

Mr. ERLNBORN. No one else uses this system?

General KLOCKO. Just the Government.

Mr. ERLNBORN. Entirely the Defense Department, or the Canadians that use this CONUS system?

General KLOCKO. That's right.

Mr. ERLNBORN. So you're paying for a leased line, isn't that right?

General KLOCKO. That's correct.

Mr. ERLNBORN. And switches?

General KLOCKO. Yes.

Mr. ERLNBORN. The entire cost of operating the system. No one else uses the system?

General KLOCKO. That's correct, Mr. Erlenborn.

Mr. ERLNBORN. Then the tariffs developed are merely to apportion the cost of these leased lines among the various users?

General KLOCKO. Yes.

COST DATA ON CARRIER CHARGES

Mr. ROBACK. In other contracts the military has cost plus, or fixed price. What I was asking is, how do you determine what is the proper cost? Do you require them to submit cost data?

General KLOCKO. We have asked for it.

Mr. ROBACK. You have asked for it. I assume from what you say you haven't gotten it.

General KLOCKO. That's correct.

Mr. ROBACK. What is the theory there?

General KLOCKO. Colonel Hogge knows this story.

Colonel HOGGE. Tariffs contain the rate schedules which are the carrier's charge for its services. We receive telephone bills based on these schedules from the carriers which we pay.

We take the lease cost rate that we paid to the carriers and break out the AUTOVON backbone cost. This cost is then prorated among all the AUTOVON subscribers.

This proration of the lease costs among the subscribers is what General Klocko was describing to you. These prorated costs are not called tariffs as suggested.

Mr. ROBACK. Tariff is what you pay the telephone company.

Colonel HOGGE. The tariffs have the force and effect of law, and contain the rate schedules of the carriers which are paid by the Government upon receipt of the monthly statements. When a rate is developed by a carrier for a specific service, our people in DECCO negotiate as far as they can with the carrier; based on as much information as they can obtain from the carrier. DECCO issues a communications service authorization to a carrier for its service based on estimated costs pending filing of the new rates with the FCC or the State regulatory authority.

Mr. ROBACK. You say negotiation is possible. Is this limited by the fact that your statutory access to the records exempts the regulated industry?

Colonel HOGGE. Our contracts with some of the carriers do not provide for our access to their records. However, some do.

Mr. ROBACK. That is based on their willingness?

Colonel HOGGE. Yes, sir.