

COMSAT HISTORY PROJECT

Interview with Joseph V. Charyk

Vol. 1

Interview conducted by Nina Gilden Seavey

First Interview with Joseph Charyk
COMSAT Headquarters
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NG: Alright. Why don't we start out at the very, very, very, beginning. You're Undersecretary of the Air Force and it's 1962. The legislation has been proposed by John F. Kennedy. Where are you right then?

JC: Well, as you said, I was Undersecretary of the Air Force.

NG: Right, but in relation to....

JC: I was paying no attention to the legislative activity, didn't even know there was such an Act passed.

NG: Okay, so basically your involvement, then, starts on what day?

JC: Well, actually, I had indicated to [the] Secretary and Deputy Secretary of Defense that I would be leaving the government. I was already something like two years overdue, but a number of events, such as the Cuban Missile Crisis had intervened to keep me in the Pentagon longer. After the Cuban Missile Crisis, which was in the Fall of '62, I indicated that

the time was now ripe and that I would be seeking appropriate opportunities outside the government. So, I communicated that to the Secretary and Deputy Secretary of Defense in the, really the tail end of 1962. My first contacts in regard to communications satellite activity were probably in November of that year.

NG: November of '62

JC: '62.

NG: Okay, the Act having been passed in August....

JC: The President, in the meantime, had appointed a Board of Incorporators and they had had a number of meetings and had been deliberating on how they should proceed and in particular, the selection of people for the company. My first contact on that subject was with Phil Graham and [it was] probably in late November or early December.

NG: Do you know what time of day that was?

JC: It was breakfast.

NG: About what time? When was the first time you heard from

Phil Graham?

JC: Oh, I heard from Phil Graham early one morning, probably 1:00 a.m. or something of that sort.

NG: Like 3:00 a.m.? Something like that.

JC: Well, I'm not sure what precise [time], but I would guess maybe like 1:00 a.m.

NG: But it was in the middle of the night, wasn't it?

JC: Right, right, yes. Basically, it was an inquiry as to whether I would be able to meet him in Los Angeles the day after.

NG: Did you do that?

JC: And that worked out, that I did meet with him at the Beverly Hills Hotel and we had breakfast and we took a walk around the area.

NG: Did your wife go with you on that trip?

JC: No.

NG: Okay. At that time....well, first of all, were you surprised to have received that phone call? Obviously, that time is a little odd, but....

JC: No,no, because Roz Gilpatrick, who was Deputy Secretary of Defense--after we had discussed my departure from the Pentagon--had suggested a number of things that might be worth exploring and he, in the course of listing the kinds of things that I might conceivably be interested in, mentioned the Communications Act of '62 and said that Phil Graham was the Chairman of the Board of Incorporators and that he would talk to Phil Graham and perhaps Phil Graham would get back to me.

NG: Alright, now at that time, did you have any other job offers or had you investigated any other opportunities.

JC: There were a number of other contacts that....a number of other approaches rather, that had been made to me.

NG: So here you are in Los Angeles in the Beverly Hills Hotel. What does Graham say to you?

JC: Well, he basically says that they've got the responsibility to set in motion this new corporation and that he thinks it's

going to be one of the greatest things that has ever happened and it's impact on the world is going to be profound, because it's going to provide a linkage between all of the countries of the world and dramatically change the nature of the world and that he has heard from a variety of people about my work in the Pentagon and so on and he believes that I would be an excellent Chief Operating Officer for the company and he thinks that I should seriously consider taking such a job. They have to find a Chief Executive Officer, but that's going to be easier to find than a Chief Operating Officer.

NG: Now, your actual involvement with satellites had been what....in the development of satellite technology had been what?

JC: Well, I had been responsible for most of the Department of Defense's satellite programs.

NG: Okay, so they were primarily reconnaissance satellites though? No?

JC: A variety of satellites, including some efforts at communications satellites.

NG: Now, your contact with Graham left you with, at that point,

a firm offer and....

JC: No, it was really an exploration of my potential interest and really, an indication by him that he felt that this was a unique opportunity for me, that he would assume that I would see it that way and consider it to be better than my offers that I might have and that he would be discussing a potential offer with the Incorporators.

NG: Okay, now did you get the impression that he was speaking on behalf of the Incorporators--or that he was speaking to you as an individual who was, obviously, in a position to at least explore?

JC: Graham was the type of a person who acted in a very positive way and I gathered that he felt that he was the Chairman of the Board and it was routine to get Board approval for anything that he wanted to do. It turned out that there were a lot of controversies between him and the Board of Incorporators. But, he was a very gung-ho type. He was the type of man who took actions and got approvals later.

NG: Yes, okay. So what you're saying is, is that he may or may not have been acting with the approval of the Board?

JC: Right. I suspect on the basis of the first contact that he probably had not discussed it. He subsequently did, however.

NG: Alright, now you come back to Washington. You begin to think about it and what are your thoughts then?

JC: Well, I keep getting calls from Phil Graham....

NG: Oh, so he's [inaudible]

JC:and I go over to see him I don't know how many times over at his office at the Washington Post.

NG: Did you meet a man [named] Max Isenberg at that time?

JC: Sure.

NG: And what was his and Graham's--at that point--involvement?

JC: Well, I think he was acting as kind of an assistant to Graham in helping develop all of the necessary details relative to the establishment of the company and helping him do some of the planning relative to the organization of the company.

NG: Okay. How many of these meetings would you say transpired

between you and Graham during this time?

JC: I would say in the month of December, probably three or four.

NG: Alright. Now, at what point did you finally decide to, at least, you know, take the offer seriously enough to consider becoming President of the Corporation?

JC: Well, what they were trying to do was to find at the same time, both a CEO and a COO and announce them together. So, there was a continuing dialogue with the Board of Incorporators, relative to a CEO.

NG: Were you involved in that discussion at all?

JC: There were, later on, there were certain names that were discussed with me. As a matter of fact, I did meet with at least one other candidate before I met with the finalists.

NG: Who was that?

JC: The final candidate, of course, was Leo Welch.

NG: Right, but....so, you're saying that you did not meet with

anybody else?

JC: I say I did.

NG: You did and....

JC:with some other potential candidates.

NG: Who were they?

JC: Well, one of the persons that I met with was Bud Gray, who was the Chairman of Whirlpool.

NG: What happened to his nomination?

JC: Well, I think that there were discussions going on with a number of people, with a view to sort of narrowing the field and then making an offer to a specific individual.

NG: Were you involved in any discussions about General Narstadt's nomination?

JC: Sure. I went to see General Norstadt with Phil Graham.

NG: You took Air Force One on that flight didn't you?

JJ: Well, we took one of the three Presidential aircraft.

NG: Yes, the Presidential aircraft. That was also sort of a short notice type thing?

JC: Very short notice.

NG: Day before type operation, yes. Now, your wife did accompany you on that trip, didn't she?

JC: She did, she did.

NG: As did Mrs. Graham?

JC: No, Mrs. Graham did not.

NG: No, okay. Who else was on that trip when you did go to to meet General Norstadt?

JC: Let me see if I can recall. There was a different set of passengers going and returning. In other words, after Paris we went to Spain and we picked up some people in Spain and then

came back from Spain.

NG: When you say, "Some people," who do you mean?

JC: Well, there were a number of people who were involved in meetings in Spain. The one person who I specifically remember was on the airplane coming back was Paul Nitze....

NG: Okay.

JC:and going over was Clark Clifford....and coming back, also.

NG: Was Nitze, at that time, being considered for any of the roles in COMSAT?

JC: No, no.

NG: Okay. That meeting in Europe took place in January, I believe--early January.

JC: I think that's right.

NG: Right. Was there a firm offer made to Norstadt?

JC: No. It was, again, a typical Graham discussion, suggesting that this would be a natural and that this would have far-reaching global implications and that his name would be enormously important in developing this thing, etc., etc. Basically, it was a pitch to Norstadt to seriously consider such a possibility. I don't believe that Graham probably had discussed this with the Board of Incorporators. In other words, he felt that his job was to go out and decide what would make sense and then to recommend it to the Board to ratify.

NG: Alright. Did you have contact with other members of the Board, say Sam Harris, who would have been a Vice Chairman type person, or some of the other people who were actually--Leonard Marks--people who would have been playing a fairly active role?

JC: Leonard Marks and Bruce Sundlun came over to have lunch with me at the Pentagon one day. That was, I guess, in the early part of 1963. Then, along the way, I did meet other members of the Board of Incorporators, specifically, George Killion, George Feldman, and so on. Ultimately, I met with a committee of the Board before the formal offer was made.

NG: Uh huh. Who would have been on that committee? Do you

remember?

JC: Well, I remember that George Killion was specifically on it and I believe George Feldman.

NG: Okay. Was Sam Harris on that committee?

JC: I don't think so.

NG: As you were engaged in these discussions, were there specifics being discussed about: the form that the company would take, the kinds of satellites that would be put up, the kind of world organization that would be developed?

JC: No.

NG: What kinds of things were happening in those meetings, then?

JC: Well, the meetings were simply trying to get a better feel for my background and my personal characteristics, and I think as a way of permitting the Board of Incorporators to judge whether, in fact, I would be a suitable CEO [sic-COO] for what they thought the organization needed. Also, the approach was to try and find a CEO and a COO that would be complementary to each other, basically the thinking being that the CEO would be

someone with extensive business experience, since one of the big problems would be raising the capital for the new company and all the financial contacts and so on. The CEO [sic-COO] would basically have the responsibility to develop the concept for what kind of a system was needed and all of the matters relative to the establishment of a system.

NG: Okay. So, at that time, you were unaware of, say, different viewpoints on whether we would be engaging in multilateral or bilateral agreements with foreign nations, whether or not it would be a medium-range or geosynchronous system?....

JC: I don't think the Board had....

NG: They were not really....

JC:[was] focusing on these kinds of issues at all.

NG: Okay.

JC: They were assuming that the new management, when put in place, would be wrestling with all of these things and it was not the province of the Board to try to deal with these kinds of issues. They would be dealt with by the new officers of the

company.

NG: Did Graham take that same position?

JJ: Graham's position was....yes, I would say so. In other words, he was very convinced that this was going to have an enormous impact on the world and it would be one of the great corporations of the world. He assumed that the details could be handled by the management that was selected.

NG: Did he, to your knowledge, engage in any discussions--whether official or unofficial discussions--with foreign nations, while you were in Europe in the meeting with General Norstadt?

JC: No, I'm sure he didn't .

NG: Okay. Were you aware of anybody else who was being considered for your position?

JC: Not explicitly, no. I know that there had been contacts made with some people with technical backgrounds, but specifically for what position, I was not aware.

NG: Okay. Well, let's move along just a little bit, then, to

the point where they actually decide that you were going to be President and Chief Executive Officer of the company.

JC: Chief Operating Officer.

NG: Chief Operating Officer, I'm sorry. That offer was made to you when?

JC: I would guess probably in early or mid-February.

NG: Yes, I was going to say. I think it was early February.

JC: It was as a result of a meeting with this committee that I referred to.

NG: Okay.

JC: And I guess Bruce Sundlun was on that committee, too, now that I think about it. I suspect it was Sundlun and Killion and Feldman.

NG: Would you mind if I asked you what the terms of that agreement were between you and the company? What was it that you expected? What kind of a position they were offering you?

JC: Well, basically, it was to be the President of the company. The compensation was a matter of discussion. A proposal was made on that score and the question of stock options was discussed. That was pretty much it.

NG: Okay. What about Leo Welch? Where is he in the picture in relationship to you?

JC: As I say, I had met with several people who had been under consideration for CEO. Then, a meeting was set up with Leo Welch at the Sheraton-Carlton here in Washington. I met with Leo at the time and he had a lot of questions about satellites and the feasibility of successful accomplishment of what we were talking about. I discussed with him some of my ideas on the state of development of satellites, the kinds of issues that would be involved, the kinds of dollars that would be involved. Basically, it was an attempt to familiarize him with the kind of issues that the company would have to deal with and for him to get a better feeling for the kind of a company that it was going to be and the kinds of problems it was going to have to face. I imagine [these issues were] an element in his decision-making process. Subsequently, I believe the Board of Incorporators decided that he was the best candidate and they had a special meeting with him in order to decide whether they

wanted to make a formal proposal to him.

NG: Now, if you had to characterize, briefly, what you told him would be both the challenges and the opportunities for such a corporation, how would you--at that time, in early-1963--how would you have characterized that?

JC: Well, I would have characterized it by saying that the kind of a system that would be able to do the job and the financial parameters underlying that system was not at all clear; that there were many different approaches, that the financial consequences were dramatically different if one approach was successful as compared to another, that it was going to be terribly important to have commitments for use of the system by the carriers and agreement with foreign entities to use the system. An international system clearly depended upon cooperation by parties on the other side. So we would be involved in trying to seek international arrangements at the same time that we were wrestling with the technology, and with the financial aspects underlying that technology.

NG: When you say "International arrangements" or "international agreements," essentially, how did you envision that at that time?

in our first....

NG: When you say, "We," who are you referring to?

JC: Leo Welch and myself. We embarked, shortly after we both got on board, on a trip to Canada and to Europe to meet with heads of the various PTT Administration in the major countries.

NG: Now this would have been when?

JC: This would have been, I would guess, in May or June of '63.

NG: Okay, so several months later on, okay.

JC: We then went to Canada, to London, to Paris, and I can't recall whether on that particular trip we also went to Germany and Italy, or not.

NG: Now was this also with State Department....under the auspices of the State Department, or was this an independent effort?

JC: No, this was a....basically, we informed the State Department that we were going. We notified the embassies in

JC: Well, the general thought that I had was that first of all, we would have to convince foreign administrations that this was a sensible economic undertaking. Satellites were pretty new at this point. There was a modest amount of experimental work that had been carried out and some stations had been built in other countries--specifically France and England and there was a minor station in Italy--and they were working with NASA as part of an experimental earth station program. But, to translate that into actually utilizing a satellite system for operational traffic was a big step.

NG: Sure.

JC: The discussions with the carriers had suggested that they thought the greatest success would lie in bilateral agreements, which were the kind of agreements that they had found to be very successful in their cable meetings and all of the cable agreements were on a bilateral basis. They felt that that was essential for successful implementation of this system and that we should deal with the PTTs and strongly avoid the foreign offices. NG: The foreign offices. Did you agree with that view at that time?

JC: Yes, as a matter of fact, that's the approach that we took

these countries that we were meeting with PTT people, but we did not seek any assistance really, from the State Department. On the other hand, there had been an earlier visit to all of these countries by a representative of the State Department, Gil Carter.

NG: Right.

JC: That was a source of some unhappiness, in that the people who favored the contracts with the PTTs and the bilateral agreements were very upset that, here, the State Department was embarking on contracts with foreign offices and ginning up the foreign offices to basically take an interest in the subject and that when the foreign offices got involved, that was going to greatly complicate the task of getting agreements.

NG: When you say, "the people who were upset about this," are you talking about the international common carriers?

JC: I'm talking about the Incorporators and the carriers.

NG: The Incorporators and the carriers. So essentially, the Incorporators had taken this view too, that possibly the bilateral negotiation might be the most efficacious?

JC: Well, I think they were basically listening to the carriers. There had been discussions with the carriers, obviously, because under the provisions of the legislation, the carriers were to have half the ownership. So the Incorporators were very sensitive to that and therefore, embarked rather early on consultations with the major international carriers. NG: Were you ever contacted by any of the [carriers], say, AT&T, ITT?

JC: Well, we actually went to see all of them.

NG: When you say, "We," you mean....

JC: Leo Welch and myself.

NG: And this was after the time that you had already been named as President and Chairman of the Board?

JC: Yes, yes. As a matter of fact, one of our first missions was to embark on discussions with [the carriers], particularly AT&T, RCA, ITT, and so on.

NG: But, those contacts had not been made prior to your actually having been appointed?

JC: No, no.

NG: Okay. When you engage in these discussions with....first of all, was that, at that time, say, Jim Dingman....

JC: Harold Bodkin.

NG:Harold Bodkin, and Horace Moulton from AT&T and then, Jim Dingman and Harold Bodkin. So that the most active people, however, were Jim Dingman and Harold Bodkin.

NG: Bodkin.

JC: Harold Bodkin was their international man. He was the person who knew the names of all the people in the PTT and who the proper contacts would be and so on. So, our most extensive dealings were with Dingman and Bodkin.

NG: Alright, now at ITT you dealt with Geneen....

JC: At ITT, we dealt with Geneen.

NG: Exclusively with Geneen or with Westfall and Black as well--at that time?

JC: No, Westfall and Black were not involved in any of the original contacts.

NG: Okay. Now, at that time....

JC: AT ITT, you didn't talk to anybody but Geneen.

NG: But Geneen. That's probably true. During the course of those discussions, did you....was there discussion about--not just the kind of organization, whether bilateral, multilateral, whatever, that would be embarked upon--but also what kind of satellites should be put up?

JC: Yes, yes.

NG: What would be the nature of those discussions?

JC: Well, the feeling of the carriers, basically, was that the lower altitude satellite were probably going to be the way to go, because that was going to be the only way in which you were going to get an adequate confidence that you would, in fact, be able to establish a system and have the voice communications acceptable. There had been tests in that time-frame at the Bell

Labs, which had suggested that the time delay was going to be a pretty serious problem. But basically, you got the feeling that the carriers felt that satellites were still some time in the future and it was unlikely that in the near term you would be able to have an economically, operationally, sound telecommunications system involving satellites. So, I don't think that they gave much of an indicator that this was going to be a factor in international communications in the near future, except on a kind of a limited basis between certain major countries.

NG: That leads me to my next question, actually, which is....

JC: That again, supports the idea of the medium altitude satellites, because in order to utilize such a medium altitude system, you need rather sophisticated, expensive, earth stations.

NG: Exactly.

JC: It was obvious that only a handful of major countries were going to be able to afford such things.

NG: Exactly. Okay, that was exactly my question. So really the focus of this was not attempting to bring Zimbabwe....

JC: Not at all.

NG:into communications with France....

JC: Not at all.

NG:it was more that we would have another alternative to our communications with France, other than just cable.

JC: Exactly.

NG: Okay. Was there, at that time--and maybe I'm referring maybe to more ITT, rather than AT&T--is, was there any hesitancy on their part, in the very beginning, to invest in COMSAT?

JC: All the carriers expressed considerable reservations about a major investment, again, because they felt the technology was still in the very early phase. Reliability was going to be a factor. Quality was going to be a factor. A lot of questions of major importance still had to be addressed and that a large investment would present serious problems. I think, if anything, there was a certain amount of pressure being suggested to keep the original size of the original stock

offering down. [There was] a concern that if we went for too large an initial stock offering, the carriers might find it very difficult to justify the investment of 50% of that for their participation.

NG: Well, how did it happen, then, that we end up with a capitalization of \$200 million?

JC: Well, we carried out a number of studies within the new corporation of what the financial consequences would be of a medium-altitude random, a medium-altitude phase, an a synchronous. We got a range of numbers which was pretty broad and it was a....not at all clear what amount of money would ultimately be required, but it was felt that if we weren't able to raise \$200 million, that we would at least be able to get to the phase of establishing some sort of a system and then have a better basis for deciding what additional funds would be needed to be able to quantify it, and at that time, either go a debt route or a convertible or another stock issue, or what have you. But, we felt that it was essential to have enough money that we could really demonstrate what a system could do. [Our thinking was,] "The thing we must not get into is a situation where we spent all the money and we haven't demonstrated anything yet."

NG: Right.

JC: That was a desire, therefore, to lean a little on the heavier side as compared with what people's sort of original feelings were. Some of the Incorporators--in particular, one--John Connor, felt that the Incorporators should not attempt to judge what kind of a system was needed, what it was going to cost, that we ought to raise a minimum amount of money, just to get the show on the road. Then, when the carrier Directors came on Board, they were going to have to be the users of the system, and they were the professionals, and they were in the best position to decide what the financial scope of the undertaking should be.

NG: Right.

JC: That was quite an argument within the Incorporators as to whether we should go for an initial offering, which was a very modest one, get the carriers on board, and then go for a major offering. Or, whether we should try, in step one, to go far enough that we could establish a system and then be able to demonstrate the potential of satellites.

NG: Alright. Now....

JC: Of course, as you know, the decision came to go for the larger amount....

NG: Right.

JC:which was, I suspect, a decision which the carriers were somewhat unhappy with.

NG: Okay, that was my next question. Now, did they express that to you or that's just your surmising that?

JC: No, when they heard the number, they expressed some concern that this was really taking an awfully big bite and that they would have to give some very serious consideration to whether they wanted to step up to....

NG: that level.

JC:the hundred million [dollars worth of stock] that would be available for the carriers. AT&T, in particular, indicated that they were prepared to invest. They didn't know about the other carriers. They had some doubts as to what the other carriers would be prepared to invest and what would happen when they decided what they would be willing to contribute. The balance would not be forthcoming.

NG: Uh huh. What do you think brought AT&T around?

JC: Well, I think....AT&T was always prepared to invest.

NG: But to that level?

JC: Well, they didn't know what the level was going to be, because the carriers were going to have to contribute ahundred [million dollars].

NG: Right.

JC: AT&T was going to have to make some determination as to what it was going to invest. But, they had no feeling as to whether the balance would be picked up by the other carriers or not. As a matter of fact, I think they had some real reservations as to whether the other carriers would be willing to take up the balance, in order to produce the hundred million....

NG: Right.

JC:and a concern as to what would happen in the event that the other carriers didn't step up to it and produce a situation

where the full hundred million was subscribe to. So, AT&T had to decide how much they actually wanted to subscribe to.

NG: And then everybody else was expected to follow suit if that happened?

JC: Well, except that nobody was going to know what anybody else was going to contribute until all the bids were in, so to speak.

NG: So, how did it work?

JC: Well, how it worked was that it was basically oversubscribed, so it was worked back to the hundred million....

NG: Right, okay.

JC:on a pro-rata basis. Well, actually, I think what happened is it came out of AT&T's share. In other words AT&T, I think, strongly felt that there would be a serious problem if the carriers didn't step up to their share of it and that when they finally decided what they were going to invest, they tried to come up with a number big enough so that their contribution, together with the other carriers, would probably make the hundred.

NG: Why all that social consciousness on the part of AT&T?

JC: Well, you say, "Social consciousness." Why do you say, "Social Consciousness." I don't think there's anything social about this.

NG: Well, it's a new technology. It's a technology that obviously was initiated by the government....

JC: Well, basically, you've got to recognize that the carriers didn't think that this was the way to go.

NG: Precisely my point.

JC: That basically....

NG: This could could have been a throwaway for them.

JC:they thought that the way it should go is that the carriers should be able to take this new technology in their stride and move ahead with it.

NG: Exactly.

JC: So they were all, basically unsympathetic to the creation of this new kind of an entity. They basically wanted to control the pace and the direction that this technology would move and in this environment, it was going to be a little awkward to do that. But, on the other hand, if after the Act was passed and this was law, it looked as though they were dragging their feet, that that could have unsavory aspects too. So, they wanted to demonstrate to the government that they were going to cooperate, even though they didn't like the idea, even though the whole approach was not what they would have selected--that they weren't going to be dogs in the manger.

NG: Okay, that's what I'm driving at, alright. JC: In particular, AT&T was terribly sensitive to the idea that they didn't want to be accused of somehow working--well, not necessarily working against its success--but not fully supporting the decision that had been made by the Congress and the President.

NG: So, they were really in a political position, where they....I mean, they were a large regulated monopoly and....

JC: That's right and they had to look cooperative.

NG: Right, alright. What about ITT?

JC: Well, they didn't have the same inhibitions....

NG: Exactly.

JJ:because they were a relatively small actor in this thing and it was a surprise to everybody that they came up with the money that they did. In other words, the general betting beforehand was that RCA and ITT probably would be about the same level of participation. So, it was a great surprise, I think, to AT&T and I guess to most people, that ITT came to with the major investment that they did come in with.

NG: Let me ask you a question. Let me go back just a little bit to, you know, the February/March period. Did you ever attend a meeting at the F Street Club with the Board of Incorporators?

JC: No. I heard about it, but I was never there.

NG: What did you hear about it?

JC: Well, that was where there was some violent disagreement between members of the Board of Incorporators.

NG: What--just from your hearsay recollection--would have been the nature of that controversy?

JC: Well, I think that it would have been a discussion relative to the freewheeling way in which Phil Graham was proceeding and a feeling on the part of some of the other Incorporators that decisions should be made by the total Board and that Graham was freewheeling too much and doing too many things without consultation. So, I guess that got into some sort of an argument between Graham and some of the members of the Board of Incorporators. I heard that there was some rather tough language....

NG: Yes.

JC:that ensued. I think that was also an indication at that time--or conviction perhaps by most of the Incorporators--that Phil Graham was not well.

NG: Right, I think by that time it was clear that he was fairly disturbed.

JC: Right, uh huh.

NG: Now, actually, I think it's in March of '63 that he....I

think it's actually in March '63, that he actually kills himself.

JC: No, I don't think it's that quick. See, I became....

NG: I think he drops out of the COMSAT scene....

JC: He drops out of it very quickly because he's progressively getting worse....

NG: Right, so maybe that's....

JC:and then he attends some sort of a meeting, I believe in Arizona--Phoenix, I believe the place to be--and acts in a very bizarre way.

NG: Right.

JC: Then some people go out to bring him back and then he is put under appropriate care at that time. I believe that it was after that, that the Incorporators had to make a replacement for him and then Sam Harris was....

NG: Right, okay. Now, let's talk about that transition then, from how you would have viewed it. Sam Harris is clearly a

very different kind of person than Phil Graham. You know, he's a very conservative, well-heeled business-type.

JC: You know, it is bizarre that he then, ultimately kills himself.

NG: Yes, he does. He throws himself out of a window.

JC: Isn't that bizarre?

NG: That is very strange.

JC: The two first Chairmen end up that way and [they were] people who were so different, so completely different. I mean, Sam Harris was a very soft-spoken, very deliberate, very organized individual, in complete contrast to the free-wheeling Graham.

NG: I actually--this is just a side [vignette]--I came across a very morbid picture one day, of Phil Graham, Sam Harris, and Leo Welch, all of whom came to very inauspicious endings, you know. It was really quite eerie I have to say. Let's talk a little bit about that transition from Graham to Harris. Did that change the nature of your interaction, or Leo Welch's interaction, with the Board of Incorporators and the direction

that they might be moving the company.

JC: Well, it became a much more orderly activity--much more organized. I mean, meetings were scheduled, committees were established. It proceeded on a more conventional basis, shall we say? So, I think that that was a very reassuring development, viewed that way by almost everyone.

NG: Okay, if you can hang on just one second. [Turns Tape Over]

NG: Had the site of Tregaron been chosen and moved into by that time? What is your recollection as to the time at which there was actually a COMSAT Headquarters?

JC: Well, when the offer was made to me and I had accepted, I was informed that arrangements had been made to initially occupy Tregaron. I guess in late February, I made a visit to Tregaron in order to look over the situation....

NG: Don Greer was with you at that, wasn't he?

JC: I think he came over with me. He was an assistant to me at the Pentagon and I think he came over with me to look at the set-up. We looked at the arrangements and tried to figure out what sort of an office pattern we ought to establish, because

JC: Yes.

NG: How did that start out? How did that start out...now, I think actually, David Melamed was already on.

JC: He was already on board, right. I guess there were probably something on the order of five employees at the time that I came on board. My main focus was to go after people who would be able to handle the system development aspects: the system analysis and the technical questions that were involved--both in the satellites and earth stations--the necessary legal talent, financial talent, and international talent. So, those were the main--major focus of my efforts.

NG: So, what you essentially do, is to start to find somebody like Sig Reiger?

JC: Yes, I had met Sig Reiger earlier. As a matter of fact, before I took the job I had a visit to Rand while I was still Undersecretary of the Air Force and Phil Graham was on that visit also. The purpose of the visit--which had been set up by Phil Graham--was for the purpose of hearing what Rand had concluded relative to the future and feasibility of satellite communications systems. Sig Reiger was in charge of that

it was really a very unusual building and not really designed with an office complex in mind. So, the only thing that was fairly clear was that the dining room would be the Boardroom. Thereafter, we'd have to figure out what kind of office complex....

NG: I think the kitchen was the copy room or something.

JC: Well, I'm not sure that was the case originally, it ultimately became that. But, the only thing that was obvious was that the Boardroom and the dining room would be....or that the dining room would become the Boardroom. There had been a couple of offices configured at one end, I guess at the west end of Tregaron, with the idea that they might be offices for Leo Welch and myself, but I didn't think that they were suitable. There wasn't adequate privacy and they were noisy. When Leo Welch came down, he agreed. So then, we both looked at what other office possibilities....

NG: I think you move upstairs to the master bedroom?

JC: I moved upstairs to the master bedroom and he took over the library on the first floor.

NG: You start to do some hiring now, actually.

presentation by Rand.

NG: Although that presentation--or the report that developed into that presentation--if I'm not incorrect, advocated a geosynchronous system, didn't it?

JC: That's right.

NG: Which then in hiring Reiger, in a way, you're sort of stacking the cards?

JC: Well, he clearly was one of the individuals in the country who had spent more time studying the problem than anybody else. He appeared to be very, very sound technically [and had] very good judgement. They had looked at only certain aspects of a system and, in particular, had not really dealt with the question of voice quality, which was going to be terribly important to such a system.

NG: Sure.

JC: I thought he was the kind of a person who would operate in a very objective, rational way. Even though the study--this particular study--had favored synchronous, that in looking at the problem that would be faced in developing a system that the

carriers would want to use and that the foreign entities would be prepared to use and invest in, that a lot of other questions would have to be included; other than the ones that had been factored into the Rand study. And that here was a guy who was not only knowledgeable, but very objective.

NG: Had you thought about other people, say somebody from Bell Labs or....

JC: There had been strong suggestions that we ought to get somebody from the Bell Labs.

NG: I would think so.

JC: We did, in fact, talk to someone from the Bell Labs who had been suggested....

NG: Would that have been John Pierce?

JC: No, I'm just trying to think of the guy's name. He had been involved in their TELSTAR activities. I just think of his name at the moment. We can come up with it, I'm sure. But, (a) I wasn't particularly enamored of AT&T selecting the chief technical guy, that I thought that we ought to have an independent individual. I thought also, the individual that

had been named by AT&T was somewhat too far down the line. As a matter of fact, I came back with a counter-proposal--that if we were going to go to AT&T--I would like to approach another individual, who happened to be Ken McKai. That produced a little bit of a problem with AT&T, in that I obviously couldn't approach Ken McKai without their blessing. On the other hand, they were not very enamored with the idea of approaching Ken McKai.

NG: Sure

JC: So, it was basically left that they would explore with Ken McKai any potential interest in an approach, which they proceeded to do and then came back and said that he would not be interested. So, I never had the opportunity to directly talk with Ken McKai about....

NG: So, essentially, Reiger takes that key position.

JC: Right.

NG: now, Throop takes the position of....

JC: General Counsel.

NG:General Counsel. How does that happen? Who does that ?

JC: Sam Harris is the activist on that one. [Pause in Tape]

NG: Alright, you were talking about the hiring of Allen Throop and Sam Harris being the advocate on that.

JC: Yes, Leo Welch had, in particular, approached Sam Harris with the idea of getting some ideas on legal talent in New York. They wanted someone with a lot of business experience and particularly someone who would be familiar with SEC matters, because one of the big issues was, of course, going to be the [stock] prospectus. Out of that inquiry came the suggestion for Allen Throop, who was a very meticulous individual and who would be superb to insure that the Incorporators didn't get into any trouble with the SEC in regard to matters associated with the initial stock offering.

NG: Although Throop had never really dealt in a regulated area, in the sense of, say, the dealings that we would have had with the FCC?

JC: No, but the feeling was that the first order priority was the stock offering--that was dealing with the SEC--Throop had a

lot of experience in dealing with the SEC. Also, at his age, he wasn't going to be there very long....

NG: Right. He was already retired, I believe.

JC:and the idea was to get younger people who would work for him and these would be the people who would have the FCC experience, but that the number one priority was to ensure that we got the initial stock offering--got the money with which to operate--and that Allen was a perfect candidate for that.

NG: Okay, well the next time that we meet, I think what we'll do is we'll start with when John Johnson comes on the picture, because that leads us into....

JC: International things, yes.

NG:kind of an area, alright?

JC: Fine [Interview End]

Second Interview with Dr. Joseph Charyk
April 1, 1986
9:05 a.m.

NG: So now we're at the point where John Johnson comes on. Why don't you explain to me a little bit about how that process happened, who brought him on, and under what conditions, and that kind of thing?

JC: Well, I had known John Johnson in the Pentagon. He had been the General Counsel of the Air Force and we overlapped at the time that I came into the Air Force Headquarters. Subsequently, he moved from the Air Force to NASA as NASA was developing speed. In the Air Force, he had been involved in some of the base negotiations with other countries--particularly Spain--and had a very good reputation for the quality of his negotiating for these bases. Of course, when he moved over to NASA, he had not only the normal NASA responsibilities of General Counsel, but also the development of relations between NASA and other countries for cooperation in the space program. So, he was a natural person to think of when we began to look at the problem that we would have in working out arrangements with other countries of the world. So, at that time, I approached him. Subsequently, he met with Mr. Welch and we agreed to extend him an offer. Of course, he accepted.

NG: Now, what is John Johnson's initial charter when he first comes on, as you and Mr. Welch see it?

JC: Well, it was clear that if our enterprise was to be successful, we were going to have to develop relationships with other countries because communications, as we've discussed before, is a two-way street. Unless you have an understanding with the other guy, you don't have a communication contact. So, we were going to have to, first of all, convince other countries that satellites were here, and they were going to be a viable, economic way to communicate and we were going to have to develop the relationships with these countries that would lead them to participate in such an undertaking. So, we viewed his job to be that of following-up the contacts, leading ultimately to an agreement, and then extending the scope of the enterprise. I mean, after we had established the basic nucleus of, oh, a dozen or fifteen countries that entered into the interim agreement in 1964, then of course, the problem was to extend the scope of the agreement. Even before that--I'm not sure I mentioned this before--but, in our original negotiations with the Europeans, they wanted to do it on [the] foreign office level; which is contrary to all of the things that people said we ought to do. But nevertheless, that's where the Europeans came out. It was clear that the Europeans were going

to operate as a bloc. We could not tolerate the situation where we would have a stand-off, with the United States on the one hand and Europe acting as a bloc. So, it was important to get other countries into the act. John Johnson was responsible directly for pursuing the Canadian initiative, and developing a Japanese initiative and an Australian....

NG: Australia, right.

JC:and ultimately, it was the combination of Japan, Australia, and Canada that broke the deadlock, because the interim agreement basically had a provision that a European bloc could not frustrate an action; that if we could garner the Japanese, Australian, and Canadian votes, we could proceed. We had taken the position we could not enter into an agreement where we would be foreclosed from carrying out our mission by Europe acting as a bloc. So, it was this vehicle of Canada, Japan, and Australia that was the triggering mechanism that permitted an agreement to go forward--where we could be satisfied that Europe, acting as a bloc, could not stop a decision--provided we could convince Canada, Japan, and Australia.

NG: Australia, right.

JC: Now, when you say the Europeans wanted to work at the foreign office level, meaning they didn't want to necessarily have the PTT's negotiating for their countries....

JC: That's correct. That was not a decision of the PTT's.

NG: Right.

JC: The PTT's would have loved to carry on the same kind of relationships that they always had with AT&T and the other carriers. But, the thing had been escalated to the foreign offices, who were not going to let the PTT's negotiate this with the countries in question.

NG: Now, and so the United States, by this time, had dropped that notion of bilateral agreements?

JC: Yes, there was clearly no alternative....

NG: Right.

JC:because Europe was going to act as a unit....

NG: So that was acceptable by that time?

JC: It was acceptable because there was no alternative--not that they liked it. The carriers never liked that idea.

NG: Although, how did COMSAT view that situation as it related vis-a-vis the State Department? How did Johnson and you and Mr. Welch see your relationship with the State Department working at that ministerial level?

JC: Well, we had some difficulties with the State Department because we contended that contrary to most other arrangements, where the State Department was preeminent, in the COMSAT Act it was very explicit that the Corporation had unusual powers to negotiate. As a matter of fact, the language of the Act says that, "When the Company engages in international negotiations, it shall inform the State Department, who shall advise it of appropriate foreign policy considerations." So, we were basically saying, regardless of what everybody else is doing, "We have the authority, under the Act, to negotiate this thing and you can tell us about foreign policy considerations, but, we're the prime mover." Now that, obviously was a position that the State Department did not look upon very favorably. They felt that if this was an international negotiation--certainly if it involved all of the European countries--they ought to have a dominant position. So, there was quite a thing back and forth with the State

Department on who would be the representatives at various meetings.

NG: What was Mr. Welch's position on that?

JC: Well, he was pretty tough on that. I can remember a meeting with Dean Rusk when the question of who would be the head of the delegation was involved. Basically, the State Department was taking the position that they were going to conduct the negotiation. Basically, Welch told the Secretary that, "Well, I hope you have a good meeting, because we're not going." [Laughter] Obviously, that created a bit of a stir. The compromise was that the State Department would provide the Chairman and COMSAT would provide the Vice Chairman. That was a pattern then, that continued for quite a while. I can remember some of the subsequent meetings where, although that principle was preserved, the State Department representative more or less convened the meeting and really didn't participate very much. He simply turned it over to the Vice Chairman. I can remember one of the key meetings in London, where I was the Vice Chairman and David Bruce was the Chairman. David Bruce came to greet the participants and [made] some welcoming remarks and then said he had other things to do and left. So, the principle was preserved, but there was no sign of the Chairman of the meeting--or of the U.S. Representative,

rather--until the end of the meeting again.

NG: Although, the State Department view of it is essentially that COMSAT worked more on the technical level, that the State Department worked more on the diplomatic, international level. Would you characterize it in that same way?

JC: No, I wouldn't at all. I would....we were very much concerned in the economics of the thing. We were not going to enter into any agreement where the terms and conditions would prevent the enterprise from operating in a sensible, businesslike fashion. So, we were interested in all aspects of the thing and not just the technical aspects. The technical aspects were actually kind of minor, because there was only so much technology available and the choices were fairly clear. We had limited experience on the different kinds of satellites. People knew roughly what you could do. So, the real question was the kinds of terms and conditions that would be in agreement. How would decisions be made? How could decisions be frustrated? What were the financial terms of the agreement? What were the voting provisions--all these kinds of things? So, these were far more dominant than any technical considerations. As a matter of fact, very little time was spent in those negotiations on technical matters. It was assumed that the technology was there in one form or another

and ultimately would be successful.

NG: Ultimately work out.

JC: The question is, who voted? What kind of a majority was required to make a decision on what kinds of issues, etc.? So, I would not characterize it that way at all.

NG: Alright. Let's add another player into the equation, which is AT&T, who obviously plays a key role in at least the garnering of support from the Europeans. How does that, in a sense, triumvirate work--where COMSAT, Jim Dingman, as a representative from AT&T, and, say, Gil Carter from the State Department ultimately go as a delegation to approach the Europeans?

JC: That never worked that way at all. They were quite separate activities. Gil Carter's activity was on his own. He went touring around the world, talking to people about what the United States was doing. As I mentioned last time, the carriers and COMSAT took a rather dim view of that. I think the carriers blamed that activity for the escalation to the foreign office level. In other words, I think the carriers felt that had Carter and the State Department stayed home, we would have been able to work out these bilateral agreements

with the PTT's and the foreign offices would never have become involved. But before COMSAT really came into being and made any contacts, Carter was on his tour. So, we then followed up in an environment where he had already said how important this was from a foreign policy point of view. So that position could not very well be ignored then, by the people in the foreign offices in the European countries, since they were the people that he had visited. Then, when we began to make our contacts, it was clear (a) that they weren't going to deal on a bilateral basis, and (b) that the PTT's were not going to be allowed to make these kinds of decisions--that the foreign offices were going to be involved. That led us into meetings with both the foreign offices and the PTT types. Nevertheless, there was a lot of scepticism on the part of the Europeans that this thing was really going to fly, that it was for real. [The Europeans thought] that eventually someday, maybe....satellite communications were great, but it was kind of premature. There was no big rush. Our position was that there was an enormous rush, because legislation had been passed, we had a mandate, we had to move out. So, there was a bit of a potential logjam there between our feeling of urgency and the European's feeling that, (a) there was no emergency, and (b) it was questionable whether satellite communications were going to be viable from an economic point of view. That's where AT&T entered, because at the urging of the White House, [Harold] Bodkin and Dingman

went to a meeting of the CEPT, which is a European conference of PTT's. They then told the PTT's at that meeting that this thing was for real, it was going to move ahead, AT&T was going to be part of it, and they had the choice of either staying out or being a formative part of the whole activity.

NG: A player in that.

JC: That was a very key meeting, because that convinced the Europeans that this was for real, the United States was going to move ahead, and that what COMSAT was saying was, in fact, solid. So you see, there were three completely separate activities. There was the Gil Carter tour before us. There were the meetings that Welch and myself and Johnson had, where we were seeking to move ahead towards an agreement, but some of the resistance that we were encountering....and then, there was the triggering meeting of AT&T with the CEPT that said, "This thing is for real." So, those were three completely separate kinds of activities. Certainly the third one, however, was critical to getting an agreement.

NG: Now, was there a letter that was transmitted by Jim Dingman, on behalf of AT&T, that said AT&T was going to purchase a certain number of circuits?

JC: That came a little bit later. That was a result of a meeting that Welch and I had with AT&T about the fact that we needed some assurance that if, in fact, we got a satellite up and it worked fine and so on, that there would be customers.

NG: Right.

JC: AT&T, as you know, had been making a lot of noises that they had serious questions about a synchronous satellite, etc., etc. So, we said, "Look, if we go ahead and do this and you don't use it and you're the only real customer in sight, we don't have a deal and this whole thing is going to come apart." They said, "Well, we can't guarantee that we're going to use anything if it's not going to be suitable." But, the net effect of all of that was a letter from Dingman that said in the event, (a) that we got the satellite up, (b) that it was satisfactory for commercial telephonic purposes, and (c) that there were customers on the other end, that they would then commit to the use of 80 circuits--or 60 circuits.

NG: 60 circuits, right. Now, when was that transmitted? Do you remember? When was that letter transmitted?

JC: Let's see. I would guess that that would have to be in early '65....

NG: Okay, so it's a little bit later on.

JC:but, we can track that letter down, I'm sure.

NG: Okay. Let me test out a theory on you. Which is there was a conference that you were at in Rome in 1963....

JC: That was one of the earlier ones.

NG: Right. Joe McConnell was the head of the delegation and you were there....

JC: No, McConnell wasn't the head of the....

NG: Yes, he was the head of the delegation.

JC: No, it would have to be Welch.

NG: Not in '63. It was an ITU conference....

JC: Oh, that's a completely different thing. That wasn't in Rome and that had nothing to do with this....the 1963 Conference was an Extraordinary Administrative Radio Conference of the ITU....

NG: Right--for frequencies.

JC:the purpose of which was to allocate frequencies for satellite communication use.

NG: Right.

JC: Joe McConnell was the head of the U.S. delegation for that.

NG: Right. Now, the theory goes that at this conference, that....

JC: That was in Geneva, not Rome.

NG: The Rome meeting was a later meeting.

NG: Okay, you're absolutely right....that there was a test at that time of the synchronous orbit satellite that....

JC: Hughes had put up.

NG:that Hughes had already put up and that it was at that time that, you know, that a lot of the European members who have been a part of COMSAT, got a chance to call their home

countries by use of this satellite....

JC: That was at the end of the conference.

NG: Right. The story goes, as I've heard it--or the theory goes--that it was at that time, as early as 1963, that many of the European foreign partners were convinced that we, (a) could do synchronous satellite and that, (b) it was a voice quality method of communications. Do you agree with that?

JC: Well, if they believed all that, they were terribly good actors, because they never gave any evidence of that in any of the negotiating sessions. AT&T also was not convinced. Actually, it was a pretty simple demonstration. It was a....first of all, it was a four-wire hookup, so that you had no echo problem. It was just a series of telephone calls, under very controlled conditions, from Geneva to various places where they could get with the signal.

NG: Okay. So that theory you feel is marginal?

JC: I think it's highly questionable.

NG: Okay. Alright, so let's move along a little bit....

JC: I think though, that what that probably did demonstrate though, was that, in fact, a synchronous satellite could be put in orbit and that you could talk through it.

NG: Right.

JC: Whereas....

NG: But that didn't mean necessarily that it was a commercial medium?

JC: That doesn't mean it was a commercial venture at all. As a matter of fact, the concern on synchronous satellite outside of the quality, was the lifetime. In other words, a synchronous satellite, first of all, it was much more difficult to get it into a synchronous orbit than a lower altitude satellite. Secondly, it had to be maintained in position. So, there was a serious question as to what the lifetime of such a satellite would be. As you know, even in the Early Bird days, we said eighteen months. Now, if eighteen months was all you could achieve, you never had an economically....

NG: Viable....

JC:sound foundation for a system.

NG: Now, AT&T, even when they go to the Europeans--to the CEPT Conference--and say, "This is a viable....you know, we're going to participate in this thing." The decision on a synchronous satellite had not yet been made. Is that right or wrong?

JC: That's right.

NG: So, AT&T still was going maybe, under the impression that their own system--the TELSTAR-type system--might still be used for certainly, those, high-density, high-used routes. Is that right?

JC: Well, I think that they felt that there was a reasonable probability, that when the synchronous satellite was put up there and tried out in real life, that its performance would not be very good and that we would then be forced to try some alternative approach, namely a lower altitude approach. They thought there was a reasonable chance that that would happen. On the other hand, I think that they were aware that we were going to try the synchronous approach and see how it would work.

NG: So what you're saying is that their support was not necessarily a quid pro quo that a TELSTAR system....

NG: No, not at all. Not at all. I think it was basically a demonstrate that they supported the legislation which had been enacted, they supported the concept thereof, and that it was a decision of the United States to pursue satellite communications and they were going to support it.

NG: Okay. Let's move along then, a little bit into....I guess out of the international field for the moment, because now we've at least got a basic structure there, and start to talk a little bit about Early Bird and the way that we came to the decision to contract with Hughes, to become more committed to that form of orbit. In your recollection, how were those first initial contacts made between Hughes and I would suppose NASA and COMSAT and those other players in the--maybe even somebody like Ed Welch or whoever in the federal government who might have been involved in this?

JC: Well, as you may recall, we felt that there were basically three approaches to a system and we awarded three contracts for studies of the different approaches. The synchronous study was with Hughes. So, we had, as a basis for a decision, the results of these studies, which had been carried out under contract, and we pursued the studies with the parties who had conducted them. As we discussed I think, last time, we felt that the economics strongly favored the synchronous satellite.

NG: Right.

JC:if, in fact, you could get a reasonable lifetime and if the quality of telephonic communications was satisfactory. So, there was a kind of a predisposition, if you will, towards the synchronous, with the key questions being the ones that I've just mentioned.

NG: Okay.

JC: In the studies that Hughes carried out, there was a confirmation, if you will, that the economics of a synchronous satellite system were far superior to the economics of the other systems. The real question was, "Could you get the necessary lifetime?" Hughes was reasonably confident that you could get far better than what we were originally talking about, namely eighteen months and that they could, through the design, testing and so on, achieve greater lifetimes. Nobody was speculating precisely what you could get. Three years, I remember, was a number that I remember that was kind of thrown around, you know, a doubling of the lifetime. But nevertheless, that there was room for substantial improvement there.

NG: Right.

JC: That left as an open question this voice quality. It was clear that would never be resolved until you had actual, real customers using such a circuit with reasonable echo suppression or echo elimination equipment involved. It was clear to us that that was going to be a problem at best, because the echo suppressors that existed at that time, were basically designed for relatively short-distance communications, compared to what a synchronous satellite was going to impose on the system. So, there would always be an echo suppression problem, in the early days at least. But, there again, the technology could probably go after better means of handling the echo problem. But, if the thing didn't work with a four-wire system, then it clearly wouldn't work.

NG: Now, essentially, these proposals were submitted to you when? Do you recall?

JC: Well, I would guess that they would have to have been some time in 1964.

NG: Okay. Now, this ties in then, with the moves to capitalize the company.

JC: Yes, it was necessary, in order to write a prospectus, that we have some idea what the financial magnitude of this thing was going to be. So, we had to have system financial calculations in hand. I think the prospectus does indicate a range of what a system would cost, depending upon which approach you used.

NG: Right.

JC: It was also, of course, a number that we had to discuss with the carriers, because under the law they were supposedly eligible to buy half the company.

NG: And with an implicit understanding that, actually, they would own half the company--that it was not even....that there was an expectation there, that they....

JC: There was an expectation, but there was no way to force them to pick up their half.

NG: Now, when you decided to go ahead and capitalize the company at \$200 million, what was the response to that? I mean, did you know first of all, that you were leaning towards this geosynchronous orbit satellite, which could cost a lot less at that point?

JC: Well, we honestly didn't know. In other words, we were hopeful that the answer would turn out to be synchronous, but we didn't know.

NG: Okay, alright.

JC: We had to raise enough money so that if we were wrong, we could still get to the point where we could demonstrate something. If we were going to go the medium altitude route, 200 [million dollars] was not nearly enough. But, we thought that 200 would at least be enough that you could demonstrate something. We felt that it was essential that you raise enough money so that you could actually demonstrate the viability of a system before you had to go back for additional dollars. On the other hand, \$200 million was a big number, particularly in the carrier's minds.

NG: Yes.

JC: They were somewhat aghast, I would say, on first exposure to that number as being a very large number. In other, words, we were asking them to put up \$100 million and they viewed that to be a rather impressive number.

NG: A big commitment.

JC: So, there was a certain amount of shock in hearing that number and I think, as we discussed before, even within our own Board, there was some concern as to whether we should go for that big a number or whether we shouldn't go for a smaller amount, get the company organized properly, then have the carrier Directors on board as a basis for making the ultimate decision.

NG: Now, why was it that it decided not to go with what one might consider the more cautious route?

JC: Well, because, (a) we felt that you couldn't go back for more money unless you had been able to demonstrate something. Secondly, you would be at the mercy of the carriers if you had raised a small amount--they were now on the Board--and then you had to raise more money. They had suggested, as a matter of fact, that they would be happy to lend money to the organization in that event and that that was another way to go. We would raise say, \$50 million and if we ran into trouble, then they would lend the company whatever capital was necessary. We felt that that would really give the carriers fantastic leverage on the company and that that would not be a sound foundation for the healthy growth of the company. So we

resisted that.

NG: Let me ask you a question, when you say, "The carriers," was there general consensus among the carriers or was there a carrier that stands out in your mind as the leader of this, shall we say, more hesitant group?

JC: Well, I guess they all had somewhat different viewpoints. I think it's true that they all were concerned about the magnitude of the funds involved. There was a lot of discussion, "Well, what happens if we don't buy a hundred million dollars worth?" I think we always felt that AT&T would step up to whatever it was, even though they went through their big swan song....that they wouldn't, if the chips were really down, not proceed to put up their share.

NG: Well, last time we talked about the fact that they were committed in a way.

JC: But, we were very leery as to whether the other carriers would come up with the balance. In other words, we were sure that AT&T would pick up at least half of what they were entitled to. But, whether you could get the balance out of the other carriers was a serious question. As it ultimately turned out, the big surprise was ITT. We had thought that ITT would be

good for about what RCA would be worth. As it turned out, ITT came in big and RCA came in rather modestly--I think five million or something. So, our concern was just that, that we might well have a situation where AT&T put up half, ITT, RCA came in with five [million] apiece or something and some minor amounts, and we would not have the 50%.

NG: Now, were there....

JC: AT&T was concerned about that, too.

NG: Were there negotiations going on at that time between, say, Leo Welch and Geneen or yourself and Geneen....

JC: We met with all the carriers, yes. Both Welch and I met with the Chairmen of all of the major telephone companies, telling them what we were doing, why, etc., giving them the full background; basically, giving them the opportunity to make a decision as to how much they would subscribe for.

NG: Now, why do you think ITT changed their minds? Or not changed their minds, but I should clarify and say, overextended what they might have perceived to be their initial commitment?

JC: I honestly don't know, but I suspect that ITT also felt,

when they really thought about it, that they would prefer not to be in a situation where legislation had been passed and the carriers had been allowed to buy half and they didn't show up to pick up their half--that there would clearly be some new Congressional hearings as to why the carriers hadn't done it, etc, etc. I think ITT wanted to be sure that that problem wouldn't occur, because presumably there would have to be some amendments in the legislation if the carriers hadn't picked up their 50%. The question of their support for a national objective would be raised, etc, etc. I think they felt that AT&T....I suspect ITT felt that AT&T would come up with their half, but that unless somebody, unless some of the smaller guys did a fair commitment, that you might not get the other half.

NG: Now, do you think--and this is purely speculation--that AT&T had some notion that their interests as a company might be served by coming in in a bigger way--that it wasn't just a political commitment that they were making, but there was some real economic advantage to their own company that would be had by having a bigger stake on the Board?

JC: Well, I think, first of all, they didn't want to give the potential appearance of not supporting legislation which the Congress had enacted. Secondly, they had a fairly good axe to grind in international communications at that point.

NG: Exactly. I guess that's what I'm driving at.

JC: So, they wanted to be in a position where they could see whether their interests were potentially going to be prejudiced or not. As you know, later on, we got into quite a hoe-down with ITT regarding South America.

NG: Right, exactly.

JC: John Johnson came front and center in that episode.

NG: Exactly.

JC: So, I think there was a bit of that.

NG: Okay, I didn't know if that was in the works early on, or whether that was on people at a later date.

JC: I think that there was a bit of that, but I think that the primary consideration was that they wanted it to be clear that they were supporting a national objective.

NG: Okay, now basically what you have is--and this is to move along a little bit--essentially, an agreement with Hughes to

put up Early Bird. I assume that the other proposals that were given to you for the other two systems were found inadequate or not to meet the standards....

JC: Well, no, they more or less showed what we had expected, namely that these systems would be a lot more expensive and therefore, to reach the break-even point was going to take a hell of a lot longer and maybe you wouldn't even get there.

Roger Cochetti: What were those two studies?

JC: Medium altitude, random, and phased.

RC: Who did those that?

JC: Well, AT&T did one and the other one was, I guess, RCA.

NG: So the situation now is....so here we are. We have....Hughes is contracting with COMSAT. We have a very different kind of a contract at that time. A contract that, I think some people actually think originated in COMSAT, but I think is actually a Pentagon prototype, where the contractor....

JC: I don't know of a Pentagon prototype, now maybe there is one.

NG: I think it started in the Air Force, possibly.

JC: There have been prototypes, if you want to call them that, where the contractor's fee would be adjusted. I don't know, I don't think of a contract in the Pentagon at that time where the contractor was prepared to have some of his costs non-reimbursed, as well as lose a fee.

NG: Okay.

JC: So, there had been incentive--fee incentive.

NG: I see. So, there really was a difference?

JC: I think it is true that COMSAT introduced for the first time the idea that not only would you not get a fee if the thing didn't work, but you might not even get your costs back and that furthermore, that your fee was going to be a function of lifetime. That was also, I think, a new concept.

NG: Right.

JC: So, I think both the facts that you might sacrifice some of your costs and (b) that the lifetime of the satellite was as

determination of the magnitude of your fee--and that you could get fees much larger. I can remember discussions with contractors such as Hughes, in which we pointed out that we didn't have the limitations that the Defense Department had on how much fee you could make. We said, "You know, in theory, we could pay you any kind of a fee."

NG: Exactly.

JC: "And it's a question of how big a gamble we want to take....you want to take and we want to take. We're prepared to play this game to the hilt." But, it was a long time before the carriers could--not the carriers, but the contractors--adjusted to the idea where potentially a substantial portion of their costs could be at stake.

NG: Who originally developed that idea for that innovative contracting scheme here at the company? How did that come about? Do you remember?

JC: Well, I suspect it wasn't an individual. I know I had something to do with it, because in the programs that I had been responsible for in the Pentagon before I left, we had tried some of these special contracting techniques in certain special Air Force programs. We had found them to be very, very

effective. So, building on those was kind of a natural thing. I'm sure I discussed it with John Johnson, who had had experience both in the Air Force and at NASA. So, I don't think it was an individual thing, but....

NG: Sort of as a group effort.

JC:and I think Reiger was clearly....would have been involved in such consideration.

NG: Now did Hughes bit at that idea or did they flinch at it?

JC:No, they bought it. They were very receptive to the idea.

NG: I mean, clearly they had a lot to gain if it worked.

JC: And it was a question of how far you would want to go in round one. But, the idea of having a fixed-price contract for a satellite development was relatively new. Then, in addition, to have the kind of penalty and incentive provisions that we were talking about was quite new.

NG: Alright. Then, obviously, Marty Votaw and his crew go out and actually live out there with the crews....

JC: That was also a novel thing.

NG:that was a very new....

JC: I mean, the Air Force would have a contracting officer and maybe one guy would show up periodically. But, the idea of having a live-in crew monitoring every facet of the satellite development was quite new.

NG: Exactly.

JC: Now, that Hughes did not like.

NG: Okay. I was going to ask you about that. That's breathing over their shoulder a bit.

JC: That they did not like at all. They basically said that was a way of increasing the cost of the program, slowing the program down, and was totally unnecessary.

NG: How do you think that worked out?

JC: I think it worked out extremely well, because, I think, it was that philosophy which also led Hughes and other contractors to be much more diligent and much more careful. In retrospect,

I would say that they would probably admit that that was a very healthy influence in getting a better satellite, getting satellites with longer lifetime than would otherwise probably have occurred.

NG: Alright. So now we have NASA, who's agreed to launch and we actually have the satellite. Now, I guess if you could give me a more impressionistic viewpoint if you would, of what was going on and what were the feelings and what were the hopes and anticipations that were going on literally just as the satellite was being launched. I guess what I'm trying to get is a picture of what kind of....not tension, but you know....what was the atmosphere?

JC: Oh, very, very emotional, because if this thing didn't work, the repercussions could be terribly profound--not only nationally, but internationally--since now you'd had these other countries who had been talked into participating in this thing or whatever on the basis that we could do this. Now getting this thing into a synchronous [orbit]--first of all, getting it off the ground, then getting into a synchronous orbit, then putting voice traffic through it--was a terribly important step in the development of the whole concept. A failure would be a pretty solid negative blow. So there was, I would say, great tension. I think probably a majority of

people felt that it was marginal, that in fact the whole thing could be pulled off. I think a lot of people frankly, were kind of surprised that the thing really worked.

NG: Sure.

JC: But, there was no doubt that the day of the event, it was very....

NG: Now, were you a good Pentagon man? Did you have a contingency plan? A plan B?

JC: Well, the contingency plan was we build two satellites. The contingency was if anything happened to the first one, to of course, understand why the first one hadn't worked and then go with the second one.

NG: But, to continue with geosynchronous?

JC: If the second one didn't work, were in deep [inaudible] [laughter].

NG: There was no contingency plan after that.

JC: No contingency after that. That wasn't one that you wanted

to think about very hard.

NG: Alright. But it works out.

JC: It works out to....and that was a very emotional evening, the evening of the launch. As you know, we gathered people together and we had the television signal coming up the Cape [Canaveral]. The Vice President came--with Mondale--and representatives of the carriers, people from the government and it was quite an emotional event.

NG: So, now you're actually in business?

JC: Well, not really. We have a satellite up. Now we go back to Dingman and said, "Okay, your letter said that...."

NG: Okay, exactly.

JC:and he said, "Well, have you got the other guys [the foreign partners] signed up,?" you know--the people on the other end. We had always felt that that was a bit of a kind of a chicken and egg situation. In other words, we weren't the ideal people to convince the British Post Office or the French PTT that they should hook up with AT&T and have a satellite circuit. We said, "Look, we can provide the circuits, but you

have an awful lot more influence on these guys in saying "Yes, let's crank up ten circuits or whatever it might be." You know, how about using some influence on these guys to crank up some circuits via the satellite? Your letter says, of course, you'll use sixty if the other guy agrees, but you know, you're influence is a lot greater than ours on the other guys." So, there is that kind of a thing going on.

NG: Yes.

JC: But--and eventually they did do that. They basically went to these guys and said, "Why don't we crank up X and see how it goes?"

NG: But was that....the question there becomes, was that an effort, essentially, that was, "Well, let's give these guys something to chew on," but the commitment was not really there, or?....

JC: Oh well, no--they could abort at any time, of course.

NG: Well, they put money into it....yes.

JC: In other words, if they turned on these circuits and the customers said, "Look, I don't want those circuits," and they

got all the complaints, they would say, "Look, we tried it out. We did our best, but the thing doesn't work. We don't have customer acceptance." In that case, they could have said, "Well, we cancelled, because the service was unsatisfactory." That never happened.

NG: Okay, hang on one second. [Turns Tape Over]

NG: If you could just repeat that.

JC: I was just saying that they could have, at any time, indicated that the customer acceptance wasn't there and cut off the circuits. But they didn't do that. However, it was perfectly clear....

NG: But, the circuits were not as good as the cable.

JC:that the circuits were not as good as the cable, because you had the effects of the echo suppressors, which were less than ideal for this application. And, of course, you had the time delay. But nevertheless, the circuits were acceptable.

NG: But AT&T did a good period of testing, consumer testing, during that time to determine whether or not it was acceptable for commercial use. Was that a tense time for COMSAT or was

that sort of not recognized as actually going on, or was there any kind of discussions that were going on with AT&T as they did that testing or....?

JC: Well, there were certainly discussions going on, because we looked over the kinds of questions that they were asking the customers and we had something to say on that, because we thought some of the questions were kind of loaded and that you were probably going to get adverse reaction by the nature of the question that you asked. For example, as I recall, it started out something like, "Well, we understand that you've just placed an overseas call. Did you find anything wrong with that connection? Was it anything different than you've been accustomed to?" Well, we said, "That's a lousy way to lead off." The guy says, "Well, now let me think about it. Now that you mention it, by God, I did notice something." So, there was a lot of discussion as to the nature of the questions that were asked and the sequencing of the questions and things of that sort. But, obviously it was their markets survey.

NG: Because clearly that period of testing is important for COMSAT.

JC: It was very [important], because if the conclusion had been the contrary--that this was not satisfactory--the consequences

would have been pretty serious, because at that stage of the game we would have had to look to the other kinds of systems. The financial and other consequences of that would have been very significant.

NG: Let's change gears just a little bit here now that we have Early Bird up and the testing going on and talk a little bit more about the regulatory [aspect] in the early days. Leo Welch was not a big, shall I say, fan of this notion of regulation. I mean he had always been a....

JC: That's an understatement.

NG: I was trying to be polite. He had never been in the regulated environment.

JC: That's right.

NG: He may not have understood, you know, the nuances, the methods of dealing with the regulators. How did that relationship begin and what was its essence as we start out?

JC: Well, it got off to a bad start, way before this time, when the question of the stock offering was being considered. There was pressure being applied from the Commission to get on with

the stock offering. They basically said they can't understand--the company's been in being for whatever period of time and we should have had a stock offering by then. They had to approve the borrowing. So, when we had--short-term borrowing--when we had to go back to get the borrowing approval is when the problem arose.

NG: We're talking about the borrowing from the ten banks?

JC: That's right.

NG: Now there's a story in there if you don't mind just taking a little digression there.

JC: Well, the Incorporators had to face the decision of what kind of money we'd operate on in the period between the founding of the company and the issuance of the stock. Since the company had no collateral of any kind, the question of what did you borrow against was initially had to be addressed. I wasn't in on those meetings of the Incorporators, but as I understood it, they turned to David Kennedy, who was the Chairman of the Continental Illinois....

NG: Continental Bank, right.

JC:and they said, "You're the Banker. You go get us the money." Ultimately, the concept of the ten banks, the \$500 thousand each evolved and....

NG:Although it was eleven banks.

JC:Was it eleven?

NG: Well, it was one bank that bailed out....

JC: Well, one bailed out. One bailed out and that was the Security First [Bank] of Los Angeles, I believe.

NG: But you weren't involved in those discussions?

JC: I was not involved. Those were the Incorporators.

NG: Oh, okay. Alright.

JC: When I came on board, they had the five million dollar commitment and it was a question of drawing against that. But drawing against that, we had to get the FCC.

NG: Okay, now we're back with the FCC.

JC: That's where the first flak between Welch and the Commission comes in, because they said, "Well, we need to know when you're going to have the stock offering." Welch said, "You guys don't know anything about stock offering, basically. If you're going to offer stock to the public, you've got to tell them what their buying. You've got to spell it all out and you got to have a going to sell a bunch of shares." And they said, "Well, suppose we don't allow you the borrowing?" So, there was a big to do and Welch...the key commissioner in that kind of an exchange was Lee Loevenger, who basically said, "Well, we're not going to let you borrow any more money." Welch came back and said, "Well, those guys don't understand anything about the business, you know, and they don't know anything about stock offering and it's just a travesty we have to deal with those kind of guys, etc., etc." So, that got the thing off to a good start as you can see.

NG:Right.

JC: He never changed his opinion very much from that time on.

NG: So who rescued that operation?

JC: Well, I think the rest of the Commissioners basically did, that they couldn't be in a situation where they refuse to provide the funds for us to operate. All they could do was to

try to exert some pressure on us to get on with the stock offering. Of course, Welch said when he was damn fit and ready, he would have the stock offering and not a second before. The Commission wasn't about to tell him when he was going to have a stock offering. So, in fact, I guess it took longer than a lot of people had thought. There had been a sort of common thought that you just go out and have a stock offering very quickly. When Allen Throop came on board and we looked over all the SEC rules, it was obvious you weren't going to do that. You were going to have to give some reasonable description of the business potential and the risks and everything else. Given the state of the art in this field, given the fact that you didn't have a business unless the carriers used it, [and] other countries were involved, it was not a simple thing to put such a prospectus together.

NG: Right.

JC: It took a fair amount of time. So, there was a continual kind of a back and forth about the Commission pressing to get on with the stock offering and us saying, "We'll do it when we're ready."

NG: Well, let's add another part into this, which is that AT&T had always had a good relationship with the FCC. There had not

been a lot of regulation of AT&T by the FCC up until that point. Was there a feeling that....

JC: Well, there was a saying at that time that, "You didn't regulate AT&T." You know, "You entered into a treaty with AT&T."

NG: That's right. Did COMSAT feel at a loss--not at a loss--but at a disadvantage in the face of that kind of old-boy network and you're sort of the new player on the block? How did COMSAT enter into that? How, you know, what was the way that they tried to garner some kind of position in that situation?

JC: Well, I think you'd say there was a certain sense of frustration in that we were being badgered by the Commission all the time about one thing or another. We couldn't understand why here was this monolithic thing called AT&T and they didn't even attempt to do things with them. Here was this little pipsqueek and we had dozens of guys looking over our shoulders all the time. We said, "This doesn't make sense. I mean, this is not equitable at all. This is unreasonable. Let us get the size of AT&T and then you can start worrying about it, but right at this stage of the game, we're trying to get off the ground, don't be around every other hour to see how

we're doing. Give us an opportunity to do something before you start regulating."

NG: Because they wanted to get involved in procurement and the stock offering and....

JC: Everything. They kept saying, "Well, you know, the law gives us all these things." And it is true that the procurement responsibility was written into the COMSAT Act and that did not apply to any other carrier. So, we....and the Commission had never done any regulation of procurement. So, this was a great new opportunity to figure out how they're going to regulate procurement. So, a whole staff got involved in that kind of an exercise.

NG: That's a great new challenge for them.

JC: So, we were a wonderful vehicle, here, for all kinds of....yes, a playground for all kinds of regular types. That was keenly sensed here and as I say, a sense of frustration or irritation, you might say. Those are problems the seeds of some of the later problems that....you know, "Get off our backs. Give us a chance, before trying to regulate us completely."

NG: Do you think that COMSAT was effective, or as effective as it could have been, as a player before the FCC at the early stage?

JC: Well, no. I think that we probably got the reputation of a party that was resisting regulation and [was] trying to frustrate the FCC's responsibilities under the Act. So, a kind of a friction developed between some of our people and the [FCC] staff people because of that kind of activity. I think that carried over into other things. [The FCC held an attitude] that says, "Well okay, we'll show these guys who can regulate and who can't regulate," and [We'll] put these guys in their place kind of thing." I'm sure our guys reacted to the fact, that...."Who are you guys, you know? You don't know anything about procurement." And so on and so on. So, I think out of the desire, whatever, of the Commission Staff to dig in deep and dig in quickly and our feeling that, "Look, let us get off the ground before we start wrestling," that there were planted the seeds of some of the later difficulties.

NG: Well, let's talk about one of their first....well, literally their first key decision, which was the authorized user decision--the thirty circuits case. That obviously really put COMSAT down one path. I mean, it made COMSAT the carrier's carrier.

JC: Yes, of course, that was not so much of a surprise in the sense that the....that's what the FCC thought that COMSAT should be.

NG: Now did COMSAT think that or not?

JC: No, not at all. We took the position that we should be able to deal with anybody. In particular, we ought to be able to deal with the government. In other words, our position was that clearly the legislation permitted us to deal with the government, because the language specifically said that we would be authorized to provide service to authorized users, including the U.S. Government.

NG: Right.

JC: We read that to mean the U.S. Government by definition is an authorized user. That's why we went to the government in our first attempt to sell circuits directly. We realize that the carriers were going to be very sensitive on selling circuits to anybody who wasn't a carrier, but we thought that in the case of the government, we had a clear-cut from the standpoint that we could beat the hell out of the cable rates in the Pacific.

NG: Right.

JC: We came in with a proposal which was one-thing of the cable rates on these thirty circuits. So, we thought that we were really in, because not only did we have a price which was one-third the competition, but we had legislation which said we could serve the government. Of course, the Pentagon said, "Well, this is the low bidder, we'll take them." Of course, then the carriers went to the FCC and that whole process started to grind and that situation was reversed.

NG: Now, let me ask you a question. This is another one of those theories that I've gotten through, you know, talking with a number of people. [The theory is] that COMSAT backed down on the thirty circuits case. JC: We didn't back down. We didn't go the courts.

NG: Right. Why didn't you go to the courts?

JC: Well, we didn't go to the courts because once the Pentagon had turned around and the Commission had made the judgement against it, we felt that our chances of success in the courts were abysmal. I mean, when the customer [the Pentagon] had bought the reversal....and the customer bought the reversal

because he got this secondary deal that says, "Okay, if you reverse this one, not only will he reduce your charges on those cable routes, but we'll reduce your charges on all kinds of other cable routes." So, they were able to show that there would be an immediate saving to the government--greater than the one they would get on those lousy thirty circuits--if they made a two-thirds savings on those [the Pacific circuits], but got nothing elsewhere. So, the Pentagon says, "Well, okay, our total bill is going to be less. So, we won't fight it." Once the customer walked away, we said, "It's fruitless. We'll wait for a better opportunity." We felt that going to the courts, you had to have the government as a customer, because that was our clear-cut case, and (b) where the government was going to stand up to the award. If those conditions weren't fulfilled, we thought, "It's just a waste of time and money."

NG: So what you're saying is that you didn't back down....

JC: We didn't back down.

NG:....because of say, pressure from AT&T.

JC: We came back again with NASA at another time. That one stuck. We did win.

NG: But there was....the FCC did allow certain selected....

JC: Well, as I recall, they had a decision which said that, "If the Director of the OTP"--or whatever the appropriate body was at that point--"certifies that there is a national need or what have you...."

NG: Right, "a compelling need."

JC: "A compelling need, that they would consider the possibility of dealing direct." So, that was another step that was introduced. You had to get such a certification from the head of that office.

NG: Well, let's talk then, now that we've outlined a little bit about the relationship with the FCC....and I'm going to let you go....

JC: I'm going to have to break here in about five minutes.

NG: Okay, talk just a little bit about the stock offering. That was a big event.

JC: That was a big event. Of course, a lot of the background on that had to do with, "Who would the underwriters be?" That

was also a bitter struggle within the Board.

NG: Can you explain that a little bit?

JC: Well, there were two different schools of thought as to who the underwriting firm should be. The "widest distribution requirement" in the law was a factor that some of the Directors took very seriously. That's really what led ultimately to Merrill Lynch. But that was bitterly opposed by some of the other Directors, who felt that Merrill Lynch as a lead horse, was just not the right thing to do. As a matter of fact, one of the potential underwriters--Morgan Stanley--refused to participate on this kind of a basis. So, they were noticeably absent, although they were one of the first firms that we had talked to about the underwriting. They said they would do it if they were the lead underwriter and that was it. If we didn't want them as the lead underwriter, forget the whole thing. So, they did not participate. But then, this consortium was put together and of course, it was a bit of a howling success in that they had to ration, as you know....

NG: Exactly.

JC:the allotments. The professional--well, I shouldn't say--there was a professional opinion, widespread at the time,

that the whole thing was kind of absurd, because the stock would be offered at the offering price and you could go in a few days later and pick up anything you wanted at substantially less than the offering price. So, there were a lot of articles written at that time that they [market analysts wrote,] "Don't understand what all this excitement was about. Just wait for a couple of weeks and you can go in and buy any number of shares you want at a price lower than the offering." Well, that never happened.

NG: Well, there was no way to wait around at that point. There's....you know, the stock was over-subscribed....you know, there was a large demand on the day of the stock offering for the stock. Was there a feeling or was there still that feeling that the company was being overcapitalized by that point?

JC:Oh, I think so.

NG: How did that display intself?

JC:Well, I don't think the opinion had changed. In other words, the continuing feeling that--on the part of some people--that we would have been better off to raise only the amount of money that you definitely needed to have. Then, have a second stock offering based on a real deep understanding of

what the hell it is you're going to try to do and all the risks and the what have you, in a well-prepared prospectus with all the facts and figures in there. That we might find ourselves in the situation where we had offered all of the stock and we wouldn't know what to do with the money and it wasn't the right amount of money and then we'd have to explain to the shareholders why we'd sold the stock when we didn't need the money or it wasn't enough or something. That it was too speculative a number.

NG: Would you care to characterize or actually say who those people were who advocated that view?

JC: Well, I think that the Director who had voted against the \$200 million was the strong proponent. I think the other Directors supported the \$200 million, even though, I guess you had various shades of opinion there.

NG: And you don't care to say who that was?

JC: Well, I couldn't characterize the shades of opinion. I'm sure that there were people on one end who said, "You know, 200 is absolutely the right number, or maybe not enough."

NG: But, I guess what I'm asking you is who were the people on

both sides?

JC: Well, as I say, I think there would be a shade of opinion. I wouldn't attempt to characterize that. I'm sure I would even know precisely what an individual Director's opinion might be.

NG: Okay, alright. Well, I think that we can cut it off for today and next time....[Interview Ends]

Third Interview with Dr. Joseph Charyk
COMSAT Headquarters
April 30, 1986
1:00 p.m.

NG: Alright, let me just ask you a couple of background questions that don't really relate to much of anything.

JC: It's 4/29, but that's alright.

NG: Is it 4/29? No it's not, tomorrow's the first. I'm not going to argue with you. [laughter] Alright. Let me ask you....this came up in a coversation I had had and I wanted to check it out with you. There was a Board of Incorporators meeting in June, maybe, of 1964, where there was some question about whether or not we should actually enter into agreements with the foreign partners, the Australians, and the Japanese. Do you recall anything about your feeling that we should not necessarily engage in international agreements with them at that time?

JC: No, my recollection is to the contrary--namely the concern, I believe, had to do with a situation where the Europeans would have a veto. Our Board was quite concerned that we should not enter into an arrangement where the Europeans would have a veto....

NG:Right.

JC:....because we had a mandate to move out and establish a global system. Therefore, it would not be consistent with that mandate to enter into an agreement such that a grouping of countries in Europe could stop the entire process. The Europeans had acted in concert in all aspects of the negotiation. Therefore, there was no reason to think that they wouldn't do so again. So, it was necessary, then, to develop a structure where that danger would not exist. The answer to that was the introduction of Canada, Japan, and Australia where we had a situation such that if the support from those countries was forthcoming, then even a European veto would not prevent progress. It's my recollection that with that kind of an assurance that we would be able to move ahead--even in the presence of a European veto--that the Board was relaxed about going ahead.

NG: Okay, so what you're saying is that then the Canadians, the Australians and the Japanese were acting as counterbalances, then?

JC: That's right.

NG: Alright, so it wasn't necessarily that you felt that we shouldn't enter into the agreements, but that there shouldn't be that quid pro quo from the European side, that they could get what they wanted?

JC: We could not have an agreement where the Europeans could block progress by acting as a unit.

NG: Okay, I needed that clarified. Another thing that I wanted to have clarified was that, was there any point at which that you felt that you wanted Early Bird to be, not commercially-oriented, but defense-oriented? Or that it would be at least partially defense....how should I say it?....blocked off for defense purposes only and that maybe only a portion of the satellite would be for commercial purposes?

JC:No, I don't think that was true in the case of Early Bird. It is a fact, however, that after Early Bird, there was very much the thinking, that the greatest economic attraction might lie in a satellite or satellites where the Department of Defense would be a customer as well as commercial interests.

NG: Okay, so what you're saying then is, at least in the case of Early Bird, that that wasn't the case?

JC:Yes, I think we viewed Early Bird as being a way of evaluating whether, in fact, synchronous satellites would be viable for a commercial enterprise and that depending upon the answer to that question, we'd have to go in one direction or another. Therefore, Early Bird was crucial to that determination. But, once Early Bird had demonstrated its capabilities, then I think the thinking moved much rapidly into contemplation of how could we enhance the economic viability at an early date and certainly, government participation in the use of the system was considered to be a primary factor.

NG: Now, why didn't that necessarily pan out?

JC:Well, there was, of course, a strong feeling on the part of certain people, that the government should control its own communication resources--that it should not be dependent upon the vagaries of a commercial enterprise. So, there was strong resentment in certain quarters to the idea of compromising what they considered critical defense communications to the vagaries of this kind of a satellite program.

NG: Alright, let me ask you just one other extraneous question. About two years before the authorized user decision--which I think was in '66--one of the networks--and I

believe it was ABC--came to COMSAT and wanted to, essentially, buy time from COMSAT on Early Bird--on what would then be Early Bird--for direct broadcast use; a "live via satellite" at the very, very beginning. At that time, COMSAT said that they did not want that to happen. Right or wrong?

JC: I don't recall the episode to which you're referring.

NG: Okay.

JC: In 1964, ABC filed for its own satellite.

NG: Its own satellite, right.

JC: That began the whole process of what the policy was going to be for domestic applications. I don't recall any discussion relative to the use of Early Bird, particularly since we had a commitment from AT&T as we have discussed....

NG: Right.

JC:and Early Bird had the capability of handling a television channel only if there were no other traffic. So, it would have been impossible, given the AT&T commitment, to commit for television use by anyone else, unless AT&T were

willing to forego the use of their circuits. Later on, we did get into questions of dealing with AT&T to take off their circuits, so that, in fact, we could put on television. There were a number of episodes where there was a lot of discussion whether they would or wouldn't give up their circuits in order to allow a television program to go on.

NG: Now, how early along was that?

JC: I would guess that that probably would have been in the latter part of '65, or maybe early '66.

NG: Because they still only used 60 circuits out of the 120 that they committed to.

JC: That's right, but also you could not put on television. [If voice circuits were being used] The carrier's position was that we were allowed to provide service only to the carriers. So, if any television entity wanted to get television, they had to go to the carriers. We could not provide service directly to a television network.

NG: I guess what I'm saying is, is that would have been a function, though, of the authorized user decision, but that this came prior to that. I guess what I'm doing is in fact

checking.

JC: Well no, the carriers' position consistently from the outset was that they were the only legitimate customers of COMSAT and that anybody--such as the television networks--who might want service, had to go through them.

NG: Alright.

JC: Now, that was not formally spelled out until an authorized user position was established. But nevertheless, the carriers were very consistent in their position that they were the only legitimate customers of COMSAT.

NG: Alright. Those were three questions that I felt like needed some factual clarification that came up in another interview. Let's talk a little bit about....start here....

JC: Just to add to that, I think there probably were some episodes where we were asked for access to Early Bird for television and we had to refer the people to the carriers.

NG:....To the carriers. So, you're saying that even before the authorized user decision ever occurred....

JC: Oh, yes.

NG:that was already COMSAT's position--that they recognized themselves to be the carriers' carrier and that they....

JC:No.

NG:that business would have to go through the carriers themselves.

JC: No, that was the carriers' position. Since the carriers' acquiescence was required in order to put on television, we had no alternative.

NG: You had no alternative, because there was no way to get the television on there in the first place.

JC: That's right. But we did not accept and never did accept the premise that the carriers were the only legitimate customers.

NG: Although you never took the authorized user decision to court.

JC: Well, we discussed that and the reasons for it.

NG: Right, okay.

JC: The reason for it was when the customer backed out--which was the Department of Defense....

NG: Right, there was no case.

JC:the case became somewhat futile.

NG: Right, okay. Alright, we were going to start talking here a little about the early stages of the ISSC and your involvement in that. By that I mean, the point at which after we have Early Bird launched and we start to develop a greater spectrum of member nations and how that process worked from inside COMSAT and how, for example, how you networked with John Johnson and other people who were working in the International Division, and what your specific role would have been in that process. So, why don't we just start off a little bit and talk about the division of labor, essentially, that happened between you and Johnson initially?

JC: Well, basically, we had recruited Johnson to be our Vice President for international matters. So, he was the person

that I looked to for following up on all the relationships with other countries. With the activation of the interim agreement, he became the Chairman, of course, of the Interim Committee [the ISSC] and was responsible for all of the agenda matters that would come before the committee. [Johnson was responsible] for establishing the ground rules and modus operandi and so on for the committee. He also had the assignment from me to basically bring the message of satellite communications to the rest of the world. He embarked, in response to that, on a very active program in making contact with other parts of the world who had not been involved in the early discussions and broadening the earlier discussions to countries who were not members of the interim organization. So, he devoted a good percentage of his time to world travel and to dialogue with countries of all stripes, for the purpose of telling them about INTELSAT, telling them about the promise of satellites, and encouraging their participation as members.

NG: Okay, now would you have been involved in any of those discussions or....

JC: I would not have been involved in some of the discussions, but it was his primary responsibility and he did most of the travel. I did very little travel....

NG: I see.

JC:in that connection, although I would follow up in a number of cases. After he had, for example, completed many tours and visits to the South American countries, then he accompanied me on a round of the South American countries who we hoped would then....were ripe for a decision. In fact, some of them had already made the commitment. I recall that the first earth station in South America was being built in Chile at the time we went there at a place called Longo Villo. In the course of that trip, Johnson and I visited most of the South American countries and saw there, I think, the fruits of Johnson's labors. In other words, these people were now knowledgeable of what satellites could do and most of them were on the verge of actually becoming members of INTELSAT and the purpose of my visit was to try to give them the final push.

NG: Okay, now as far as COMSAT as manager of this international organization and then COMSAT as a commercial entity within the United States, did you ever perceive that there was a paradoxical role in that sense, between what COMSAT should be pursuing in the international field in order to make INTELSAT viable, versus what, essentially makes good business sense for COMSAT as a company responsible to its shareholders. That's a broad question, we'll get into some specifics.

JC: Yes, I don't really focus on that as a problem in the sense that our basic objective as a supplier of communications service to the U.S. using public was to provide the highest quality service at the lowest possible price....

NG:Right.

JC:and to market those services to the carriers, certainly and to whatever other customers we thought would be interested. The focus of our activities in INTELSAT was to create an international organization that would be run on a business-like basis. All along the line, we fought against those kinds of proposals which would tend to make it something other than a commercial organization.

NG: Give me a for instance.

NG: The primary example which comes to mind is, of course, the provision of hardware to the system. Most of the major industrial countries took the position that if they were to become members and were to provide financial support, they should be entitled to receipt of hardware contracts in some relationship to the level of their support. We said that absolutely not. This was not a vehicle for subsidizing

development of space technology in the industrialized countries. This was for the purpose of providing the most efficient, economical, communications service. We would simply get the hardware from whomever the best suppliers might be. That was a very thorny issue, because everyone realized that the state of development being what it was, most of the contracts would go to the United States. Certainly the major industrial companies [sic-countries] expressed great concern about investing funds in an international organization, most of which would be spent in the United States to the benefit of United States industry and presumably, against the interests of their own industry. So that was a very touchy point. Had we compromised on that, then I think we could have had the kind of a conflict that you're referring to, because we would now be producing something less than the most efficient economical system. That would be contrary to our commercial interests and our responsibilities to our shareholders.

NG: Okay.

JC: But, that was a principle that we deemed to be very significant and one that we held on to very hard and prevailed on.

NG: Okay. Well, let's talk a little bit, then, about some of

the things that did come up within the company that at least I've heard some talk about. One was that Leonard Marks, who was on the Board of Incorporators, had for quite some time during his tenure on the Board [of Incorporators], advocated the use of the satellite system for educational purposes--for public television purposes--and there had been a long series of proposals that had been developed for the use of satellites for the use of educational public television programming. What happened to that proposal? Why is it that that fell just to the wayside? What were the politics behind that?

JC: Well, I would think that the basic answer would be the lack of appropriate financial support for such a program. In other words, we were not going to be in the business of providing free communication services.

NG: Yes.

JC: That would again be contrary to our commercial interests. We had a lot of proposals through the years for various kinds of freebie services. The most prominent one, which stayed around for years, was the idea of providing service to the United Nations.

NG: Right.

JC: That became kind of a thorny issue, but our consistent position was that this was not an organization to subsidize communications services for a variety of good causes. Those good causes had to get their financial support in some other way....

NG: Some other way.

JC:in which case, then we'd be very happy to provide the service. But, our job was not to subsidize a lot of good, exciting, application of communications.

NG: So, you didn't see that as part of that Kennedy mandate to create this international global system for the benefit of mankind, then?

JC: Well, we felt that by installing such a system and giving to any country in the world direct access to a global network through the investment of the cost of an earth station in their country, this was a fairly dramatic accomplishment for the benefit of the benefit of the developing world. Now, it is true that in the legislation, there is a provision that we could be directed to provide service. We were never so directed.

NG: Uh huh, okay.

JC: Had we been so directed, of course, the question of who would provide the subsidy still had to be addressed. I think what the only conceivable answer could be that the Commission would have had to permit us to charge more to our prime customers in order to take care of the people who were getting the cut rate. They never chose to do that.

NG: I see.

JC: I think that it's clear that that would have caused all kinds of problems. So, that never happened. But we did, however, undertake providing of demonstration or experimental services, if you will, as a way of trying to stimulate interest to market new and different kinds of services. So, over the years, the INTELSAT system has been used on a basis of demonstrating a variety of services.

NG: Yes.

JC:hopefully of gathering new users for new kinds of things. But, that is in contrast to the idea of providing, on a continuous basis, a service which is not fully paid for. We

never did that.

NG: Alright. Although, some of these programs and some of the efforts that COMSAT did engage in, did create some problems on your own Board and now I'm talking about the Board of Directors that was elected after the stock offering. I guess here I refer to specifically, as you mention, the development of the South American countries--the Latin American countries--as INTELSAT users and participants and the problems that arose with ITT over some of those connections that the company was trying to make in Latin America. Would you care to characterize for me what the discussions in the Board or the discussions that you might have had with ITT might have looked like at that time over your efforts in Latin America.

JC: Well, of course, AT&T had a vested interest in Latin American communications, since they were involved in the provision of communications in a good many of the South American countries. So, they viewed with some alarm, the idea of replacing their position as the dominant force in communications in these countries by the governments entering into the provision of communications services. They basically argued that this was contrary to the spirit of the Communications Satellite Act in the United States, which had chosen to set up a private entity, rather than have the

government enter into the provision of communications satellite services.

NG:Right.

JC: They contended that we were basically encouraging governments to get into the communications business in South America and therefore working against private industry. They viewed this to be not only as inconsistent with the Act, but as not in the spirit of private venture and certainly not in their best financial interest.

NG: Well, certainly not in their interest.

JC: Our contention, of course, was that we weren't telling anybody how they should organize for their participation in international communications via satellite; that it was up to each country to decide and that we were simply telling the countries about the potential of satellites, about the international organization. But, we emphasized that each country had to make up its own decision as to the mode of its participation and that significantly, in the United States, the decision had been to create a private corporation. So, we weren't telling any country what form of participation they should take. We found, however, a very high level of

enthusiasm for satellite communications in many of these countries, primarily because they felt they had been so exploited and abused by, if you will, the colonialist-type behavior of companies such as ITT, that here was a breath of fresh air. So, I think that, in a sense, ITT created the environment which led these countries to move vigorously away from the past pattern. Yet, there had to be sort of a fall guy, and we were identified as that fall guy by ITT.

NG: Now, I don't think that this would have been a formal proposal, but I think the suggestion was made to COMSAT that if they wanted to provide this kind of service to the Latin American countries, that ITT would be willing to, shall we say, provide that service--provide COMSAT's service--through ITT into the Latin American countries. Was that taken with any seriousness on the part of COMSAT management?

JC: Well, we took the position that we were the participant of the United States and therefore, we controlled the space segment as far as the United States was concerned. The matter of how the stations would be built and who would operate them in these other countries was the responsibility of those countries, but that if they built an earth station, we would be happy to provide the connecting service through the satellites and through our earth stations. Then, if ITT had

correspondence--or anybody else had correspondence--then we would provide th capacity to them.

NG: Okay, now. I mean, that was the official line that would have been true for any country in the world.

JC: Right, right.

NG: But, here you have ITT sitting on your Board, which is a little bit different, because that's very close to home. Did that create tension on the Board?

JC: Well, I think that the motivations of ITT were very clear. They were protecting their own interests. As a matter of fact, some of their representatives said so--that they were there for the purpose of protecting their interests. Therefore, since that was the motivation, I don't think it had a great impact on the other Board members, because of these....

NG: So, it was too transparent, you're saying? It was too upfront?

JC:it was too transparent. It was obvious what the basis for their arguments were. I think that the Board saw the objections for what they were. Although, of course, they did

want affirmation from the management--from myself and from Johnson--as to how the matter was presented in the visits to these various countries. So, I can remember, Johnson outlining in some detail the nature of the discussions and reaffirming what I've just said: that we were not telling any country how it should organize itself. We were simply talking about satellite communications, the promise of satellite communications, the international organization, and it was our belief that as countries build earth stations, it would redound to the interests of these countries, as well as to the interests to the international organization--and COMSAT--since most of the traffic would be going in and out of the United States.

NG: Did this ever bring into your mind any question about--and I'm talking about this, this being the conflict between ITT's position and COMSAT's position; and ITT's decision to protect their own interests, even on the Board of COMSAT--did this ever bring into question in your mind, the relationship of COMSAT with having its competitors and its customers sitting on its Board? That there was some kind of inherent conflict of interest?

JC: Absolutely, from the foundation, it seemed clear that in one form or another, this was going to be a problem because

there would be vested interests, there would conflicts of interest. If, it any other kind of a private enterprise, you had a Board so constituted, you clearly would have had an anti-trust case. This was really kind of a legalized anti-trust and the motivation for it originally was basically a political compromise.

NG: Right.

JC: It was dressed up a little to say it was important to tis fledgling to have a reservoir of communications experience available to it, guidance on how to deal with many of these communications questions, particularly on the international front. That, in fact, had some validity, because the experience in international undertakings in the communications area was important, but there was no question that there was always an inherent conflict of interest of varying degrees with different carriers.

NG:Okay. Now, do you think that this inherent conflict of interest and specifically this one between ITT and COMSAT at that time, led to ITT's decision to sell the majority of their stock in '67?

JC: I think that was certainly a factor. In other words they,

I think by then had concluded that they weren't going to be able to promote their own best position through an influence on the COMSAT Board. On top of that, the stock was at a ridiculously high price....

NG: It was very high at the time.

JC:and I think the combination of the two, led to the fairly easy decision.

NG: It was just too seductive.

JC: That's right.

NG: Alright, so....because I did not want to try to make that connection, because I know that in the 1967 Annual Report, you make mention of them having just sold what was, I think....

JC: They sold in two bites, I believe.

NG: They sold 1,500,000 shares initially, and then in '73, I think they sold off the rest....

JC: Right.

NG:which at that time, obviously, they were required to do by law. But they sold the majority of their stock in '67, although they still obviously retained their seat on the Board.

JC: Right.

NG: I wanted to see if we couldn't make a connection there. Let's turn now, then, a little bit more to the functioning of the ICSC and your involvement in that. Did you have regular contact as the President of COMSAT, with the ICSC as a governing body for INTELSAT in those early years, or were you fairly remote from it? What was your position?

JC: No, I wasn't remote from it in the sense that I knew all of the members of the committee and had occasion to talk with all of them about the whole development rather frequently. But, Johnson formally presided as the Chairman of the Committee and carried out all of the duties as Chairman of the Committee. I did not get involved in the Committee proceedings per se, but I certainly got to know all of the representatives fairly well and kept close contact with them.

NG: What would you have said was the ambiance of that group in the years, say, '65 to '69?

JC: Well, I would say that the ambiance was, first of all, one of enthusiasm and excitement about a rather unique undertaking, but tempered by a concern--particularly by some of the major industrialized countries--about what they viewed as over-domination by the United States.

NG: Okay.

JC: It took various forms: the idea that a decision couldn't be made other than if the United States was on board, the fact that the Chairman was perennially an American and a COMSAT man, the fact that practically all the money was being spent in the United States. These were irritants which had a few spokesmen who never missed on occasion to enunciate on this over-aggressive domination of the enterprises by the United States and by COMSAT.

NG: Booz, Allen, and Hamilton did a study, which I'm sure you're familiar with--it was a management study of INTELSAT--which concluded that, "Because of certain personalities, COMSAT as manager of the Interim Communications Satellite Committee has had difficulties." What are they referring to?

JC: Well, I think they're referring to one or two people on the

committee who were the perennial rebels, if you will, castigating the United States about every aspect of its behavior.

NG: So, you don't necessarily think that what they're referring to there--because it's not clear what they're referring to--is COMSAT, the personalities inside of COMSAT, or the foreign partners?

JC: I think they're referring to certain members on the committees, on the interim committee, who continuously heckled the United States and the arrangements and the decisions and contended that we were behaving in an over-domineering fashion. I think, as a result, however, of that kind of continuous baiting, some rather bad relationships developed between those individuals and Johnson. As time went on, it became more and more difficult to find any kind of compromises, because not only did you have the basic philosophical argument, but you now had that augmented by the personal [conflicts].

NG: By the personal, right. Do you think that that hurt COMSAT's position ultimately? Now, we're actually looking more towards the negotiation of the definitive arrangements. We haven't gotten quite there yet, but as we're moving along that road to where there's got to be some kind of a permanent set of

arrangements negotiated. Did that compromise COMSAT's position?

JC: Well, I think it probably led to a determination that there had to be a significant modulation of the domination of the United States in the undertaking. But, on the other hand, we never anticipated that in perpetuity, we would run the whole show single-handed. It was a question of what kinds of things was it important to hold on to and for how long. Our basic concern was that we had to get to the point where we really had a global system functioning efficiently, reliably, [and] economically. We weren't going to prejudice the operation of that system by losing control of those things that could be a determinant in the success of the system. So we were interested not only in certain key things--such as the technical aspects, for example, and control over the operations--but we were also very insistent that the timing of any change in those responsibilities was such that we could with high assurance have reached the point where we could relax somewhat and be confident that we were going to have a system which was going to provide good, reliable, service.

NG: Right. Okay, well let me read you another quote and I don't want you to take this wrong, but I do want to get your response on the record to what some of the things that have been written, so that we can have a fuller view of this thing.

The quote reads as follows: "Johnny Johnson has been characterized during the negotiations as a "Tall, abrasive man, inexperienced in diplomacy and eager to get the U.S. satellite business started. He did not conceal his impatience with foreigners, who, far from being grateful for the invitation to participate in an American-run satellite system, wanted to haggle over details." True or not true? Unfair or fair?

JC: Well, I think that's unfair in the sense that Johnny was a pretty hard-nosed guy.

NG: Oh, he's a tough negotiator.

JC:and a very tough negotiator. There were certain principles on which we had agreed we would not bend, namely the ones that I've just been discussing. He presented those positions with very little ambiguity and I think that helped create the impression that he was not willing to negotiate, that he simply said, "This is it. That's the way its going to be." Whereas, I think some of the people would have wanted a wide-open negotiation with all points open, we were saying, "There are certain points that are non-negotiable." We felt that we had valid reasons for sticking on those points, because we felt that the viability and success of the system depended on those. Therefore, we were going to be very tough on those.

Now, we never spelled out precisely the whole range of points on which we would or wouldn't bend, because obviously, for negotiating purposes, you were prepared to give on certain of them, like the mechanism by which the organization would be run and the powers and responsibilities of the different organs that might be created--things of that sort. So, we were prepared and ultimately did compromise on certain of these things. An item on which we hung very tough, but ultimately compromised on, was the question of whether people would be permitted to put up other systems.

NG: Right.

JC: We hung to the very end on a position that says that, "If you get an adverse reading from the appropriate INTELSAT organs, you cannot put up another system." Some countries viewed that as a condition that was intolerable from a sovereignty point of view. The French, in particular, hung very tough on that.

NG: Right. That becomes a big issue during the permanent....

JC: Very big issue in the permanent negotiations.

NG:negotiations, yes.

JC: But, Johnson was very tough on all of these points. I think that they were never very clear on what points were absolutely non-negotiable and what points we might be prepared to move on. But, I think they got the impression that Johnny was a kind of adamant and unyielding [negotiator] on everything. Therefore, this was not a spirit of true negotiation, if you're not willing to give on anything.

NG: On anything, uh huh.

JC: But, that was not his position, but he was pretty tough. I think he may have garnered the impression of being totally inflexible in those negotiations as a result. On the other hand, there are certain issues which we've discussed, where he had no flexibility to yield and I think that was proper.

NG: Well, let me ask you one question about an issue that you actually raised just a bit ago, which is this issue of procurement and the letting of contracts to foreign nations in an effort, obviously, to enhance, ultimately, their own aerospace industries. There were charges that we loaded COMSAT Laboratories with work, that funds were taken out of INTELSAT--R&D funds--projects were promoted within the ICSC and within the permanent functioning INTELSAT, or (b) could have

gone to other countries to, as I said, enhance their own aerospace industrial development. Is this true or untrue? What's your response to that?

JC: Well, I would think that that's greatly distorted. Obviously, a bulk of the research work went to the Laboratories. The Laboratories were really established for the purpose of providing a focal point for R&D for the betterment of INTELSAT. The benefits of that research were made available to everyone. Now, as capabilities develop in other countries, we were very sensitive to the idea of encouraging research in this field in other countries where capabilities existed. I can remember having discussions with some of the appropriate people in the major Western European countries, telling them that their own industries develop their capabilities and only then would they be in a position to gain contracts. After all, the United States Government and the United States taxpayers had spent a lot of money to create what is now the INTELSAT system, of which they are all beneficiaries. Therefore, it was not unreasonable to expect their governments to help support their industries. But where a nucleus had been developed and where there was a capability, we were prepared to provide funds, through the INTELSAT mechanism, to further stimulate that development. That was the way to become progressive and ultimately more capable and ultimately then be in a position to

receive major contracts.

NG: But now in essence to provide them with seed money to do that kind of work?

JC: They had to start. They had to provide the seed money. Once they showed a capability and a nucleus of effort that was encouraging and where there was some fertile ground, then we were prepared to plant where the fertile ground existed. But, it was up to each country to have its own initiative in identifying groups, sponsoring work to establish an initial capability and to demonstrate that they had something to offer.

NG: Because one of the criticisms I know that came up was on the contract for the INTELSAT IV, which was one that I think that there was some charges that the INTELSAT members had like fifteen minutes to review the status of the procurement and that ultimately that COMSAT was really looking forward to attempting to use INTELSAT IV for its own domestic satellite purposes--for you know, to develop its own domestic satellite system. That seemed to have created a lot of ripples within INTELSAT. Can you give me a better idea of what happened around that procurement?

JC: Well, as we got into that timeframe....

NG: Yes, that takes us a little bit further ahead, but....

JC:the major American contractors have seen that there's politics in this game too, and that therefore, it aids their cause if they have as members of their team, prominent companies in different INTELSAT countries. So, as long as there was some sort of a capability, I think that the U.S. contractors decided it was in their interest to bring those people on the team to get broader political support....[Tape Ends]

NG: Okay, so what you're saying here is that the....j

JC: Well, you'd get situations where a country would tend to show that it favored a contract with a supplier who had listed as a member of his team, a company from that country.

NG: Give me a for instance.

JC: For example, if Thomson CSF was going to play a prominent role as a member of one team and another French company would be playing only a minor role with another team, it was pretty well guaranteed that the French representative would favor the first source. We had the job of trying to do the evaluations

on a completely objective basis. We had no hardware axe to grind. We could care less, in principle, what country was involved in the various proposals. We were interested in getting the best satellite--the most reliable satellite--at the best price. We could care less whether part of it was built in France, or Germany, or the U.K., or wherever.

NG: Although COMSAT does have a vested interest. I mean, obviously....you know, it's an American company, with American stockholders....

JC: But in this case....

NG:it was a participant in the American economy.

JC:in this case and at this stage, all of the prime contractors are U.S., so whether it's Ford or TRW or Hughes, is really immaterial to us. It's a question of which contractor has assembled the best team and has the best proposal. We never were faced with a situation where there was a foreign prime contractor, although even there, I don't think that that would have had the slightest effect if that proposal were clearly the superior proposal. But, it was not realistic to expect that to be the case, since in that timeframe, certainly, European industry had not developed to the point where they

could seriously compete as a prime contractor with the major American sources.

NG: So, you don't feel necessarily, that it was a matter of loading--that it was really just a matter of getting the best product for the best price, in essence.

JC: That's right. Here, of course, there was tremendous support from all the rest of the world--certainly the developing nations--whenever this kind of an issue arose and we contended that we were reaffirming the principle of the best equipment at best price, you would get unanimous support from the developing world, because they clearly had the same interest also. They wanted the best equipment at the best price and they had no vested interest in seeing a particular industrial source in western Europe selected.

NG: Right. That's the whole point, though is that they had in essence, nothing to offer at that time....

JC: That's right.

NG:but the French and the Germans and the British had something that they perceived that they could offer to the system.

JC: I think that's probably a source of some frustration to the major industrialized countries that they were kind of limited voices in the INTELSAT councils in pleading a particular case, because we would take the best equipment at best price position, as would pretty much the rest of the world, except for these few industrialized countries, who were clearly arguing for their own industrial interest. So, they were never able to get very far on that kind of an argument. I think that, in a sense, that was very helpful, because as I had said earlier, the governments in these countries then did decide to plant seed money in furthering these industries. I think that was for the good of the countries and they developed very significant capabilities and those capabilities have finally yielded results in the form of important INTELSAT contracts. I don't think it would have happened if they had bitten the bullet, if you will, and actually spent government money to try to develop a nascent capability.

NG: Okay.

JC: So I think the best interests of those countries was served through that principle.

NG: Okay. Let me ask you a question that doesn't deal

necessarily with this issue, but what about the Soviet Union in this equation? Were the Soviets ever approached to join INTELSAT? If so, how did that happen and what transpired there?

JC: There was a meeting with the Soviets very early on in, I guess it must have been 1963. There was a meeting, I believe in Geneva in which we met with the Soviets and outlined the nature of the concept, outlined the ideas we had as to how we would proceed, and basically invited their participation. They responded, when all was said and done, that they thought this was somewhat premature, that the technology was still in a nascent stage, that what we were describing sounded like a rather crass commercial proposition, whereas it would be their thought that when, as, and if the technology were proper, this ought to be done on a more democratic basis, in which all nations would have an equal voice. So, they basically said, "It's too early, it's premature, and we don't like your concept of how this thing should be put together."

NG: Okay. Did anything happen subsequent to that? Or....

JC: No, they then clearly made the decision that they would not be members of INTELSAT. There were discussions with Soviet representatives later on, from time to time, on an informal basis. They again reiterated the fact that this had been set

up in a way that permitted domination by the United States, that it was....the environment was not one which they felt was appropriate to an international organization. This was really not an international organization and that they would have no interest in joining that kind of an operation.

NG: Okay. Let's turn back to the domestic scene a little bit more, back to the United States and back to COMSAT. During this '65 to '69 timeframe, COMSAT is undergoing, obviously, a lot of growth as a company. We now have had Leo Welch and then Jim McCormack on as Board Chairmen. COMSAT is starting to look at its own development as a company and some of that has to do with the FCC thinking about issues such as cable/satellite ratios and other kinds of regulatory issues. Let's talk first about the way COMSAT saw itself moving as it entered into what would then be its next phase of growth, which I think we can probably characterize hits somewhere around the 1970 timeframe. How does COMSAT see itself moving? Where does it see itself moving, if you can put yourself, say, somewhere like in 1967 right now, 1968?

JC: Well, I would say the most important facet was that we had to diversify our activities, that we could not forever be simply the U.S. participant in INTELSAT. First of all, we didn't think that that would be satisfying our mandate, which

was to bring the benefits of satellite communications to people everywhere. It became clear to us, as the technology evolved, that there were important applications of satellite technology domestically, mobile communications and so on. We would be amiss if we did not pursue these. Furthermore, if we were going to grow and if we were going to provide the kind of a vehicle that would attract and hold the right kinds of people, we had to have new and different things. So, broadening our scope became a very important consideration. The most important potential application appeared to be the domestic one. There you had enormous traffic potential, an enormous number of new kinds of services, and so our focus was originally set on domestic applications and somewhat, as a lower priority, on mobile applications. So, we then tried to chart a course that would lead to a situation where COMSAT would play an important role in domestic communications as well as in mobile communications.

NG: Okay. Now, this transition actually takes some time. It's right around....I think it's in 1970 that the....in your letter to the shareholders--you and I guess it was at that time, Mr. McConnell--came out and said, you know, "The '70's are going to provide us with this new era of diversification, that we will be moving into other areas that we had not previously been involved in before."

JC: Well, starting in '64, we had tried in various ways, to get a foothold in domestic satellite communications, but it took the better part of a decade before a United States policy was promulgated. In the course of that process, we were left somewhat handcuffed in that we were not permitted to play a lead role as a prime entity in establishing a domestic communications satellite system. We ended up, as you know, with a contract with AT&T to provide capacity to AT&T and also with a minority role in another domestic satellite system....

NG: Right.

JC:whereas our hope and aspiration had been to be the lead horse, if you will, in establishing a domestic communications satellite system.

NG: Okay, we'll get actually to those issues a little bit more in detail I think probably the next time we meet, because I want to go into the post-'70 timeframe at a different time, but just as we step back from that timeframe right now....well, let me just ask you right out, instead of beating around the bush. Was Jim McCormack the kind of leader that was going to be able to get you into that aggressive position to put you into a good strong place in 1970, to be able to diversify in an aggressive

fashion?

JC: Well, what was needed in that timeframe is not altogether clear, in the sense that we had to have some way of influencing the political process, so that this thing wouldn't get bogged down for the better part of a decade. We never made much of a dent in that process. We got waylaid pretty well by all the various studies and opponents arguments and what have you, so that that political game with the Executive Branch, with the Congress and the FCC...we never did very well on that. Now, whether anybody could have pulled that one off, I think is conjectural, because there was an alignment of a lot of strong forces in developing different kinds of U.S. policies, all the way from one that was an open skies type policy to the chosen instrument kind of policy. So, it was highly political. It had various fractions in the Executive Branch. [The] Legislative Branch had a lot of different ideas. The FCC was constituted in a particular way. It was a very difficult environment. Also, I think overriding everything else was the selling of a position by certain parties that there was no great urgency. In other words, [these parties said,] "We have good communications in the United States. There are new technologies developing. Existing facilities are being expanded." It was not a national crisis, therefore, we could afford to take plenty of time. But, from COMSAT's point of

view, it was obvious that time would work against it--that our best shot would have been had we been loosened up, let's say, in 1965 or '66, to really charge out and put some sort of a domestic system in place. We were prepared to do that and we made proposals finally on the basis that said, "Let us establish a system and we will do it as a trustee for whoever ultimately is selected to operate a domestic system. By putting up such a system, we're going to learn an awful lot: we're going to learn about the kinds of services, we're going to learn about reliabilities, we're going to learn about costs, and we'll have a foundation against which intelligent decisions could be made. Although we are an interested party in owning and operating such a system, we're prepared to move out and take our chances as a trustee and that proposal, I think, had some chance, but it again got overtaken by time. The commission that was established by President Johnson took some years to do its studies....

NG: You mean the Rostow [Commission].

JC:the Rostow. Ultimately they basically came out with a conclusion pretty much in support of what I was just saying. But then the Administration changed and obviously they couldn't accept that kind of a conclusion and we were off and running again.

NG: I was going to say, I don't even think it came out until after Nixon....they don't actually come out with the report until....

JC: Actually, it was delivered to Johnson, I think, somewhere around Christmas....

NG: Yes, it was very, very late.

JC:in the last year of his presidency. So, I don't think anybody really read it. It was sort of delivered and then began to gather dust.

NG: Right.

JC: So again, had the timing been slightly different, had that report come in two years earlier, the result could have been different. But, with the report being delayed until then, with the new Administration coming in, the whole thing was up for grabs again. As I said a few minutes ago, time was working against us in all of this. Whether anyone could have brought together the combination of political and other forces to get a decision earlier, is conjectural.

NG: Okay. I guess one of the things that I'd like to do here, because I think we're getting to a point where I'd like to cut it off, is to....we've set up a domestic situation, which you've just talked about and an international situation, which we've talked about prior to that, which leads us into 1969, where we start to negotiate the definitive arrangements. There's been lots and lots of talk about those protracted negotiations that I've had with people and everybody's got an opinion about why it took so long and you know, what happened, and what COMSAT gave away and what COMSAT got out of it. What did COMSAT, in your eyes, give away and what did it get out of it. and what could it have hoped to have gotten out of it that it didn't and what that it did get out of it that you were surprised about?

JC: Well, I think first of all, the fundamental principles we think we preserved, namely the best equipment at the best price. The fact that on important issues, voting should be in relationship to investment and use. That's a very important principle and that was preserved. The principle that we thought was important and that we did not achieve was the one dealing with separate systems. Whereas we had felt that you would do violence to the whole INTELSAT concept if countries were free to go out and set up competitive enterprises, the best we were able to achieve was an arrangement whereby

countries would be obligated to consult with INTELSAT and to get a reading out of INTELSAT as to significant harm, but the teeth--as I've referred to it--were pulled out, namely, "You don't have to pay any attention to what INTELSAT concludes, if you don't want to. In other words, as long as you've gone through the coordination mechanisms and the determinations of harm process, if you don't like the result, there's nothing in the agreement that prevents you from going ahead and doing it anyway."

NG: That's the French-speaking position.

JC: That's the French-speaking position.

NG: Right.

JC: I think that's a defect in the agreement. That's one we had hoped had been left with teeth in it, but it was compromised at the final hour. Outside of that, I think the important criteria were maintained.

NG: What about COMSAT as manager, though?

JC: Well, we agreed that COMSAT as manager in perpetuity was unrealistic....

NG: Okay.

JC:you couldn't have a single manager in perpetuity. What we were insistent on was that there be confidence in the technical integrity until such time as the system was mature. I think that was achieved, because we initially stayed with all of our technical responsibilities. It was only on a phased basis that ultimately there was established and control taken over by an executive organ. But, I think that's consistent with our anticipation, that it was a question of timing. We would not have been happy to simply turn over the technical management of the system after the agreement was signed. So, that was all phased out and I think that was consistent with what our objectives were, recognizing that one could not expect realistically in perpetuity to be the manager of the system.

NG: Okay.

JC: So, I think by and large, the agreement worked out quite well, with the one exception that I've indicated. I think that there was probably a climate established within the United States that we were being awfully difficult on a lot of these issues, that....some people, I think, would have argued that we should have given in sooner, we should have been much more

flexible and sensitive to some of the arguments made by the other countries and we could have had a reasonable agreement much earlier. But, we would think that it would have been a flawed agreement, because once you start compromising on the question of voting, once you start compromising on powers of various organs, then I think we would have been sowing the seeds which would have been against the viability of the organization as a sound commercial enterprise. The one thing that I've mentioned which I think is a defect has come back to haunt us.

NG: Yes.

JC: But, outside of that, I think the agreement was an amazingly good agreement.

NG: Well, why did it take so long, in your perception?

JC: Simply because the other countries felt that by being insistent and working on the U.S. Government, who in turn, would work on COMSAT, you would get COMSAT to compromise. Many other countries had very good experience in applying pressure through the United States' Government on United States parties to compromise on positions.

NG: So, let me see if I understand what you're saying.

JC: I'm saying that the other countries--some other countries--adopted the strategy that by applying pressure on the Department, the State Department would apply pressure to COMSAT and COMSAT would yield.

NG: Right.

JC: That didn't work. That's one reason why things took that long. In other words, we were....

NG: Was that a problem with the Third World nations?

JC: No so much the Third World nations as, again, the major industrial countries in Western Europe.

NG: So, essentially what you're saying is that things like the Assembly of Parties, which I know that there was some....

JC: Oh yes, there was a lot of pressure to have the Assembly of Parties with substantive powers. That would have been murder, in my judgement, because you would have politicized pretty much everything. Our strategy was almost the opposite, namely to have the Assembly of Parties be a deliberate body, but without

much decision-making responsibilities. I think we succeeded on that. I think that was very important. But, on the other hand, that was a very sensitive issue in which the State Department found a lot of people on its door and where they themselves were in great sympathy to having an organization where they would be the U.S. representative, [where the State Department] had a lot to say.

NG: Right, because that would have been their political....

JC: That's right. So, I think that in the process of standing tough on all of these things, we got a bit of a reputation within the United States, as well as without the United States, as a kind of an intransigent entity. But, we felt that certain principles had to be maintained, if this was going to develop in the right way and that we had a responsibility to ensure that these sound business principles were carried through. Our board was very insistent that the basic business principles not be compromised.

NG: Well, let me ask you one final question which is....

JC: As a matter of fact, there was a doubt until the day of the signing....

NG: Just exactly my question....

JC:as to whether in fact we would sign.

NG: That was exactly my last question.

JC: We had a, as I recall, an emergency meeting of our Board--either the day of the signing or the day before the signing--and it was only at that point that we received authorization to sign.

NG: Because, U. Alexis Johnson in his book Right Hand of Power talks about him watching you sweat it out....

JC: Yes.

NG:and not being sure that you know, here was going to be this opening for signature....

JC: That I would be able to get....

NG:and this was going to be a big state affair, essentially....

JC: Right.

NG:and you arrived late as it was, I believe....

JC: I think that's probably right.

NG:and he wasn't sure whether you were going to show or not.

JC: Yes, yes.

NG: Was that....there was obviously still discussion on the Board?

JC: Sure, and we were down to this question of the remaining issues, the primary one of which was the separate systems.

NG: How did it get resolved? I mean why....

JC: Well, we basically argued that everything else had been preserved and although we would have preferred this, we had now gotten to the stage where if we didn't accept some sort of a compromise on that separate systems, that the consequences could be fairly serious, because at this point, the government would have been totally frustrated. The whole thing would have been collapsed after all these years of negotiations and the

consequences of that could be fairly serious, there could be a reconsideration of the Communications Satellite Act, etc. Besides, we didn't have to worry too much about separate systems for a while.

NG: Famous last words.

JC:well, no. It was for quite a while.

NG: That's right, I suppose.

JC: It came back, but it took a while. Our feeling was that if this thing really moved ahead in a healthy fashion, you didn't have to worry too much about separate systems. That may still be true, you know?

NG: It may still....I mean, the jury is still out on that. There's no....

JC: So, we--Johnson and I--urged our Board that we accept that compromise.

NG: And McConnell seemed, if I read it correctly, said, "It's been a long enough time. We've just got to sign."

JC: Yes, but there was a good discussion in the Board. I think, on balance, the decision that was reached at that time was the right one. So, we recommended to our Board to make that compromise. They agreed to it and that's when I went over to the meeting.

NG: I can tell you, Alex Johnson was very pleased to see you, so he told me.

JC: You talked with Alex did you?

NG: Yes, I did. [Interview End]

