

Licensing of Overseas Facilities

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Howard A. White Vice President
and General Counsel

March 22, 1971

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

Dear Mr. Hinchman:

This is in reference to your letter of March 5, 1971, addressed to Mr. Gancie, regarding a segment of an Office Telecommunications Policy review of the policy considerations involved in the licensing of overseas facilities by the Federal Communications Commission. You asked for a candid evaluation of a preliminary draft analysis prepared by the OTP staff which purports to compare costs and reliabilities of cable and satellite facilities.

In the short time that this material has been in the hands of our technical and planning experts, we have not been able to prepare detailed comments. We have noted, however, several erroneous assumptions, including the following:

- (a) In light of experience with Intelsat III satellites, the assumption of one failure in 3 or 4 Intelsat IV satellites is unduly optimistic. And we note that the first of two Intelsat IV satellites constructed was not suitable for launch.
 - 1 launch failure in 3 or 4 is not unduly optimistic in view of overall NASA launch reliab. rate on all sats. in recent yrs & improvements in sat. mfg. reliab. Note ATT Domeat predictions.
- (b) The scenario said to be most favorable to cables utilizes a satellite failure rate which is lower than the satellite failure rate adopted in the scenario said to be essentially neutral.
 - True. Does not affect total sat. cost by more than 8% in scenario 1 and less than that in scenario 2.
- (c) Acceptance of Comsat's design assumption of a 7 year life for each Intelsat IV satellite is unjustified. Failures of satellites in orbit and the intentional replacement of satellites
 - May be true. Same is even more true for cables, whose technological useful lives is really much less than 24 yrs.

by Comsat are likely to reduce the average useful life of Intelsat IV satellites to well below seven years.

- (d) The configurations of satellite facilities postulated in the economic study are purely theoretical, and these configurations ignore the actual number of earth terminal stations that will be operated in the 1970s, their locations and the costs of maintaining and operating those stations.

True. We do it on purpose to get a proper basis of comparison. (See sec. on "Alternative Methods of Comparison," P. ___ of Chapter ___).

- (e) The studies assume that all of Comsat's Intelsat IV plans will be implemented, even though the FCC has thus far authorized only four satellites in that series. At the same time, plans for additional cables are ignored.

Prov. author. for purchase of components has been given. It is unlikely that Commission would veto Intelsat plans. Substantial resources already spent on satellites.

- (f) In the development of costs for new cable facilities between now and 1977, no recognition has been given to the availability of a transatlantic 1840-channel system in 1974.

We do mention probable economic viability of 1840 ckt cable on Canadian route. ATT says not technically feasible on US-Europe route.

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Specific data covering some of these points were submitted in our comments and reply comments filed in FCC Docket No. 18875.

Since the scenarios submitted for our comments are based on erroneous assumptions, a detailed critique of the OTP staff analysis would probably not be very constructive. Accordingly, we are undertaking a similar study, based on supportable data, which we shall submit for your consideration shortly.

We look forward to seeing it!

With respect to the materials submitted for our review, we maintain that the OTP staff assumptions are not supported by past events, and that those assumptions are not reflected in current or predicted charges for satellite services. Assuming that meaningful conclusions could be based on realistic models, ITT Worldcom believes that the U.S. Government must also give special attention to the legitimate interests of our foreign partners as well as the interests of the U.S. public in the establishment of optimum sized cable and satellite facilities on a balanced basis.

Agree. See re-definition of 1/2 circuit in new International Relations Sec.

Very truly yours,



HAW/jb