

lines over long distances across intermediate countries, thereby strengthening and improving communications in this area.

(e) An authorization will move forward needed cable technology; other European telecommunication administrations strongly support the system and will purchase interests; and the system will be an economically sound project.

10. Applicants state that they and their European partners have agreed to the following conditions³ and each applicant proposes to negotiate similar arrangements with other countries desiring to acquire circuits in the system on an infeasible right of user basis for communication with the United States:

(i) if the necessary governmental authorizations are obtained within a reasonable time, the cable between the United States and Spain will be placed in operation in the first quarter of 1970, and the parties will use their best efforts to complete the other sections of the system for operation at that time.

(ii) The parties agree, subject to necessary governmental authorizations, to make the following rate reductions no later than the time that the TAT-5 cable is operational, provided that the annual revenue requirements of satellite half circuits reasonably approximate those now projected for the 1970-73 time frame, that is, \$31,100-\$20,700 for the U.S. half, of which \$9,600-\$6,600 is for the projected Intelsat revenue requirements for the space segment, with these revenue requirements being reflected in Comsat charges to the U.S. carriers and with adjustments in charges to the European carriers for the European half of said circuits reflecting the above projected revenue requirements:

(a) For message telephone and private line voice-grade channel service, A.T. & T., CPRM, CTNE, and Italcable agree to make effective reduced rates as specified in appendix D hereto, it being stated that, while the extent of these reductions will vary by country, the overall result will reduce charges to all customers in the countries by at least 25 percent for message telephone service and 25 to 30 percent for private line voice-grade channels;

(b) For record services, including voice-data service, ITTWC, RCAC, WUI, CPRM, CTNE, ENTEL and Italcable agree, subject to the necessity of an overall fair rate of return, to make effective rate reductions for service between the United States, on the one hand, and Italy, Portugal, and Spain, on the other hand, of approximately 25 percent for voice-record channels (with consideration of the cost of special conditioning to provide data capabilities so that charges reflect reasonable costs); approximately 25 percent in existing rates for 50 baud teleprinter leased channels, and approximately 15 percent in existing telex rates.

(iii) The parties agree in principle to use satellite circuits between the United States, on the one hand, and Italy, Portugal, and Spain, on the other, in numbers sufficient to insure that the unfilled portion of the TAT-5 cable and of new satellite facilities (i.e., Intelsat III-1/2 or IV) provided within the 1970-72 time frame to handle traffic within the Atlantic Basin will each be filled at the same proportionate rate, on the assumption that the maximum unfilled equivalent voice-grade capacity of the satellites (after transfer of the then existing satellite circuits) to which this agreement applies will not exceed 3,500 such circuits. In this connection, the parties assume that each of the European parties shall be able to use the European earth station operating with the United States which is nearest to the party concerned unless such party chooses to use a more distant earth station operating with the United States.

11. A.T. & T. proposes to acquire its ownership interest in that portion of the TAT-5 cable located in Spanish territory in the name of its wholly owned subsidiary, Transpacific Communications, Inc. Each of the other applicants indicates it may also elect to acquire its ownership interest in such cable in the name of a wholly owned subsidiary or affiliate.

Statement of Communications Satellite Corp.

12. In its statement filed in response to the public notice given of the subject applications, Comsat refers to its contention, at the time we informally requested information relating to the instant project, that the proposed cable is unnecessary and would handicap the economic potential of satellite communications. It also states that it demonstrated at that time that such cable would be unduly burdensome to ratepayers and would detract from the U.S. commitment to provide lost-cost satellite communications services to economically less developed areas. It goes on to say that its submissions, as well as those of others, have been considered by the Commission, in connection with other interested agencies of the

³ See Memorandum of Agreement Supplementing the Principles of Agreement dated Feb. 21, 1968, attached to the applications.