

APPENDIX 5.—DEFENSE COMMUNICATIONS AGENCY INFORMATION ON RATE REDUCTIONS FOR LEASED INTERNATIONAL SERVICE

In September 1967, it became generally understood that a composite rate for cable/satellite service would be available for transatlantic services upon the receipt of an order by industry for full-time service to be provided by satellite. Accordingly, a requirement was submitted by DCA for such service. However, the commercial carriers were not able to provide the service because of technical problems, primarily with the foreign earth stations and interconnecting links. Nevertheless, a rate reduction from \$8,000 to \$6,500 per month for the U.S. portion of transatlantic service, reflecting a composite rate for cable or satellite service, became effective on October 1, 1967. Shortly thereafter an order for service was issued by DCA's Defense Commercial Communications Office.

In April 1968 the DOD accepted an unsolicited proposal from one of the U.S. international carriers effecting a reduction in the foreign end charges of United States-Panama cable service from \$6,000 per month to \$5,000 per month (through rate \$10,000) in return for an order for a minimum package of 10 circuits. This reduction in the foreign-end charges was possible because of the financial interest of the carrier's parent, I.T. & T., in the foreign entity. The proposal was accepted, and the charges for all services (15) to Panama were reduced by \$1,000 per month. Four additional circuits are expected to be installed prior to the end of the year, also at the new, lower rate.

In another action, carriers were invited to bid on three packages of four circuits each between the United States and European points. Individual circuits were quoted by all of the carriers that offered the service at the existing \$6,500 rate to midpoint. However, RCA Globe Comm quoted a rate of \$6,000 to midpoint if the services were ordered as packages. The offer was accepted and the lower rate has been filed with the FCC, with a proposed effective date of August 1, 1968, which will result for all services in the Atlantic of a reduction of \$26,000 per month to the DOD.

A rate reduction from \$8,550 to approximately \$5,000 per month for service between Florida and Puerto Rico is expected to become effective about August 1, 1968.

The DOD is continuing to seek reductions in the cost of leased services, particularly through the filing of composite rates, by ordering wideband service (for use as wideband service or for channelization by either the contractor or the DOD), by package ordering, and by the reduction in foreign-end rates. An area of particular interest at the moment concerns the separate cable and satellite rates for service between Hawaii and Philippines. In spite of the fact that the cost of the 10 existing satellite services (provided by three different carriers) is \$17,810 per circuit per month versus \$19,600 for cable services, quotations by U.S. international carriers for new satellite service between the two points ranged from \$19,600 (ITTW) to \$22,585.15 (RCAGC) to \$22,603 (WUI).