been a source of continued controversy. Experience has shown that in many areas, Comsat has interests conflicting with those of the terrestrial carriers. Despite [FCC decisions], which insulate them from . . . competition, the terrestrial carriers and Comsat are rivals in a very real sense. (Report, Chap. 2, p. 15, 1968).

In addition, such stockholding and interlocking arrangements involving competitors and suppliers are contrary to the normal antitrust rules contained in Clayton Act §§7, 8 (15 U.S.C. §§18, 19). Most of the judicial decisions under these provisions have ignored contentions that directors appointed by even such a minority owner (as AT&T) would be independent of those who nominated them, Hamilton Watch Co. v. Benrus Watch Co., 114 F. Supp. 307, 314 (D. Conn. 1952), aff'd 206 F. 2d 738 (2d Cir. 1953); Briggs Mfg. Co. v. Crane Co., 185 F. Supp. 177, 181 (D. Mich. 1963), pointing instead to the minority director's opportunity to persuade or compel relaxation of competitive vigor, and to learn competitive secrets, American Crystal Sugar Co. v. Cuban-American Sugar Co. 152 Supp. 387, 394, aff'd, 259 F. 2d 529 (2d Cir. 1958), and noting that it would be very difficult to show that a director had been improperly influenced by the views of his nominator since directorial decisions usually involve judgmental factors difficult to ascribe to the influence of the minority's special interest.

In these circumstances, we believe that a good case can be made for eliminating the direct carrier influence over Comsat. This approach is consistent with the Department's position in 1962, when we emphasized that we "place great importance on competition because the communications industry is particularly susceptible to domination by one company -- AT&T." Hearings on H.R. 10115 and H.R. 10138 Before the House Committee on Interstate and Foreign Commerce, 87th Cong., 2d Sess., pt. 2 at 565 (1962) (testimony of Attorney General Kennedy). See also Hearings Before the Antitrust Sub-Committee of the House Committee on the Judiciary, 84th Cong., 2d Sess. at 420-23 (1956) (testimony of Assistant Attorney General Hansen). Moreover, it is consistent with the policy of this Administration: to place "more reliance on economic incentives and market mechanisms in regulated industries" so that "increased competition will eventually make it possible to let market forces assume more of the role of detailed regulation" in communications (Economic Report of the President 108-109 (1970)).

The problem is, however, only partially one of the Comsat corporate arrangements covered by the draft legislation. Regulatory decisions by the Federal Communications Commission have been at least as significant a factor in limiting Comsat's competitive potential vis-a-vis existing carriers.

Of particular significance is the FCC's Authorized User decision, 4 F.C.C. 2d 421 (1966), in which the Commission unanimously ruled that Comsat was to be only a "carriers' carrier," precluded from retailing its services directly to users (including the Government), except under "unique or exceptional circumstances" to be determined by the Commission. Because the Commission declared that it would authorize direct Comsat service absent a reduction in the carrier's rates "fully to reflect the economies made available through the leasing of circuits in the satellite system," some potential competition remained and was reflected in some very substantial rate reductions made by the carriers.

This decision was followed the same year by the Commission's Earth Station decision further reducing Comsat's potential to compete vigorously with the carriers. 5 F.C.C. 2d 812, 816 (1966). The Commission decided (reversing an earlier decision, 38 F.C.C. 1104 (1965)) that Comsat had to share ownership of all earth stations with the carriers: 50 percent was to be owned by Comsat, with the balance

apportioned among the other carriers on a use basis. The day-to-day management, and apparently, all equipment design and procurement decisions of the earth stations are thus made by a joint operating committee made up of Comsat and the carriers. The Earth Station order argued that this pattern of shared ownership and control would motivate the carriers to promote the use of the Comsat system, and contribute to it technologically. None of this has apparently happened. The carriers still prefer to use facilities which they own and control, the investment in which is large and wholly in their rate bases. However, because the FCC at this time is reconsidering its 1966 Earth Station decision in Docket 15735, it may be that further amendment of the 1962 Act is now not necessary to deal with this problem.

To summarize, we favor generally some legislation along the lines of the proposed amendments, in order to eliminate direct carrier control or influence over Comsat. However, unless combined with at least some reversal of the FCC's decisions protecting existing carriers from satellite competition, such legislation is not likely to enhance significantly Comsat's competitive potential.

Sincerely yours,



RICHARD W. McLAREN
Assistant Attorney General
Antitrust Division

A BILL

To amend the Communications Satellite Act of 1962, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That effective with the first election of directors of the corporation authorized by title III of the Communications Satellite Act of 1962 (47 U.S.C. 731-735) held after January 1, 1971, the last three sentences of section 303 (a) of such Act are amended to read as follows: "Twelve members of the board shall be elected annually by the stockholders of the corporation. The articles of incorporation to be filed by the incorporators designated under section 302 shall provide for cumulative voting under section 27 (d) of the District of Columbia Business Corporation Act (D.C. Code, sec. 29-911 (d))."

Sec. 2. Section 304 (b) of the Communications Satellite Act of 1962 is amended by adding at the end thereof the following new paragraph:

"(4) Effective after January 1, 1972, no communications common carrier shall own shares of stock in the corporation authorized by subsection (a) of this section."

Bob for clearance

filed
Corres.
W. L. L. L.
✓ Saunders-R. McL. JJS: DIB
Baker 60-416-0
Robinson
Chron-Evaluation

KCRobinson/JJSaunders:obj

Held 5-6-70

to Donnew - Comapp - Mr. Lamm

"This letter should be forwarded to DAB's office for review and signing after Mr. McLamm signs."

Honorable Mike Gravel
United States Senate
Washington, D. C. 20510

Dear Senator Gravel:

This is in response to your letter of February 12, 1970, requesting comments from the Antitrust Division on a proposed draft amendment to the Communications Satellite Act of 1962 as amended ("1962 Act"), 47 U.S.C. §§701-744. This draft amendment would, if enacted, eliminate direct control over the Communications Satellite Corporation ("Comsat") by the terrestrial communications common carriers ("carriers"). It would do so by (i) barring any representatives of the carriers sitting on the Board of Directors of Comsat after January 1, 1971, and (ii) barring carriers from owning any shares of Comsat stock after January 1, 1972.

In general, we would favor enactment of legislation along these lines to eliminate direct carrier control or influence over Comsat. Such a step, combined hopefully with some modification of regulatory constraints on Comsat's activities (discussed below), would significantly enhance Comsat's competitive potential.

The 1962 Act was a compromise. It ignored traditional policies that restrict the common ownership and control of competing modes of regulated business (e.g., 49 U.S.C.A. §5(14); 49 U.S.C.A. §73; 47 U.S.C.A. §314). Instead the 1962 Act provided for extensive carrier ownership of Comsat stock and for six carrier nominees as directors of the corporation. As a result carriers controlled half the shares and more than a third of the Board of Directors. American Telephone & Telegraph Company ("AT&T") alone is by far the largest Comsat stockholder, with 29 percent of the stock and 20 percent of the Board.

The arrangement has been criticized as being inconsistent with the stated Congressional policy "that the

corporation created . . . be so organized and operated as to maintain and strengthen competition in the provision of communications services to the public" (47 U.S.C.A. §701(e)). Various commentators emphasized at the outset that extensive carrier participation was unlikely to promote either present or future competition to the maximum extent possible. (See Legislation Note, The Comsat Act of 1962, 76 Harv. L. Rev. 588, 398 (1962). See generally; Kirkpatrick, Antitrust in Orbit, 33 Geo. Wash. L. Rev. 59 (1964); Levin, Organization and Control of Communications Satellites, 113 U. Pa. L. Rev. 313 (1965); Schwartz, Governmentally Appointed Directors in a Private Corp. - The Communications Satellite Act of 1962, 79 Harv. L. Rev. 358 (1965); Schwartz, Comsat, the Carriers, and the Earth Stations - Some Problems With Maintaining Variegated Interests, 76 Iowa L. J. 441 (1967).) Six years later the President's Task Force on Communication Policy criticized it in these terms:

Comsat's interlocking directorate with the carriers has been a source of continued controversy. Experience has shown that in many areas, Comsat has interests conflicting with those of the terrestrial carriers. Despite [FCC decisions], which insulate them from . . . competition, the terrestrial carriers and Comsat are rivals in a very real sense. (Report, Chap. 2, p. 15, 1968).

In addition, such stockholding and interlocking arrangements involving competitors and suppliers are contrary to the normal antitrust rules contained in Clayton Act §87, 3 (15 U.S.C. §18, 19). Most of the judicial decisions under these provisions have ignored contentions that directors appointed by even such a minority owner (as AT&T) would be independent of those who nominated them, Hamilton Watch Co. v. Horne Watch Co., 114 F. Supp. 307, 314 (D. Conn. 1952), aff'd 206 F. 2d 733 (2d Cir. 1953); Briens Mfg. Co. v. Crane Co., 185 F. Supp. 177, 181 (D. Mich. 1963), pointing instead to the minority director's opportunity to persuade or compel relaxation of competitive vigor, and to learn competitive secrets, American Crystal Sugar Co. v. Cuban-American Sugar Co. 152 Supp. 337, 394, aff'd, 259 F. 2d 529 (2d Cir. 1958), and noting that it would be very difficult to show that a director had been improperly influenced by the views of his nominator since directorial decisions usually involve judgmental factors difficult to ascribe to the influence of the minority's special interest.

In these circumstances, we believe that a good case can be made for eliminating the direct carrier influence over Comsat. This approach is consistent with the Department's position in 1962, when we emphasized that we "place great importance on competition because the communications industry is particularly susceptible to domination by one company -- AT&T." Hearings on H.R. 10115 and H.R. 10133 Before the House Committee on Interstate and Foreign Commerce, 87th Cong., 2d Sess., pt. 2 at 565 (1962) (testimony of Attorney General Kennedy). See also Hearings Before the Antitrust Sub-Committee of the House Committee on the Judiciary, 84th Cong., 2d Sess. at 428-23 (1956) (testimony of Assistant Attorney General Hansen). Moreover, it is consistent with the policy of this Administration: to place "more reliance on economic incentives and market mechanisms in regulated industries" so that "increased competition will eventually make it possible to let market forces assume more of the role of detailed regulation" in communications (Economic Report of the President 103-109 (1970)).

The problem is, however, only partially one of the Comsat corporate arrangements covered by the draft legislation. Regulatory decisions by the Federal Communications Commission have been at least as significant a factor in limiting Comsat's competitive potential vis-a-vis existing carriers.

Of particular significance is the FCC's Authorized User decision, 4 F.C.C. 2d 421 (1966), in which the Commission unanimously ruled that Comsat was to be only a "carriers' carrier," precluded from retailing its services direct to users (including the Government), except under "unusual or exceptional circumstances" to be determined by the Commission. Because the Commission declared that it would authorize direct Comsat service absent a reduction in the carrier's rates "fully to reflect the economies made available through the leasing of circuits in the satellite system," some potential competition remained and was reflected in some very substantial rate reductions made by the carriers.

This decision was followed the same year by the Commission's Earth Station decision further reducing Comsat's potential to compete vigorously with the carriers. 5 F.C.C. 2d 812, 816 (1966). The Commission decided (reversing an earlier decision, 38 F.C.C. 1104 (1965)) that Comsat had to share ownership of all earth stations with the carriers: 50 percent was to be owned by Comsat, with the balance

apportioned among the other carriers on a use basis. The day-to-day management, and apparently, all equipment design and procurement decisions of the earth stations are thus made by a joint operating committee made up of Comsat and the carriers. The Earth Station order argued that this pattern of shared ownership and control would motivate the carriers to promote the use of the Comsat system, and contribute to it technologically. None of this has apparently happened. The carriers still prefer to use facilities which they own and control, the investment in which is large and wholly in their rate bases. However, because the FCC at this time is reconsidering its 1966 Earth Station decision in Docket 15735, it may not be that further amendment of the 1962 Act is now not necessary to deal with this problem.

To summarize, we favor generally some legislation along the lines of the proposed amendments, in order to eliminate direct carrier control or influence over Comsat. However, unless combined with at least some reversal of the FCC's decisions protecting existing carriers from satellite competition, such legislation is not likely to enhance significantly Comsat's competitive potential.

Sincerely yours,

RICHARD W. McLAREN
Assistant Attorney General
Antitrust Division



DEPARTMENT OF STATE

Washington, D.C. 20520

January 21, 1971

Comsat

MEMORANDUM

TO : The Honorable
Clay T. Whitehead, Director,
Office of Telecommunications Policy.

FROM : Abbott Washburn, Chairman, U.S. Delegation, INTELSAT Conference *A.W.*

SUBJECT : INTELSAT Conference, Remaining Issues.

1. Most Important Issues ("go-no-go")

Articles VI and VII: powers of the Assembly. Various delegations reserved on these articles, advocating strengthened powers of the Assembly. It is essential that we stand firm on the present language of these articles. We must make clear that reopening them would lead only to extended debate and any resulting change could only be in the direction of greater authority for the Assembly and, therefore, unacceptable to us.

Article XV (b): tax and customs exemptions. We must insist on the limited versions of the exemptions. We can't do more without legislative action and we can't sign up for what we can't do.

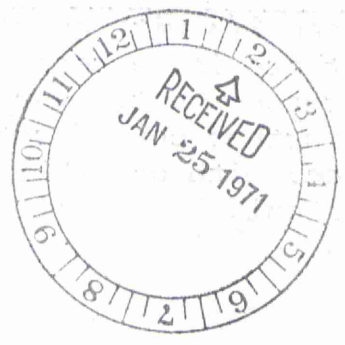
Article XVII (d) (ii): amendment formula. 85% and 51% would be a minimal and therefore acceptable risk, but we should not go beyond this. While our own formula of 2/3 and 2/3 with no alternative probably is not obtainable, there is no reason we can't hold on to it for tactical reasons until very late in the game. We might also give further consideration to trying out a limited time period, with only 2/3 and 2/3 for several years, before 85/51 would become effective.

1. The purpose of this report is to provide a summary of the results of the study conducted by the research team. The study was designed to investigate the effects of the proposed intervention on the target population.

2. The research team conducted a series of experiments to evaluate the effectiveness of the intervention. The results of these experiments are presented in the following sections. The first section describes the methodology used in the study, including the selection of participants and the design of the experiments.

3. The results of the experiments show that the intervention had a significant positive effect on the target population. This finding is consistent with the hypothesis that the intervention would improve the outcomes of the study.

4. The research team also conducted a series of follow-up studies to further investigate the effects of the intervention. These studies confirmed the findings of the initial experiments and provided additional evidence for the effectiveness of the intervention.



Policy on Launch Assurance for European Regional Systems. This is clearly among the most important issues, though probably not one to be resolved in the Conference.

2. Important Issues (but not "go-no-go")

Article XIII (b): clause on spreading procurement. The bracketed paragraph, with or without the internally bracketed wording, is pretty weak and we could accept it if necessary. The appropriate posture for us is to let the LDCs and the Europeans fight this out, sticking with the LDCs but not leading or getting ahead of them.

(Operating Agreement)

Article 5: ceiling on net capital contributions. The forthcoming ICSC report to the Plenary should lead to acceptable resolution of this issue.

Article 16: procurement exceptions. The issue here that seems worth fighting about is whether cases of limited sources (US) or one source can be excepted from open international tender.

Article 17: inventions and data. This is a real can of worms. COMSAT is unclear what it wants to do. The Government, as opposed to COMSAT, has two concerns to watch: (1) from the standpoint of munitions control, we want any right to use or authorize others to use to be limited to the jurisdiction of the Parties, and (2) we have difficulties with the acquisition of rights for the use of Signatories outside INTELSAT; specifically, the article should not give COMSAT a monopoly or superior rights as to domestic satellites. It is not very supportable to have LDCs paying (in INTELSAT) for rights for COMSAT's or the Europeans' domestic use.

ISSUES IN JOE MC CONNELL'S MEMO TO PETER FLANIGAN
OCTOBER 27, 1970

ASSEMBLY'S FUNCTION TO CONSIDER COMPLAINTS

Ten delegations supported our interpretation of this provision. There were no dissents. We shall restate in Plenary.

AMENDMENT RATIFICATION FORMULA

ComSat yet to be fully reconciled to 85/51, especially the Board of Directors.

PRICE FLEXIBILITY

Asher, Parthy and Stanton clarified this fully for the record. Even Steiner did not contest.
We shall restate in the Plenary.

CAPITAL CEILING

ICSC report should take care of this.

LAUNCH ASSURANCE QUESTION

In process of solution.

1/21/71

Comsat

85 JAN 1971

Mr. Harry George Feinstein
126 West End Avenue
Brooklyn, New York 11235

Dear Mr. Feinstein:

Thank you for your letter of December 19 to Mr. Peter Flanigan and for the suggestions and analysis it contains of the Comsat problem.

Mr. Flanigan is still dealing with problems in the economic and financial area. I have been appointed Director of the Office of Telecommunications Policy, and so I am dealing now with problems in the Comsat area full time.

Sincerely,

SIGNED

Clay T. Whitehead

cc: Mr. Flanigan
Mr. Whitehead

GCrawford/Whitehead:jm 1/25/71

1/21

Eva -

When George Crawford was sitting in
for Jon last week he suggested Tom answer
this letter.

Hazel

DRAFT/George Crawford

Dear Mr. Feinstein:

Peter

Thank you for your letter of December 19 to Mr./Flanigan
and for the suggestions and analysis it contains of the COMSAT
problem.

Mr. Flanigan is still dealing with problems in the economic
and financial area. I have been appointed Director of the
Office of Telecommunications Policy, and so I am dealing
now with problems in the COMSAT area full time.

Sincerely yours,

Clay T. Whitehead



CTW

December 19, 1970



Dear Mr. Flanigan:

Enclosed is one of Mr. Whitehead's letters as a refresher to the subject matter.

R.C.A. has recently gotten out of Comsat. It leaves AT&T as the only major participating member.

Comsat is directed by the Communications Satellite Act to provide underdeveloped countries with communications service even if it is unprofitable. It can be expected that AT&T will remember that and the policy statement referred to in the enclosed letter. It is reasonable to assume that shortly they will be selling their stock in Comsat too. If I judge coming events clearly, they will ask to put up their own satellite system. My opinion is that they should be permitted to put them up as quickly as possible. If not they will find other means of communications, perhaps not as good, or rely exclusively on cable.

It is suggested that the coming events be played up in favor of the Republicans and that the Democrats take the rap for leaving those investors stuck with maintaining our foreign policy in the developing countries. On the other hand, perhaps nothing should be said and the institutions will buy up the stock. Then perhaps you can quietly proceed to de-Presidential appoint directorize Comsat into another unglorified private enterprise entity. (Somehow I think that this latter solution should enable you to gain leverage when properly applied to those Congressmen who favored the Comsat Act.)

It is my understanding that your job has been changed to other domestic issues, including concern over alleviating poverty.

If the foregoing is true, perhaps you will pay attention and consider the fact that there is a possibility of alleviating poverty at no cost to the taxpayer. It includes gaining a more equitable income for farmers, building homes in rural areas as well as industry, ships, fishing fleets and other things that I've found it a waste of time to enumerate. But they have been available for more than 16 years now.

I believe that it was mentioned in one of my letters and in most of the source letters referred to, that all of the "comsats" that you've heard about and some that you haven't as yet, all stemmed from the same source. They require no government funding, only the knowledge of those who would profit from it.

Sincerely yours,

Harry G. Feinstein
126 West End Avenue
Bklyn, N.Y.

Mr. Peter Flanigan,
White House
Washington, D.C.
Attention Clay T. Whitehead.

DEC 31 5 31 PM '70
RECEIVED

THE WHITE HOUSE

WASHINGTON

February 19, 1970

Dear Mr. Feinstein:

Thank you for your letter of January 26th to Mr. Peter Flanigan. We are pleased that you agree with the views in our memorandum on domestic satellite communications and share your hope this policy will be adopted by the Federal Communications Commission.

Sincerely,

A handwritten signature in dark ink, appearing to read "C. T. Whitehead", written in a cursive style.

Clay T. Whitehead
Staff Assistant

Mr. Harry George Feinstein
126 West End Avenue
Brooklyn, New York 11235

OFFICE OF TELECOMMUNICATIONS POLICY

EXECUTIVE OFFICE OF THE PRESIDENT

WASHINGTON, D.C. 20504

October 31, 1973

GENERAL COUNSEL

Honorable Wilfred H. Rommel
Assistant Director for Legislative
Reference
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Rommel:

Enclosed are copies of a proposed communication to be transmitted to the Congress relative to amendments to the Communications Satellite Act of 1962, as amended.

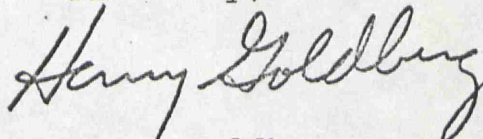
This proposed legislation has two principal objectives:

- 1) to eliminate certain unnecessary statutory restrictions affecting the Communications Satellite Corporation; and
- 2) to permit Executive Branch oversight with regard to the creation and implementation of additional communications satellite systems in which the United States government participates pursuant to formal arrangements with foreign countries.

The enclosed "Explanation" and "Section-by-Section Analysis" of the amendments set forth in detail the supporting rationale for these changes.

Please advise this Office as to the relationship of the proposed communication to the Program of the President.

Sincerely,



Henry Goldberg

Enclosures

EXPLANATION

The Communications Satellite Act of 1962 was the genesis of commercial global satellite communications service as an integral part of U.S. international communications policy. In the eleven years which have elapsed since that legislation was enacted, many developments have occurred which have necessitated certain additions to the Act and which require deletion of certain existing provisions which are no longer necessary. The accompanying proposed amendments are designed to update the Act to reflect current conditions, and do not change the basic policy premises underlying the original legislation.

In 1962, there were many uncertainties attendant to the creation of a new corporation to serve as the chosen instrument of the U.S. in establishing a global communications satellite system. The operational capability of a communications satellite system was unproven. Fundamental questions such as whether the global system would consist of random orbiting medium altitude or synchronous high altitude satellites were unresolved, with consequent uncertainty as to system design and cost. Questions regarding the nature and extent of participation by our foreign communications partners were unanswered. As a result of these uncertainties, many special provisions were included in the Act relating to the corporation's ownership and the conduct of its affairs, provisions not normally associated with a private communications common carrier enterprise.

Now these uncertainties have been resolved and the questions answered. INTELSAT was initially established in 1964 under Interim Agreements with the Communications Satellite Corporation (Comsat) as system manager. In 1965, Early Bird was placed into synchronous orbit over the Atlantic Ocean to become the world's first operational commercial communications satellite. By 1969, global coverage was achieved with the positioning of synchronous satellites over the three major ocean basins. Today over 80 nations share in the ownership of the INTELSAT space segment under Definitive Agreements which entered into force in February, 1973.

In 1962, the need for operational expertise and technical know-how in the establishment of Comsat led to special provisions for participation by other common carriers in Comsat's financing and management. The Act reserved 50% of Comsat's stock for ownership by communications common carriers and provided for carrier-elected directors to Comsat's board based upon this ownership. Although the carrier shares were fully subscribed initially, the carriers have since sold their stock. Today they own less than 1% of the outstanding stock, as a result of which there are no carrier-elected directors.

Special provisions also require Presidentially appointed directors to serve on the Comsat board. While public interest considerations may have justified such a special class of directors during the initial years of the corporation's development, this requirement no longer appears warranted. As a

communications common carrier, Comsat is subject to FCC regulation and, as the U.S. participant in INTELSAT, is subject to government oversight. Thus, public interest considerations are adequately protected without the need for a special class of directors.

With the successful implementation of the INTELSAT global communication satellite network and with the emergence of Comsat as an established and mature corporation, certain other special provisions of the 1962 Act governing Comsat's affairs are no longer warranted. For example, the 1962 Act designates Comsat's corporate situs, prohibits par valuation of its stock and requires government authorization for additional capital financing. These restrictions should be removed so that Comsat may function in a manner which more nearly approximates that of any other private communications common carrier.

It is recognized that Comsat retains a distinction vis-a-vis other communications common carriers in that widespread ownership of its stock was legislatively encouraged so that the return on the nation's investment in space technology could be made available to the American public. This continues to be a desirable goal. Accordingly, provisions originally designed to promote diverse public ownership (i.e., the 10% maximum limit on individual holdings) and to protect small investors (i.e., cumulative voting and liberal shareholder inspection provisions) are retained.

Since the emergence of INTELSAT global system, there have been clear indications that additional international communications satellite systems may be created separate from INTELSAT.

Such systems would necessitate a high level of government-to-government cooperation and accord. Not only are national administrations concerned about the nature of their external satellite communication links to foreign destinations, but communications are often required to support directly special governmental responsibilities involving air navigation and traffic control as well as safety of life.

Thus, the establishment of such systems may be dependent upon formal intergovernmental participation and agreement as well as upon conventional supporting commercial agreements between U.S. and foreign communications entities. It is essential that U.S. governmental institutions and the private international carrier industry act in a coordinated fashion. To this end, a new provision is added to provide for Presidential oversight of such new international communications satellite systems in which the United States government participates pursuant to formal arrangements with foreign countries. Such oversight will assure that institutional arrangements are responsive to national needs and consistent with foreign policy objectives and commitments of the United States.

SECTION BY SECTION ANALYSIS OF AMENDMENTS TO
COMMUNICATIONS SATELLITE ACT OF 1962

Section 1 -- Identifies the bill as the "International Satellite Communications Act of 197 ".

Section 2 -- Subsections 201(a)(1) through (a)(7) of the 1962 Act provided for Executive Branch involvement in the organization, implementation and development of the global (INTELSAT) system. Additional international systems, separate from the INTELSAT system, are permitted under Section 102(d) of the Act "if required to meet unique governmental needs or if otherwise required by the national interest." The prospect of the creation of such additional international systems points to the need for comparable Executive Branch involvement. As was the case with INTELSAT, the organization and implementation of these systems would require a high level of government-to-government cooperation and accord. Accordingly, a new subsection is added to Section 201(a) whereby the Executive Branch would have the responsibility of aiding in the planning, development, coordination and review of additional communications satellite systems in which the United States Government participates pursuant to an agreement, understanding or other arrangement with foreign countries. Presidential oversight and coordination will assure that institutional arrangements are responsive to the national interest and consistent with the foreign policy objectives and commitments of the United States.

Responsibilities similar to those vested in the Executive Branch with respect to Comsat as the U.S. participant in INTELSAT are extended to include any communications common carrier or other entity (e.g., a consortium of U.S. users, a private non-carrier corporation, etc.) which serves as the U.S. participant in such new international systems.

Section 3 -- Section 201(c)(8) requiring the FCC to authorize Comsat's issuance of debentures or capital stock (beyond the initial issue) is repealed. The need for such close regulation of Comsat's financing, which was originally warranted by the uncertainties and business risks associated with an unprecedented venture, no longer exists. The FCC does not possess similar authority over the stock and debt of any other communications common carrier. The effect of this amendment is to subject Comsat to normal FCC procedures with respect to licensing and common carrier regulation.

Section 4 -- Section 301 is amended to eliminate the requirement of incorporation in the District of Columbia, giving the corporation the same flexibility as any other common carrier regarding selection of its place of incorporation.

Section 5 -- Section 303(a) is amended to eliminate Presidentially appointed and common carrier elected directors. The factors which originally warranted such representation on the Comsat Board of Directors are no longer relevant and the continued provision for such representation serves no meaningful purpose now that Comsat is a mature, viable commercial enterprise. With respect to its directors, the corporation should be treated as any other communications common carrier.

The deletion of the reference in Section 303(a) to the District of Columbia Business Corporation Act is a consequent editorial change resulting from the amendment of Section 301.

Section 6 -- Section 304(a) is amended to permit the corporation to issue stock having par value. This affords the corporation the same flexibility as any other common carrier in determining whether to issue stock with or without par value and thereby obtain comparable tax treatment. Subsequently created stock corporations modeled after Comsat are not required by law to issue no par stock.

Section 304(b)(2) is amended to eliminate a special class of stock for common carriers and reduce the aggregate amount of shares which may be held by such carriers from 50% to 5% of the outstanding shares. This complements repeal of corresponding provisions of Section 303(a) dealing with representation of such carriers on the corporation's Board of Directors. With the passage of time the carriers, for various reasons, have sold their stock and no longer have any significant ownership interest in the corporation. The requirement that shares should be reserved for such carriers in any future issue no longer serves any practical purpose. The proposed 5% ceiling is sufficient to accommodate present carrier holdings and any foreseeable independent carrier purchases.

The amendment of Section 304(b)(3) is a consequent editorial change.

The amendment of Section 304(d) is a consequent editorial change.

Section 304(a) is amended to eliminate reference to the District of Columbia Business Corporation Act, while retaining the substantive shareholder inspection rights which were intended by the 1962 Act.

Section 7 -- The authority of Comsat to participate in satellite systems which are separate from the INTELSAT system is codified in Section 305(c). In addition, this section makes it clear that Comsat does not have an exclusive franchise to operate such additional systems. Both of these points were implicit in the original Act, as interpreted by the FCC, and this section merely codifies the Commission's conclusions.

Section 305(c) is redesignated as Section 305(d). The amendment of this section is a consequent editorial change resulting from the amendment of Section 301.

Section 8 -- The amendment of Section 402 is a consequent editorial change resulting from the addition of Section 201(a)(8). The same considerations which originally required State Department notice regarding Comsat's foreign business negotiations relating to INTELSAT also require such notice in the case of the foreign business negotiations of other entities which might be designated as the U.S. participants in additional satellite systems which are created pursuant to formal intergovernmental arrangements.

Section 9 -- The amendment of Section 403(c) is a consequent editorial change resulting from the addition of Section 201(a)(8).

Section 10 -- The amendment of Section 404(a) requires the President to transmit to the Congress a summary of activities and accomplishments regarding additional international communications satellite systems which are encompassed by Section 201(a)(8).

Proposed by the Office of
Telecommunications Policy

For the 93d Congress

A BILL

To amend certain provisions of the Communications Satellite Act of 1962, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Section 1. This Act may be cited as the "International Satellite Communications Act of 197 ."

Section 2. Section 201(a) of the Communications Satellite Act of 1962, as amended, is amended as follows:

(a) The following paragraph is inserted after paragraph (7): "(8) aid in the planning and development of additional communications satellite systems in which the United States government participates pursuant to an agreement, understanding or other arrangement with foreign countries; and in conjunction therewith, provide for continuous review of all phases of the development and operation of such systems, coordinate the activities of governmental agencies with responsibilities in the field of telecommunication, and carry out the functions set forth in subsections (a)(4) through (a)(7) of this section with respect to such systems and with respect to the corporation or any other communications common carrier or other entity which participates in the establishment, ownership or operation of such systems."

Section 3. Section 201(c) of the Communications Satellite Act of 1962, as amended, is amended as follows:

(a) Section 201(c) is deleted.

(b) Sections 201(c)(9), (c)(10) and (c)(11) are redesignated 201(c)(8), (c)(9) and (c)(10) respectively.

Section 4. Section 301 of the Communications Satellite Act of 1962, as amended, is amended by striking the words "to the District of Columbia Business Corporation Act." and substituting therefor the words "to the laws governing corporations in the jurisdiction in which it is incorporated."

Section 5. Section 303(a) of the Communications Satellite Act of 1962, as amended, is amended as follows:

(a) by striking all except the last three sentences of Section 303(a) and substituting therefor the words "The corporation shall have a board of directors who shall be elected annually by the stockholders. All board members shall be citizens of the United States, and one board member shall be elected annually by the board to serve as chairman; Provided, however, that effective one year after this Act takes effect no directors incumbent shall be eligible to hold office as members of the board unless elected in accordance with this section."

(b) by striking, in the antepenultimate sentence of Section 303(a), the words "Subject to the foregoing limitations, the" and substituting therefor the word "The".

(c) by striking, in the antepenultimate and penultimate sentences of Section 303(a), the words "under section 27(d) of the District of Columbia Business Corporation Act (D.C. Code, sec. 29-911(d)). The articles of incorporation of the corporation" and substituting therefor a comma followed by the word "and".

(d) by striking, in the penultimate sentence of Section 303(a), the words "owned by stockholders who are communications common carriers and by stockholders who are not communications common carriers, voting together,".

(e) by striking, in the last sentence of Section 303(a), the words "section 36 of the District of Columbia Business Corporation Act (D.C. Code, sec. 29-916(d)," and substituting therefor the words "any law,".

(f) by striking, in the last sentence of Section 303(a), the words "after February 18, 1969,".

Section 6. Section 304 of the Communications Satellite Act of 1962, as amended, is amended as follows:

(a) by adding in Section 304(a) the words "with or" before "without par value".

(b) by striking the second sentence in Section 304(b)(2).

(c) by striking in Section 304(b)(2) the number "50" and substituting therefor "5".

(d) by striking in Section 304(b)(3) the words "who is not an authorized carrier".

(e) by striking in Section 304(d) the words "which are held by holders other than authorized carriers".

(f) by striking Section 304(e) and substituting therefor the words "Any record holder of the stock of the corporation, without regard to the percentage of stock so held, shall have the right to examine, in person, or by agent or attorney, at any reasonable time or times, for any proper purpose, the corporation's record of shareholders and to make extracts therefrom."

Section 7. Section 305 of the Communications Satellite Act of 1962, as amended, is amended as follows:

(a) The following is added after Section 305(b)(5):

"(c) Nothing herein shall be deemed to vest in the corporation the exclusive right to establish, own or operate communications satellite facilities separate from those used in conjunction with the global system referred to in Section 102(a) of this Act, nor to preclude the corporation from establishing, owning or operating such facilities."

(b) Section 305(c) is redesignated as 305(d) and is amended by striking the words "District of Columbia Business Corporation Act." and substituting therefor the words "laws of the jurisdiction in which it is incorporated."

Section 8. Section 402 of the Communications Satellite Act of 1962, as amended, is amended as follows:

(a) by striking the words "the corporation" following the word "Whenever" in the first sentence of Section 402 and substituting therefor the words "any communications common carrier or other entity which participates in the establishment, ownership and operation of a communications satellite system in which the United States government participates pursuant to an agreement, understanding or other arrangement with foreign countries".

(b) by striking the words "authorized by this Act" in the first sentence of Section 402 and substituting therefor the words "related to such system".

(c) by striking the word "corporation" following the words "advise the" in the first sentence of Section 402 and substituting therefor the words "carrier or other entity".

(d) by striking the word "corporation" in the second sentence of Section 402 and substituting therefor the words "carrier or other entity".

(e) by striking the word "corporation" in the third sentence of Section 402 and substituting therefor the words "carrier or other entity".

Section 9. Section 403(c) of the Communications Satellite Act of 1962, as amended, is amended by inserting the words "or other entities" after the words "communications common carriers".

Section 10. Section 404(a) of the Communications Satellite Act of 1962, as amended, is amended as follows:

(a) by striking the word "and" after the words "objectives of this Act" and substituting therefor a comma; and

(b) by striking the period at the end of Section 404(a) and substituting therefor the words "and, where appropriate, a summary of activities and accomplishments with respect to communications satellite systems referred to in Section 201(a)(8)."

TITLE I-SHORT TITLE, DECLARATION OF POLICY AND
DEFINITIONS

SHORT TITLE

DECLARATION OF POLICY AND PURPOSE

Sec. 102 (a) The Congress hereby declares that it is the policy of the United States to establish, in conjunction and in cooperation with other countries, as expeditiously as practicable a commercial communications satellite system, as part of an improved global communications network, which will serve the communication needs of the United States and other countries, and which will contribute to world peace and understanding.

(b) The new and expanded telecommunication services are to be made available as promptly as possible and are to be extended to provide global coverage at the earliest practicable date. In effectuating this program, care and attention will be directed toward providing such services to economically less developed countries and areas as well as those more highly developed, toward efficient and economical use of the electromagnetic frequency spectrum, and toward the reflection of the benefits of this new technology in both quality of services and charges for such services.

(c) In order to facilitate this development and to provide for the widest possible participation by private enterprise, United States participation in the global system shall be in the form of a private corporation, subject to appropriate governmental regulation. It is the intent of Congress that all authorized users shall have nondiscriminatory access to the system; that maximum competition be maintained in the provision of equipment and services utilized by the system; that the corporation created under this Act be so organized and operated as to maintain and strengthen competition in the provision of communications services to the public; and that the activities of the corporation created under this Act and of the persons or companies participating in the ownership of the corporation shall be consistent with the Federal antitrust laws.

(d) It is not the intent of Congress by this Act to preclude the use of the communications satellite system for domestic communication services where consistent with the provisions of this Act nor to preclude the creation of additional communications satellite systems, if required to meet unique governmental needs or if otherwise required in the national interest.

DEFINITIONS

Sec. 103. As used in this Act, and unless the context otherwise requires--

(1) the term "communications satellite system" refers to a system of communications satellites in space whose purpose is to relay telecommunication information between satellite terminal stations, together with such associated equipment and facilities for tracking, guidance, control, and command functions as are not part of the generalized launching, tracking, control, and command facilities for all space purposes;

(2) the term "satellite terminal station" refers to a complex of communication equipment located on the earth's surface, operationally connected with one or more terrestrial communication systems, and capable of transmitting telecommunications to or receiving telecommunications from a communications satellite system.

(3) the term "communications satellite" means an earth satellite which is intentionally used to relay telecommunication information;

(4) the term "associated equipment and facilities" refers to facilities other than satellite terminal stations and communications satellites, to be constructed and operated for the primary purpose of a communications satellite system, whether for administration and management, for research and development, or for direct support of space operations;

(5) term "research and development" refers to the conception, design, and first creation of experimental or prototype operational devices for the operation of a communications satellite system, including the assembly of separate components into a working whole, as distinguished from the term "production" which relates to the construction of such devices to fixed specifications compatible with repetitive duplication for operational applications; and

(6) the term "telecommunication" means any transmission, emission or reception of signs, signals, writings, images, and sounds or intelligence of any nature by wire, radio, optical, or other electromagnetic systems.

(7) the term "communications common carrier" has the same meaning as the term "common carrier" has when used in the Communications Act of 1934, as amended, and in addition includes, but only for purposes of sections 303 and 304, any individual, partnership, association, joint-stock company, trust, corporation, or other entity which owns or controls, directly or indirectly, or is under direct or indirect common control with, any such carrier; and the term "authorized carrier", except as otherwise provided for purposes of section 304 by section 304(b)(1), means a communications common carrier which has been authorized by the Federal Communications Commission under the Communications Act of 1934, as amended, to provide services by means of communications satellites;

(8) the term "corporation" means the corporation authorized by title III of this Act.

(9) the term "Administration" means the National Aeronautics and Space Administration; and

(10) the term "Commission" means the Federal Communications Commission.

TITLE II-FEDERAL COORDINATION, PLANNING, AND
REGULATION

IMPLEMENTATION OF POLICY

Sec. 201. In order to achieve the objectives and to carry out the purposes of this Act--

(a) the President shall--

(1) aid in the planning and development and foster the execution of a national program for the establishment and operation, as expeditiously as possible, of a commercial communications satellite system;

(2) provide for continuous review of all phases of the development and operation of such a system, including the activities of a communications satellite corporation authorized under title III of this Act;

(3) coordinate the activities of governmental agencies with responsibilities in the field of telecommunication, so as to insure that there is full and effective compliance at all times with the policies set forth in this Act;

(4) exercise such supervision over relationships of the corporation with foreign governments or entities or with international bodies as may be appropriate to assure that such relationships shall be consistent with the national interest and foreign policy of the United States;

(5) insure that timely arrangements are made under which there can be foreign participation in the establishment and use of a communications satellite system;

(6) take all necessary steps to insure the availability and appropriate utilization of the communications satellite system for general

governmental purposes except where a separate communications satellite system is required to meet unique governmental needs, or is otherwise required in the national interest; and

(7) so exercise his authority as to help attain coordinated and efficient use of the electromagnetic spectrum and the technical compatibility of the system with existing communications facilities both in the United States and abroad;

(8) aid in the planning and development of additional communications satellite systems in which the United States government participates pursuant to an agreement, understanding or other arrangement with foreign countries; and in conjunction therewith, provide for continuous review of all phases of the development and operation of such systems, coordinate the activities of governmental agencies with responsibilities in the field of telecommunication, and carry out the functions set forth in subsections (a)(4) through (a)(7) of this section with respect to such systems and with respect to the corporation or any other communications common carrier or other entity which participates in the establishment, ownership or operation of such systems.

(b) the National Aeronautics and Space Administration shall--

(1) advise the Commission on technical characteristics of the communications satellite system;

(2) cooperate with the corporation in research and development to the extent deemed appropriate by the Administration in the public interest;

(3) assist the corporation in the conduct of its research and development program by furnishing to the corporation, when requested, on a reimbursable basis, such satellite launching and associated services as the Administration deems necessary for the most expeditious and economical development of the communications satellite system;

(4) consult with the corporation with respect to the technical characteristics of the communications satellite system;

(5) furnish to the corporation, on request and on a reimbursable basis, satellite launching and associated services required for the establishment, operation, and maintenance of the communications satellite system approved by the Commission; and

(6) to the extent feasible, furnish other services, on a reimbursable basis, to the corporation in connection with the establishment and operation of the system.

(c) the Federal Communications Commission, in its administration of the provisions of the Communications Act of 1934, as amended, and as supplemented by this Act, shall--

(1) insure effective competition, including the use of competitive bidding where appropriate, in the procurement by the corporation and communications common carriers of apparatus, equipment, and services required for the establishment and operation of the communications satellite system and satellite terminal stations; and the Commission shall consult with the Small Business Administration and solicit its recommendations on measures and procedures which will insure that small business concerns are given an equitable opportunity to share in the procurement program of the corporation for property and services, including but not limited to research, development, construction, maintenance, and repair.

(2) insure that all present and future authorized carriers shall have nondiscriminatory use of, and equitable access to, the communications satellite system and satellite terminal

stations under just and reasonable charges, classifications, practices, regulations, and other terms and conditions and regulate the manner in which available facilities of the system and stations are allocated among such users thereof;

(3) in any case where the Secretary of State, after obtaining the advice of the Administration as to technical feasibility, has advised that commercial communication to a particular foreign point by means of the communications satellite system and satellite terminal stations should be established in the national interest, institute forthwith appropriate proceedings under section 214(d) of the Communications Act of 1934, as amended, to require the establishment of such communication by the corporation and the appropriate common carrier or carriers;

(4) insure that facilities of the communications satellite system and satellite terminal stations are technically compatible and interconnected operationally with each other and with existing communications facilities;

(5) prescribe such accounting regulations and systems and engage in such ratemaking procedures as will insure that any economies made possible by a communications satellite system are appropriately reflected in rates for public communication services;

(6) approve technical characteristics of the operational communications satellite system to be employed by the corporation and of the satellite terminal stations; and

(7) grant appropriate authorizations for the construction and operation of each satellite terminal station, either to the corporation or to one or more authorized carriers or to the corporation and one or more such carriers jointly, as will best serve the public interest, convenience, and necessity. In determining the public interest, convenience, and necessity the Commission shall authorize the construction and operation of such stations by communications common carriers or the corporation, without preference to either;

~~(8)--authorize-the-corporation-to-issue-any-shares of-capital-stock-except-the-initial-issue-of capital-stock-referred-to-in-section-304(a)-or-to borrow-any-moneys-or-to-assume-any-obligation-in respect-of-the-securities-of-any-other-person upon-a-finding-that-such-issuance-borrowing-or assumption-is-compatible-with-the-public-interest convenience-and-necessity-and-is-necessary-or appropriate-for-or-consistent-with-carrying-out the-purposes-and-objectives-of-this-Act-by-the corporation;~~

~~(9)~~(8) insure that no substantial additions are made by the corporation or carriers with respect to facilities of the system or satellite terminal stations unless such additions are required by the public interest, convenience, and necessity;

~~(10)~~(9) require, in accordance with the procedural requirements of section 214 of the Communications Act of 1934, as amended, that additions be made by the corporation or carriers with respect to facilities of the system or satellite terminal stations where such additions would serve the public interest, convenience, and necessity; and

~~(11)~~(10) make rules and regulations to carry out the provisions of this Act.

TITLE III-CREATION OF A COMMUNICATIONS
SATELLITE CORPORATION

CREATION OF CORPORATION

Sec. 301. There is hereby authorized to be created a communications satellite corporation for profit which will not be an agency or establishment of the United States Government. The corporation shall be subject to the provisions of this Act and, to the extent consistent with this Act, ~~to the District of Columbia Business Corporation Act,~~ *to the laws governing corporations in the jurisdiction in which it is incorporated.* The right to repeal, alter, or amend this Act at any time is expressly reserved.

PROCESS OF ORGANIZATION

Sec. 302. The President of the United States shall appoint incorporators, by and with the advice and consent of the Senate, who shall serve as the initial board of directors until the first annual meeting of stockholders or until their successors are elected and qualified. Such incorporators shall arrange for an initial stock offering and take whatever other actions are necessary to establish the corporation, including the filing of articles of incorporation, as approved by the President.

Sec. 303. (a) ~~The corporation shall have a board of directors consisting of fifteen individuals who are citizens of the United States, of whom one shall be elected annually by the board to serve as chairman. Three members of the board shall be appointed by the President of the United States, by and with the advice and consent of the Senate, effective the date on which the other members are elected, and for terms of three years or until their successors have been appointed and qualified, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the director whom he succeeds. The remaining twelve members of the board shall be elected annually by the stockholders. Six of such members shall be elected by those stockholders who are not communications common carriers, and the remaining six such members shall be elected by the stockholders who are communications common carriers, except that if the number of shares of the voting capital stock of the corporation issued and outstanding and owned either directly or indirectly by communications common carriers as of the record date for the annual meeting of stockholders is less than 45 per centum of the total number of shares of the voting capital stock of the corporation issued and outstanding, the number of members to be elected at such meeting by each group of stockholders shall be determined in accordance with the following table:~~

When the number of shares of the voting capital stock of the corporation issued and outstanding and owned either directly or in- directly by communica- tions common carriers is less than	But not less than	The number of members which stockholders who are com- munications common carriers are entitled to elect shall be	And the num- ber of members which other stockholders are entitled to elect shall be
45-per-centum.....	40-per-centum	5	7
40-per-centum.....	35-per-centum	4	8
35-per-centum.....	25-per-centum	3	9
25-per-centum.....	15-per-centum	2	10
15-per-centum.....	8-per-centum	1	11
8-per-centum.....		0	12

No stockholder who is a communications common carrier and no trustee for such a stockholder shall vote, either directly or indirectly, through the votes of subsidiaries or affiliated companies, nominees, or any persons subject to his direction or control, for more than three candidates for membership on the board, except that in the event the number of shares of the voting capital stock of the corporation issued and outstanding and owned either directly or indirectly by communications common carriers as of the record date for the annual meeting is less than 8 per centum of the total number of shares of the voting capital stock of the corporation issued and outstanding, and stockholder who is a communications common carrier shall be entitled to vote at such meeting for candidates for membership on the board in the same manner as all other stockholders. The corporation shall have a board of directors who shall be elected annually by the stockholders. All board members shall be citizens of the United States, and one board member shall be elected annually by the board to serve as chairman: Provided, however, that effective one year after this Act takes effect no directors incumbent shall be eligible to hold office as members of the board unless elected in accordance with this section. Subject to the foregoing limitations, the The

articles of incorporation of the corporation shall provide for cumulative voting under ~~section-27(d)-of-the-District-of Columbia-Business-Corporation-Act-(D.C.-Code, sec.-29-911(d)).~~ The ~~articles-of-incorporation-of-the-corporation,~~ and may be amended, altered, changed, or repealed by a vote of not less than $66 \frac{2}{3}$ per centum of the outstanding shares of the voting capital stock of the corporation ~~owned-by-stockholders-who-are communications-common-carriers-and-by-stockholders-who-are-not communications-common-carriers,~~ voting together, if such vote complies with all other requirements of this chapter and of the articles of incorporation of the corporation with respect to the amendment, alteration, change, or repeal of such articles. The corporation may adopt such bylaws as shall, notwithstanding the provisions of ~~section-36-of-the-District-of-Columbia Business-Corporation-Act-(D.C.-Code, sec.-29-916d),~~ any law, provide for the continued ability of the board to transact business under such circumstances of national emergency as the President of the United States, or the officer designated by him, may determine, ~~after-February-18, 1969,~~ would not permit a prompt meeting of a majority of the board to transact business.

(b) The corporation shall have a president, and such other officers as may be named and appointed by the board, at rates of compensation fixed by the board, and serving at the pleasure of the board. No individual other than a citizen of the United States may be an officer of the corporation. No officer of the corporation shall receive any salary from any source other than

the corporation during the period of his employment by the corporation.

FINANCING OF THE CORPORATION

Sec. 304. (a) The corporation is authorized to issue and have outstanding, in such amounts as it shall determine, shares of capital stock, *with or without* par value, which shall carry voting rights and be eligible for dividends. The shares of such stock initially offered shall be sold at a price not in excess of \$100 for each share and in a manner to encourage the widest distribution to the American public. Subject to the provisions of subsections (b) and (d) of this section, shares of stock offered under this subsection may be issued to and held by any person.

(b) (1) For the purposes of this section the term "authorized carrier" shall mean a communications common carrier which is specifically authorized or which is a member of a class of carriers authorized by the Commission to own shares of stock in the corporation upon a finding that such ownership will be consistent with the public interest, convenience, and necessity.

(2) Only those communications common carriers which are authorized carriers shall own shares of stock in the corporation at any time, and no other communications common carrier shall own shares either directly or indirectly through subsidiaries or affiliated companies, nominees, or any persons subject to its direction or control. ~~Fifty per-centum-of-the-shares-of-stock-authorized-for-issuance-at-any time-by-the-corporation-shall-be-reserved-for-purchase-by-authorized carriers-and-such-carriers-shall-in-the-aggregate-be-entitled-to make-purchases-of-the-reserved-shares-in-a-total-number-not-exceeding-the-total-number-of-the-nonreserved-shares-of-any-issue purchased-by-ether-persons.~~ At no time after the initial issue is completed shall the aggregate of the shares of voting stock of the corporation owned by authorized carriers directly or indirectly through subsidiaries or affiliated companies, nominees, or any persons subject to their direction or control exceed 50 5 per centum of such shares issued and outstanding.

(3) At no time shall any stockholder ~~who-is-not-an-authorized~~ carrier or any syndicate or affiliated group of such stockholders, own more than 10 per centum of the shares of voting stock of the corporation issued and outstanding.

(c) The corporation is authorized to issue, in addition to the stock authorized by subsection (a) of this section, nonvoting securities, bonds, debentures, and other certificates of indebtedness as it may determine. Such nonvoting securities, bonds, debentures, or other certificates of indebtedness of the corporation as a communications common carrier may own shall be eligible for inclusion in the rate base of the carrier to the extent allowed by the Commission. The voting stock of the corporation shall not be eligible for inclusion in the rate base of the carrier.

(d) Not more than an aggregate of 20 per centum of the shares of stock of the corporation authorized by subsection (a) of this section ~~which-are-held-by-holders-ether-than-authorized-carriers~~ may be held by persons of the classes described in paragraphs (1), (2), (3), (4), and (5) of section 310(a) of the Communications Act of 1934, as amended (47 U.S.C. 310).

(e) ~~The-requirement-of-section-45(b)-of-the-District-of-Columbia Business-Corporation-Act-(D.C.-Code, sec.-29-920(b))-as-to-the percentage-of-stock-which-a-stockholder-must-hold-in-order-to-have the-rights-of-inspection-and-copying-set-forth-in-that-subsection shall-not-be-applicable-in-the-case-of-holders-of-the-stock-of-the corporation, and-they-may-exercise-such-rights-without-regard-to the-percentage-of-stock-they-held.~~ Any record holder of the stock of the corporation, without regard to the percentage of stock so held, shall have the right to examine, in person, or by agent or attorney, at any reasonable time or times, for any proper purpose, the corporation's record of shareholders and to make extracts therefrom.

(f) Upon application to the Commission by any authorized carrier and after notice and hearing, the Commission may compel any other authorized carrier which owns shares of stock in the corporation to transfer to the applicant, for a fair and reasonable consideration, a number of such shares as the Commission determines will advance the public interest and the purposes of this Act.

In its determination with respect to ownership of shares of stock in the corporation, the Commission, whenever consistent with the public interest, shall promote the widest possible distribution of stock among the authorized carriers.

PURPOSES AND POWERS OF THE CORPORATION

Sec. 305. (a) In order to achieve the objectives and to carry out the purposes of this Act, the corporation is authorized to--

- (1) plan, initiate, construct, own, manage, and operate itself or in conjunction with foreign governments or business entities a commercial communications satellite system;

- (2) furnish, for hire, channels of communication to United States communications common carriers and to other authorized entities, foreign and domestic; and

- (3) own and operate satellite terminal stations when licensed by the Commission under section 201(c)(7).

(b) Included in the activities authorized to the corporation for accomplishment of the purposes indicated in subsection (a) of this section, are, among others not specifically named--

- (1) to conduct or contract for research and development related to its mission;

- (2) to acquire the physical facilities, equipment and devices necessary to its operations, including communications satellites and associated equipment and facilities, whether by construction, purchase, or gift;

- (3) to purchase satellite launching and related services from the United States Government;

- (4) to contract with authorized users, including the United States Government, for the services of the communications satellite system; and

- (5) to develop plans for the technical specifications of all elements of the communications satellite system.

(c) Nothing herein shall be deemed to vest in the corporation the exclusive right to establish, own or operate communications satellite facilities separate from those used in conjunction with the global system referred to in Section 102(a) of this Act, nor to preclude the corporation from establishing, owning or operating such separate facilities.

~~(e)~~(d) To carry out the foregoing purposes, the corporation shall have the usual powers conferred upon a stock corporation by the ~~District-of-Columbia-Business-Corporation Act~~ laws of the jurisdiction in which it is incorporated.

TITLE IV-MISCELLANEOUS

APPLICABILITY OF COMMUNICATIONS ACT OF 1934

Sec. 401. The corporation shall be deemed to be a common carrier within the meaning of section 3(h) of the Communications Act of 1934, as amended, and as such shall be fully subject to the provisions of title II and title III of that Act. The provision of satellite terminal station facilities by one communication common carrier to one or more other communications common carriers shall be deemed to be a common carrier activity fully subject to the Communications Act. Whenever the application of the provisions of this Act shall be inconsistent with the application of the provisions of the Communications Act, the provisions of this Act shall govern.

NOTICE OF FOREIGN BUSINESS NEGOTIATIONS

Sec. 402. Whenever ~~the corporation~~ any communications common carrier or other entity which participates in the establishment, ownership and operation of a communications satellite system in which the United States government participates pursuant to an agreement, understanding or other arrangement with foreign countries shall enter into business negotiations with respect to facilities, operations, or services ~~authorized by this Act~~ related to such system with any international or

foreign entity, it shall notify the Department of State of the negotiations, and the Department of State shall advise the ~~corporation carrier or other entity~~ of relevant foreign policy considerations. Throughout such negotiations the ~~corporation carrier or other entity~~ may request the Department of State to assist in the negotiations, and the Department shall render such assistance as may be appropriate.

SANCTIONS

Sec. 403. (a) If the corporation created pursuant to this Act shall engage in or adhere to any action, practices, or policies inconsistent with the policy and purposes declared in section 102 of this Act, or if the corporation or any other person shall violate any provision of this Act, or shall obstruct or interfere with any activities authorized by this Act, or shall refuse, fail, or neglect to discharge his duties and responsibilities under this Act, or shall threaten any such violation, obstruction, interference, refusal, failure, or neglect, the district court of the United States for any district in which such corporation or other person resides or may be found shall have jurisdiction, except as otherwise prohibited by law, upon petition of the Attorney General of the United States, to grant such equitable relief as may be necessary or appropriate to prevent or terminate such conduct or threat.

(b) Nothing contained in this section shall be construed as relieving any person of ~~any~~ punishment, liability, or sanction which may be imposed otherwise than under this Act.

(c) It shall be the duty of the corporation and all communications common carriers ~~or other entities~~ to comply, insofar as applicable, with all provisions of this Act and all rules and regulations promulgated thereunder.

REPORTS TO THE CONGRESS

Sec. 404. (a) The President shall transmit to the Congress in January of each year a report which shall include a comprehensive description of the activities and accomplishments during the preceding calendar year under the national program referred to in section 201(a)(1), together with an evaluation of such activities and accomplishments in terms of the attainment of the objectives of this Act, and any recommendations for additional legislative or other action which the President may consider necessary or desirable for the attainment of such objectives, and, where appropriate, a summary of activities and accomplishments with respect to communications satellite systems referred to in section 201(a)(8).

(b) The corporation shall transmit to the President and the Congress, annually and at such other times as it deems desirable, a comprehensive and detailed report of its operations, activities, and accomplishments under this Act.

(c) The Commission shall transmit to the Congress, annually and at such other times as it deems desirable, (i) a report of its activities and actions on anticompetitive practices as they apply to the communications satellite programs; (ii) an evaluation of such activities and actions taken by it within the scope of its authority with a view to recommending such additional legislation which the Commission may consider necessary in the public interest; and (iii) an evaluation of the capital structure of the corporation so as to assure the Congress that such structure is consistent with the most efficient and economical operation of the corporation.

August 10, 1973

Dr. Joseph V. Charyk
President
Communications Satellite Corporation
950 L'Enfant Plaza S.W.
Washington, D.C. 20024

Dear Joe:

This is in response to your letter of July 11. We have concluded that it would be useful to move ahead at this time with technical amendments to the Communications Satellite Act of 1962.

You have suggested two areas for revision and have offered to develop appropriate legislative language. We are prepared to give careful consideration to your suggested technical amendments and would welcome any further suggestions you may have in this regard. My staff has also developed various technical amendments which we believe are necessary as a result of changes that have occurred since the original legislation was enacted.

We would like to move promptly on this matter and, accordingly, I would like to propose that your representatives meet with my staff to informally review possible technical amendments to the Act and develop suitable draft legislation. My hope is that we can complete this phase by the end of August.

I have asked Brom Smith to coordinate this effort, and he, together with our legal staff, are prepared to meet with your representatives at a mutually convenient time next week.

Sincerely,

signed
TOM

Clay T. Whitehead

FSUrbany:lmc

cc: DO Records
DO Chron
Mr. Whitehead ✓

International Subj
International Rdg
FSU Rdg

COMMUNICATIONS SATELLITE CORPORATION

JOSEPH V. CHARYK
President

July 11, 1973

Honorable Clay T. Whitehead
Director
Office of Telecommunications Policy
1800 G Street, N. W.
Washington, D. C. 20504

Dear Tom:

In connection with amendments to the Communications Satellite Act of 1962, we believe that there is merit to the suggestion that David Acheson and Bromley Smith have discussed, that an initial legislative package might be constructed which would consist entirely of technical amendments that would not affect the interests of, or generate controversy among, the common carriers. Such a package could be proposed to the Congress without awaiting the substantive remainder of the OTP legislative package, which is under discussion within the Administration. The most promising candidates for inclusion in this preliminary package of amendments would be repeals of provisions in the Act which have been outrun by events since 1962.

In this category would be the following two:

1. A repeal of the provision of Section 304(b)(2) requiring that 50% of the shares of stock authorized for issuance at any time by the Corporation shall be reserved for purchase by authorized carriers.

2. A repeal of subsection 201(c)(8), requiring the Commission to control any future issue of stock by Comsat, beyond the initial issue, and any future debt financing.

Item No. 1 above accords with the obvious fact that the carriers, for a variety of reasons, are no longer

Mr. Whitehead

- 2 -

July 11, 1973

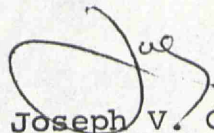
interested in owning Comsat stock and, with miniscule exceptions, do not hold any. The requirement that shares should be reserved for them in any future issue no longer has any basis in real life. It is very remote that Comsat would issue more stock, but if it did it is pointless to reserve 50% for carriers who have sold out since 1962 and are not interested in purchasing.

Item No. 2 above accords with the fact that the initial issue of stock has provided a more than adequate reserve of capital against any likely activities that Comsat might pursue. With temporary investments on the order of \$130 million, with FCC decisions which have substantially curtailed Comsat's freedom to participate in domestic satellite systems and in maritime services, it is clear that Comsat's cash flow and presently available capital will meet any likely requirements, with the possible exception of some short-term bank loans that might be foreseen a few years down the road. In these circumstances it appears gratuitously burdensome for Comsat to have the Commission attaching controls to Comsat's future financing. It is noteworthy that the Common Carrier Bureau in Comsat's rate case is advancing the thesis in cross-examination that Comsat is over capitalized.

Neither concern for Comsat's financial viability nor concern for the public argue for treating Comsat's capitalization and borrowings differently from those of other carriers.

We would be glad to send over proposed legislative language effecting these changes if you should wish.

Sincerely yours,


Joseph V. Charyk

Comsat

March 23, 1973

Mr. Bernard Strassburg
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, N. W.
Washington, D. C. 20554

Dear Mr. Strassburg:

This is in response to your letter of March 13, 1973, concerning Comsat's applications for authority to construct a communications satellite system to provide communications services to the U. S. Navy and to commercial maritime interests.

You requested OTP's views on questions you asked of the Department of the Navy and the Department of State, concerning the national defense and foreign policy implications, respectively, of the Comsat applications. You also requested our views on the applications and Comsat's request for waiver of construction permit.

We have reviewed the Comsat applications, as well as the Navy and Department of State responses to your inquiries. In light of our review, OTP concurs fully in the Navy and State Department responses.

The Navy has significant need for the leased satellite service proposed by Comsat in order to continue research and development in the satellite communications field and to provide vital communications capabilities in the event of national emergency.

OTP also is in accord with the views presented by the Department of State, specifically including its request that the authorization to Comsat be explicitly

limited to the five-year design lifetime of the three-satellite system to be used to provide service in the Atlantic and Pacific Oceans.


We note that Comsat has recognized the limited purpose nature of its current proposal. It is not expected to affect adversely the future deliberations regarding maritime satellite communications or the competitive conditions in the existing and future maritime communications industry. Indeed, Comsat has indicated a willingness to encourage the participation of other communications common carriers in the proposed service offering to commercial maritime interests.

For the foregoing reasons, we believe the interests of existing communications carriers can be adequately safeguarded and that there are compelling reasons to grant authorization to establish the Navy service and the commercial maritime satellite services proposed by Comsat.

Sincerely,

Henry Goldberg

cc: DO Records
DO Chron
Mr. Whitehead
Eva
GC Subject
GC Chron
Goldberg Chron



HGoldberg:pb:3-23773

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

March 26, 1973

TO: Tom
FROM: Abbott A.

George Anderson is the former Admiral. He is Chairman of the President's Advisory Intelligence Board.



The Center for Strategic and International Studies

Georgetown University / 1800 K Street Northwest / Washington DC 20006 / Telephone 202/833-8595

Cable Address: CENSTRAT

Commod

*David M. Abshire
Chairman of the Center
*Arleigh Burke
Chairman Emeritus
*John M. Steeves
Chairman of the Executive Committee
*Alvin J. Cottrell
Director of Research
Acting Chairman, Research Council
SENIOR RESEARCH STAFF

Sevin Carlsson
Robert A. Kilmarx
Walter A. Laqueur
Counselor (London)
Kenneth A. Myers
James D. Theberge
ADMINISTRATION
M. Jon Vondracek
Director of Communications
Christa D. K. Dantzier
Comptroller
Stanley L. Wagenheim
Assistant Comptroller
John H. Bernard
Conference Coordinator

RESEARCH COUNCIL
Karl Carstens
Deutsche Gesellschaft für
Auswärtige Politik (Bonn)
Karl H. Cerny
Georgetown University
Jules Davids
Georgetown University
Edmund A. Gullion
Fletcher School of Law and Diplomacy
Walter Laqueur
Institute of Contemporary History
and Wiener Library (London)
Bernard Lewis
University of London
Kurt L. London
International Research Associates, Inc.
Laurence W. Martin
University of London
Ian S. Michie
Kleinwort, Benson, Ltd. (London)
Ralph L. Powell
American University
George E. Taylor
University of Washington
John W. Tuthill
Atlanta Institute (Paris)
Richard L. Walker
University of South Carolina
*Henry C. Wallich
Yale University
Robert E. Ward
University of Michigan
John C. Warner
Carnegie-Mellon University
Murray L. Weidenbaum
Washington University

ADVISORY BOARD

*Fred C. Foy
Chairman
Isaac L. Auerbach
Frank R. Barnett
Charles Bartlett
Karl R. Bendetsen
Nicholas J. Campbell, Jr.
*Kenneth M. Crosby
*Francis P. Dinneen, S.J.
Peter H. Dominick
Joseph S. Farland
Gerald R. Ford
J. T. Gilbride
Maurice R. Greenberg
*James B. Horigan, S.J.
*Peter F. Krogh
*Morris I. Leibman
Jay Lovestone
Thomas J. Murrin
Robert D. Novak
Dean A. Olson
Clalborne Pell
Richard M. Scaife
Frederick Seitz
*F. Ritter Shumway
*C. E. Straight
*Arthur G. Trudeau
John C. Warner
Clement J. Zablocki

*Member, Executive Committee

March 22, 1973

Honorable Abbott Washburn
Office of Telecommunications Policy
Executive Office of the President
Room 711
1800 G Street, N.W.
Washington, D.C. 20504

Dear Abbott:

My father-in-law is a very direct man!
See enclosure.

With best regards,

Sincerely yours,

David M. Abshire
Chairman

Enclosure

20 March 1973

Mr. Joseph Charyk
President
Communications Satellite Corporation
950 L'Enfant Plaza South, S.W.
Washington, D. C.

Dear Joe:

I am writing this note to you concerning Dr. David M. Abshire, my son-in-law, who is the Director of the Center for Strategic and International Studies at Georgetown University.

Dave is a West Point graduate, class of 1951, who after Korea resigned from the Army and secured his masters and doctorate degrees from Georgetown. He was the organizer of the Center for Strategic Studies at Georgetown and most recently served as the Assistant Secretary of State for Congressional Affairs. He resigned from State on 8 January to return to the Center and was concurrently appointed by President Nixon as a member of the new (parttime) commission on Foreign Policy established by the congress.

In conversation with George Woods, former President of the World Bank, it was learned that there may be an opening on the Board of Directors of ComSat at some time in the not too distant future. George and I both feel that Dave could be of great value to ComSat because of his unique familiarity with international affairs, the State Department and the Congress. May I, therefore, suggest that you give this consideration or if an opening on the Board is not in the cards at this time some other parttime arrangement whereby his experience could be helpful.

I might add that I do not think that Dave could provide competition with you on the Don Ho program.

All the best,

George W. Anderson

Blind copy: Dr. Abshire ✓

~~Information~~
OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

1/9

CTW:

This letter from
Cheryl to Burch gives
you the flavor of
Comsat's reaction
to the FCC position.

BKS

eto
Comsat

COMMUNICATIONS SATELLITE CORPORATION

JOSEPH V. CHARYK
President

December 29, 1972

The Honorable Dean Burch
Chairman, Federal Communications
Commission
1919 M Street, N. W.
Washington, D. C. 20554

Dear Mr. Chairman:

Pursuant to the instructions contained in your letter of December 14, 1972, the U. S. Representative to the Interim Communications Satellite Committee proposed to the Committee that it study the five methods for extending the saturation date of the Primary Atlantic INTELSAT IV satellite beyond 1975 which were enumerated in your letter. The U. S. Representative formally requested the Committee to consider these methods in order that assurance could be given that all possible means of extending the INTELSAT IV primary satellite lifetime in the Atlantic had been carefully reviewed in detail.

The reaction of the various Representatives to the Committee is reflected in the official Summary Record of the Committee adopted at the conclusion of its Sixty-Second Meeting, which is attached for your information. That record indicates the nature and strength of the Committee's views. The principal and most representative reaction was the view that the points set forth in your letter had already been examined in detail by the Committee and its advisory Technical Subcommittee and had been rejected by the Committee as unworkable. The specific reactions to the five points raised in your letter are set forth in paragraph 32 of the attached Summary Record of the Committee.

In addition to the reaction of the Committee, that the points enumerated in your letter had already been

thoroughly examined, other statements of significant concern appear in the Summary Record. The committee expressed some resentment at being made the battleground of an internal U. S. dispute, and at being unable to proceed with a program decision because of a U. S. veto, and being asked instead to review again alternatives which have been thoroughly examined and rejected.

The documentary record of this previous examination was distributed to the United States Government, including to the Commission's Common Carrier Bureau staff, over the past months in the form of Committee documents, of supplementary letters, and of briefings provided to the staff of the Commission. Attached is a list of these documents and letters, and an enumeration of the various briefing dates. All ICSC documents were given to the Commission staff on or about the transmittal date shown. Particular note might be taken of materials dealing with a possible extension of the life of the INTELSAT IV system, such as ICSC-62-21 (30 October 1972), INTELSAT IV Follow-On Systems Study Analyses, ICSC-62-7 (28 November 1972), Report of the ICSC/T on the INTELSAT IV Follow-On alternatives, and General Sampson's letter to Mr. Strassburg of November 16, 1972, providing additional analyses of alternatives as requested by the Bureau staff.

We are compelled to say that the Commission's instructions of December 14, 1972 placed Comsat and the United States in an embarrassing and regrettable posture before the ICSC, that of pressing the ICSC to adopt a course of action that the members of the Committee (and we) realized had been maturely considered and rejected. We had hoped that this could have been avoided since over the last two months, in several meetings and correspondence with the Bureau staff, we had explained why the courses of action they urged as alternatives to INTELSAT IV- $\frac{1}{2}$ could not possibly cover all service requirements until INTELSAT Vs could be deployed, and we emphasized that these alternatives had been studied and discarded by the ICSC. In retrospect it appears that it would have been desirable to have been permitted to present these facts directly to the Commission and to answer the Commission's questions on all aspects of this matter. Such a procedure would have minimized the possibility of misunderstanding the history of the ICSC's consideration of this subject and the attitudes of other members of that body.

Chairman Burch

-3-

December 29, 1972

I thought we should make this report on the action taken pursuant to your instructions of December 14, so that you would have complete information regarding this matter and so that any misunderstanding might be clarified. I hope that we shall have the opportunity to provide every possible assistance to the Commission in its further consideration of this important program.

Very truly yours,

SIGNED

Joseph V. Charyk

cc: Members of the Commission
C. T. Whitehead, OTP ✓
T. E. Nelson, Department of State
B. Strassburg, FCC

3-816
Comsat

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

August 16, 1972

To: Mr. Whitehead
Thru: Mr. Smith *AKS*
From: S. Doyle *SD*
Subject: Common Carrier Stock Ownership in Comsat

INFORMATION MEMORANDUM

In connection with internal consideration of possible initiatives re Comsat, I thought you might find a current list of common carrier Comsat stockholders of interest. You will note from the attached that all the U.S. carriers authorized to carry international communications, except AT&T, among them, own not one share of Comsat stock today. They are:

General Telephone & Electronics
Hawaiian Telephone Company
ITT World Com.
RCA GlobCom.
Tropical Radio, and
WUI.

AT&T is the only company carrying international traffic which retains any stock ownership in Comsat, holding 2,895,750 shares.*

The next three largest common carrier shareholders behind AT&T are all domestic companies:

Rochester Telephone Corporation	10,000 shares
Illinois Consolidated Telephone	3,000 shares
Winter Park Telephone Company	2,500 shares

From there the list falls off rapidly.

cc: Mr. Scalia

* 2,895,750 COMSAT SHARES

10,000,000 TOTAL SHARES

OR
28.96% OF TOTAL COMSAT STOCK

As of March 20, 1976

		PAGE	3
SHAREHOLDER	SHARES	SHAREHOLDER	SHARES
ACE TELEPHONE ASSOCIATION 207 CEDAR E HOUSTON MINN 55943	100	ALLIED TELEPHONE COMPANY BOX 2177 LITTLE ROCK ARK 72203	100
AMERICAN TELEPHONE AND TELEGRAPH COMPANY 195 BRADWAY RM 2615 NEW YORK N Y 10007	2,895,750 895,750	ARLINGTON TELEPHONE COMPANY BLAIR NEBR 68008	50
AU GRES TELEPHONE COMPANY 224 SAGINAW ST AU GRES MICH 48703	5	BEK TELEPHONE MUTUAL AID CORPORATION STEELE N DAK 58482	5
BELLAMY TELEPHONE COMPANY 108-12 E MARION ST KNOXVILLE IOWA 50138	125	CAMERON TELEPHONE COMPANY BOX 167 SULPHUR LA 70663	500
CENTRAL TELEPHONE COMPANY CHESANING MICH 48616	100	CHAMPAIGN COUNTY TELEPHONE COMPANY 205 W SPRINGFIELD AVE CHAMPAIGN ILL 61820	2,000
THE CHILLICOTHE TELEPHONE COMPANY 58 E MAIN ST CHILLICOTHE OHIO 45601	50	CITY OF ANCHORAGE BOX 400 ANCHORAGE ALASKA 99501	1,000
CLEAR LAKE INDEPENDENT TELEPHONE COMPANY 107 N 4TH ST CLEAR LAKE IOWA 50428	100	CLIFTON FORGE-WAYNESBORO TELEPHONE COMPANY BOX 2008 STAUNTON VA 24401	50
CLIMAX TELEPHONE COMPANY 114 N MAIN ST CLIMAX MICH 49034	10	COASTAL UTILITIES INC BOX 42 HINESVILLE GA 31313	100
CUMBERLAND TELEPHONE COMPANY INC 309 E MAIN ST CUMBERLAND KY 40823	200	DENVER AND EPHRATA TELEPHONE AND TELEGRAPH COMPANY 130 E MAIN ST EPHRATA PA 17522	125
DEPOSIT TELEPHONE COMPANY INC 87 FRONT ST DEPOSIT N Y 13754	100	DUNKIRK AND FREDONIA TELEPHONE COMPANY 40 TEMPLE ST FREDONIA N Y 14063	25

		PAGE	4
SHAREHOLDER	SHARES	SHAREHOLDER	SHARES
ELLIJAY TELEPHONE COMPANY 36 DALTON ST ELLIJAY GA 30540	100	EMPIRE TELEPHONE CORPORATION 34 MAIN ST PRATTSBURG N Y 14873 <i>7/21/72 - 100 shares transferred to Series I - W/O Henry D. Z. Bonbrugh and Co. - per Manufacturers Hanover - 1974</i>	100
E RITTER TELEPHONE COMPANY 106 FRISCO BOX 220 MARKED TREE ARK 72365	25	ESTACADA TELEPHONE & TELEGRAPH COMPANY BOX 188 ESTACADA OREG 97023	50
FORT BEND TELEPHONE COMPANY BOX 1127 ROSENBERG TEX 77471	500	FRANK K SPAIN D-B MICROWAVE SERVICE COMPANY 535 MAIN ST TUPELO MISS 38801	250
THE GANADO TELEPHONE EXCHANGE BOX 638 GANADO TEX 77962	10	GORHAM TELEPHONE COMPANY GORHAM KANS 67640	100
GRAND RIVER MUTUAL TELEPHONE CORPORATION 1001 KENTUCKY ST PRINCETON MO 64673	50	GULF TELEPHONE COMPANY 116 N ALSTON ST FOLEY ALA 36535	10
HARRISONBURG TELEPHONE COMPANY BOX 352 HARRISONBURG VA 22801	50	HEINS TELEPHONE COMPANY 119 N MOORE ST SANFORD N C 27330	250
HUMPHREYS COUNTY TELEPHONE COMPANY DENVER TENN 37054	100	ILLINOIS CONSOLIDATED TELEPHONE COMPANY 117 S 17TH ST MATTOON ILL 61938	3,000
JACKSONVILLE RADIO DISPATCH SERVICE 1889 SOUTHAMPTON RD JACKSONVILLE FLA 32207	10	LAFORCHE TELEPHONE COMPANY BOX 188 LAROSE LA 70373	50
LEWISTON GREENE & MONMOUTH TELEPHONE COMPANY WINTHROP MAINE 04364	25	THE LORAIN TELEPHONE COMPANY 203 W 9TH ST LORAIN OHIO 44052	50
MIDWAY TELEPHONE COMPANY TROUT CREEK MICH 49967	5	THE MOSINEE TELEPHONE COMPANY 410 4TH ST MOSINEE WIS 54455	50

SHAREHOLDER	SHARES	SHAREHOLDER	SHARES
THE NORTH-EASTERN PENNSYLVANIA TELEPHONE COMPANY 720 MAIN ST FOREST CITY PA 18421	100	THE NORTHEASTERN TELEPHONE COMPANY BLAIR NEBR 68008	50
NORTH PENN TELEPHONE COMPANY 34 MAIN ST PRATTSBURG N Y 14873	100	OGDEN TELEPHONE COMPANY 21 WEST AVE SPENCERPORT N Y 14559	100
THE ORANGE CITY TELEPHONE COMPANY INC 132 E NEW ENGLAND AVE WINTER PARK FLA 32789	1,250	PEOPLES MUTUAL TELEPHONE COMPANY INC GRETNVA 24557	10
PIEDMONT TELEPHONE COMPANY BOX 15K HAYMARKET VA 22069	50	PLANT TELEPHONE & POWER COMPANY INC 815 W 14TH ST TIFTON GA 31794	50
PLATTEVILLE TELEPHONE COMPANY 135 N BONSON ST PLATTEVILLE WIS 53818	100	PUBLIC SERVICE TELEPHONE COMPANY BOX 397 REYNOLDS GA 31076	250
ROANOKE & BOTETOURT TELEPHONE CO DALEVILLE VA 24083	25	ROCHESTER TELEPHONE CORPORATION ATT P A BROIKOU 100 MIDTOWN PLAZA ROCHESTER N Y 14646	10,000
ROCK HILL TELEPHONE COMPANY ROCK HILL S C 29730	500	ROCK RIVER TELEPHONE COMPANY 136 UNION ST JOHNSON CREEK WIS 53038	10
THE RUIDOSO TELEPHONE COMPANY BOX 5246 BAKERSFIELD CALIF 93308	250	SHERMANTON TELEPHONE COMPANY EDINBURG VA 22824	500
SLEEPY EYE TELEPHONE CO 121 2ND AVE NW SLEEPY EYE MINN 56085	100	STANDISH TELEPHONE COMPANY STANDISH MAINE 04084	50
TERRIL TELEPHONE COMPANY TERRIL IOWA 51364	25	UNITED TELEPHONE CO INC BOX 38 CHAPEL HILL TENN 37034	500

SHAREHOLDER	SHARES	SHAREHOLDER	SHARES
URBAN TELEPHONE CORPORATION	100	WALKER COUNTY TELEPHONE COMPANY INC	100
26 W 12TH ST		P O DRAWER C	
CLINTONVILLE WIS 54929		LAFAYETTE GA 30728	

WEST JERSEY TELEPHONE COMPANY	50
256 PAUL ST	
BELVIDERE N J 07823	

WINTER PARK TELEPHONE COMPANY	2,500
132 E NEW ENGLAND AVE	
WINTER PARK FLA 32789	

Log In No. _____

ACTION MEMORANDUM FOR TOM WHITEHEAD

Through:

From: J. THORNELL ✓

Subject: COMSAT/ESRO

Co-ordinated with:

Staff Opinions:

FYI

Action required by the Director:

None ☒

For your signature _____

Further discussion required with author _____

Further discussion required with staff _____

Which member of the staff _____

Approve attached draft _____

Approve recommended course of action (see below) _____

Other _____

Available options:

A.

C.

B.

D.

Recommended next steps (author's recommendation):

Director's comments:

Record of disposition and action taken.

Log out _____ date _____ time _____

Referred to _____ (name of staff member)

Action requested _____

Due Date _____

OFFICE OF TELECOMMUNICATIONS POLICY

EXECUTIVE OFFICE OF THE PRESIDENT

WASHINGTON, D.C. 20504

February 29, 1972

To: Tom Whitehead
From: George Mansur
Jack Thornell
Subject: Joint COMSAT/ESRO Experimental Satellite Program

Received a telephone call from Bob Kinzie of COMSAT on February 29 and he informed me of the following:

The agenda item concerning the joint COMSAT/ESRO experimental satellite program was discussed on Saturday, February 26, in the 57th ICSC meeting. It was concluded in the meeting that all activities should cease between COMSAT and ESRO. Kinzie is not aware of any motivation of the Europeans in supporting this action other than to insure that a forthcoming recommendation from the ICSC Technical Committee, which is due in June, is fully taken into account in any specific activities undertaken by INTELSAT in the field of experimental satellites.

cc: Brom Smith
Steve Doyle

Colson

Thursday 5/4/72

12:40 Called Colson's office again.

I had given the message to Joan yesterday; she was out.

Told the other girl that you would be leaving town around 3 today -- and were checking to see if you needed to be doing anything for Mr. Colson.

Mr. Colson is at lunch and they will give him the message as soon as he returns and be back in touch.

Wednesday 5/3/72

12:50 Mr. Whitehead called and asked us to call Colson's office and give his secretary this message:

To Mr. Colson:

Mr. Shultz apparently feels strongly that the appointment to replace Meany on the Comsat Board should be Pallard and will be calling Colson. I just wanted to alert you that he might be calling.

The Chairman of Comsat would prefer someone other than Fitzsimmons but would take him if we wanted to do that. Therefore, I can sell Fitzsimmons to the Comsat people. Whichever way you work it is Ok with me.

Tom Whitehead

Comsat

MAR 23 1972

MEMORANDUM FOR

Mr. Noble Melencamp
The White House

Attached is the final draft of the President's report to the Congress on the Nation's activities under the Communications Satellite Act of 1962.

CL

Clay T. Whitehead

Attachment

cc: Comsat
WH Memos
Melencamp
DO's Chron
DO's Records
Pres
Thornell

Whitehead ✓

CONTENTS

Letter of Transmittal by the President of the United States to the Congress	iii
I. INTRODUCTION	1
II. NATIONAL ACTIVITIES	1
III. THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM (INTELSAT)	2
IV. THE GLOBAL SATELLITE SYSTEM	6

TO THE CONGRESS OF THE UNITED STATES:

Two years of multilateral negotiations produced during 1971 the governing instruments for the International Telecommunications Satellite Consortium. The coming into force of these Definitive Arrangements, possibly in 1972, will mark the beginning of a new era for the organization which has already achieved successes unparalleled in history.

It is my pleasure to report to the Congress on our activities and accomplishments in 1971 under the Communications Satellite Act of 1962.

THE WHITE HOUSE,

March 1972.

I

INTRODUCTION

The 1971 progress of INTELSAT is highlighted by the launching and entry into service of the fourth generation of satellites and the completion of the negotiations of the Definitive Agreements for the permanent institutional form of the Consortium. During the year, five additional countries acceded to the Interim Arrangements, and one country acceded in early 1972, bringing the total membership of the Consortium to 83. There are now 62 antennas at 51 earth stations operating in 38 countries.

To better present a comprehensive view of the overall activities of this nation in outer space, in future years this report, as required by section 404 (a) of the Communications Satellite Act of 1962, will be incorporated in the President's report to the Congress on the National Aeronautics and Space Act of 1958.

II

NATIONAL ACTIVITIES

The Office of Telecommunications Policy and the Department of State, in conjunction with the Federal Communications Commission continued to fulfill the Executive Branch responsibilities assigned to the President by the Communications Satellite Act of 1962.

The National Aeronautics and Space Administration provided launch services for the INTELSAT IV satellites that were successfully orbited during 1971.

During 1971, representatives of the United States and those of more than 100 other countries, met in Geneva, Switzerland, under the auspices of the International Telecommunication Union to review and revise the International Radio Regulations as they pertain to space telecommunications. The results of the Conference, which upon ratification by the respective Administrations will become effective on January 1, 1973, provide a sound foundation for the application of space communications satellites, thereby assuring that INTELSAT will be able to move forward with programs for improved satellite communication services.

III

THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM (INTELSAT)

Membership

During 1971 five countries acceded to the Interim Arrangements, and one country acceded in early 1972, bringing the total membership to 83 countries. The new members are Costa Rica, Gabon, Ghana, Malagasy Republic, Mauritania, and Barbados.

In March 1971, the first satellite of the INTELSAT IV series was put into commercial service over the Atlantic Ocean. It has a capacity of 3,000-9,000 telephone circuits, depending upon antenna configuration, or twelve television channels, or certain combinations of telephone, television, data and other forms of communications traffic. the second INTELSAT IV satellite, successfully launched December 19, 1971, will be placed in Atlantic service and the third,

launched January 24, 1972, will provide service in the Pacific area.

Access to the INTELSAT satellites increased as the result of the construction of twelve new antennas during 1971. As of December 31, 1971, there were 62 antennas at 51 earth stations operating in 38 countries. The eight U.S. earth stations are located at Andover, Maine; Etam, West Virginia; Cayey, Puerto Rico; Brewster Flat, Washington; Jamesburg, California; Paumalu, Hawaii; Talkeetna, Alaska; and Guam. Construction has been completed on a new replacement antenna at the Andover, Maine earth station.

As a result of increased use of satellite facilities, INTELSAT reduced its use charge from \$20,000 per half circuit per year to \$15,000 effective January 1, 1971, and further reduced the charge to \$13,000 effective January 1, 1972.

Interim Communications Satellite Committee (ICSC)

The ICSC, governing body of INTELSAT, held six regular meetings to plan and direct the development and operation of the INTELSAT system. Notable actions during 1971 were:

- Authorization to increase capital contributions by \$100 million.
- Reduction of space segment utilization charges for 1972.
- Establishment of rate adjustment factors for operation of non-standard earth stations with INTELSAT III and IV satellites.
- Establishment of depreciation policy for INTELSAT IV satellites.

- New authorizations for INTELSAT R&D program for 1971 and establishment of guidelines for 1972, 1973, and 1974 programs.
- Appointment of a panel of legal experts from which presidents of arbitration panels may be selected.
- Approval of new earth stations to work with the space segment of the global system.
- Approval of contingency plans for operation of the space segment of the global system.

Definitive Arrangements for INTELSAT

The negotiations of the Definitive Agreements for INTELSAT which were begun in February 1969 were successfully concluded in May 1971. The Agreements were opened for signature August 20, 1971. They will, upon entry into force, replace interim arrangements negotiated in 1964 by eleven countries, including the United States, and to which 83 countries have now adhered. The Definitive Agreements consist of an Intergovernmental Agreement to be signed by governments of participating countries, and an Operating Agreement to be signed by the governments themselves or by the telecommunications entities designated by the member governments. The United States has signed the Intergovernmental Agreement and the Communications Satellite Corporation was designated to sign the Operating Agreement for the United States.

To enter into force the new Agreements must be signed (and ratified if internal governmental requirements dictate) by two-thirds of the states (fifty-four) parties to the interim arrangements on August 20, 1971, provided those states or their designated telecommunications entities hold two-thirds of the investment in the system. As of February 11, 1972, twenty

countries, accounting for approximately 60% of the investment, had completed all action required for membership under the Definitive Agreements; forty-four other countries, parties to the interim arrangements as of August 20, 1971, had either signed the Definitive Agreements, subject to ratification, or had signed only one of the two new Agreements. It is expected that entry into force will occur sometime after mid-1972.

In addition, as of December 31, 1971, four countries, three of which are not parties to the interim arrangements, and one which signed the interim arrangements after August 20, 1971, had signed the Definitive Agreements. The accession of these parties to the Definitive Agreements will not affect the determination of the entry into force of the Agreements, as described in the foregoing paragraph.

The Definitive Agreements create a four-level organizational structure:

1. The Assembly of Parties will meet biennially and be comprised of governments and will be the principal organ of INTELSAT. It will have the responsibility for making recommendations to the Board of Governors with respect to general policy and long-term objectives. Voting will be on a one-nation, one-vote basis.
2. The Meeting of Signatories will occur annually and be comprised of all the telecommunications entities signing the Operating Agreement. It will be authorized to review and make recommendations to the Board of Governors on the operation, management, and future programs of the system, and to determine annually the minimum investment share that will entitle a member state to a seat on the Board of Governors. Voting will be on a one-nation, one-vote basis.
3. The Board of Governors, meeting at least four

times each year, will be responsible for the design, development, construction, establishment, operation, and maintenance of the INTELSAT system. Voting will be weighted in terms of investment quotas which, in turn, are based on each member's utilization of the system. The highest allowable vote for any one nation is 40% of the total.

4. The Executive Organ will be headed by a Director General, appointed by the Board of Governors and approved by the Assembly of Parties, not later than December 31, 1976. In the interim, a Secretary General will serve as Chief Executive and legal representative of INTELSAT. The Executive Organ under the Director General will, to the greatest extent practicable, let contracts for INTELSAT's technical and operational requirements.

IV

THE GLOBAL SATELLITE SYSTEM

Utilization and Performance

The volume of communications services provided via the global commercial satellite system continued to expand throughout 1971. Accompanying the traffic growth was an expansion of the system itself through the introduction of new facilities and further improvements in the technical and operational management of earth stations and satellites.

At the end of 1971, the full range of satellite services

was being provided globally by four full-time satellites and a network of 51 earth stations in 38 countries.

Utilization: Full-time Voice and Record Service

Telephone service accounted for approximately 83% of the full-time use of the system during 1971, compared to about 79 percent in the preceding year. Record service, (teletype, data and facsimile) which also is provided via voice-grade circuits, accounted for the balance of full-time service.

As of December 31, 1971, users around the world were leasing 5822 full-time half-circuits from INTELSAT for voice and record service. Of this global total, COMSAT utilization amounted to 2537 full-time half-circuits.

The following table highlights the growth of full-time utilization over the past five years.

Leased Full-Time Half-Circuits at Year End

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Global (including COMSAT)	688	1142	2835	4259	5822
COMSAT	390	623	1328	2036	2537

Full-time service at the end of 1971 was provided to 76 countries, territories, and possessions via the satellite system. For many locations, the global satellite system provides the first direct access to economical, high-quality telecommunications with the rest of the world.

Global service is provided by 181 communications paths through the network of earth stations and various

satellites, an increase of 38% over the 131 available at the end of 1970.

Temporary Service

Temporary circuits for telephone and message service are provided on a short-term basis during periods of peak holiday traffic, special world events and in emergency or contingency situations. Temporary service for INTELSAT totaled 46,828 half-circuit days for 1971 compared with 31,253 half-circuit days of usage during 1970.

Cable Restoration Service

The use of satellite circuits to temporarily replace failed cable circuits continued to be effective during 1971. Such services, accounting for 29,822 half-circuit days or 64% of the total INTELSAT temporary usage, materially reduced the impact of cable outages on international communications.

Television Service

The frequency of television transmission via satellite increased during 1971, as it has each year since 1965, when Early Bird established the first commercial capability for such service. Global satellite TV increased by almost 50 percent during 1971, while U.S. usage showed a much smaller gain, about 3 percent. The table on the following page shows the trends over the past five years:

Other notable TV transmission via the satellite system in 1971 included the Frazier-Ali heavyweight boxing championship match which was received by 26 earth stations; the Children of the World program; Apollo 14

mission, the visit to the United States of Premier Colombo of Italy, the Los Angeles earthquake, the Caribbean baseball series, the Hawaiian Open Golf Tournament, the World Figure Skating Championships, the World Curling Match, the NCAA basketball championship game, the Libertadores Cup soccer match, the Papal Easter Mass and Blessings, a speech by President Nixon on Vietnam,

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Number of Transmissions:					
COMSAT	164	344	495	431	474
Global (including COMSAT)	285	676	911	1157	2440
Transmit Time*					
COMSAT	127	229	482	442	461
Global (including COMSAT)	225	666	779	996	1520
Receive Time*					
COMSAT	97	198	490	486	492
Global (including COMSAT)	225	706	1047	1432	2043
Total Time*					
COMSAT	224	427	972	928	953
Global (including COMSAT)	450	1372	1826	2428	3563

*In half-channel hours

the Academy Awards ceremony, the Kentucky Derby, the Preakness,

U. S. baseball, the All-Star Game and the World Series.

Also, the signing of the U.S. - Japanese Okinawa Agreement, the Belmont Stakes, bull fights from Spain, the Wimbledon Tennis matches, the Miss Universe contest, the Apollo 15 mission, Queen Juliana's visit to Indonesia, the Pan American Games, the Little League Baseball championship, rugby, soccer, Emperor Hirohito's foreign tour, the Latin American Song Festival, the visit of President Tito of Yugoslavia to the United States and Canada, the Papal Christmas Mass and U.S. professional and college football.

Satellites were used for two-way transmissions and rapid switching to different originating points in nine nations and seen live in 45 countries; and live TV coverage of the Persian Empire 2500th anniversary celebration at Persepolis, seen live in more than 50 countries.

Although television accounts for less than 2 percent of the utilization of the satellite system, it is certainly a most dramatic demonstration of the potential of the satellite system.

Reliability, Continuity of Service, Contingency Planning

The problems encountered at earth stations are usually of very short duration. The rare occurrence of long outages is usually due to unfavorable environmental conditions such as hurricanes or sun interference. The effectiveness of contingency planning and operational procedures, however, is reflected in the 1971 continuity of service figures of 99.80 for the entire system, including satellites and earth stations, 99.99 percent for the U.S. earth stations and 99.90 percent for all earth stations. These figures represent a continuing pattern of improvement in system performance. The global system continuity of service average in 1970 was 99.55; in that year U.S. earth stations

maintained a continuity of service average of 99.97, and the average in 1970 for all earth stations was 99.80. The magnitude of improvement considered that in 1971, outages due to earth station difficulties were reduced approximately 25% over 1970, while the volume of service and the number of earth stations participating in the system were increasing.

To reduce short-term outages at earth stations around the world, and further to improve system reliability, COMSAT sponsored an earth station performance seminar in Washington, D.C. during the year. Delegates from more than 30 nations reviewed common operational problems in order to take advantage of operational experience gained in the past 6 years.

The Earth Stations

The ground segment of the system was expanded by 12 new earth station antennas which went into operation during 1971. Nine of the countries in which the new antennas are situated did not previously have satellite communications capability.

The new antennas are as follows:

Atlantic satellite region: Nigeria, the Republic of Zaire, Jamaica, Sweden, Trinidad and Tobago, and a replacement antenna at Canary Island.

Pacific satellite region: New Zealand, and a third antenna at Ibaraki, Japan.

Indian Ocean satellite region: India, Singapore, and second antennas at Hong Kong and in the Philippines.

The year 1971 brought the second largest annual increase in earth station facilities since the start of commercial satellite service in 1965. (The year with the greatest number was 1969 when 20 new earth station antennas went into operation.)

Improvements in U.S. Stations

Construction of a new antenna and related electronic facilities was completed at the Andover, Maine, earth station in 1971 and will be put into service early in 1972. The new facility replaces the old radome-covered horn antenna, built for Telstar experiments in 1961-1962 and later modified for service in the commercial system.

In addition, COMSAT plans to construct two additional high capacity antennas and associated equipment -- one at the Etam, W. Va., station and one at the Andover station. When completed, these will provide two modern high-capacity antennas at Etam and at Andover. These redundant facilities will permit either station to take over all Atlantic region service (via two satellites at a time) if the other station should suffer a failure. This redundancy will further enhance service reliability and flexibility.

Similar capability is planned for the two U.S. stations on the West Coast at Jamesburg, California, and Brewster, Washington. Since U.S. trans-Pacific traffic may continue to be provided by only one satellite at a time, redundant antennas are not needed at the West Coast stations. However, new equipment will be installed at the Brewster station, permitting it to handle all Jamesburg service should the need arise. The Jamesburg station currently has the capability to restore the Brewster Station traffic.

Technical Advisory Services

During 1971 COMSAT continued to provide technical assistance on a contractual basis to foreign administrations in their earth station development programs. Four new countries contracted for this service, increasing to 22 the number of countries that have availed themselves of COMSAT technical aid.

The Satellites in the System

Implementation of the fourth generation of satellites for the global system, the INTELSAT IV series, began in 1971. These high-capacity satellites, which will provide an average of 5,000 telephone circuits each, are greatly expanding the capacity and flexibility of the system.

The first launch in the series occurred on January 25, 1971, and the satellite was placed in commercial service over the Atlantic Ocean in geostationary, synchronous orbit at 24.5 degrees west longitude. The second launch was successfully accomplished on December 19, 1971, for an intended station over the Atlantic Ocean at 19.5 degrees west longitude. Before the drift to its intended station was completed, the satellite was halted and held at 88 degrees west longitude, pending successful launch of the third satellite in the series. Communications tests have been completed and the satellite verified as ready for operational implementation in the Atlantic. The third satellite was successfully launched on January 24, 1972. This satellite will be placed into service over the Pacific Ocean.

Pursuant to the Communications Satellite Act of 1962, the National Aeronautics and Space Administration provides launch services on a costs-reimbursable basis to COMSAT as Manager for INTELSAT.

Advanced Satellite Studies

COMSAT, on behalf of INTELSAT, has begun studies of advanced satellite hardware and systems applicable to fulfilling future international requirements. Similar studies have been undertaken by the Corporation looking forward to being a supplier of domestic satellite

communications services.

In December 1971 INTELSAT directed Hughes Aircraft Company to proceed with a six-month study of an INTELSAT IV-derivative satellite. The study may find it feasible to design and launch an improved INTELSAT IV satellite to meet traffic requirements in the second half of this decade.

Concurrently, studies for the design of an INTELSAT V series of satellites are proceeding.

Satellite Chronology

INTELSAT I (Early Bird)

Launched April 6, 1965 and placed in service over the Atlantic Ocean. Placed in reserve on January 20, 1969; last used on August 21, 1969. It is still operable, but cannot be maintained on station. Its future utility has, therefore, been diminished.

INTELSAT II Series

- F-1: Launched on October 26, 1966, but failed to achieve synchronous orbit due to malfunction of on-board propulsion system (apogee motor).
- F-2: Launched January 11, 1967 and placed in Pacific region service. No longer usable.
- F-3: Launched on March 22, 1967, and placed in service over the Atlantic Ocean. All systems are operational, but is presently on reserve. This satellite was used from July 4-11 and Nov 26 - Dec 2 when INTELSAT III (F-6) experienced antenna trouble. No longer usable.

F-4: Launched on September 27, 1967, and placed in service over the Pacific Ocean. No longer usable.

INTELSAT III Series

F-1: Launched on September 18, 1968, but failed to achieve orbit due to a launch vehicle malfunction.

F-2: Launched on December 18, 1968, and placed in service over the Atlantic Ocean. Ceased operation on June 29, 1969; resumed operation August 1, 1969. Ceased operation again on May 24, 1970, and is no longer considered usable. The operational difficulties were due to stalling of the rotating antenna shaft.

F-3: Launched on February 5, 1969, and originally placed in service over the Pacific Ocean and then repositioned over the Indian Ocean where it is presently providing commercial service.

F-4: Launched on May 21, 1969, and placed in service over the Pacific Ocean where it is providing commercial service.

F-5: Launched on July 25, 1969, but failed to achieve orbit due to a launch vehicle malfunction.

F-6: Launched on January 14, 1970, and placed in service over the Atlantic Ocean. The rotating antenna shaft stalled on July 4, 1970, and the satellite was restored to full service by July 11, 1970. The antenna shaft stalled again on November 26, 1970, and the satellite was restored to full service by December 2, 1970. This satellite is presently fully operational as an in-orbit spare.

F-7: Launched on April 22, 1970, and placed in service over the Atlantic Ocean. As of December 31, 1971, only one transponder is operative.

F-8: Launched July 23, 1970, but failed to achieve synchronous orbit due to a malfunction which occurred during the firing of the on-board propulsion system (apogee motor).

INTELSAT IV Series

F-1: Presently in storage

F-2: Launched Jan 25, 1971, and placed in service over the Atlantic Ocean.

F-3: Launched December 19, 1971, to be placed in service over the Atlantic Ocean.

F-4: Launched Jan 24, 1972, to be placed in service over the Pacific Ocean.

Member Nations in INTELSAT and Nations with Earth Stations

(Asterisks (*) indicate nations in which commercial earth stations were operational as of Feb 11, 1972. A commercial station is also operational in Bahrain, which is not a member of INTELSAT.)

Algeria
Arab Republic of Egypt
Argentina*
Australia*
Austria
Barbados
Belgium
Brazil*
Cameroon
Canada*
Ceylon
Chile*
Republic of China*
Colombia*
Costa Rica
Denmark
Dominican Republic
Ecuador
Ethiopia
France*
Gabon

Fed Repub of Germany*
Ghana
Greece*
Guatamala
India*
Indonesia*
Iran*
Iraq
Ireland
Israel
Italy*
Ivory Coast
Jamaica*
Japan*
Jordan
Kenya*
Korea*
Kuwait*
Lebanon*
Arab Repub of Libya
Liechtenstein

Luxembourg
Malagasy Republic
Mauritania
Mexico*
Monaco
Morocco*
The Netherlands
New Zealand*
Nicaragua
Nigeria*
Norway
Pakistan
Panama*
Peru*
Philippines*
Portugal
Saudi Arabia
Senegal
Singapore*
South Africa
Spain*

Sudan
Sweden*
Switzerland
Syria
Tanzania
Thailand*
Trinidad & Tobago*
Runisia
Turkey
Uganda
United Kingdom*
United States*
Vatican City
Venezuela*
Vietnam
Yemen
Yugoslavia
Republic of Zaire
Zambia

Office of Telecommunications Policy
Route Slip

24 NOV 1970

To

~~Clay T. Whitehead~~

~~George F. Mansur~~

William Plummer

Wilfrid Dean

~~Steve Doyle~~

Walt Hinichman

Charles Joyce

William Lyons

Eva Daughtrey

Timmie White

Judy Morton - file

REMARKS

Consat

CONSAT

COMMUNICATIONS SATELLITE CORPORATION

November 19, 1970

JOSEPH H. McCONNELL
Chairman of the Board

Mr. Peter Flanigan
Assistant to the President
The White House
Washington, D. C.

Mr Whitehead
Tom JHE Pete

Dear Peter:

Thank you for your nice letter and your understanding of what I was trying to do. I just don't want us to come down to the end of this thing with some misunderstanding.

Abbott called me yesterday and seemed to think my memorandum was helpful and agreed with you and Tom Whitehead that we are going to be able to work things out all right.

I can see you are mighty busy these days. Don't you fellows up there forget that those of us who are trying to sell things on the market don't agree with the opinions of all the economists who say business is good. I don't just mean me or the aluminum business, as most everybody I talk to feels the same way. I am glad you are up there, but I also miss you in business.

Sincerely,



fk

NOV 27 1970
RECEIVED

COMBAT

COMMUNICATIONS SECTION

Nov 20 12 35 PM '70



Nov 20 12 35 PM '70

Nov 20 12 35 PM '70

Nov 20 12 35 PM '70

Nov 20 12 35 PM '70

Nov 20 12 35 PM '70

Nov 20 12 35 PM '70

Nov 20 12 35 PM '70

Nov 20 12 35 PM '70

Nov 20 12 35 PM '70

RECEIVED
NOV 20 12 35 PM '70

Comsat

LU:RWW:bow

cc: FILE
Gauf ✓
Wild

NOV 24 1971

ent 11/24

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

Dear Mr. Whitehead:

This is in response to your October 29, 1971 request for our opinion concerning Comsat's right to exclusive ownership and operation of a new communications satellite system designed to improve international air traffic control.

In an October 15, 1971, letter to your General Counsel, we outlined several legal arguments to support the position of your Office that neither the Communications Satellite Act of 1962 nor the various INTELSAT agreements entitled Comsat to exclusive ownership and operation of the proposed system. Because of the limited time then available and because we were not appraised of Comsat's competing arguments, however, we were reluctant to conclude that those arguments conclusively permitted the new system to be adopted independently of Comsat.

Although we have still not been given Comsat's legal position, we feel after further reflection and research that the arguments in our earlier letter are sufficiently meritorious to preclude substantial legal doubts as to the soundness of the proposed system.

Sincerely,

Leon Ulman
Deputy Assistant Attorney General
Office of Legal Counsel

Comsat

WHR:RWW:jh

OCT 15 1971

cc-Files
Gauf
Wild

Honorable Antonin Scalia
General Counsel
Office of Telecommunications Policy
Executive Office of the President
Washington, D.C. 20504

*Out by Messenger
3 p.m., 10-15-71*

Dear Mr. Scalia:

This is in response to your October 1, 1971, request for our views as to whether any entity other than the Communications Satellite Corporation (Comsat) can lawfully own and operate a new communications satellite system designed to improve international air traffic control. An Administration policy apparently calls for the new system to be developed and owned by the private sector. In addition to air traffic control the new system may serve other functions such as maritime navigation services and services to permit passengers on aircraft and ships to place and receive telephone calls en transit.

Your letter mentions that the Communications Satellite Act of 1962 and various agreements entered into by the United States as a participant in the International Telecommunications Satellite Consortium (INTELSAT) have been cited as forbidding control of the proposed system by any entity other than Comsat.

Since we have not been informed of the legal arguments upon which it is asserted that Comsat has been given a monopoly to operate all new satellite communications systems, including the proposed one, we are hesitant to conclude that that position is wholly untenable. In the limited time available we have developed significant arguments against the position. These are set forth in the sections which follow.

I
Communications Satellite Act of 1962

Title III of ^{the} Communications Satellite Act of 1967, 47 U.S.C. § § 701-44 (1970), establishes Comsat as a single entity to own and operate the communications system envisioned by the Act. Two provisions of the Act clearly indicate that Congress foresaw the eventual creation of additional satellite systems at some future time, but no express provision vests Comsat with the authority to own and control these new systems. Indeed, the Act and its legislative history infer that the creation of another entity is not precluded by the Act.

The savings provision in the preamble to the Act sets forth the policy of Congress regarding the establishment of additional systems:

It is not the policy of Congress by this chapter . . . to preclude the creation of additional communications satellite systems, if required to meet unique governmental needs or if otherwise required in the national interest. 47 U.S.C. § 701(d)(1970).

In the operative provisions, section 201(a)(6) expressly recognizes that other systems were contemplated for it declares that the government may utilize other systems under conditions parallel to the savings provisions of the above-quoted section. Section 201(a)(6) states:

the President shall

. . . .

take all necessary steps to insure the availability and appropriate utilization of the communications satellite system for general governmental purposes except where a separate

communications satellite system is required to meet unique governmental needs, or is otherwise required in the national interest. 47
U.S.C. § 721(a)(6)(1970)(emphasis added).

Presumably, if the new system, as a factual matter, can be justified as in the national interest or required to meet unique governmental needs the 1962 Act expressly permits it.

Section 305(a) grants to Comsat the authority to "(1) plan, initiate, construct, own, manage, and operate a commercial communications satellite system" 47 U.S.C. § 735(a)(1)(1970). As first introduced, this section referred to systems. (H.R. 11040) This was changed to the singular by the Senate. This deliberate action and the Act's consistent use of the term system in lieu of systems is, in our opinion, an indication that the Act only intended that Comsat be given control over the single system then contemplated. Since the Act did foresee the eventual creation of additional systems but did not vest their control solely in Comsat, the subsequent creation of new controlling entities cannot be said to have been precluded by the Act.

Although we have not had the time to read all of the extensive legislative history of this Act, we believe that the record sufficiently reinforces this conclusion. It is true that the legislative history is replete with statements to the effect that the Act creates a private monopoly. These statements, however, clearly reflect the de facto, not the de jure consequences of the Act. For example, in House hearings FCC Chairman Minnow stated the universal assumption concerning why a monopoly was being created:

[I]t is generally accepted that for the foreseeable future only one commercial space communications system will be technically and economically feasible. Hearings Before the House Committee on Interstate and Foreign Commerce on H.R. 10115, 87th Cong., 2d Sess., pt 2, at 400 (1962).

Although recognizing that at the time other systems were not technically or economically feasible, there is clear evidence of legislative intent that complementary or competing systems be legally permissible. Congressman Harris, the floor manager of the bill, stated the intent of section 102(d) (47 U.S.C. § 701(d), supra), as understood by members of the House Committee on Interstate and Foreign Commerce which reported the bill:

[I]t was agreed that it was not the intent of the Congress by this Act to preclude the creation of an additional communications system or systems
... 108 Cong. Rec. 7523 (May 2, 1962)1/

1/ The complete statement of Congressman Harris came on an amendment to section 102(d) which he described as follows:

Mr. HARRIS. Mr. Chairman, this is an amendment suggested by our distinguished Speaker of the House with whom I conferred on this legislation concerning two or three matters that we thought would strengthen it. I have not had an opportunity to discuss it with the committee, but paragraph (d) in the committee bill is a provision that was included at the outset and had to do with reserving the right to the Government to provide an additional system should it be determined in the public interest. But as the Clerk read a moment ago, it is approached in a negative way. In other words, as originally proposed, I assume at the council level in the administration, or somewhere along the line, I am not sure just where, this was a provision in various proposals and the committee did not disturb it. But it was agreed that it was not the intent of the Congress by this act to preclude the creation of an additional communication satellite system or systems, and so forth. I thought the suggestion made by our distinguished Speaker was very good, that we should take a positive rather than a negative approach.

The amendment, therefore, is that that Congress reserve to itself the right to provide an additional communications satellite system if required to meet unique governmental needs or if otherwise required in the national interest.

More significantly, perhaps, are the remarks of Senator Church concerning his successful amendment of section 201(a)(6). As originally introduced this provision allowed government use of another satellite system only if a unique governmental interest so required. Section 102(d) on the other hand stated in addition to this reason, the Congressional intent to allow additional systems if the national interest so required. Senator Church's amendment was clearly intended to make the sections uniform. In explaining the need for his amendment, Senator Church made the following significant statement concerning the purposes and policies of these sections:

Mr. CHURCH. Mr. President, the purpose of this amendment is to make the operative language of the bill itself conform with one of its most important declared purposes. Under the declaration of policy and purpose of the bill, section 102(d) reads:

(d) It is not the intent of Congress by this Act to preclude the use of the communications satellite system for domestic communication services where consistent with the provisions of this Act nor to preclude the creation of additional communications satellite systems, if required to meet unique governmental needs or if otherwise required in the national interest.

The wisdom of the last clause "or if otherwise required in the national interest" is perfectly apparent. We cannot now foretell how well the corporate instrumentality established by this act will serve the needs of our people. If it should develop that the rates charged are too high, or the service too limited, so that the system is failing to extend to the American people the maximum benefits of the new technology, or if the Government's use of the system for Voice of America broadcasts to certain other parts of the world proves to be excessively expensive for our taxpayers, then certainly this enabling

legislation should not preclude the establishment of alternative systems, whether under private or public management. And just as certainly is that gateway meant to be kept open, just in case we should ever have to use it, by the language to be found in the bill's declaration of policy and purpose to which I have referred. 108 Cong. Rec. at 15362 (August 13, 1962)

So far as we have been able to determine there were no dissents to this analysis.

One argument that Comsat may be able to assert in its favor is a section 102(d) implication that only systems which are required to meet "unique governmental needs" or required in the "national interest" can be owned and operated by other organizations. Since we understand from your memorandum that the air traffic control system can be justified factually as in the national interest, this section should not be a bar to the new system in any event.

Even if the new system were not required in the national interest, however, several arguments can be made to the effect that section 102(d) was not intended to be exhaustive but merely illustrative of reasons why a new, non-Comsat system is possible. For example, if the two savings provisions were intended to be exhaustive, Congress would be likely to use the word "solely" to clarify the scope of exceptions. In addition the legislative history which we have already cited, particularly Senator Church's statement, indicates that other independent systems are possible for the broadest of reasons.

A third argument in this regard is a rule of statutory construction holding that statutes be construed as furthering public policy rather than derogating from it. 2 J. Sutherland, Statutes and Statutory Construction § 5901 (1943). In this connection, section 102(c) states that activities of Comsat "shall be consistent with the Federal antitrust laws." 47 U.S.C. § 701(c)(1970). The legislative history also indicates

that antitrust policies were not overridden by this Act. Since the Congress has repeatedly, in this statute and elsewhere, indicated a public policy against monopoly situations, we believe that Comsat has a heavy burden to prove that section 102(d) implies an intent to preclude the establishment of an independent air traffic control system.

II INTELSAT AGREEMENTS

As we understand it, Comsat has been designated as the United States operating entity for the International Telecommunication Satellite Consortium, INTELSAT. Since 1964, this organization has been governed by the Agreement Establishing Interim Arrangements for a Global Commercial Communications Satellite System, 15 U.S.T. 1705, T.I.A.S. No. 5646 (August 20, 1964).

In examining this and subsequent executive agreements, we have not discovered any express provision that would grant Comsat an exclusive monopoly over the proposed air traffic control system. Although we do not have the advantage of the extensive legislative history that was available regarding the 1962 Act, other extrinsic evidence reinforces the conclusion that Comsat was not intended to have a monopoly by the terms of the Interim Agreement.

The Interim Agreement was signed at the initiative of the United States, two years after the 1962 Act. It is clear that INTELSAT is the outgrowth of the Act's directive to the President to "insure that timely arrangements are made under which there can be foreign participation in the establishment and use of a communications satellite system." 47 U.S.C. § 721(e)(5)(1970). The INTELSAT provisions mesh completely with those of the earlier Act. For example, the preamble states the desire to establish "a single global commercial communications satellite system." 15 U.S.T. at 1706. The use of the singular is, significantly, the same as in the 1962 Act.

In such circumstances, a rule of statutory construction requires statutes in pari materia be construed together.^{2/} This permits the reasonable assumption that the intentions of both the Act and the Agreements are the same. Since we have concluded that the Act does not preclude additional systems, the Agreement should not preclude them either.

Another rule of statutory construction requires that the practical interpretation of persons working pursuant to the terms of a particular provision be given consideration. In this connection it is significant that to date INTELSAT has never provided navigation or public communication services to ships or aircraft.

As noted, the Interim Agreement went into effect in 1964. A permanent agreement to supersede that Agreement was approved by INTELSAT members on May 21, 1971, and has been signed by the United States. It will probably have the requisite number of signatures by early 1972. This permanent agreement, together with statements by the United States interpreting INTELSAT as not encompassing the air traffic control system can serve to indicate the intended construction of the executive agreements.

Article III(a) of the new Agreement states that the prime objective of the organization is in "international public telecommunications services." Other provisions of this Article permit INTELSAT to include domestic-public telecommunications and specialized communications only if they do not impair the ability of INTELSAT to achieve its prime objective. Thus, the Agreement clearly indicates that no monopoly on telecommunications systems was intended, at least in these other areas.

Even if we assume that INTELSAT does have a monopoly for "international public telecommunications services," an assumption not warranted by express provisions of the Agree-

^{2/} See 2 J. Sutherland, Statutes and Statutory Construction § § 5201-11 (1943).

ment, there arises a factual question of whether the air traffic control system constitutes such a service. Article 1(k) indicates that the proposed system is not such a service:

"Public telecommunications services" means fixed or mobile telecommunications services which can be provided by satellite and which are available for use by the public, such as telephony, telegraphy, telex, facsimile, data transmission, transmission of radio and television programs between approved earth stations having access to the INTELSAT space segment for further transmission to the public, and leased circuits for any of these purposes; but excluding those mobile services of a type not provided under the Interim Agreement and the Special Agreement prior to the opening for signature of this Agreement, which are provided through mobile stations operating directly to a satellite which is designed, in whole or in part, to aviation or maritime radio navigation." (Emphasis added).

The clear impact of this provision is two-fold: (1) the New Agreement expressly excludes an air traffic control system and (2) the Interim Agreement, as interpreted in this provision did not cover the proposed system.

In conclusion, our research indicates that substantial arguments can be made for the proposition that neither the 1962 Act nor the INTELSAT Agreements were intended to grant Comsat a completely monopoly over all future telecommunications satellite systems. We would caution that this dispute will likely arise at a later time when the Federal Communications Commission will be required to make a separate legal inquiry in connection with any licensing proceedings for the new system. By that time Comsat and any other interested organization presumably will have developed complete legal arguments in support of a contrary conclusion.

Sincerely,

William H. Rehnquist
Assistant Attorney General
Office of Legal Counsel

REMEMBER

- 1) In any rerun question--don't lead off with, and in any event, minimize discussion of the employment problem.
- 2) You didn't invent the problem of network dominance--
~~with~~ strong language about them goes back to 1941 and FCC's chain broadcasting rules; continues to late 50's when formal network inquiries initiated--including Congressional oversight--this led to FCC's Office of Network Study and eventually to Westinghouse's 50-50 proposal and to the PTAR.
- 3) Don't refer to any OLC letter on ~~TT~~'s authority to make ^(necess) appointments to CPB Board--give as our opinion that he has this implied authority from Public Broadcasting Act of 1967, *+, if pushed, from the Const.*
- 4) In any area, like newsmen's privileges, that isn't particularly in our area -> demur to this effect and give a brief answer; they probably won't push into details after this.
- 5) Why don't we file like others?
 - a) Golly Senator--it always struck me as a bit unseemly to have the President ~~line~~ up with other petitioners and claimants before a regulatory agency; and
 - b) In any event, FCC never expressed any need for OTP to do so.

Completed

AUG 9 1971

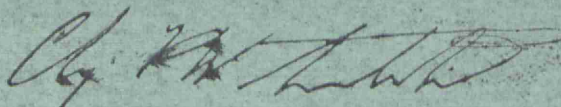
Mr. Frederic G. Donner
Director of the Board
General Motors Corporation
New York, New York

Dear Fred:

I was pleased to see that you have agreed to serve another term as a member of the Board of Directors of COMSAT and have now been re-confirmed.

I look forward to continuing to work with you, and want to extend both my congratulations and appreciation on your new term.

Sincerely,



Clay T. Whitehead

LKSmith:kj:8/5/71:CTW:kj:8/9/71

cc: Subj
Reading
Chron

Comsat

Friday 4/16/71

MEETINGS
4/20 and 4/21

9:00 Walt Hinchman had asked for some appointment time to schedule meetings with the international carrier people. (probably last 1/2 to 3/4 hour)

We have scheduled the following up to this point:

Tuesday, April 20

10 a.m. Western Union International *

4:30 p.m. Comsat (Battle, et al.)

Wednesday, April 21

10:30⁰ 9:30 a.m. AT&T (Crosland, Oliver, and possibly Duncan)

9:30⁰ 11:00 a.m. IT&T (Howard White)

3:00 p.m. RCA (Howard Hawkins)

* Not yet firm

cc: Dr. Mansur
Walt Hinchman

March 5, 1971

Mr. Lucius D. Battle
Vice President
Corporate Relations
Communications Satellite Corporation
950 L'Enfant Plaza South, S. W.
Washington, D. C. 20024

Dear Mr. Battle:

The Office of Telecommunications Policy is currently reviewing policy considerations involved in the planning and utilization of cables and satellites for international communications. As you know, these considerations include quality, reliability and economy of service; national security; international relations and institutions; and the vitality of the U. S. international communications industry.

While the parties involved have filed extensive comments with the Federal Communications Commission, we have been unable to obtain from those filings any clear comparison of the relative cost, reliability, and sufficiency of satellites and cables. Our staff has therefore developed an analysis using such data as is available from the filings and other sources. A preliminary draft of this analysis is enclosed. We are particularly interested in your candid evaluation of the methodology, data, and assumptions employed, as well as the results. Where you can provide improved data or insight, this would be most welcome. To the extent you may desire, this will be treated as privileged information -- as is our draft analysis.

As noted, these considerations are but a few of many factors involved in these decisions -- though they are very important. We are also examining the other issues noted, and would welcome any further information or views (beyond those contained in your FCC filings) you wish to provide.

Your early response to the attached paper would be appreciated. If possible, we would hope to have all comments by March 19, 1971.

Sincerely,

WRHINCHMAN:dc

Mr. Whitehead

✓ Hinchman: Subj:

Cables/Satellites

Walter R. Hinchman

RF

Col. Lasher

Comsat

Monday 5/17/71

MEETING
5/17/71
5:15 p.m.

9:35 We have scheduled the meeting with the Comsat people this afternoon at 5:15 (Monday 5/17).
Dr. Mansur and Mr. Hinchman will attend --
and hope that you may be back in time to sit in also.

cc: Dr. Mansur
Mr. Hinchman

Friday 5/14/71

MEETING
5/17 or 18

4:50 Mr. Battle's office called to ask if we could schedule an appointment for Mr. Acheson, Mr. Battle, Mr. Charyk, and Mr. McTernan -- to continue the series of discussions they've had with you before.

They feel it is quite urgent and would like very much to meet with you either Monday or Tuesday (5/17 or 18). They would make themselves available at whatever time you would be free.

cc: Dr. Mansur

Comsat

Monday 5/10/71

4:10 Comsat sent over a map of the Global Communications
Satellite System (framed).

What would you like done with it?

*File
somewhere*

Comsat

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

Date: March 16, 1971

Subject: Adequacy of Transatlantic Communication Facilities

To: Tom Whitehead

The attached analysis by COMSAT indicates that existing or firmly committed satellite and cable facilities have sufficient capacity to meet projected transatlantic traffic through at least year-end 1977. If true, this has significant implications for our analysis of the satellite/cable mix and industry structure issues.

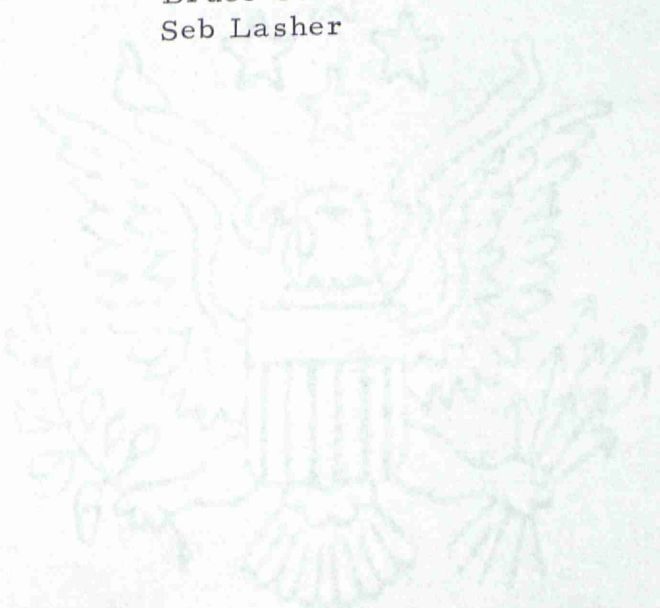
It is worth noting that this type of information was not submitted in the current FCC inquiry, despite its obvious significance for public policy.

Walt

Walter R. Hinchman

Encl.

cc:
Dr. Mansur
Bruce Owen
Seb Lasher



COMMUNICATIONS SATELLITE CORPORATION

March 10, 1971

GEORGE P. SAMPSON
Vice President
Operations

Mr. Walter R. Hinchman
Executive Office of the President
Office of Telecommunications Policy
Washington, D.C. 20504

Dear Mr. Hinchman:

Reference is made to your letter of February 25, 1971, concerning the policies to be followed in future licensing of facilities for overseas communications and the basic question which is being addressed by OTP, that is, whether the now-programmed satellite capacity would be exhausted prior to the end of the projected useful life of the INTELSAT IV's (or end 1977) if no new cable facilities were to be undertaken in the Atlantic basin? In this connection you asked whether information could be provided with respect to the following matters:

1. The potential use/available capacity ratio for the 1977 time frame; and
2. The results of initial test of INTELSAT IV satellites with an indication of the impact such tests have with regard to capacity likely to be achieved for operational use.

With respect to the basic question, the results of our analyses indicate that by year-end 1977 all the traffic in the Atlantic basin,* other than that accommodated on cables currently in existence, can be handled by the INTELSAT IV satellites with the exception of eight circuits between Puerto Rico and Trinidad. (See Attachment 1.) This result is achieved in part by a minimum use of via routing arrangements through neighboring earth stations. In the absence of definitive information, we have assumed, for this study, that most of the countries which will operate in the Atlantic area in 1977 will use only one antenna, thus restricting them to a one-satellite operation. This would dictate placing all of their requirements on the primary INTELSAT IV satellite. The primary satellite does not have sufficient capacity to accommodate all such needs. Therefore, another arrangement is required for four countries. The alternatives available for the four countries are to provide for a via routing arrangement through a neighboring earth station for some of their traffic or to establish a second antenna. For the purposes of this analysis, via routings are utilized to accommodate some of the traffic originating from the following four countries. However, if history repeats itself and the actual traffic is only 80 percent of that projected, we anticipate that no via routing would be required.

Puerto Rico: Out of 1704 circuits projected for the Puerto Rican earth station in 1977, 58 would have to be via routed, possibly through the earth station at Trinidad or Jamaica. In addition, eight Puerto Rican circuits which terminate at Trinidad would be handled by facilities other than satellite. As previously noted, these eight are the only circuits in the entire Atlantic system which could not be accommodated via satellite.

* For purposes of this study, U.S. traffic was based upon projections provided by the carriers in response to Docket No. 18875 and foreign-to-foreign traffic was obtained from the latest INTELSAT traffic data base.

Alternatively, a second antenna could be provided in Puerto Rico with all circuits being handled directly. If one considers the 1704 circuits projected for the Puerto Rican earth station in 1977 to be realistic, a second antenna would be a reasonable step to enhance reliability.

Israel: Out of a total of 603 circuits projected for Israel, only three would not be handled by the Israeli earth station. These circuits, to Argentina, would be via routed from Israel to Italy and thence by satellite to their destination. Ninety-seven satellite circuits from the Israel earth station to several European countries would be routed through nearby earth stations within Europe, and twenty-four circuits to Canada would require via routing by terrestrial facilities from a U.S. earth station. All of these circuits could be handled directly by a second antenna if Israel so desires to provide one.

Belgium: Of the 304 circuits projected for the earth station in Belgium, 55 U.S.A. circuits would have to be routed via France if a second antenna is not provided in Belgium.

Brazil: Out of a total of 337 circuits from Brazil, 19 circuits to Italy will require via routing through the French earth station. This could be obviated with a second antenna at Brazil.

With respect to the potential use/availability ratio, we find in this particular configuration 79.4% fill for those carriers in the major path satellite and 83.7% for those in the primary satellite. As noted in your letter one might have expected the higher utilization efficiency to be in the major path satellite. The fact that this is not true with this configuration may possibly be attributed to the particular distribution of the traffic projections utilized in this study, and to the use of a less than optimum number of dual antennas.

However, in terms of overall effectiveness, the major path satellite has a much greater available capacity because of the preponderance of larger size carriers and can handle much more traffic. In the 1977 configuration a total of 15,716 channels were available and 12,482 assigned whereas in the primary satellite the configured capacity is shown to be 8280 channels with 6934 assigned. Both satellites provide one transponder for television and, in addition, one transponder in the primary satellite is allocated for SPADE requirements.

With respect to the channel capacity of the INTELSAT IV, the information given in our letter of 1 February 1971 to the FCC can now be expanded based on: a) recent in-orbit tests of the INTELSAT IV (F-2), b) operational experience with the INTELSAT III's and c) a detailed evaluation of requirements for service and the resulting operational configuration for a specific time frame, e.g., year-end 1977. In our earlier letter to the FCC, it was pointed out that an INTELSAT IV satellite could have a capacity ranging almost anywhere between the two extreme and rather unlikely configurations of:

- a) All global beam transponders each used with fourteen 24-channel carriers; i.e., 4,032 half-circuits, or
- b) A single carrier in each transponder with all possible transponders (8) switched to spot beams; i.e., 18,864 half-circuits.

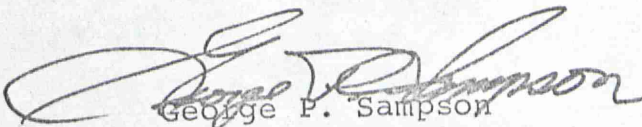
It was pointed out that a typical capacity range of 8,000 to 12,000 half-circuits plus television appeared to be reasonable figures for system planning. The spread between these two figures reflects the large differences due to numbers of spot and global beam transponders and carrier sizes required in particular configurations.

Tests of the INTELSAT IV (F-2) satellite - both on the ground and later in orbit - have shown effective radiated power, and receive sensitivities about a dB better than specified. In addition, the measured intermodulation characteristics of the TWT's are somewhat better than the specifications. Also, tests run at our Laboratory indicate that the guardbands between adjacent carriers as used on INTELSAT III are conservative and may be decreased below presently specified values for the global beam transponders (proposed spot beam parameters already incorporate such guardbands.) By means of these improvements capacities can be increased by at least 10% in the spot beam and 20% in the global beam. (See Attachment 2.) By applying these factors to the two specific examples given for 1977 Atlantic Operation it was found that the capacities in these particular cases were increased to approximately 10,000 half-circuits plus television for the primary path satellite and 16,000 half-circuits plus television for the major path satellite.

Additionally, no consideration was given to the potential use of improvements in the state of the art which are either currently being explored (such as TDMA) or may be developed, and which would further enhance the communications capacity of the satellites.

In summary, assuming certain via routing as set forth above, essentially all the traffic requirements projected for end 1977 can be met by the two operational INTELSAT IV satellites. These two satellites will be backed up with an in-orbit spare INTELSAT IV.

Very truly yours,


George P. Sampson
Vice President-Operations

FCC + INTELSAT TDB
DATA BASE

CASE - PRIMARY INTELSAT IV

March 5, 1971

TRANSMITTING COUNTRY	EAST		WEST		GLOBAL		DATE	
	MHz	Chan	MHz	Chan	MHz	Chan	DA / V	PCM R/AVD
ALGERIA							21	
ARGENTINA					7.5/132	88	45	
ASCENSION ISLAND					2.5/36	7	-	
BARBADOS			5/144	107	2.5/36	16	19	
BRAZIL	2.5/72	71			7.5/204	195	71	
CAMEROON					2.5/36	31	17	
CANADA					15/312	261	40	
AGUIMES					2.5/36	8	-	
CHILE			5/144	82	5/72	46	74	
COLOMBIA			5/144	120			82	
CONGO					2.5/36	29	13	
ECUADOR			2.5/72	57			5	
ETHIOPIA							21	
FRANCE					15/312	258	33	
GERMANY					2.5/36	35	52	
GREECE	2.5/72	55	5/144	115			-	
IRAN					5/72	59	28	
ISRAEL							-	
ITALY					5/72	72	68	
IVORY COAST	2.5/72	69					12	
JAMAICA			5/144	139	5/72	42	10	
JORDAN							42	
MARTINIQUE	2.5/72	59	2.5/72	14			-	
MEXICO			5/144	82	5/72	66	95	
MOROCCO					5/72	51	14	
NETHERLANDS			10/276	231			-	
NIGERIA					5/72	62	14	
PANAMA			10/276	261			65	
PERU			2.5/72	64	2.5/36	29	82	
PUERTO RICO							-	
SAUDI ARABIA							29	
SCANDINAVIA			10/276	211			2	
SENEGAL					2.5/36	32	11	
SPAIN					5/72	57	49	
SUDAN							16	
SWITZERLAND			15/468	365			23	
TRINIDAD					7.5/132	132	30	
TURKEY					5/72	57	-	
U.A.R.							8	
U.K.					15/312	220	100	
U.S.A.	25/864	864			35/1596	1522	95	
VENEZUELA			7.5/204	181	5/72	51	62	
YUGOSLAVIA			2.5/72	17			40	
BELGIUM			5/144	144	5/72	72	14	
GUATEMALA			2.5/72	50			-	
KUWAIT					2.5/36	22	-	
NICARAGUA			2.5/72	36			-	
KENYA			2.5/72	20			-	

CONFIGURED CAPACITY	35.0	1152	105.0	3012	210.0	4116	
OPERATIONAL CHANNELS		1118		2296		3520	1402
TRANSPONDERS ASSIGNED	-2-		-1-3-5		-4-6-7-8-9-11		

SPARE CAPACITY	34		716		596	
----------------	----	--	-----	--	-----	--

% CARRIER FILL						
TOTAL OPN CHANNELS	6934		CONFIGURED CAPACITY		8280	
TOTAL DA/PCM CHANNELS	1402		SPARE SPOT (PRORATED) CAPACITY		750	
			SPARE GLOBAL (PRORATED) CAPACITY		596	
TOTAL CHANNELS	8336		OTHER SPARE CAPACITY			
OVERALL CARRIER FILL			DA/PCM TR# 10		1	
			TELEVISION TR# 12		1	

	EAST		WEST		GLOBAL		DA / PCM
TRANSMITTING COUNTRY	MHZ	Chan	MHZ	Chan	MHZ	Chan	V R/AVD
ALGERIA							
ARGENTINA	7.5/204	100	5.0/144	134			
ASCENSION ISLAND							
BARBADOS							
BRAZIL							
CAMEROON							
CANADA	15.0/468	344					
AGUIMES							
CHILE							
COLOMBIA							
CONGO							
ECUADOR							
ETHIOPIA							
FRANCE					35/1092	758	
GERMANY					35/1092	887	
GREECE							
IRAN							
ISRAEL					25+7.5/636	600	
ITALY			15/468	443	7.5/132	117	
IVORY COAST							
JAMAICA							
JORDAN							
MARTINIQUE							
MEXICO							
MOROCCO							
NETHERLANDS							
NIGERIA							
PANAMA							
PERU							
PUERTO RICO			35/2092	1611	2.5/36	27	
SAUDI ARABIA							
SCANDINAVIA							
SENEGAL							
SPAIN			15/468	312	5.0/72	51	
SUDAN							
SWITZERLAND							
TRINIDAD							
TURKEY							
U.A.R.							
U.K.			35/2092	1641	7.5/132	111	
U.S.A.	35+35/4184	3425	35/2092	1611	15/312	310	
VENEZUELA							
YUGOSLAVIA							
BELGIUM							
GUATEMALA							
KUWAIT							
NICARAGUA							
CONFIGURED CAPACITY	92.5	4856	140.0	7356	140.0	3504	
OPERATIONAL CHANNELS		3869		5752		2861	
TRANSpondERS ASSIGNED	2-4-6		1-3-5-7		8-9-10-11		
SPARE CAPACITY		987		1604		643	
% CARRIER FILL							
TOTAL OPN CHANNELS	12,482						15,716
TOTAL DA/PCM CHANNELS	--						2591
							643
TOTAL CHANNELS	15,716						
OVERALL CARRIER FILL							
UNUSED CHANNELS	3234						1

INTELSAT IVCHANNEL CAPACITIES AND CARRIER BANDWIDTHS

CARRIER SIZES BANDWIDTH MHZ	CHANNEL CAPACITIES GLOBAL BEAM		CHANNEL CAPACITIES SPOT BEAM	
	<u>Originally Scheduled</u>	<u>+20%</u>	<u>Originally Scheduled</u>	<u>+10%</u>
2.5	24	36	60	72
5.0	60	72	132	144
7.5	96	132	192	204
10.0	132	168	252	276
15.0	252	312	432	468
20.0			612	672
25.0	432	504	792	864
35.0	972	1092	1872	2092

Consat

To

FL

William Lyons

Judy Morton

No more necessary.

This is a general form letter
to principals in the Gov't. You
received one practically verbatim.
Steve.

3/10/71 Ret'd to
Flanigan -
no reply necessary

THE WHITE HOUSE
WASHINGTON

3/8/71
(Date)

TO: *Tom Whitehead*
FROM: PETER FLANIGAN

ACTION:

DUE DATE: _____

_____ Prepare reply for
Mr. Flanigan's signature

☒ Direct reply *if necessary*

_____ Comments/recommendations

_____ Please handle

_____ Information

_____ File

REMARKS:

No reply needed

837
TW

COMMUNICATIONS SATELLITE CORPORATION

March 1, 1971

JOSEPH V. CHARYK
President

The Honorable Peter M. Flanigan,
Assistant to the President
The White House
Washington, D. C. 20506

Dear Mr. Flanigan:

Comsat has today filed with the Federal Communications Commission an application to establish a nationwide system consisting of three large capacity communications satellites in geostationary orbits and an initial network of 132 earth stations and associated terrestrial communications facilities throughout the United States, including stations in Alaska, Hawaii and Puerto Rico.

Comsat's proposal is for an integrated, large capacity, multi-purpose domestic satellite communications system. The public interest requirement for this type of system is firmly rooted in the economies of high capacity communication satellites.

By efficient utilization of a larger capacity, general purpose satellite system, rather than a proliferation of individual, smaller systems, the cost to the using public will be reduced.

Such efficient utilization can best be achieved by establishing an integrated, multi-service system, through which the known requirements of many users can be met simultaneously. This is the type of system which Comsat is proposing.

Certain additional and very real benefits accrue from this approach. Substantial savings result by sharing rather than duplicating expensive earth stations and other terrestrial facilities. Similar savings result by sharing and reducing the number of spare satellites in orbit which many separate systems would require. Precious frequency spectrum and limited orbital parking space is also conserved. And perhaps most importantly, the public consumer is assured of receiving equitable service at minimal cost.

For these reasons, the size of the system being applied for is based upon the total known requirements of the potential users, with provision for new markets as they develop. These requirements include those of the common carriers, the commercial television networks, the Public Broadcasting Service, and specialized communications entities.

This proposal includes applications to construct the space segment and a sufficiently large increment of the nationwide network of earth stations to enable the Commission to evaluate and determine what should be authorized in the public interest. It also provides for establishment of necessary associated terrestrial communications facilities. Comsat will submit by subsequent amendments additional applications in support of the overall system.

These initial applications include requests for authority to construct, own, and operate each type of earth station contemplated, including two large-capacity and three smaller capacity earth station complexes with the necessary terrestrial inter-connections. The application also requests authority to establish the space segment and associated facilities, and to provide communications services of all types to any customer by means of these facilities.

The space segment will consist of three large satellites of 24 transponders (radio repeaters) each in orbit for commercial use, with one satellite as an on-the-ground spare. Each satellite will be capable of providing approximately 14,400 two-way telephone circuits, or 1200 million bits per second of digital transmission, or 24 simultaneous television channels, or selected combinations of these.

The system will include two large-capacity dual-antenna transmit/receive earth stations with 97-foot antennas located in the vicinity of Los Angeles and New York City, which will be able to handle all classes of traffic. The Tracking, Telemetry and Control (TT&C) facilities co-located at these two major earth stations will serve both this system and that proposed by Comsat on October 19, 1970, to serve AT&T.

The initial increment also includes three smaller-capacity earth stations, two with 32-foot antennas near

March 1, 1971

Juneau and Prudhoe Bay, Alaska and one additional 42-foot antenna at Talkeetna, Alaska. They constitute an initial step in a comprehensive plan to bring new intrastate and interstate communications to Alaska.

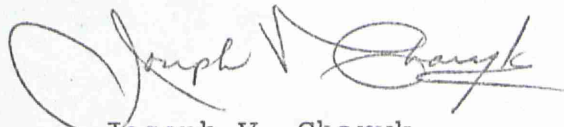
In addition, as soon as suitable arrangements can be made, Comsat proposes to make supplementary applications for additional 42-foot receive-only antennas at the existing earth stations at Paumotu, Hawaii and Cayey, Puerto Rico. This will make possible for the first time simultaneous reception of domestic television transmissions throughout the United States and Puerto Rico.

In this proposal, Comsat plans to lease whole transponders to common carriers under long-term fixed price contracts, and to provide similar leasing arrangements for specialized services to non-carriers requiring wide-band and other services, such as nationwide broadcast distribution networks. Comsat also will offer similar services for shorter periods under appropriate tariffs. These services may be provided either on a customer-location-to-customer-location basis, or on an earth station-to-earth station basis.

Comsat was incorporated pursuant to an Act of Congress, the Communications Satellite Act of 1962. One of the purposes of that Act was to improve the quality and reduce the cost of telecommunications through utilization of satellite technology. Our proposal is offered toward this end. We believe all users will benefit substantially from the significant economies of scale made possible by an efficiently-loaded, large-capacity, multi-purpose domestic communications satellite system.

Should you wish to know more details of our current proposal, please get in touch with me.

Sincerely,



Joseph V. Charyk

COMSAT

Comsat

MULTI-PURPOSE
DOMESTIC SATELLITE
COMMUNICATIONS
SYSTEM

VOLUME I

SYSTEM APPLICATION

March 1, 1974

Recd 3/3/74

STW

Hindman

Comsat Filing on Domsats

Office of Telecommunications Policy
Route Slip

3 MAR 1971

To

Clay, T. Whitehead

George F. Mansur

~~A. Scallia~~

~~Wilfrid Dean~~

~~Steve Doyle~~

~~Walt Hinchman~~

Charles Joyce

William Lyons

Eva Daughtrey

Timmie White

Judy Morton

(for filing)

REMARKS Dr. Doyle - I made a copy for
Dr. Mansur, extras attached.

No response required



COMMUNICATIONS SATELLITE CORPORATION

March 1, 1971

LUCIUS D. BATTLE
Vice President for
Corporate Relations

The Honorable Clay T. Whitehead, Director
Office of Telecommunications Policy
1800 G Street, N. W.
Washington, D. C. 20504

Dear Tom:

Comsat has today filed with the Federal Communications Commission an application to establish a nationwide system consisting of three large capacity communications satellites in geostationary orbits and an initial network of 132 earth stations and associated terrestrial communications facilities throughout the United States, including stations in Alaska, Hawaii and Puerto Rico.

Comsat's proposal is for an integrated, large capacity, multi-purpose domestic satellite communications system. The public interest requirement for this type of system is firmly rooted in the economies of high capacity communication satellites.

By efficient utilization of a larger capacity, general purpose satellite system, rather than a proliferation of individual, smaller systems, the cost to the using public will be reduced.

Such efficient utilization can best be achieved by establishing an integrated, multi-service system, through which the known requirements of many users can be met simultaneously. This is the type of system which Comsat is proposing.

Certain additional and very real benefits accrue from this approach. Substantial savings result by sharing rather than duplicating expensive earth stations and other terrestrial facilities. Similar savings result by sharing and reducing the number of spare satellites in orbit which many separate systems would require. Precious frequency spectrum and limited orbital parking space is also conserved. And perhaps most importantly, the public consumer is assured of receiving equitable service at minimal cost.

For these reasons, the size of the system being applied for is based upon the total known requirements of the potential users, with provision for new markets as they develop. These requirements include those of the common carriers, the commercial television networks, the Public Broadcasting Service, and specialized communications entities.

This proposal includes applications to construct the space segment and a sufficiently large increment of the nationwide network of earth stations to enable the Commission to evaluate and determine what should be authorized in the public interest. It also provides for establishment of necessary associated terrestrial communications facilities. Comsat will submit by subsequent amendments additional applications in support of the overall system.

These initial applications include requests for authority to construct, own, and operate each type of earth station contemplated, including two large-capacity and three smaller capacity earth station complexes with the necessary terrestrial inter-connections. The application also requests authority to establish the space segment and associated facilities, and to provide communications services of all types to any customer by means of these facilities.

The space segment will consist of three large satellites of 24 transponders (radio repeaters) each in orbit for commercial use, with one satellite as an on-the-ground spare. Each satellite will be capable of providing approximately 14,400 two-way telephone circuits, or 1200 million bits per second of digital transmission, or 24 simultaneous television channels, or selected combinations of these.

The system will include two large-capacity dual-antenna transmit/receive earth stations with 97-foot antennas located in the vicinity of Los Angeles and New York City, which will be able to handle all classes of traffic. The Tracking, Telemetry and Control (TT&C) facilities co-located at these two major earth stations will serve both this system and that proposed by Comsat on October 19, 1970, to serve AT&T.

The initial increment also includes three smaller-capacity earth stations, two with 32-foot antennas near

March 1, 1971

Juneau and Prudhoe Bay, Alaska and one additional 42-foot antenna at Talkeetna, Alaska. They constitute an initial step in a comprehensive plan to bring new intrastate and interstate communications to Alaska.

In addition, as soon as suitable arrangements can be made, Comsat proposes to make supplementary applications for additional 42-foot receive-only antennas at the existing earth stations at Paumalu, Hawaii and Cayey, Puerto Rico. This will make possible for the first time simultaneous reception of domestic television transmissions throughout the United States and Puerto Rico.

In this proposal, Comsat plans to lease whole transponders to common carriers under long-term fixed price contracts, and to provide similar leasing arrangements for specialized services to non-carriers requiring wide-band and other services, such as nationwide broadcast distribution networks. Comsat also will offer similar services for shorter periods under appropriate tariffs. These services may be provided either on a customer-location-to-customer-location basis, or on an earth station-to-earth station basis.

Comsat was incorporated pursuant to an Act of Congress, the Communications Satellite Act of 1962. One of the purposes of that Act was to improve the quality and reduce the cost of telecommunications through utilization of satellite technology. Our proposal is offered toward this end. We believe all users will benefit substantially from the significant economies of scale made possible by an efficiently-loaded, large-capacity, multi-purpose domestic communications satellite system.

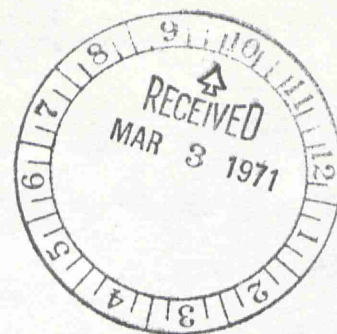
Should you wish to know more details of our current proposal, please get in touch with our Director of Governmental Relations, Robert E. Button, or me.

Best regards,

Sincerely,

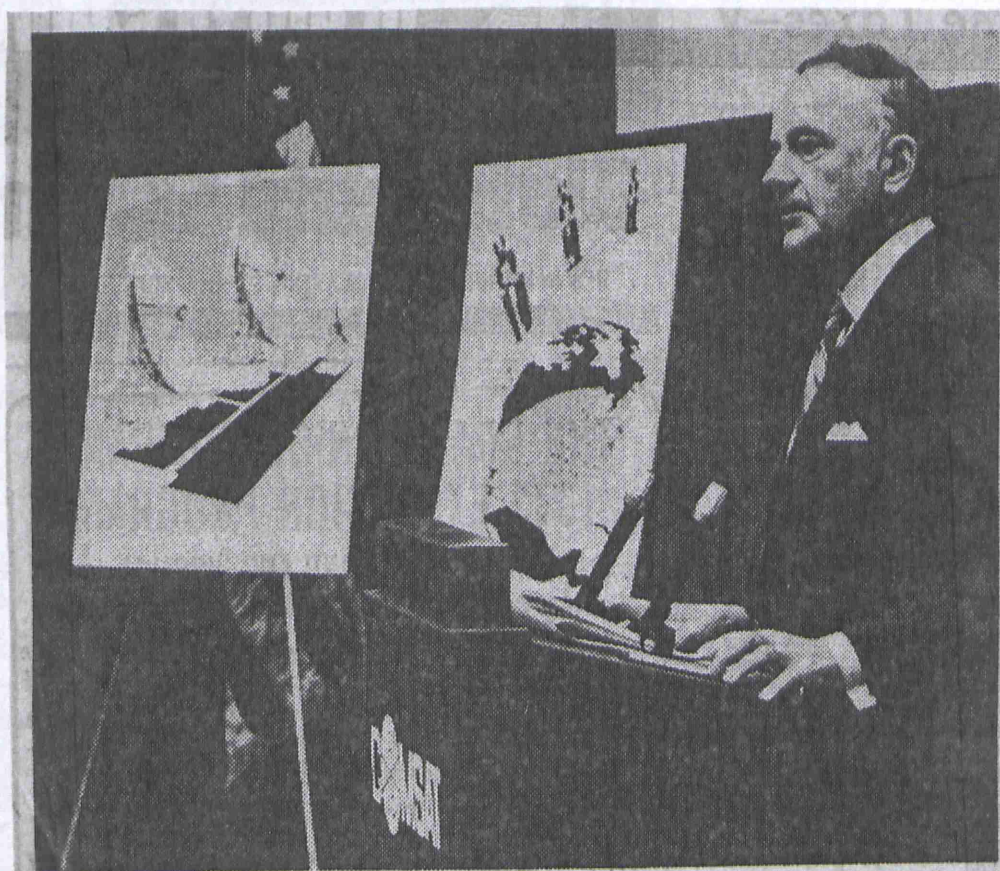
Lucius

Lucius D. Battle



The Sunday Star

WASHINGTON, D. C., FEBRUARY 28, 1971



—Star Photographer Paul Schmick

COMSAT PROPOSES AT&T COMPETITOR

Joseph V. Charyk, president of Communications Satellite Corp. outlines a proposal for a \$248-million satellite system that would put Comsat in direct competition with American Telephone and Telegraph Co. in domestic long distance transmission by telephone, television and of computer data. Charyk briefed newsmen on the tri-satellite proposal to be filed tomorrow with the Federal Communications Commission.

February 24, 1971

Comsat Elects Martin



Martin

John L. Martin, Jr. has been elected assistant vice president for domestic and aeronautical satellite systems by Communications Satellite Corp. Martin joined Comsat last February after retiring as a major general from the U.S. Air Force. Since joining Comsat, he has served as a special assistant to the president. He will continue to work directly under the president in his new position. Martin is a graduate of Polytechnic Institute of Brooklyn and he holds a master's degree from the Massachusetts Institute of Technology.

Comsat

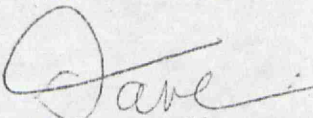
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON, D.C. 20504

February 26, 1971

MEMORANDUM FOR MR. WHITEHEAD

Mr. Young of AT&T just advised that they are changing their application to the FCC for the domestic satellite in cooperation with COMSAT Corp. Instead of one work and one standby satellite, they are filing for two working and one spare satellite each having the equivalent of 10,800 circuits. The earth stations at Hawley, Pennsylvania; Hanover, Illinois; and Deluz, California, each will be equipped with three 100-foot transmitter antennae which will permit the spare satellite always to be immediately available. The earth stations at Woodbury, Georgia; and Brazos, Texas, initially will be equipped only with two 100-foot antennae.

The change in the configuration will increase AT&T's leased cost from COMSAT from \$29.173 million to \$37.5 million annually.


D. B. Hall

Conrad

2/23/71

To: Walt Hinchman

From: Tom Whitehead

Discuss with Charlie. I think it would be a good idea, but the important thing is to be sure it's defined as a project leader, and I would like to see that done before we have that kind of a generalized discussion.

CTWhitehead:ed/jm

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

February 12, 1971

Tom:

On January 6, we met with Joe Charyk and David Acheson of COMSAT to discuss the implications for COMSAT's future of various developments in the satellite communication area (e. g. aerosat and domsat policy, various domsat filings, INTELSAT developments, international facilities mix issues, etc.). Following the meeting, you expressed a desire to follow up with a staff discussion of the entire complex of issues involving COMSAT, including international industry structure, etc.

Are you still interested in setting up such a meeting, or have events already surpassed it? Should I try to structure the issues (or have it done) or do you have someone else in mind?

Walt

Walt

Comsat

Thursday 2/25/71

MEETING
2/25/71
4:45 p.m.

11:05 We have rescheduled the meeting for the Comsat people to this afternoon (Thurs. 2/25) at 4:45 p.m. -- they have a conflict on Friday.

John Martin, Assistant Vice President for Aeronautical and Domestic Services, will be accompanying Dr. Charyk instead of Mr. Battle. In addition to a preview of their filing before the FCC on the domestic satellite system, Dr. Charyk also plans to review Comsat's presentation to the networks, which you mentioned previously you would like.

Mr. Hinchman and Seb Lasher will attend the meeting.

cc: Mr. Hinchman
Dr. Mansur

Wednesday 2/24/71

MEETING
2/26/71
2:30 p. m.

12:30 Lucius Battle's office called.
He and Mr. Charyk would like to come over Friday
afternoon (2/26) and give you a preview of their
filing before the FCC on the domestic satellite
system.

We have scheduled a meeting for 2:30 p. m.
Friday (2/26).

cc: Dr. Mansur

Who else would you like to sit in on the meeting?

Dr. Mansur_____

Mr. Hinchman_____

Mr. Scalia_____

Comsat

February 23, 1971

Mr. Lucius Battle
Communications Satellite Corporation
950 L'Enfant Plaza, S. W.
Washington, D. C. 20024

Dear Mr. Battle:

I am sure you are aware of the OTP interest in policies to be followed in future licensing of facilities for overseas communications. As part of this interest, we are structuring a comprehensive comparison of the economics of satellite and cable systems, under varying assumptions regarding demand and technology.

The COMSAT filings with the FCC in Docket 18875 (including the February 1, 1971 letter in response to a Commission query) have been a source of considerable information. However, some uncertainties remain as to the realistic operational capacities which can be achieved in the INTELSAT IV program. For example, if no new cable facilities were to be undertaken in the Atlantic basin, would the now-programmed satellite capacity be exhausted prior to the end of its projected useful life (year end 1977)? It would be helpful if the foregoing were developed taking into consideration your experience in operating INTELSAT I, II, and III satellites, the total requirements for channels as stated by AT&T and the record carriers in their filings on the referenced FCC inquiry, and an illustrative operational configuration which clearly indicates the degree of inefficiencies due to the distributed nature of and unique communities of interest projected for Atlantic basin traffic.

In discussing the capacity available from operational INTELSAT IV satellites in COMSAT's February 1 letter to the FCC, attention was drawn to the fact that multi-carrier operation in global and spot-beam transponders resulted in a reduction in the total available capacity as compared to single-carrier-per-transponder operation. An example

M Whitehead

of a typical transponder configuration as indicated on page 3 of your response to the FCC shows an availability of 10,019 half-circuits or channels. In a following paragraph on the same page, it is noted that the number of half-circuits or channels in a given carrier rarely matches the exact carrier capacity, and further, that the ratio of channels in use to channels available varies depending on the timeframe, region etc.

The variables that must be considered in determining the capability of a given satellite to satisfy projected requirements make a definitive analysis valid only if applied to a specific year-end traffic forecast. There are two factors, however, which make it possible to predict with reasonable confidence whether two operational INTELSAT IV satellites in the Atlantic region will be sufficient to meet communications satellite service requirements through the predicted lifetime of the satellites. First, utilization of the system must be planned such that maximum efficiency in the carrier use/capacity ratio is achieved as the satellite nears saturation. Can you provide information regarding the potential use/available capacity ratio for the timeframe in question? Presumably, because of the fewer paths involved, utilization efficiency will be higher in the major path satellite?

The second factor involves the capability to increase available capacity over and above that initially determined. We understand that the initial capacity determination is based on design specifications and conservatively estimated transmission characteristics, e.g., channels available within certain power/bandwidth constraints. However, we are told that each family of satellites has been capable of providing additional capacity in the operational environment where it has been possible to take advantage of the extra margin that was incorporated into the initial design and utilization criteria. Can you describe what initial tests of the INTELSAT IV satellites indicate regarding the capacity likely to be achieved for operational use, and why?

The answers to these questions would be of considerable value in our analyses, which is reaching a fairly advanced stage. Your assistance in providing such information would be greatly appreciated.

Sincerely,

SIGNED

WRHINCHMAN:dc
 Subj:
 RF

Walter R. Hinchman

Comsat, topside

James McCormack has asked to be relieved of his \$130,000-per-year position as chairman and chief executive officer of Communications Satellite Corp. for reasons of health, terminating five years in office. Former vice president of Massachusetts Institute of Technology and retired Air Force major general, Mr. McCormack, 60, may be succeeded on interim basis, by man he succeeded in 1965—72-year-old Leo D. Welch, New York banker, industrialist, and incumbent Comsat director—until permanent successor is selected.

Comsat, quasi-public corporation created in 1963, now has \$100 million in liquid assets. It's U.S. chosen instrument in international satellite communications but faces competition in domestic field. Under consideration as permanent chairman are Joseph V. Charyk, 50, Comsat president; Leonard H. Marks, 54, Washington communications attorney, one of founding directors of Comsat who resigned in 1965 to become director of United States Information Agency and later became chairman, with rank of ambassador, of successful Intelsat conference in 1968, and Phil W. Buchen, 54, now public member of Comsat board. Mr. Buchen, of Grand Rapids, Mich., was once law partner of Gerald R. Ford, Republican leader of House.

Concentration on cable

FCC will engage in two-day skull session on CATV on May 14-15. Commission reportedly has no hard-and-fast agenda; rather, two days will afford opportunity for discussion "of where we've been and where we're going," in words of one official. Matters sure to be discussed involve proposals in commission's Dec. 13, 1968, over-all rulemaking—among them, proposals to ban crossownership of CATV and other media in same market and to set multiple-ownership limits on cable industry.

Key item left from proceeding is proposal to require CATV systems within 35 miles of city in major market to obtain retransmission permission of distant station whose signals they want to import. However, that item has become hung up in congressional fight over CATV copyright.

Stable of stars

ABC-TV has closed deal for Henry Fonda to star in half-hour dramatic series for next January start. He is third

major star signed this year by ABC for future series (others were Tony Curtis and Shirley MacLaine). Edmund Hartmann is producer-creator for Don Fedderson Productions of program tentatively titled *The Smith Family*, with Mr. Fonda portraying sergeant detective in Los Angeles police force with concern over generation gap in family situation. Henry Fonda was star of *The Deputy* on NBC-TV several seasons ago.

Better buys ahead?

One-to-customer project of FCC has stimulated station trading—particularly in AM and FM—to point where prices are beginning to reflect buyer's rather than seller's market. But brokers see nothing approaching panic. Rule of thumb in "good old days" used to be roughly 10 times net before taxes and depreciation, but in recent years it had been what traffic will bear, having little relationship to earnings and more to potential and payout.

Cited as recent example of better buys is proposed sale of WFIL(AM) Philadelphia for something like eight times net earnings. Sale to group of Philadelphia-area residents in giant Triangle-Capital Cities multiple-market transaction ("At Deadline," April 20) is for \$12.5 million on installment basis of 29% cash, balance over eight years at prime rate. Station grossed \$4 million, earned about \$1.4 million before depreciation.

Credit is due

Spot representatives have long been courting American Express Co. to become more active in spot TV for its credit cards. Company spent only \$24,000 in spot TV last year versus \$1.2 million in magazines. Turnabout is in sight with American Express starting test in 20 major markets. If experiment is successful, look for company to launch nationwide spot-TV campaign in fall. Agency is Ogilvy & Mather, New York.

Big deal

That portion of \$91-million merger of *Los Angeles Times* and *Dallas Times Herald* that is subject to government approval—transfer of *Times Herald's* KRLD-TV Dallas—is before FCC for its consideration this week. So is \$6,750,000 spinoff of Dallas newspaper's AM and FM, to group that includes two sons and daughter of Dallas Mayor John Erik Jonsson. Staff has recommended approval of both sales. But in

case of AM-FM transfer, staff says that, in view of recently adopted one-to-customer rule, approval should be conditioned on buyer's disposing of one of two properties.

Commission action this week is not likely. And some observers see sales—at least KRLD-TV sale—running into trouble, in view of commission's increasingly tough stand on concentration-of-control-of-media issue. In any case, commission may feel some pressure for action, since there is May 30 contract deadline on transfer.

Money tree

While talk of political influence and news management is emphasized in massive coverage of Washington's educational WETA-TV because of dismissal of its *Newsroom* editor, professional broadcasters are evaluating incident from insider's vantage point. They feel damage has been done noncommercial cause, particularly at time when Corp. for Public Broadcasting financing is before Congress.

And they are surprised by \$50,000 salary reportedly paid editor William Woestendiek, fired because Mrs. Woestendiek became press assistant to wife of Attorney General John Mitchell. If that kind of money, even though it's out of \$750,000 Ford Foundation grant, is paid for subsidized job for single news program, professionals say it's going to provoke second thoughts in Congress and among commercial broadcasters making contributions to ETV.

Help at home

Formation by local retailers, agencies and media of "community advertising coalitions" is expected to be proposed today (Monday) by Harold L. Neal Jr., president, ABC-owned radio stations, to sales promotion convention of National Retail Merchants Association in Houston. "Coalitions" would provide creative help to retailers in selection and use of media.

TV sales people also will have place at Houston convention, but emphasis at start is on marketing approach to retail advertising on radio. Besides Mr. Neal, speakers will be Michael Hauptman, director of retail sales, ABC-owned radio stations; Joseph Ostrow, senior vice president and director of media relations and planning, Young & Rubicam, New York; and Allen Hundley, regional sales manager, Radio Advertising Bureau, Dallas. Suzan K. Couch, director, retail development of CBS-owned TV stations, also is to make presentation.

Comsat Role Cut In Proposal for World Space Net

Plan Would Limit Any Nation To 40% Vote on Intelsat Board

By THOMAS DIMOND
Star Business Writer

The role of the Communications Satellite Corp. in the worldwide space communications system would be greatly reduced under a compromise proposal presented today to the International Telecommunications Satellite Consortium.

The compromise proposal, developed by the delegations of Australia and Japan, calls for the replacement of Comsat as manager of the international network by the end of 1976. It also would limit the voting power of any one nation on Intelsat's board of governors to 40 percent of the total vote.

Intelsat's plenipotentiary conference resumed at the State Department last month to complete permanent arrangements for operating the international space system. The organization has been operating under temporary arrangements which gave the United States 53 percent of the vote on the board of governors, corresponding to Comsat's investment in the international system.

Differences Aimed

The related issues of who shall manage the system and the share of the U.S. vote have been two of the major points of contention as Intelsat has worked on the permanent arrangements. A group of about 25 of the 70 nations of Intelsat, including the United States, has favored continuing with Comsat as manager, but perhaps replacing it after a study of the most effective management arrangement.

A smaller group of 15 or 16 nations wanted it explicitly understood that Comsat would be replaced as manager.

The compromise proposal calls for the appointment of a director-general who would be the chief executive officer of Intelsat. The outside study would be conducted by consultants and a management structure eventually organized under the director-general.

The compromise was submitted today by Harold White, general manager of the Overseas Telecommunications Commission of Australia, who said the package was developed after exploratory discussions and cautioned delegates against picking it apart with amendments.

U.S. Support Possible

A U.S. spokesman indicated that this country would support the compromise if it is not severely altered.

"Our view is that this could be an acceptable compromise," he

said, adding that the United States would want to determine the support it has among the other countries.

Spokesmen noted that even if the compromise is accepted Comsat still could perform many of the functions it now handles for Intelsat, because the director-general would assign certain technical and operational functions to various organizations, including Comsat.

The limitation on the weight each nation carries in the board of governors would mean, however, that the United States would no longer be sure of having its way on any issue.

Another proposal submitted today by about a dozen small nations would increase the voting power of countries having the smallest investment in the international system. This proposal would provide that receiving stations within each country would be included (at present they are not) at part of a nation's investment in the worldwide system.

No longer a glint in the eye or pie in the sky, Comsat is now very much a going business.

FROM THE DAY in 1964 when the Communications Satellite Corp. first sold its 10 million capital shares at \$20 each, the stock has seemed like pie in the sky—glamorous if you don't worry too much about earnings and dividends. So many grandfathers bought their grandsons Comsat shares that 35,000 of the 125,000 stockholders were kids.

Comsat has now moved out of the Little League. As it has placed more sophisticated communications satellites in orbit around the world, it has also started to generate real earnings. Previously, net income was usually chalked up to interest on Comsat's nest egg, \$100 million in excess capital left over from its infancy. Last year, however, overseas telephone calls increased 45%. Comsat's revenues whirled upwards by 48% to \$69 million. Earnings jumped from 71 cents to \$1.75 a share and Comsat declared

its first dividend. Some analysts called Comsat's outlook dim in mid-1970, but the stock moved up from 30 to as high as 84 before falling back recently into the 70s.

During 1964-69, mutual funds and other institutions had played with Comsat as one might a Christmas bauble, pushing the price up and down. But now funds such as Chemical and American Growth, along with bank trust departments, have bought in seriously. "Comsat has an earnings track record to run on for the first time, and the big investors were impressed by the acceleration," says Benjamin M. Rosen, a partner in Coleman & Co., a Wall Street institutional house. Of the 7 million shares now in public hands, Rosen figures institutions hold 2.5 million to 3 million.

Comsat has always had big shareholders along with the grandsons. But they were the international common carriers, Comsat's main customers, who at the outset got half the stock. For some time, however, they have been selling out just as Comsat was coming alive. Over the years ITT has disposed of all its 1 million shares. General Telephone & Electronics shed its 350,000 shares at 45½ last October and RCA soon followed with its 250,000 at 48½. The remaining big carrier, American Telephone & Telegraph, still holds the biggest block in Comsat, 29%, or 2.9 million shares, on which it has a paper profit of some \$150 million. But AT&T is under increasing pressure, in part from a bill now before Congress, to sell out.

What has become increasingly obvious is the natural conflict of interest when you're both a big customer and owner of the shop. So the carriers could plead both good grace and good—well, fairly good—investing when they dumped their Comsat shares. By selling out, GT&E, for instance, avoided having to float a new common stock issue. But the big carriers also missed the ride for another 30-point-plus runup in Comsat stock.

Comsat started out as a quasipublic corporation. It's now close to acquiring real public status. The carriers were able to elect only three of the 15 directors (the President appoints three) at the recent annual meeting. Comsat's new chairman, Joseph H. McConnell, proudly noted that the newest director, Gordon Edwards, chairman of Kraftco, "is part of the consumer industry." Still, Comsat faces a basketful of official bosses. One of them, the 79-nation consor-

tium for whom Comsat manages the Intelsat network, is likely in a new pact to make Comsat a minority force.

The biggest boss is the Federal Communications Commission, which has often been of two minds about Comsat. It allowed AT&T to build a fifth transatlantic cable while Comsat was launching new high-capacity satellites like Intelsat IV which can handle 6,000 calls at a time. A tremendous capacity glut to Europe resulted.

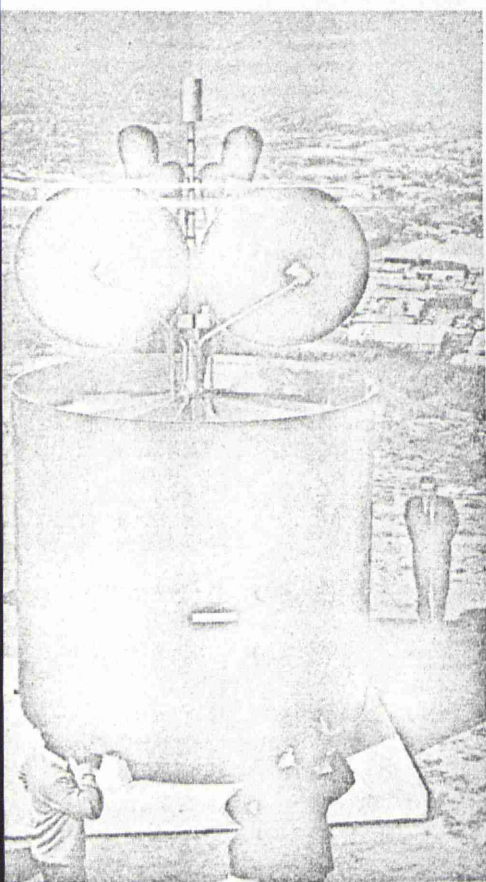
And the FCC recently followed up an order dividing traffic between cables and satellites with one to Comsat telling it to drop overseas rates. In addition, the FCC probe to set a rate of return for Comsat was reopened. The rate reduction already ordered but not yet made specific could be as large as 25%, which may restrict earnings. McConnell now sees Comsat's revenues growing only 20% this year.

McConnell, who is retiring from the presidency of Reynolds Metals Co., will continue to rely for most daily decisions on Joseph V. Charyk, Comsat's president from the start and Air Force Undersecretary under President Kennedy. Charyk has maneuvered Comsat well in an atmosphere of political electricity. But there have been some key management shifts recently at Comsat. Some in Washington think Charyk also may be leaving.

Political Animal?

Comsat remains sensitive to the political winds. Analysts were negative on the stock early last year because the White House had ordered a competitive approach for domestic satellites. At one time, Comsat considered U.S. service part of its exclusive role. Now that eight applications are in to the FCC, including one joint AT&T-Comsat proposal, most observers think Comsat will end up with a good piece of the action. But who knows what bill in Congress, what new State Department directive or regulatory fiat might ruffle Comsat again?

Comsat, nevertheless, is much more than the Christmas bauble it was in the 1960s. Its advanced technology and expertise are proving themselves. When Comsat began, a three-minute call from New York to London cost \$12. That's now down to \$3.60 via direct dialing. If rates are cut further, who's to say that overseas phone traffic won't rise faster than 20% a year? And such a growing market could keep Comsat more public corporation than political entity for a long time to come. ■



Competitor? Hughes Aircraft Co. built Intelsat IV, Comsat's new satellite. Hughes also is bidding against Comsat to run a domestic network, but the outcome won't affect Comsat's overseas monopoly.

18 FEB 1971

Mr. R. C. Stover
MOQ 219, Dam Neck
Virginia Beach, Virginia 23461

Dear Mr. Stover:

As the President's principal adviser in telecommunications policy, I have been requested to reply to your letter of January 12.

I understand the concern you have expressed, and am pleased to be able to report that the newspaper clipping you sent was in error. President Nixon is not seeking AT&T sale of Comsat, and this Administration has not endorsed such a proposal. Following Senator Gravel's press release on this subject, I issued the enclosed press release to clarify the situation. I hope this answers your questions.

The President very much appreciates your support and the time you have taken to bring this matter to his attention.

Sincerely,

SIGNED

Clay T. Whitehead

Enclosure

cc: Mr. Whitehead ←
Mr. Doyle

SEDoyle/AScalia/ec/12Feb71

Sol
AT&T

12 January 1971

R.C. Stover
MOQ 219, Dam Neck
Virginia Beach, Va. 23461

Nixon Seeks AT&T Sale Of Comsat

WASHINGTON (UPI) — The Nixon administration Thursday endorsed a proposal to force American Telephone & Telegraph Co. (AT&T) to give up all its financial interest in Communications Satellite Corp. (Comsat).

Sen. Mike Gravel, D-Alaska, has said he will introduce a bill early in the 92nd Congress that would require AT&T to sell all its Comsat stock, currently valued at \$140 million and making the giant telephone firm the largest Comsat share holder.

The legislation also would strip AT&T of its voice in the selection of three members on the board of directors of Comsat, which is a semipublic corporation set up to build communications satellites and ground transmission equipment.

The President
The White House
Washington, D.C. 20501

Dear Mr. President,

You probably will never see or know the contents of this letter but, because of my concern, I have decided to go to the top this time. If the above newspaper article is accurate, it strikes me as revolting and not indicative of a free enterprise system. AT&T is an enterprising, non-inflationary corporation and is a source of considerable tax revenue. Without their management and expertise, I seriously doubt that our satellite program would have been as successful. Now, after coming under fire by the FCC, AT&T must come under fire by the President and Congress. This is almost as absurd as is the game of political footsies and enduring honeymoon that exists

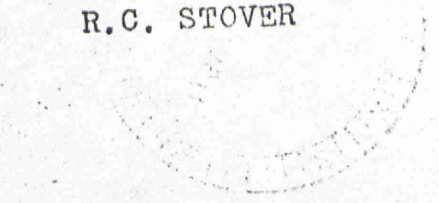
between the labor unions and the politicians who lack the intestinal fortitude to crack down on the organized promoters of strikes, greed, inflation and a poor balance of payments. Rather than be assaulted by Congress, AT&T should be consulted as to how to achieve balanced budgets. If AT&T or the people of this country were to manage their finances as exemplified by the government, there would not be a bank in this country from which they could receive credit or a loan. Incidentally, despite your reported optimism, I fail to see any evidence that inflation is under control or being arrested. I firmly believe that the day has already come and gone when some form of wage and price controls should have been implemented. You rationalize against resorting to wage and price controls yet there is no reluctance to intervene with AT&T or admonish the steel companies when they are forced to raise their prices in order to afford the high cost of labor and curtail dwindling profits.

In closing, I wish you success on your welfare reform plans. In certain salient respects, the present program can be compared to that of Social Security, i.e., both programs are federally sponsored, neither program can pay for itself, both have inequities, and they serve as incentives not to work or to save for a rainy day.

Respectfully yours,



R.C. STOVER



Justice

February 8, 1971

To: Peter Flanigan

From: Tom Whitehead

I think this clarifies the situation regarding the Justice Department's letter on Comsat pretty well, and as far as I know, it does not cause Justice any problems.

Attachment - Letter to Sen. Pastore dated 1/26/71 + incoming

cc: Mr. Whitehead

CTWhitehead:jm

Justice

February 8, 1971

To: Peter Flanigan

From: Tom Whitehead

I think this clarifies the situation regarding the Justice Department's letter on Comsat pretty well, and as far as I know, it does not cause Justice any problems.

Attachment - *Letter to Sen. Pastore dated 1/26/71 + incoming*

cc: Mr. Whitehead

CTWhitehead:jm

Wednesday 1/31/73

MEETING
2/7/73
11:00 a.m.

11:15

We have scheduled a meeting with Mr. Whitehead and Mr. Gancie (ITT), for 11:00 a.m., Wednesday, 2/7/73.

WK. 2/5

Thursday 1/11/73

MEETING
1/16/73
12:00

2:00

We have scheduled your meeting with Joe Gancie and Ted Westfall on Tuesday, Jan. 16, at 12:00.

Mr. Gancie had suggested perhaps going to lunch. Told him you have a "tentative" luncheon.

*See
Joe*

Would you rather go to lunch than meet here?

Do you want Mr. Smith to join the meeting?

296-6213

cc: Mr. Smith

*short lunch OK if they want
I'd mildly prefer meeting here*

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

OK - 1/2 hr
(See notebook)

1/16
12:00

ASSISTANT DIRECTOR

January 10, 1973

MEMORANDUM

To: The Director
From: Bromley Smith *BKS*
Subject: Request by Ted Westfall to Discuss INTELSAT IV-1/2
Follow-on Program

Westfall of ITT is doing the Washington circuit protesting the INTELSAT IV-1/2 Follow-on Program. His "message" is contained in the attached letter.

Whether you see him or not turns on whether you think he will appeal to the White House if you give him a turndown. I doubt you will learn anything new, and I hesitate to recommend you subject yourself to his customarily brutal attack on Comsat.

The issue of whether he is entitled to get the documents he requests in his letter is being studied by the Government. It is possible that the FCC will duck the issue and refer the matter to the State Department which must decide on the status of documents produced by an international organization, i.e. INTELSAT.

I will volunteer to see him, but I doubt that Westfall would consider he had been given a hearing.

ITT World Communications Inc. *subsidiary of International Telephone and Telegraph Corporation*

1707 L St N W Washington D C 20036
Telephone (202) 296-6200

January 5, 1973

Bernard Strassburg, Esq.
Chief, Common Carrier Bureau
Federal Communications Commission
Washington, D. C. 20554

Dear Mr. Strassburg:

This is a request pursuant to Section 0.461 of the Commission's Rules and Regulations by ITT World Communications Inc., through the undersigned for inspection, and copies of, the "Summary Record of the 62nd Meeting of the ICSC held 13 - 20 December, 1972", as well as all relevant correspondence between and among United States Government agencies, and between such agencies and COMSAT, relating to the 62nd Meeting.

In support of this request, ITT World Communications states that it is a United States carrier providing record communication services between the United States and oversea and foreign points. As such, it is a user of satellite and other facilities between these points and is the United States correspondent of the PTT's or other foreign or oversea operating agencies. Thus, ITT World Communications, as well as the other United States voice and record carriers providing oversea and foreign communication services, have a vital interest in any discussions concerning new or modified communication facilities. This stems from the obvious changes in the routing and division of traffic resulting when such facilities are placed into service.

ITT World Communications understands that in the course of the 62nd Meeting of the ICSC there was discussion of a proposal set forth by the Communications Satellite Corporation to place into service a series of newsatellite facilities to be designated Intelsat IV 1/2. This proposal was set forth unilaterally by COMSAT, a carrier's carrier which does not serve the public itself, without the consent or agreement of the international record and voice carriers which do serve the public and which would thus be in a position to know whether or not additional satellite facilities are required, and, if so, in what time frame. As the Commission is aware, ITT World Communications by letter of November 14, 1972 opposed the proposed Intelsat IV 1/2 series.

In view of the fact of this unilateral action by COMSAT which, if ultimately approved by the Commission and the Intelsat member countries,

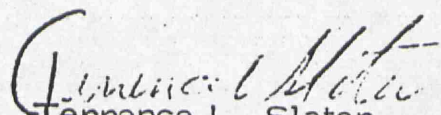
January 5, 1973

would vitally affect its future planning and requirements, ITT World Communications feels it has a legitimate need and, indeed, the right, to be informed of the details of these discussions concerning its future communication facilities, and thus requests that the "Summary Record", as well as the related correspondence, be made available to it. In view of the fact that it believes that Commission action on COMSAT's proposed Intelsat IV 1/2 series may be imminent, ITT World Communications also requests that the fifteen day time period specified in Section 0.461 (b) of the Rules, within which the entity submitting this material may file a response to this request, be shortened drastically.

Finally, it is also requested that the Commission take no further action on COMSAT's request for approval of the Intelsat IV 1/2 series until such time as the requested material has been made available to ITT World Communications and it has had time to comment upon them.

The Commission's cooperation in granting this request would be very much appreciated.

Very truly yours,


Terrence L. Slater
Washington Counsel

cc: Asher H. Ende, Esq.
Robert D. Greenburg, Esq.
David Acheson, Esq. - COMSAT
Spencer M. Beresford, Esq. - NASA
Mr. Thomas Nelson - State
Mr. Richard B. Nichols - AT&T
Francis J. DeRosa, Esq. - RCA
Robert E. Conn, Esq. - WUI

bcc: Mr. Clay T. Whitehead - OTP ← THIS COPY FOR
Mr. Fred Henck - Telecommunication Reports
Messers: Ted B. Westfall
Howard J. Aibel
Jack H. Gardner
J. R. McNitt
B. B. Tower
H. A. White
V. F. Podmolik
John F. Ryan
J. J. Gancie

~~6700~~

OFFICE OF TELECOMMUNICATIONS POLICY

INFORMATION MEMORANDUM

January 15, 1973

SUBJECT: Your meeting with Ted Westfall on January 16

TO: Mr. Whitehead

FROM: Charles Joyce *cf*

BRIEF SUMMARY:

Last Wednesday, the Navy called in COMSAT and the IRC's and asked them for proposals by February 9 for the two-year interim "experimental" UHF service. The IRC's are aware of COMSAT's previous proposals to the Navy and have commented that COMSAT is in a favored position.

If Westfall complains to you about this, you can say that you are reluctant to get involved in individual procurements when the issue is whether the procurement was run fairly or not. Any finding which you may be called upon to make on the authorized user question must be considered independently of whether the Navy executed their procurement responsibilities properly.

WHY IT IS WORTHWHILE TO READ:

cc: Brom Smith

Office of Telecommunications Policy
Route Slip

To

~~Clay T. Whitehead~~ ✓

~~George F. Mansur~~

~~William Plummer~~

Wilfrid Dean

~~Steve Doyle~~ ✓

Walt Hinchman

Charles Joyce

William Lyons

Eva Daughtrey

Timmie White

Judy Morton

REMARKS



Copy for Dr. Whitehead
DEPARTMENT OF STATE

Washington, D.C. 20520

Comsat

February 18, 1971

Dear Pete,

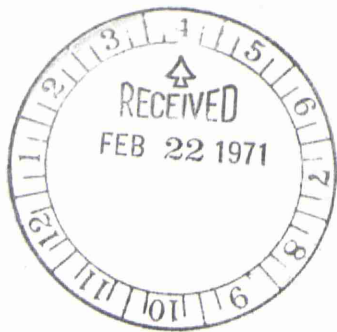
This is just to report that we are now in good shape on the five substantive points Joe McConnell raised in the memorandum he sent you under date of October 27, 1970. On the most important of these -- the question of advance assurance to the Europeans that we will launch a regional communications satellite for them -- Alex Johnson made it very clear to Minister Lefevre when he and his European group were here last week that the U.S. will give advance assurance only in the case of a proposed regional system that goes through the INTELSAT procedures and receives a favorable finding. Accordingly, the COMSAT top echelon is relaxed, and we have a unified U.S. Delegation.

Drafting work on the texts of the INTELSAT "definitive arrangements" was completed in December. The major issues have been settled through negotiation. Prospects are favorable that the next Plenipotentiary Meeting of the 77 member countries -- scheduled to open April 14, 1971, for four-and-a-half weeks -- will culminate in agreement. (The French still continue their incessant spoiling tactics, but they are now pretty well isolated.)

The Honorable

Peter M. Flanigan,

Assistant to the President,
The White House.



Handwritten text at the bottom of the page, likely a signature or date, appearing to read "Feb 22 1971".

Dr. Kissinger's office, the Seventh Floor here, and Tom Whitehead are agreed in principle to the President's participating in the initialing ceremony here in the International Conference Room at the State Department when the agreement is reached in May. According to our best estimate, this should take place on a date between May 15 and May 21. With the observer delegations, including the Soviet Union, there will be approximately 100 nations in attendance.

Jack Irwin's office has in preparation a memorandum to the President inviting him to do this, which should go over to the White House shortly.

A little later on, at a time convenient to you, it might be useful for Tom and me to come over and review where we stand looking to the Plenipotentiary.

Warm regards,



Abbott Washburn
Chairman, U.S. Delegation
INTELSAT Conference

Comsat

COMMUNICATIONS SATELLITE CORPORATION

JOSEPH V. CHARYK
President

February 9, 1971

Mr. Donald V. Taverner
President
National Cable Television Association, Inc.
918 - 16th Street, N.W.
Washington, D. C.

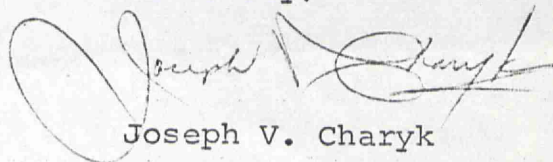
Dear Mr. Taverner:

In the process of preparing proposals for the creation of a domestic satellite service in this country, Comsat has become increasingly aware of the potential growth of the CATV industry in the immediate future and the significance which a satellite service might have to enhance this growth.

We are also aware, however, that as in new industries such as yours and ours there is a need for study and analysis, and even experimentation, to demonstrate the validity of different concepts within which we might pursue our mutual interests.

As a purely introductory matter, I would welcome the opportunity of meeting with you to discuss in broad terms what, and with whom, further conversations might be held with the objective of discovering just how communications can serve CATV. That the FCC has before it not only the question of a domestic satellite system but is also considering broad questions relative to CATV makes this a propitious time for such discussions.

Sincerely,


Joseph V. Charyk



DEPARTMENT OF STATE

Washington, D.C. 20520

Comsat

February 1, 1971

LIMITED OFFICIAL USE

MEMORANDUM OF CONVERSATION

PARTICIPANTS: Joseph H. McConnell, Chairman of the
Board, COMSAT
Joseph V. Charyk, President, COMSAT
John Johnson, Vice President,
International, COMSAT
Clay T. Whitehead, Director, Office
of Telecommunications Policy
Abbott Washburn, Chairman, U.S.
Delegation, INTELSAT Conference

SUBJECT : Discussion at Luncheon, COMSAT Offices,
Friday, January 29.

COPIES TO : OTP - Dr. Whitehead
E/TT - Mr. Rein
E/TD - Mr. Nelson
U.S. Mission UN, Geneva, Mr. Miller

The discussion was characterized by little disagreement on issues and much discussion of procedures. The possible reactions of the COMSAT Board to our positions on issues was not once mentioned. Nor was there any mention of COMSAT's inability to sign an Agreement unless their needs are accommodated.

Their principal worry, expressed by John Johnson, is that the machinery of the 100-nation Conference is so cumbersome that there will not be enough time to cover the 40-odd articles one-by-one in the Plenary. The only realistic procedure, they feel, is for the Conference to vote on a whole document or large chunks of a document ... and that we must try to get agreement on this on a three-week swing around Europe in the period mid-February to mid-March.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

- 2 -

London and Bonn they regard as the most important stopping points; Paris for cosmetics only; Rome and Madrid "because we can't ignore our good friends." In these meetings, according to John, we would say "we'll give up such-and-such a reservation if you give up thus-and such." He believes this is the best way to prevent a French/Arab/African bloc from being effective.

It is clear that COMSAT wants to be represented on the team going to Europe. Joe Charyk spoke of the need to "reflect the unity within the U.S. Delegation."

COMSAT is still talking about a group of nations joining with us in introducing a paper incorporating the results of the above effort, if not at the beginning of the Plenary then after the first couple of weeks. ("After all, the U.S. hasn't put in a comprehensive document for a long time.")

AW expressed his opinion that this introduction of a new paper or papers is not necessary. Rather what we need is an understanding with certain key delegations on the relatively small number of points remaining at issue. It is especially important for them to know the U.S. position on these. "I don't look for power blocs developing, because no burning issues remain. de Boisgelin laid an egg with his speech on the final day of the IWG because the leaders of the Conference now have a two-year 'investment' in reaching agreement and there is a strong momentum to get the job done in April/May". AW cited the Chairman's authority in the Rules-of-Procedure of the Conference to put a time limit on debate. Should it become necessary, he would exercise this authority with the advance approval of the Steering Committee.

It was agreed that we would attempt to reach full accord within the U.S. Delegation over the next two weeks. JJ assured AW that he and Bill English would get busy immediately on the patents-and-data article with FCC, et al. He will also review the complete texts and tell us which of our reservations are important to COMSAT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

- 3 -

Then there will be a policy review meeting in CTW's office, in which Tom said he wants to look at the roughly 95% of the work already pretty well agreed to by the Conference and review how we intend to zero in on the successful solution of the remaining 5%.

The next COMSAT Board Meeting is scheduled for February 19. JJ said he is anxious to get the Board's blessing, at this meeting, for the course of action to be taken in the Plenary.

On issues, AW remarked to Joe McConnell, "We took your October 27 memo to Peter Flanigan very seriously." To this McConnell replied, "Yes and you made a lot of progress!" He expressed happiness with UAJ's letter to Joe Charyk on the launch-commitment question. On the complaints function of the Assembly, he agreed that the best thing we can do is to make more legislative history in the Plenary without trying to change the present wording.

They also expressed satisfaction on the issues of price flexibility and the capitalization ceiling.

On the amendment-ratification issue, Tom voiced the feeling that we should hold to our 2/3 and 2/3 formula to the end, if possible. McConnell strongly agreed. There was no discussion of what we would do if it turns out not to be possible.

AW stressed that on the trip we must make absolutely clear that the U.S. will not consent to reopening the Assembly articles (VI and VII), or agree to any altering of the language of these provisions. On Article XV, tax and customs exemptions, we must make it equally clear that we can accept only the limited version of the language.

AW said that JJ had agreed recently that there was nothing much left now to bargain with, so we cannot expect to go to Europe and negotiate deals. He replied: "That is true but there are all these reservations on the record -- dozens on Article VII alone. They must all be dealt with

LIMITED OFFICIAL USE

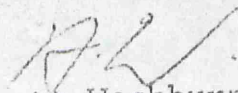
LIMITED OFFICIAL USE

-4-

and if everybody holds onto his and debates each one, we'll never get through in four and one-half weeks. To the extent possible we should try to settle them one-to-one rather than in general debate."

On Article XIII, procurement, JJ indicated that COMSAT could give up the current U. S. position on this without much difficulty, especially if we get something in return.

AW mentioned that, barring unforeseen circumstances, Bill Miller will come from Geneva to serve as principal spokesman for the U. S. at the Plenary. Asher Ende will speak to certain articles, and we will count on JJ, Rich Colino and Bill English to speak to important Operating Agreement provisions. It is hoped that Eric Hager will return to furnish added leadership to the Delegation as he did during the second Plenipotentiary.


Abbott Washburn
Chairman, U. S. Delegation
INTELSAT Conference

LIMITED OFFICIAL USE

cmg

Wednesday 1/27/71

10:00 MR. SCALIA:

Tom asked if you would call Don Baker and tell him that we are hand delivering a copy of the Pastore letter to him this morning.

Asked that you ascertain that there is no strong ill-will on the part of the Antitrust Division and give Baker the feeling that we're not out to be their enemy.

Comsat

26 JAN 1971

MEMORANDUM FOR THE RECORD

At Dr. Mansur's request, I contacted Comsat (Luke Battle) and asked what, if any, views they had on the proposed Virgin Islands to Dutch Antilles cable. Larry Devore, Associate General Counsel of Regulatory Matters, returned my call. He said Comsat has followed plans for this cable very closely. They tried to sell an earth station to the Antilles because their economic studies indicated it made more sense than a cable. He said authorities decided to go cable and that's "their decision to make." The initial ownership and operating agreement made no reference to concern for the connection of this cable with other cable systems in the Caribbean area. After discussions with ITT and other owners, apparently Comsat was able to obtain a commitment to have traffic loaded on this new cable on a proportionate fill basis where such traffic originates in areas with earth station services.

and operating agreement

The ownership[^] was modified to provide for proportionate fill so that Comsat has no remaining objections to or problems with the laying of this cable.

Signed

Stephen E. Doyle

cc: Dr. Mansur

cc: Mr. Whitehead
Mr. Doyle

SEDoyle/ec/26Jan71

copy

January 26, 1971

To: Don Baker

From: Tom Whitehead

Per our conversation.

Copy of Pastors letter

cong

Tuesday 1/26/71

2:45 After talking with Mr. Zapple, Mr. Doyle said all mail to go to Sen. Pastore should be sent to Mr. Zapple first. Otherwise, it bypasses him completely.

cmr
Monday 2/1/71

2:00

STEVE

Mr. Zapple's office called to say they are releasing both their letter and ours to people upon request.

Wednesday 1/27/70

Comsat

10:00 Dr. Charyk would appreciate a call when you return.

He would like to give you a report on the status of the Comsat launch.

- 2/12/70 - ltr to Justice Dept. from Sen. Gravel requesting comments from Antitrust Division on a proposed draft amendment to Communications Satellite Act.
- 5/6/70 - Copy of draft reply putting a hold on the letter -- to be forwarded to DAG's office for review and mailing after Mr. McLaren signs.
- 5/19/70 - Letter to Director Robert Mayo (BOB) from Richard Kleindienst (Deputy Atty. Gen., Justice) enclosing a copy of a draft reply to Sen. Gravel re his proposed draft amendment to Comsat act of 1962.
- 6/22/70 - BOB Legislative Referral of draft reply of Justice to the Sen. Gravel letter. (recd. 6/30)
- 7/7/70 - Wm. Plummer draft reply to referral of 6/22/70 suggesting Mr. Whitehead release it if he agrees.
- 7/8/70 - At Mr. Whitehead's request, Steve Doyle reviewed. Called Mr. Plummer's office and suggested that DTM response should be that they would defer any comment until the new Director is sworn in (as Mr. Whitehead would be in a position of approving DTM and the White House approval).
- 7/9/70 - Mr. Plummer memo to Bill Fischer, Asst. Dir. for Legislative Reference in response to the 6/22/70 referral -- suggesting that inasmuch as the Director of Telecommunications Policy has not yet been qualified and commissioned, there is no one in a position to make authoritative comment.
- 7/15/70 - Bill Fischer called about the draft letter to Sen. Gravel; we suggested he call Don Baker as he and Mr. Whitehead discussed it and Justice is going to rewrite the letter to Sen. Gravel.
- (7/18?) 9/18/70 - Note to the file from Plummer advising that he had phoned Mr. Fischer to the effect that Mr. Whitehead had told Justice (McLaren) of his difficulty with the Justice letter to Sen. Gravel and that Justice had agreed to rewrite the letter. Fischer said the information was sufficient and he does not need a memo.
- 11/19/70 - Letter to Mr. Whitehead from Don Baker, Justice, enclosing a redraft of the letter to Sen. Gravel.
- 12/11/70 - Letter to Don Baker indicating there is no objection from OTP.
- 1/5/71 - Letter to Sen. Gravel from Richard McLaren, Justice (replying to his letter of 2/12/70 requesting comments on proposed draft amendment to the Communications Satellite Act of 1962).

- 1/7/71 - Press Release from Sen. Mike Gravel -- stating he is
"releasing a White House- cleared letter from Asst. U.S. Atty. Gen.
Richard McLaren in which the antitrust chief said a good case
can be made for eliminating the direct carrier influence over Comsat."
- 1/7/71 - Press Release from Clay T. Whitehead, Director, BOB, stating
"the Justice Dept. letter should not be interpreted as an
Administration endorsement of Sen. Gravel's proposal."
- 1/14/71 - Letter to Mr. Whitehead from Sen. Pastore re an apparent
conflict in the exchange of letters between Justice and Sen. Gravel.
- 1/26/71 - Mr. Whitehead's reply to Sen. Pastore's letter of 1/14/71.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF TELECOMMUNICATIONS POLICY

WASHINGTON, D.C. 20504

DIRECTOR

January, 26, 1971

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

Dear Senator Pastore:

Thank you for your letter of January 14th. I shall try to answer in some detail the questions which it raises.

Your letter was prompted by a series of events initiated by the letter to Senator Gravel from the Antitrust Division of the Department of Justice. That letter stated that the Department would favor enactment of legislation to eliminate direct common carrier control or influence over Comsat, although pointing out that this step alone would not be likely to result in a significant increase of competition unless combined with other action. This was the response of one agency of the executive branch to a legislator's inquiry concerning one of the many possible effects of his proposed legislation -- namely, its effect upon the maintenance of healthy competition, which is the primary concern of the Antitrust Division.

It is most appropriate and desirable that the legislative branch be able to obtain from the executive branch such a narrowly focused response. I have not interpreted the OTP responsibility of coordinating the telecommunications activities of the executive branch as a commission to suppress the expression by the various executive branch agencies of their views with respect to the impact of communications matters upon their respective areas of peculiar competence. To provide another concrete illustration, I expect that the General Services Administration and the Department of Defense will continue to appear in State and Federal communications rate proceedings in their capacities as representatives of the government as consumer. Such narrowly focused expressions of view by the

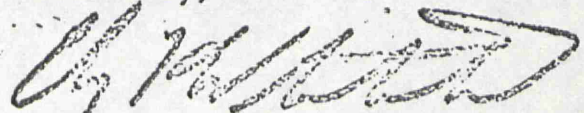
various agencies may or may not agree with the conclusions of this Office; it is our function to evaluate communications policy proposals not only from the standpoint of their effectiveness in furthering individuals objectives, but also on the basis of their net desirability when all aspects of national concern are taken into account.

This distinction between my Office's statement of the Administration's position on communications matters and the expression of views by other executive agencies is, I think, generally understood. In the case of the Antitrust Division's letter to Senator Gravel, however, I felt that the press accounts had presented the Division's views concerning antitrust effects as the Administration's position concerning overall desirability. It was for this reason that I issued my clarifying statement of January 7th.

Let me now turn to your specific request that I inform the Committee of the Administration's overall policy with respect to international communications. In implying that such a policy has already been formulated, the press report of January 7th was simply erroneous. The Office of Telecommunications Policy has established as one of its priority projects the entire question of international communications -- the optimum industry structure for the future, the role of Comsat, and the economic, operational, and political implications of such matters as you refer to in your letter. As you are aware, this is a particularly complex and important field, never before comprehensively addressed by the government as a whole. In spite of severe staff and budgetary limitations, we are well into the study. We will submit recommendations for consideration by your Committee as soon as possible -- hopefully by midyear. These recommendations will seek to take account of the views of all governmental agencies concerned, all segments of the industry, and the public.

I personally appreciate the concern which your letter demonstrates, that this Office realize the high hopes which Congress had in authorizing its creation -- that it serve as the vehicle for the formulation and development of a truly broad and coordinated national communications policy. I assure you and the other members of your Committee that we are bending every effort to that end.

Sincerely,



Clay T. Whitehead

WARREN G. MAGNISON, WASH., CHAIRMAN

JOHN O. PASTOR, E. R.I.
VANCE HARTKE, IND.
PHILIP A. HART, MICH.
HOWARD W. CANNON, NEV.
RUSSELL B. LONG, LA.
FRANK E. MOSS, UTAH
ERNEST F. HOLLINGS, S.C.
DANIEL K. INOUYE, HAWAII
JOSEPH D. TYDINGS, MD.
WILLIAM B. SPONG, JR., VA.

MORRIS COTTON, N.H.
HUGH SCOTT, PA.
WINSTON L. PROUTY, VT.
JAMES B. PEARSON, KANS.
ROBERT P. GRIFFIN, MICH.
HOWARD H. BAKER, JR., TENN.
CHARLES E. GOODALL, N.Y.
MARLOW W. COOK, KY.

FREDERICK J. LORDAN, STAFF DIRECTOR

United States Senate

COMMITTEE ON COMMERCE
WASHINGTON, D.C. 20510

January 14, 1971

Honorable Clay T. Whitehead
Director
Office of Telecommunications Policy
Washington, D.C.

Dear Mr. Whitehead:

As you will recall, when you appeared before the Committee in July of last year I set out in considerable detail the history of the Committee's attempts to urge the interested agencies of Government to adopt an overall telecommunications policy. My reasons for doing so were twofold.

For some years now many people in Government and industry have maintained that our failure to have such a policy, particularly with regard to international telecommunications, has contributed significantly to the problems and uncertainties we face in the field of telecommunications.

Secondly, the new Office of Telecommunications Policy which you now head would, by the terms of Reorganization Plan No. 1 creating it, "be the President's principal adviser on all telecommunications policy," and "help coordinate and formulate Government policies concerning a wide range of domestic and international telecommunications issues."

As early as 1964, the Intra-Governmental Committee on International Telecommunications was formed in response to the concern of business and Government leaders about the present structure of companies forming our Nation's commercial overseas telecommunications system. The report and recommendations of that Committee were submitted to the Congress in 1966. That report stated legislation would be necessary to implement the recommendations contained therein, and specific proposals would be forthcoming. For whatever reasons, they never were.

Then, in 1967, President Johnson appointed a task force of distinguished officials to make a comprehensive study of communications policy. The report and recommendations of that Task Force were submitted to President Johnson, but Administrations changed before it was released. When it was released, we were told it was being studied.

Page Two
January 14, 1971

Most recently came Reorganization Plan No. 1 of 1970, and Executive Order 11556 implementing it. In view of the stated purposes of the Office of Telecommunications Policy, and the broad authority given the Director of that Office, it seemed to me we might be on the threshold of achieving what had eluded us for so long--an overall telecommunications policy.

I am therefore perplexed by the recent letter of the Anti-trust Division of the Department of Justice, as well as an article which appeared in the January 10 edition of The Washington Star.

In his letter, the Assistant Attorney General, Mr. McLaren, said the Department would favor enactment of legislation eliminating direct common-carrier control or influence over COMSAT, and that such a step would hopefully be combined with some modification of regulatory constraints placed on COMSAT's activity by the FCC's Authorized User and Earth Station decisions. Such actions would, according to the Department's letter, "significantly enhance COMSAT's competitive potential."

In commenting on that letter in a statement issued on January 7 you stated, "The ownership and organization of U.S. communication services to and from the U.S. is one of many important policy areas for which the O.T.P. has responsibility within the Executive Branch. The Administration has formulated no specific views regarding this policy area and has no plans for the submission of legislation on this subject."

However, the article appearing in the January 10 edition of The Washington Star stated that Justice Department sources said that if the White House had strongly objected to the Department's recommendations it would not have allowed the letter to be released.

Added to these recent events is the fact that the Communications Satellite Act of 1962 requires the President to transmit to the Congress an annual report to include any recommendations for additional legislative or other action which the President may consider necessary or desirable for the attainment of the objectives of the Satellite Act. So far the Congress has received seven such annual reports including one in 1970 and not one of them has recommended a legislative modification on the subject of the Department's letter.

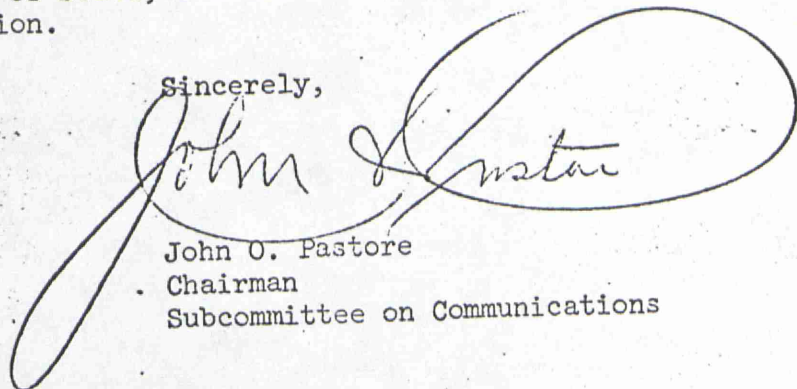
In view of the apparent conflict on this most urgent matter which can only portend further delay, I am requesting that you as chief coordinator and spokesman for the Administration on telecommunications matters inform the Committee of the Administration's

Page Three
January 14, 1971

If the United States is to maintain its leadership in the dynamic field of communications both domestically and internationally, a sound, effective overall policy with appropriate guidelines must be evolved.

For your information I have forwarded a copy of this letter to the Attorney General of the United States, the Secretary of Defense, the Secretary of State, and the Chairman of the Federal Communications Commission.

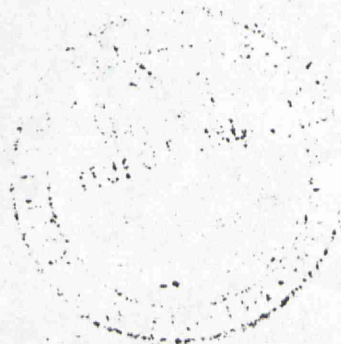
Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read "John O. Pastore". The signature is written over a large, faint oval shape that serves as a background for the signature.

John O. Pastore
Chairman
Subcommittee on Communications

JOP:nzj

Enclosures



White House Denies Plan For Comsat

An administration official has denied reports that the White House is backing proposed legislation that would force major communications firms out of ownership and management of the Communications Satellite Corp.

In a prepared statement, Clay T. Whitehead, director of telecommunications policy within the executive office of the President, said:

"The Administration has formulated no specific views regarding this policy area and has no plans for the submission of legislation on this subject."

Whitehead's statement follows the earlier release of a Justice Department letter to Sen. Mike Gravel, D-Alaska, which recommended far-reaching legislation that would divorce American Telephone & Telegraph Co. and other communications giants from ownership and active participation in Comsat policies.

"The Justice Department letter was in response to Sen. Gravel's request for comments on specific draft legislation prepared by Sen. Gravel ... The letter, therefore should not be interpreted as an administration endorsement of Sen. Gravel's proposal," the Whitehead statement said.

Justice Department sources said earlier that if the White House had strongly objected to the department's recommendations it would not have allowed the letter to be released to Sen. Gravel.

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

January 7, 1971

PRESS RELEASE

RECEIVED
JAN 10 1971
WASHINGTON, D.C.

Clay T. Whitehead, Director of Telecommunications Policy, when informed of a press release today by Senator Mike Gravel concerning correspondence with the Department of Justice on changes in ownership of the Communications Satellite Corporation, issued the following statement:

"The ownership and organization of U. S. communications carriers for the provision of international communications services to and from the U.S. is one of many-important policy areas for which the OTP has responsibility within the Executive Branch. The Administration has formulated no specific views regarding this policy area and has no plans for the submission of legislation on this subject.

"This is a particularly important and complex area of communications policy that goes beyond antitrust concerns alone. The OTP will take into account all pertinent considerations before deciding what, if any, policy recommendations and legislative proposals will best serve the national interests.

"The Justice Department letter was in response to Senator Gravel's request for comments on specific draft legislation prepared by Senator Gravel. While individual departments respond to queries from Members of Congress regarding particular legislative proposals in the ordinary discharge of their responsibilities, such department comments should not be interpreted as an Administration recommendation of such proposals.

"The Justice Department letter, therefore, should not be interpreted as an Administration endorsement of Senator Gravel's proposal. "

Split AT&T From Comsat, Justice Asks

By STEPHEN M. AUG

Star Staff Writer

The Justice Department—presumably with White House backing—has called for legislation that would force American Telephone & Telegraph Co. and other major communications firms out of ownership and management of Communications Satellite Corp., it was learned today.

The department's far-reaching recommendations are expected to be opposed strongly not only by AT&T—which still owns 29 percent of Comsat stock—but also by such other giants of the communications industry as International Telephone & Telegraph Corp., Western Union, General Telephone & Electronics and RCA Global Communications Inc.

The department's recommendations also would have the effect of overturning several major Federal Communications Commission policy decisions. These include:

- The so-called "authorized user" decision under which the FCC ordered that, generally, Comsat may sell its services only to other communications firms—such as AT&T, ITT—and not directly to customers.
- The earth station ownership decision under which the FCC decided that Comsat should own only half of each earth station built, and that the communications firms should share ownership of the other half. Comsat

COMSAT

U.S. Seeking to End Ties to Major Firms

Continued From Page A-1
usually is the manager of these stations, which receive and transmit signals between the satellites and terrestrial equipment such as telephone lines.

The Justice Department's recommendations are contained in a letter sent two days ago to Sen. Mike Gravel, D-Alaska, who, it was understood, planned to make them public today. Gravel asked some time ago that the department's antitrust division investigate the links between Comsat and the other communications firms. Justice's answer came from Assistant Atty. Gen. Richard W. McLaren, in charge of antitrust matters.

McLaren believes that the Communications Act of 1962, which set up Comsat, and later FCC decisions have resulted in activities that are contrary to long-standing antitrust law—principally those regulations that forbid a company from hav-

ing ownership and management interests over a competitor.

Gravel originally had asked the Justice Department to study AT&T ownership and its placement of company officials on the Comsat board. AT&T owns 2.9 million Comsat shares. Other communications firms own another 200,000. The second largest owner is ITT, with about 100,000 shares.

ITT and other firms have sold most of their Comsat shares. Under the 1962 act that set up the corporation, communications firms could own 50 percent of Comsat stock, and the public the remainder.

Under the original plan, there were 15 directors—six publicly elected, six from communications firms and three appointed by the President. At present, however, there are only four directors representing communications firms; three are from AT&T. The number of communications firm directors has declined as the firms have sold their Comsat stock.

Aside from selling its services to the other communications firms, Comsat competes with them. Thus there are continuing scraps at the FCC over whether international communications should be transmitted via cable—owned largely by AT&T—or by satellite.

The Justice Department believes that true competition between the competing modes of communication can be accomplished only by divorcing Comsat entirely from the other companies.

Although the Justice Department viewpoint is expressed in a letter signed by McLaren, informed observers suggested it would not have been sent had there been strenuous objections elsewhere in the administration.

AT&T purchased its 2.9 million shares of Comsat for \$38 million in 1963. At present market prices its holdings are worth about \$145 million.

Officials at AT&T had no immediate comment.

Comsat officials have maintained silence apparently because AT&T not only is a major owner and is represented on the board, but also is Comsat's biggest customer. Comsat has, however, urged the FCC to re-

THE EVENING STAR

Washington, D. C., Thursday, January 7, 1971

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

Justice

January 7, 1971

PRESS RELEASE

Clay T. Whitehead, Director of Telecommunications Policy, when informed of a press release today by Senator Mike Gravel concerning correspondence with the Department of Justice on changes in ownership of the Communications Satellite Corporation, issued the following statement:

"The ownership and organization of U. S. communications carriers for the provision of international communications services to and from the U.S. is one of many-important policy areas for which the OTP has responsibility within the Executive Branch. The Administration has formulated no specific views regarding this policy area and has no plans for the submission of legislation on this subject.

"This is a particularly important and complex area of communications policy that goes beyond antitrust concerns alone. The OTP will take into account all pertinent considerations before deciding what, if any, policy recommendations and legislative proposals will best serve the national interests.

"The Justice Department letter was in response to Senator Gravel's request for comments on specific draft legislation prepared by Senator Gravel. While individual departments respond to queries from Members of Congress regarding particular legislative proposals in the ordinary discharge of their responsibilities, such department comments should not be interpreted as an Administration recommendation of such proposals.

"The Justice Department letter, therefore, should not be interpreted as an Administration endorsement of Senator Gravel's proposal. "



Press Release #266
January 7, 1971

Comsat



NEWS

from U.S. Sen. MIKE GRAVEL, ALASKA

For Release Upon Receipt

Contact: Marty Wolf
(202) 225-6665

WASHINGTON, D. C. -- The Nixon Administration has endorsed Senator Mike Gravel's (D-Alaska) contention that communications carriers should be "eliminated" from the Board of Directors of the Communications Satellite Corporation (COMSAT).

Senator Gravel today released a White House-cleared letter from Assistant U.S. Attorney General Richard W. McLaren in which the antitrust chief said, "a good case can be made for eliminating the direct carrier influence over Comsat."

The Justice Department letter was in reply to a Gravel letter of February 12, 1970, requesting the Administration's views on the Senator's proposed legislation to remove carrier representatives from COMSAT's board and forcing the carriers to divest themselves of some \$140,000,000 of Comsat's stock.

Last February 12, Senator Gravel had written McLaren that "There is little doubt that directors gain access to inside information and to intimate cost factors of any organization of whose board they serve."

The Assistant Attorney General agreed. He wrote Gravel that the Communications Satellite Act of 1962 "ignored traditional policies that restrict common ownership and control" of competitors.

(Carriers own over 35% of COMSAT stock. AT&T alone has 29%.)

Senator Gravel has been critical of Comsat's inherent weaknesses to provide needed public services at low cost and lack of aggressive management against competitors.

Criticism of Comsat's weaknesses "has been reinforced by experience," said McLaren and he went on to cite several antitrust provisions against situations similar to those wherein the carriers obviously overpower Comsat management.

In a statement on the floor of the Senate last September 10, Senator Gravel had again attacked AT&T's role in Comsat's management while AT&T was announcing its intention to lay another underwater trans-Atlantic cable in competition to satellite communications.

At that time, Senator Gravel attacked influence over "Comsat's financial life-and-death" and said the whole communications issue was not one of free competition but a game played with "a set of loaded dice."

(continued)

"Since 1962 we have learned a great deal about satellite communications that we did not know during the debates preceding enactment of the COMSAT Act," said Senator Gravel. "I believe it will be far easier now to correct mistakes of the past," he added.

Senator Gravel said his new legislation would remove the carriers from Comsat's board by January 1, 1972, and force them to divest themselves of Comsat stock by January 1, 1973.

McLaren also informed Senator Gravel that changes might be required in past positions taken by the Federal Communications Commission. Senator Gravel agreed but added that, "The FCC has taken several encouraging new steps recently on this issue."

Senator Gravel added, "This is a complex subject and the position taken by the Justice Department is an important benchmark as regards a serious antitrust warning and a cry for corrective legislative action."

"The whole area of social and public applications and the improvement and quantity of all services, including educational television and public broadcasting, are very much involved," he said.

On September 18, 1969, Senator Gravel had introduced a bill to break the FCC earth station policy at that time of split ownership between Comsat and the carriers. The White House position paper on telecommunications on January 23, 1970, generally supported the Senator's thesis and the legislation was allowed to die in committee. Senator Gravel felt that the FCC under a new chairman should have time to adjust to the new White House guidelines.

#####

Department of Justice
Washington, D.C. 20530

JAN 5 1971

JAN 6 3 37 AM '71

OFFICE OF
SENATOR
MIKE GRAVEL

Honorable Mike Gravel
United States Senate
Washington, D. C. 20510

Dear Senator Gravel:

This is in response to your letter of February 12, 1970, requesting comments from the Antitrust Division on a proposed draft amendment to the Communications Satellite Act of 1962 as amended ("1962 Act"), 47 U.S.C. §§701-744. This draft amendment would, if enacted, eliminate direct control over the Communications Satellite Corporation ("Comsat") by the terrestrial communications common carriers ("carriers"). It would do so by (i) barring any representatives of the carriers from sitting on the Board of Directors of Comsat after January 1, 1971, and (ii) barring carriers from owning any shares of Comsat stock after January 1, 1972.

In general, we would favor enactment of legislation along these lines to eliminate direct carrier control or influence over Comsat. Such a step, combined hopefully with some modification of regulatory constraints on Comsat's activities (discussed below), would significantly enhance Comsat's competitive potential.

The 1962 Act was a compromise. It ignored traditional policies that restrict the common ownership and control of competing modes of regulated business (e.g., 49 U.S.C.A. §5(14); 49 U.S.C.A. §78; 47 U.S.C.A. §314). Instead the 1962 Act provided for extensive carrier ownership of Comsat stock and for six carrier nominees as directors of the corporation. As a result carriers controlled half the shares and more than a third of the directors. American Telephone & Telegraph Company (AT&T) alone is by far the largest Comsat stockholder, with 29 percent of the stock and 20 percent of the Board.

From the outset, this arrangement has been criticized as being inconsistent with the stated Congressional mandate "that the corporation created [i.e., Comsat] . . . be so organized and operated as to maintain and strengthen competition in the provision of communications services to the public"

(47 U.S.C.A. § 701(c)). (See, e.g., Legislation Note, The Comsat Act of 1962, 76 Harv. L. Rev. 388, 398 (1962)). This criticism has been reinforced by experience. (See, e.g., Schwarz, Comsat the Carriers, and the Earth Stations - Some Problems with "Melding Variegated Interests," 76 Yale L. J. 441 (1967); Report of the President's Task Force on Communication Policy (1968), Chap. 2, p. 15).

Moreover, the carriers' stockholding and directorship arrangements in Comsat are contrary to the normal antitrust prohibitions against anticompetitive stock acquisition and director interlocks contained in Clayton §§7, 8 (15 U.S.C. §§18, 19). The prohibition of Clayton §7 applies where minority ownership results in the probability of anticompetitive consequences, U.S. v. duPont, 353 U.S. 586, 592 (1957); and, because of the "opportunity thereby afforded to . . . compel a relaxation of the full vigor of . . . competitive effort," the prohibition applies with equal force to directors appointed by such minority owner. Hamilton Watch Co., v. Benrus Watch Co., 114 F. Supp. 307, 317 (D. Conn. 1952), aff'd 206 F. 2d 738 (2d Cir. 1953). Under §8 of the Clayton Act, interlocking directorates among competitors are per se violations. U.S. v. Sears, Roebuck & Co., 111 F. Supp. 614 (S.D. N.Y. 1953).

In these circumstances, we believe that a good case can be made for eliminating the direct carrier influence over Comsat flowing from their shareholding and directorships. This approach is consistent with the Department's original position in 1962 when the Attorney General emphasized that we "place great importance on competition because the communications industry is particularly susceptible to domination by one company -- AT&T." (Hearings on H.R. 10115 and H.R. 10138 Before the House Committee on Interstate and Foreign Commerce, 87th Cong., 2d Sess., pt. 2 at 565 (1962) (testimony of Attorney General Kennedy)). Moreover, it is consistent with the policy of this Administration of placing "more reliance on economic incentives and market mechanisms in regulated industries" so that "increased competition will eventually make it possible to let market forces assume more of the role of detailed regulation" in communications (Economic Report of the President 108-109 (1970)).

The problem is, however, only partially one of the Comsat corporate arrangements covered by the draft legislation. Regulatory decisions by the Federal Communications Commission have been at least as significant a factor in limiting Comsat's

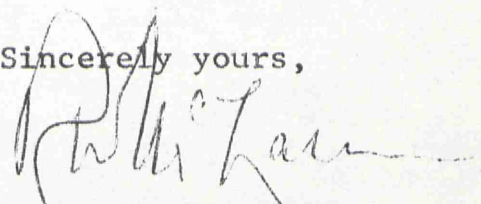
competitive potential vis-a-vis existing carriers.

Of particular significance is the FCC's Authorized User decision, 4 F.C.C. 2d 421 (1966), in which the Commission unanimously ruled that Comsat was to be only a "carriers' carrier," precluded from retailing its services direct to users (including the Government), except under "unique or exceptional circumstances" to be determined by the Commission. However, because the Commission declared that it would authorize direct Comsat service absent a reduction in the carriers' rates "fully to reflect the economies made available through the leasing of circuits in the satellite system," some potential competition remained and was reflected in some very substantial rate reductions made by the carriers.

This decision was followed the same year by the Commission's Earth Station decision further reducing Comsat's potential to compete vigorously with the carriers. 5 F.C.C. 2d 812, 816 (1966). Here the Commission decided (reversing an earlier decision, 38 F.C.C. 1104 (1965)) that Comsat had to share ownership of all earth stations with the carriers: 50 percent was to be owned by Comsat, with the balance apportioned among the other carriers on a use basis. The day-to-day management, and apparently, all equipment design and procurement of the earth stations are thus made by a joint operating committee made up of Comsat and the carriers.

To summarize, we favor generally some legislation along the lines of the proposed amendments, in order to eliminate direct carrier control or influence over Comsat. However, unless combined with at least some reversal of the FCC's decisions protecting existing carriers from satellite competition, such legislation is not likely to enhance significantly Comsat's competitive potential.

Sincerely yours,



RICHARD W. McLAREN
Assistant Attorney General
Antitrust Division

Justice

December 12, 1970

To: Don Baker
Dept. of Justice

From: Tom Whitehead

No objection from OTP.

Office of Telecommunications Policy
Route Slip

23 NOV 1970

To

~~Clay T. Whithead~~

~~George F. Mansur~~ (1)

~~William Plummer~~

~~Wilfrid Dean~~

~~Steve Doyle~~

WRH ~~Walt Hinchman~~ (3)

~~Charles Joyce~~

~~William Lyons~~

~~Clifford~~ (2) WFO

Eva Daughtrey

Timmie White

Judy Morton

REMARKS

Steve -
Big staff comment?

Steve: I agree fully with
Justice's analysis + suggestions
WRH

Nino? - Accord. The next problem
Tom: is how you go about getting FCC
to change its policy. By statute
too? And if so, ~~it~~ may not
worse be better? ~~it~~ i.e. may it
not be better to leave the entire
problem unresolved + festering so
complete cure can eventually be
obtained rather than to accept a
bill that only goes half way.



UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D.C. 20530

Address Reply to the
Division Indicated
and Refer to Initials and Number

RWMcL:DIB
60-416-0

November 19, 1970

Honorable Clay T. Whitehead
Director
Office of Telecommunications Policy
Room 749
1800 G. Street, N.W.
Washington, D. C.

Dear Tom:

You will recall that many months ago, we prepared a response to a letter from Senator Mike Gravel requesting our views on a proposed statute to eliminate common carrier stockholding and directorships in Comsat.


Your comment at the time was that, while you did not disagree with the conclusions, you felt that the analysis was a little too detailed. Finally, I have gotten around to paring it down along these lines. I now enclose a copy of this more modern version.

The FCC also objected to the paragraphs at the end on their regulatory activities. I intend to stick to my guns on these provisions, since I feel that if we do not include them, comments are not meaningful.

No doubt you will get this letter in due course through the normal Budget clearing process. I hope that it is satisfactory for your purposes. I don't think that it would be possible to simplify the matter much further.

Best wishes.

Sincerely yours,


DONALD I. BAKER

Deputy Director of Policy Planning
Antitrust Division

Honorable Mike Gravel
United States Senate
Washington, D. C. 20510

Dear Senator Gravel:

This is in response to your letter of February 12, 1970, requesting comments from the Antitrust Division on a proposed draft amendment to the Communications Satellite Act of 1962 as amended ("1962 Act"), 47 U.S.C. §§701-744. This draft amendment would, if enacted, eliminate direct control over the Communications Satellite Corporation ("Comsat") by the terrestrial communications common carriers ("carriers"). It would do so by (i) barring any representatives of the carriers sitting on the Board of Directors of Comsat after January 1, 1971, and (ii) barring carriers from owning any shares of Comsat stock after January 1, 1972.

In general, we would favor enactment of legislation along these lines to eliminate direct carrier control or influence over Comsat. Such a step, combined hopefully with some modification of regulatory constraints on Comsat's activities (discussed below), would significantly enhance Comsat's competitive potential.

The 1962 Act was a compromise. It ignored traditional policies that restrict the common ownership and control of competing modes or regulated business (e.g., 49 U.S.C.A. §5(14); 49 U.S.C.A. §78; 47 U.S.C.A. §314). Instead the 1962 Act provided for extensive carrier ownership of Comsat stock and for six carrier nominees as directors of the corporation. As a result carriers controlled half the shares and more than a third of

Directors. American Telephone & Telegraph Company ("AT&T") alone is by far the largest Comsat stockholder, with 29 percent of the stock and 20 percent of the Board.

From the outset, this arrangement has been criticized as being inconsistent with the stated Congressional mandate "that the corporation created [i.e., Comsat] . . . be so organized and operated as to maintain and strengthen competition in the provision of communications services to the public" (47 U.S.C.A. §701(c)). (See, e.g., Legislation Note, The Comsat Act of 1962, 76 Harv. L. Rev. 388, 398 (1962)). This criticism has been reinforced by experience. (See, e.g., Schwartz, Comsat the Carriers, and the Earth Stations - Some Problems with 'Holding Variegated Interests', 76 Yale L. J. 441 (1967); Report of the President's Task Force on Communication Policy (1968), Chap. 2, p. 15).

Moreover, the carriers' stockholding and directorship arrangements in Comsat are contrary to the normal antitrust prohibitions against anticompetitive stock acquisition and director interlocks contained in Clayton §§ 7, 8 (15 U.S.C. § 18, 19). The prohibition of Clayton §7 applies where minority ownership results in the probability of anticompetitive consequences, U.S. v. duPont duNemours & Co., 353 U.S. 586, 592 (1957); and, because of the "opportunity thereby afforded to . . . compel a relaxation of the full vigor of . . . competitive effort," the prohibition applies with equal force to directors appointed by such minority owner. Hamilton Watch Co., v. Benrus Watch Co., 114 F. Supp. 307, 317 (D. Conn. 1952), aff'd 206 F.2d 738 (2d Cir. 1953), under §8 of the Clayton Act, interlocking directorates among competitors are per se violations. U.S. v. Sears, Roebuck & Co., 111 F. Supp. 614 (S.D. N.Y. 1953).

In these circumstances, we believe that a good case can be made for eliminating the direct carrier influence over Comsat flowing from their shareholding and directorships. This approach is consistent with the Department's original position in 1962 when the Attorney General emphasized that we "place great importance on competition because the communications industry is particularly susceptible to domination by one company -- AT&T." Hearings on

H.R. 10115 and H.R. 10133 Before the House Committee on Interstate and Foreign Commerce, 87th Cong., 2d Sess., pt. 2 at 505 (1962) (testimony of Attorney General Kennedy)). Moreover, it is consistent with the policy of this Administration of placing "more reliance on economic incentives and market mechanisms in regulated industries" so that "increased competition will eventually make it possible to let market forces assume more of the role of detailed regulation" in communications (Economic Report of the President 108-109 (1970)).

The problem is, however, only partially one of the Comsat corporate arrangements covered by the draft legislation. Regulatory decisions by the Federal Communications Commission have been at least as significant a factor in limiting Comsat's competitive potential vis-a-vis existing carriers.

Of particular significance is the FCC's Authorized User decision, 4 F.C.C. 2d 421 (1966), in which the Commission unanimously ruled that Comsat was to be only a "carriers' carrier," precluded from retailing its services direct to users (including the Government), except under "unique or exceptional circumstances" to be determined by the Commission. However, because the Commission declared that it would authorize direct Comsat service absent a reduction in the carrier's rates "fully to reflect the economies made available through the leasing of circuits in the satellite system," some potential competition remained and was reflected in some very substantial rate reductions made by the carriers.

This decision was followed the same year by the Commission's Earth Station decision further reducing Comsat's potential to compete vigorously with the carriers. 5 F.C.C. 2d 812, 816 (1966). Here, the Commission decided (reversing an earlier decision, 38 F.C.C. 1104 (1965)) that Comsat had to share ownership of all earth stations with the carriers: 50 percent was to be owned by Comsat, with the balance apportioned among the other carriers on a use basis. The day-to-day management, and apparently, all equipment design and procurement decisions of the earth stations are thus made by a joint operating committee made up of Comsat and the carriers.