

APPENDIX 3.—STATE DEPARTMENT CORRESPONDENCE

DEPARTMENT OF STATE,
Washington, D.C., June 7, 1968.

HON. CHET HOLIFIELD,
Chairman, Subcommittee on Military Operations, Committee on Government
Operations, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Your subcommittee has been concerned with rates charged to the U.S. Government for leased voice circuits in the international service. Although we did not participate in hearings of your subcommittee on July 24 and 25, 1967, the Department has noted pertinent portions of the resultant study embodied in the Seventh Report by the Committee on Government Operations. Noting rate reductions on the part of U.S. international communications carriers, the committee specifically urged the Department of State and the Federal Communications Commission to make every appropriate effort to bring about comparable reductions by foreign carriers.

More recently you may have noted proposals for the establishment of a fifth transatlantic submarine cable (commonly known as TAT-5) and related systems. On May 22, 1968 the Federal Communications Commission authorized the construction and operation of the integrated submarine cable and radio system between the United States Mainland and Spain, Portugal and Italy. At the same time, and with the Department's specific approval, the Commission issued the necessary landing license for the cable portion of the system. Prior to these decisions the Department participated with the Commission and other interested Government agencies in prolonged and thorough studies of questions raised by the joint proposals of the American Telephone and Telegraph Co., ITT World Communications, Inc., RCA Communications, Inc., and Western Union International, Inc. Although our concern related mainly to the possible impact of TAT-5 upon the future development of INTELSAT, the question of rates, among other matters, was also the subject of serious concern.

As a result, the Commission addressed letters to the U.S. carriers on February 16, 1968, tentatively concluding that it would be appropriate for the applicants to file applications for the proposed system, subject to certain conditions. With the Department's concurrence the latter included a requirement "that rates for telephone message service would be reduced, no later than the time the cable is opened for service, by at least 25 percent from the rates applicable immediately prior to such reduction, that rates for leased service would simultaneously be reduced by more than 25 percent from the levels applicable immediately prior thereto, and that appropriate downward revisions would be made in charges for telegraph-type services."

The U.S. applicants subsequently reached agreement with their European partners, "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, i.e., \$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 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,¹ 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;

¹ Not attached.