

COMSAT HISTORY PROJECT

Interview with David Melamed

Interview conducted by Nina Gilden Seavey

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NG: If you could just give me a brief description of your first contacts and I guess what is a rather short career with COMSAT.

DM: My first contacts with COMSAT were in October of 1962, soon after President Kennedy had appointed the initial incorporators of the corporation. I was invited to come to Washington to act first as assistant counsel to Phillip Graham, who was the Chairman of the Incorporators.

NG: How did that happen? What was your connection with him?

DM: I had been working with a law firm in New York and in the course of that work had done some work with him; and that was the source of that contact.

NG: So you worked essentially then for Phil Graham?

DM: That was my initial contact with the incorporators of the corporation.

NG: What were some of the things that you worked on while you worked with him?

DM: Well, in general the period from mid-October, '62 until the early spring of '63 was largely devoted to preparation of the corporate charter and related documents of the company, and the arrangements for the initial and interim financing of the company through bank loans. This was also a period in which the initial directors of the company were learning about this then very new idea of a business, the technology of it, the economics of it. These were the main subjects of interest.

NG: What were the kinds of things that you saw as priorities at that time, in terms of getting this nascent organization off the ground?

DM: Well, I think the most important thing to say is that the initial directors of the company were a group of very distinguished, talented and able people who took their responsibility very seriously. I'm sure you or others in this history project have talked with others who know a lot more about the technical side than I do. But, at that time, it was by no means clear that a commercial communications satellite system was feasible. It was clear you could communicate by satellite, but whether you could make it into a commercially

viable system, was not so clear and there were people who questioned whether that would be possible. The directors had to grapple with that basic fact. They were under a mandate from the Communications Satellite Act to develop a system, but all the information they needed to make sensible decisions wasn't yet available. So they had the very high priority task of mapping-out a sequence of events by which they could get the information necessary to make a sensible decision about developing a system. That, in turn, was related to their second major responsibility, which was to arrange and carry-out an offering of the stock of the corporation which, under the law, was required to be offered in part to the communications carriers and for the rest to the American public, generally -- with some requirement in the law that there be the widest possible distribution of the shares to the American public.

NG: As far as your participation, I guess what I would like to try to get is a little bit more of a sense of who the key players were at the time, the kinds of decisionsand I think maybe we can talk first about the capitalization issue, which obviously, was a major issue, primarily because there have been some since who have said that the company was over-capitalized. It was capitalized to the tune of some \$200 million for a system that ultimately, when they decided to go geo-synchronous, cost maybe a tenth of that amount. What were

the key concerns at that time other than just the technical issue which obviously was something that you would not necessarily be able to address?

DM: Well, let's talk about the key players, and maybe that will help. One of the characteristics of the place, in those days, was that it seemed to attract, what in retrospect I see as an unusually talented group of people. On the technical side, the key players were, of course, Joe Charyk, who joined the group, I guess in February of 1963, as Chief Operating Officer, at the same time as Leo Welch, who had then recently retired as a Vice Chairman of Standard Oil of New Jersey, joined as Chairman. I'm sure Dr. Charyk's career with the company is a subject familiar to you.

NG: Well-documented, well-noted.

DM: Well-documented.

NG: What about some of the other key players?

DM: The other key players on the technical side, I remember, very clearly Sig Reiger, who had been the principal author, I think, of a Rand Corporation study, in which the initial directors were very interested and which was an important

source of their initial information about communications satellite systems. He played, as I am sure you also know, a very big role in those days, and quite apart from his extraordinary technical competence and knowledge, his personality was a delight, and was part of the comradarie of that early period in which an organization was being created and there was a kind of informality, which I think is probably characteristic of new enterprises at that stage.

NG: At Tregaron, you mean?

DM: Yes, at Tregaron. There was also--I remember, Sid Metzger very well, who was--I think, manager of the engineering groups initially, whose quiet competence was really quite impressive, and whose work, I think, excited the highest admiration among people in this business of transforming what was then an experimental idea into a functioning system.

NG: What about on the non-technical side. Who were some of the key players that you recall and some of the things that you thought at the time?

DM: One person that comes immediately to mind is Matthew (Matt) Gordon, first Director of Information. He had until a

NG: Was this before or after Graham left that he played a more or less key role?

DM: He played a key role right from the beginning. That role increased after Phil Graham withdrew, which I guess was at the end of January or early February of '63. But he, throughout this whole period and especially in the planning for the initial stock offering, Sam Harris was undoubtedly the most important single figure.

NG: Do you know about some of the activities that he was engaged in in terms of trying to engender the confidence of the financial community?

DM: I know in general that he spent a lot of time talking with investment bankers about the offering, about how it should be carried out. I know he was a tireless spokesman for the corporation and the incorporating group in contacts with Congress which were both official contacts at hearings and lots of unofficial contacts with Congressman and Senators who wanted to know how the thing was doing. I can't think of any aspect of the company's activity in those days that he wasn't a key advisor on; he had just extraordinarily good judgment and wisdom.

NG: What about some of the other incorporators? It seems that there were some other very key players like Sam Harris and Phil Graham, and then obviously Joe Charyk and then Welch came on. What about some of the other incorporators: Len Marks, George Feldman, Byrne Litschgi, there is a whole crew of them--and I'm having a little bit of trouble in these interviews finding out what the activities of these people were at the time.

DM: Well, there were certain activities they all shared. There were frequent meetings of the initial director group, and even more frequent meetings of smaller committees of the incorporators -- both officially designated committees, and unofficial committees -- to deal with particular subjects. I think every one of those men, it's curious they all were men....

NG: At that time, probably not so curious.

DM: I think they all took their responsibility very seriously. Leonard Marks, whom you mentioned, was an important player, because he had an extensive knowledge of communications law, and of the functioning of the FCC and a knowledge of the communications industry. Since the Satellite Act left it somewhat unclear what the company's role was to be, and there were alternative lines of development for the company, his

knowledge and his advice on those subjects were particularly influential.

NG: When you say that there were alternative lines for the company to proceed on, what comes to mind?

DM: One thing that comes immediately to mind is the provision of the law which said in substance that; "The company would offer communications services to the established communications carriers, and also to 'other authorized users.'" The law and the legislative history left it unclear what the content of "other authorized users" was to be. And there was genuine uncertainty about whether the corporation should actively seek to serve in an important way some class of users who were not established carriers, or should give priority, at least in the beginning, to being the communication carriers own common carrier.

NG: Do you remember the kinds of classes of businesses or people that they had had in mind in terms of those authorized users?

DM: No, I don't. The particular details of that are not fresh in my mind.

NG: Because, obviously that was ultimately decided for them as opposed to by them, you know, by the FCC. But I guess I was interested if they had something more like direct-use in mind very early on, or whether they have always seen themselves as the carriers carrier?

DM: As I recall, the issue was never framed in terms of a particular proposed service to a particular customer that was not an authorized carrier. At least, I don't remember that as being so. I meant more to suggest that this was an open question, at least under the law, and it offered a possibility -- which, at the time, might not have been reflected in specific alternatives, but which I think many people had the feeling would become more important as time went on with their being much discussion of the theoretical possibility of direct service to--in--direct television broadcasting service, was I think, the hypothetical case most commonly talked about.

NG: So it wasn't necessarily government use because there was the 30 circuits case and they had wanted to lease these circuits to the Defense Department, which brought about the FCC decision. I wondered if they had also thought about some other things, as you say, they had. What was your official role as.....Alan Throop was on Board as General Counsel at one time and here you were as the Corporate Secretary with the

responsibility to do what?

DM: Well, my main responsibility was to do the preparations for the initial stock offering and I think from early--from the spring of '63 through the stock offering in June of '64--that was the underlying theme of my work. As that period progressed, more and more of my time was spent doing that work.

NG: What did that entail?

DM: The main task, I think, was collecting the information necessary to write the prospectus for the initial stock offering and then writing it.

NG: So you actually did write the stock offering?

DM: Yes, Yes.

NG: What kind of information were they interested in presenting to prospective investors?

DM: Have you seen the prospectus?

NG: Yes I have.

DM: Well, then that....

NG: I guess I'm also wondering what may have been there when you first wrote and what wasn't there when it finally was offered to the public....Ideas that may have been thrown out....

DM: The prospectus wasn't really a presentation of an idea so much as it was a necessary marshalling of information on several different subjects; all of which seemed important to let the public investors know about in the stock offering. One whole side of this was the information about the technology, and the state of its then development, and this involved some explanation of the theory of a communications satellite system and descriptions of different kinds of possible systems; of the limitations of the technology at that time; and of the particular uncertainties from the technical side that affected the development of the system, such as concern about satellite lifetime once you got the thing in orbit, concern that the launch vehicles wouldn't reliably put the satellites in the right orbit, and other such technical concerns. The other major aspect of it was marshalling the information about the international telecommunications business: what the business consisted of, how it was carried out, who were the principal participants in the business, how would the company in its activity relate to that business.

NG: When you were involved in the development of this idea of writing the prospectus, how was it decided to raise the \$200 million? Why \$200 million? Obviously, that pushed COMSAT (at least as it appeared on the outside) to a certain system that ultimately they didn't choose. What went into the decision to capitalize at the \$200 million level?

DM: The main factors at that time were the--when the decision on how much money was to be raised in the stock offering was made--there was a continuing uncertainty about the nature of the eventual satellite system. It was a full year before successful launching and use of the Early Bird satellite. And although there had been some success with the Syncom II satellite a year before, the question of whether the ultimate system would be a synchronous system was very much an open question so estimates of the funding necessary to establish the system, took account of the possibility that the ultimate system might not be a synchronous system, but might be what was referred to as, I think, as a medium altitude system.

NG: When, in your perception, did that start to change? Or in your recollection, I should say?

DM: I'm not sure my perception on that is worth very much. I

think it was the successful launching and use of the Early Bird satellite, which was the main fact in confirming that the system could be a synchronous system.

NG: So what you're saying is that Hughes was able to present a package that seemed viable then it turned the tide the other way then?

DM: I think it was the outcome really of prolonged serious study by Reiger and Metzger and Joe Charyk of the increasing amounts of information that became available, particularly from the Early Bird satellite that made it clear that this was, for a commercial system, a feasible way of doing it and from the cost point of view much more efficient than the medium altitude systems.

NG: Aside from the obvious, the very clear, important decision about what kind of a system to choose, what were some of the other challenges that it was perceived faced COMSAT in those early days?

DM: Well, in almost every aspect of it's affairs, it was engaged in something new. On the international side, there were a whole series of negotiations, led on the U.S. side by Johnny Johnson for the establishment of INTELSAT.

NG: Did you have any involvement with that at all?

DM: No. That was a very important part of the development of the company in the realization of the role Congress had in mind as the U.S. participant in an international system. I know that was not an easy task, although in retrospect it might have looked easy but there was an enormous amount of hard work involved in it and, as in any international negotiation, the U.S. representatives were dealing with considerations of national pride and position of other countries and the negotiations had to work their way through to technically and economically sound arrangements without unnecessarily ruffling the feathers of foreign participants.

NG: And you felt that that happened well at that time?

DM: Yes, I think the general view was that those negotiations were well-handled and U. S. national interests were well served, at that time, by the arrangements that were created.

NG: What about more of the things that you would have been involved with, more the corporate structure end of things; what were some of the perceived challenges?

DM: Well there were a lot of interesting things to do in the early days, arising out of the stock offering and of the transformation of the company from a company without owners, to a company with thousands of public stockholders and carrier stockholders. The arrangements for the initial stockholders meeting was in the area of interest and challenge and was made more exciting by the candidacy for the board of directors of an individual public stockholder who believed that someone outside the initial incorporator group, and in particular, somebody more representative of the general public ought to have a role in the directorate of the company. So, as you probably know, in the first election of directors by the public stockholders of the company there was a proxy fight and an electoral contest, which also involved some litigation in the Federal Court in Washington.

NG: Can you explain that more for me? I don't know a whole lot about that.

DM: Sure. The stockholder candidate began a law suit in the Federal Court in Washington during the period that proxies were being solicited for the first stockholders meeting, claiming that the Corporation had not furnished him information necessary to his candidacy or had not done acts in relation to his nominating petition which it ought to have done; his effort

was to have the court enjoin the holding of the first stockholders meeting until he had had a fuller opportunity to solicit proxies from the stockholders of the Corporation, using the facilities of the Corporation to do that; the details of the suit are no longer so clear in my mind, but I think his general thrust was that just as the Corporation was mailing out to stockholders its request for proxies and votes for its candidates, so also the Corporation ought to be treated as having an obligation under the law to do the same thing for any stockholder-nominated candidate.

NG: Well is that typical?

DM: No, it's not typical in the detail and in the degree of assistance that he was requesting. I think the essential position was that COMSAT had a special status under the law, which imposed on it special obligations in dealing with its internal corporate procedures, and that there ought to be an unusually large degree of what he referred to as "corporate democracy" in the way it conducted its stockholder elections for director.

NG: How was this resolved?

DM: The litigation was resolved by the Court rejecting his

request that the meeting be enjoined or suspended, and the meeting went forward and the votes were counted and his candidacy was not successful.

NG: Who was this?

DM: I believe his name was Fred Fisher. And I think he was from Philadelphia.

NG: And he was just an investor?

DM: Just an investor.

NG: Didn't represent any particular point of view or any class or group or what-not?

DM: As I recall, he certainly wasn't identified with any organized group or representing any particular interest. I think he took seriously the ideas that the company had a special status under the law and that public stockholders ought to have an unusually large degree of participation in the management. I think he very much wanted to play a role in the management for entirely legitimate and creditable reasons.

NG: He wasn't offering up an entire slate, though. He was

just offering himself as part of the management team?

DM: As I recall he was the only candidate for whom he was soliciting proxies. Although at one point, there may have been one or two others who were also candidates supported by him. But I'm not so clear on that. I think probably he was the sole candidate.

NG: So here's this one thorn in your side as you are going about the business of trying to put together this meeting, what were some of the other issues that were pressing at that time?

DM: Well, let's see....

NG: What about the election of officers? How was it decided who was going to go from being an incorporator to being on this slate for directorship?

DM: Well that was a decision made the initial directors themselves. A number of them had made clear from the beginning that they did not want to continue after the initial stock offering. They felt that their responsibility to the President and Congress would have been fulfilled by that time -- by the carrying out of a successful stock offering -- and felt that that was their contribution and that they wouldn't want to

continue. I think that factor probably eliminated--not eliminated--but, that factor probably was the reason why the question of who would continue and who wouldn't was not a....it was not a serious or divisive one.

NG: Was there, then, no competition among those people who did want to stay, or was there just the right number for the number of slots, or was there some feeling that someone didn't get to serve on the Board who might otherwise would have like to have.

DM: I'm really not in a good position to answer that.

NG: Ok. Let's talk a little bit more about the transition to the Board, which meant bringing on the carrier board members, obviously. What were some of your thoughts and some of the thoughts that others around you may have had at the time about this notion of the carriers, who were both our competitors, in essence, as well as our consumers, being a part of the management structure of the Corporation? What were some of the thoughts about that at the time?

DM: I think the main thought was that it was inherent in the enterprise as designed by Congress and that everybody would make the best of it. This was made, I think, quite easy by the extraordinarily high quality of the individuals whom the

carriers chose to be their representatives on the Board. These men all were conscious of their dual responsibility and of the inherent conflict of interest, and they handled that conflict very well. On particular issues where there was a real conflict, they, of course, abstained from voting and they were always forthright in the statement of the positions on these issues of the carriers whom they represented; were always forthcoming with information; and in general conducted themselves with such an obvious sense of public service that there was never any sense that they were behaving in any way except the absolutely correct way. Which says nothing about them as individuals, and as far as their concern personally, they were just a wonderfully interesting group of people. I'm thinking in particular of Horace Moulton, who was one of the AT&T-nominated directors.

NG: I'll tell him that when I see him today Wilmington.

DM: And his colleague James Dingman, and their third colleague from AT&T, who's name for the moment escapes me....

NG: Harold Botkin.

DM: Yes, of course, Harold Botkin, who was the head of AT&T Longlines. Yes, everybody knew these were people whose careers

had been made and whose primary interest were with AT&T, but they were effective and good directors of COMSAT.

NG: What about Ted Westfall, he was considered almost the "bad boy" of the Board from the recollections of some people? Do you agree?

DM: I have no recollection on that score.

NG: Let's talk a little bit about Leo Welch as Chairman of the Board. Obviously, he brought in an enormous wealth of business experience to this new venture. What was he like as a Chairman, what were his priorities at the beginning? What were his relationships with the other directors?

DM: He was called on to provide leadership for a new commercial enterprise. That involved leading the creation and organization to do the jobs, and it involved relations with the government and with the financial community. I think he saw as his highest priority that the company should proceed in a way that would both be perceived as being orderly and prudent to carry out public responsibilities which he and the other directors took very seriously.

NG: Did he encourage a lot of participation from the other

members of the Board or was he more directed in terms of his own agenda? Some of the people obviously who were new on the Board hadn't dealt much with communications, although some of them who came from the carriers had a wealth of experience. How did that resolve itself?

DM: There was a great deal of interaction between Leo Welch and other Board members, both in the period before the stock offering and thereafter once the carrier representatives were on board. One of the interesting things about the organization in those days was the exchange of ideas and stimulation that came from the interaction of directors who came from many different fields, and with widely different kinds of experience. I think that diversity of experience was probably a very important part of the strength of the Board in addressing questions it had to address.

NG: So you're saying that there was a real exchange of information, exchange of ideas, from the people who were presidentially-elected to the people who were brought on by the carriers, and people who had been brought on by the public.

DM: Yes, very much so.

NG: What do you think the presidential-appointed directors

brought to the company; in terms of being a class of directors?

DM: They brought, I think what all the directors brought, which was a sense that they were doing an important job in the national interest, and were doing it in a form which gave them traditional director's responsibilities to shareholders of a private Corporation. At a very early stage, I think, indeed in the Articles of Incorporation of the Company, the principle was stated that every director, regardless of the method of his appointment or election, has the same responsibility to the Corporation and its shareholders. That may sound like a truism now, but at the time it wasn't. The enactment of the Satellite Act produced a good bit of writing in the law reviews and other publications about this interesting new hybrid form of enterprise, and in particular about the institution of Presidentially-appointed directors, and how they could be or should be or might be different from other directors.

NG: Although you're saying that that turns out not to be the case.

DM: That turned out not to be the case because it was established in the Articles that all directors had the same responsibilities. I think, insofar as charter documents have an influence in determining the way an institution actually

functions, that that provision was very important in producing the results that you had a Board of Directors of equals, and that the Presidentially-appointed directors did not have special or unique responsibilities. That's in background an answer to your question: "What did the Presidentially-appointed directors bring?" They brought what they were asked to bring, by the Charter as it defined their responsibility, which was to be a director, like all the other directors, all of whom had a sense that they had both responsibilities to the shareholders and also to the national interest.

NG: It is somewhat odd to have George Meany sitting on as director of a large brand new corporation; the same with

DM: Clark Kerr.

NG: Clark Kerr. That's the name I'm looking for. Those weren't necessarily men who dealt in big business from that angle before, and certainly brought a different perspective to the company, and not one necessarily that would be on the Board of Directors of other companies. You left in 1965, I believe.

DM: A little later than that, I think.

NG: Was it '65 or '67?

DM: I think it was probably at the end of '66 the beginning of '67.

NG: By that time--the time that you had overseen the corporate secretary's office and really being at that point probably close to the Board and being this Board-watcher and facilitating the activities between the investment community and the company and what-not--what did you see as the major achievements of the company by that time in it's stage of growth?

DM: I think these were the obvious things that company had been created and the general scheme laid-out by Congress for the development of the enterprise had been carried-out; that the initial satellites either had been launched or were about to be launched; and that what had been on paper had been only five years before, had been an essentially a theoretical and conceptual scheme had been turned into the reality of a functioning enterprise with an increasing number of the attributes of established corporations and a declining uniqueness.

NG: What about some of the obstacles you felt the company was going to have to overcome, say within the next three to five

years after your departure?

DM: I didn't give very much thought to that at the time. It was clear there were important questions affecting the development of the company that were still undecided and that....

NG: That was pre-domestic....

DM: That's right. There were many tensions and conflicts inherent in the law still unresolved, everybody was aware of that.

NG: Are there any other issues that I haven't raised here that you feel are important, that you recall from the time that you were there, that I may not have touched upon?

DM: Not issues, but people. We haven't talked at all about what it was like to work for the Incorporators and COMSAT in the early days, and the short answer to that is that it was a lot of fun.

NG: Why was it fun?

DM: For a number of reasons, some of them just connected with

the fact that it was a brand new enterprise and that meant that in the early days there was much less specialization, and tasks that arose were done by people who were available to do them, and there was an informality about the organization which I am sure is typical of new enterprises in any field. The unique location of Tregaron also gave a special quality to the organization. I think what made it fun, again, was the extraordinary talent of the people who were attracted to work for the company in those early days. Alan Throop, for example, had a distinguished career as a partner in Sherman and Sterling, and came to COMSAT, I'm sure, solely for the exhilaration of being involved in such an important and interesting project; solely for the challenge.

NG: That's how he describes it.

DM: Matt Gorton felt the same way. But I think that was the spirit that was evident among people who held positions of less formal importance and weight.

NG: So there was a real coalescence of just this sense of working together.

MD: Yes. Yes there was. There was a kind of selectivity about people who came to work there. They were

uniquely--perhaps not uniquely talented--but unusually talented group, at every level from responsibility from the directors down to the secretaries. A number of people I haven't thought of years come to mind. There was, Matt Gorton's principal assistant in the early days was a delightful woman, Pat Waring, and she was, besides here competence in doing her job, was just very high spirited as so many of the younger people were. It was a good group.

NG: Okay. Thank you.