

COMSAT HISTORY PROJECT

Interview with E. William Henry

Interview conducted by Nina Gilden Seavey

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E. William Henry
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NG: If you could just give me a brief description initially of your tenure at the FCC and then what kind of initial contacts you had with COMSAT and your basic background with the FCC.

WH: Well, I had worked in the 1960 campaign of John F. Kennedy for President. I had worked with Bob Kennedy and others here in Washington. I was called in 1962 from my law practice in Memphis, TN and asked if I wanted to join the Commission. I said, "Yes," and so I came to Washington. I think was sworn in or around October 1, of 1962. I remember that I was in Washington at my Senate confirmation hearings at the time of the Cuban Missile Crisis, which I think was maybe mid-October/mid-September.

Anyhow, I took office in the fall of '62 [sic-'62] and held that position until I believe May 2, 1963, at which time President Kennedy named me Chairman. Newton Minow, who had preceded me, had decided to go back into the private law practice after about two years on the Commission, and I was named to succeed him as Chairman; that was in mid-'63. I served there for only a few short months under President

Kennedy, or in the Kennedy Administration, until the President's assassination at the end of November '63. The rest of my time at the Commission was in the Johnson Administration.

I left in May of '66, really because I felt I had accomplished about all I could do. I think the real genius of the system, in terms of the administrative agencies and how they are staffed and who heads them, is for no one person to stay there terribly long. My four years at the Commission was, I think at that time, considerably in excess of the average. Later on, and in the current day they tend to stay longer, but in those days that was not the case. Anyhow, I left in 1966 feeling that I had accomplished whatever I could accomplish.

The focus of the Commission in those days was primarily on broadcasting. The focus on the common carrier area was strictly secondary, and far and away the most important aspect of the common carrier area was the regulation of AT&T. We never so much as laid eyes on the representatives of the, at least the Commission level, never laid eyes on the personnel

from the independent telephone companies.^{1/} There was no competition, either at the local or the interstate level, so the whole focus of the regulation, at least in the domestic common carrier,^{2/} was on AT&T. Therefore, most of the time was spent on that.

NG: Did this priority of the regulation of AT&T being top priority and then broadcasting obviously being a top priority, and then the next tier essentially being the regulation of the carriers, did that change with the advent of COMSAT?

WH: Well, not really. Because in that day, while the regulation of COMSAT was a very important matter in terms of time and effort, it remained just at a different level than the regulation of AT&T.

NG: You mean at a lower level?

1/ change to: We never so much as laid eyes, at least the Commission level, on the personnel from the independent telephone companies.

2/ change: "common carrier" to "area"

WH: Oh, yes. A much lower level of attention and effort.

NG: I'd like to get into this issue a little bit more of the relative importance of COMSAT to try to reconstruct the way that the development of the Corporation was viewed by the people outside of the company. I'd like to know a little bit about, if you can recall the conversations or the amount of time that you would have spent say in communication with the White House, with people who are in the midst of attempting to try to develop the Corporation in the early '60's.

WH: Well, again, you might have to refresh my recollection on some of the dates. As I recall, the Satellite Act of '62 had either been already adopted when I came to the Commission or very soon thereafter and before I became Chair. Do you remember?

NG: Well, you said that you came into the Commission in May of '62?

WH: No, October.

NG: Then it would already have been passed and signed into law.

WH: That's what I thought. I strongly suspect that there was a great deal of communication between the Federal Communications Commission--probably via Newton Minow as Chairman--and the White House and between the FCC and the Congress in the formulation of that legislation and in testimony on it, etc. But I was not part of that. Now after the law was adopted and while the company (COMSAT) was in its formative stages, as I recall, there was very little contact between the FCC and the White House. There was more contact, I believe, between the Federal Communications Commission and the State Department; and perhaps some with the Justice Department.

NG: What were the nature of those contacts?

WH: Well, I don't remember very well. Again, I think most of the contacts were going on at the staff level. As I recall, the ownership scheme had been worked out in the legislation....

NG: You mean in terms of the...

WH: Fifty percent.

NG:series One and series Two stock.

WH: Yes. So, our principle job by the time I got to the Commission was in implementing the requirements of the law. As I recall, for that purpose, we didn't really have to have much liaison with other arms of the government at the policy level. It was primarily up to us to work out the implementation of policy that had already been set.

NG: And what did you think at that time that your mandate was? How did you view your role?

WH: Well, certainly it was to promote the development of COMSAT: to do everything that was required to get the company going; to see that it had adequate capital; and to see that it was moving forward at a pace that would enable it to meet the policy objective--which was to establish a United States

presence in the field of international satellite communications.

NG: Now at that time it was still unclear whether or not COMSAT would be developing an international system or a system whereby we would enter into agreements with other countries in the sense of a bilateral agreement as opposed to multilateral agreement. Was there any feeling at the FCC, that you can recall, that would have had input into the decision to go with what has now become the global system--shared ownership?

WH: Well, my recollection again is quite vague at this point. My feeling is, however, that while that was of considerable interest to us, it was not our primary focus. We were more concerned with the establishment of the company, getting the stock issued, working out all of the approvals that were necessary for the carriers--the existing carriers--to take their ownership of COMSAT, seeing to it that the Board of Directors was properly elected and installed, and meeting with the officers of COMSAT from time to time to talk about how things were going. I suspect that there were telephone calls and correspondence between me and the State Department on this

subject you've mentioned, namely, how were the agreements going to go--bilateral, multilateral, when, in what context, etc--but that was not really the thing that I remember^{3/} had much attention from us.

NG: Let's talk a little bit then about this issue of capitalization. The company was capitalized to the tune of \$200 million which, at that time and subsequently obviously, has come under some amount of criticism, as an over-capitalization. If you can recall at all the kinds of decisions that were being made, the kinds of pressures that were being put on COMSAT, on the FCC rather; and I'm thinking maybe from the common carriers, conversations that you might have had with the common carriers--specifically AT&T--that may have in a sense pushed the capitalization to the \$200 million mark, which, in essence, was the amount that it would take to install a low or medium altitude random system, as opposed to a geosynchronous orbit system, which is what we finally adopted. Can you remember anything about the nature of the contact you would have had in the capitalization process?

^{3/} change: "the thing that I remember" to "what"

WH: Very little. I think the principal discussions on that subject occurred at the senior staff level as opposed to the Commission level. I do seem to recall that it was an open question at the time as to whether there would be a geostationary or a lower level system. I know that we had all been up to Andover and seen how AT&T's TELSTAR worked. I also remember at the time,^{4/} it seems of minimal importance today, but in those days there was a serious question about whether geostationary satellites could function effectively for voice communications because of the time delay. My other recollection is that the amount of capital needed depended in part, perhaps in substantial part, on the type of system that was to be constructed. Beyond that, the only other impression that I have is that both the staff and the Commission itself wanted to avoid a situation in which COMSAT would be under-capitalized, and have to go back to the marketplace for capital to the possible detriment, not only of its stockholders, but to his ratepayers in terms of increased costs. So, I suspect, although I don't remember specifically, that if there was a doubt or if there was a dispute about the

4/ add: though

amount of capital, we wanted to be....we wanted to err on the side of conservatism and require an amount of capital that was clearly adequate.

NG: In those early days, you would have had, or the Commission, or the Common Carrier Bureau, or whatnot, would have had a good amount of contact with Leo Welch and Joe Charyk. It's been my perception in going through some of these interviews that there was some discord, is the word, between Leo Welch and the Federal Communications Commission. That there was a problem, in essence, with the development of this company that was sort of quasi-public/quasi-private and that nobody seemed to really know how this thing was supposed to work and That Leo Welch, obviously--who had been a big business man--wanted to take COMSAT down the road of a standard private business. Do you recall any of the contacts that you may have had with him--or some of the representation that may have been done to you by the COMSAT people--that would have given you the feeling that they were still trying to figure out the shape of this organization?

WH: Well, yes. My recollection is pretty much as you've just summarized it. Again, the day-to-day contacts on various issues that might come up in the context of, you know, "Are we more like a private company than a government-owned company," were, initially at least, made by the Commission's staff as opposed to the Commission itself. If there was a Vice President of Finance, a Vice President for Regulation, Government Relations, etc. of COMSAT, most of their contacts were with Strassburg, Ende, and company, not with the Commission. Now, as to the specific dealings that the Commission, and I in particular, had with Leo Welch and Joe Charyk, we did have some. Again, my best recollection is not as to any particular issue that came up. But just on a general basis, Leo Welch, coming out of the world of unregulated commerce in New York, was pushing in every instance for a COMSAT to be allowed to function as a private company as much as possible. The specifics of it I really don't remember.

NG: What would you say that your specific response to that was? Then, if you can recall some of the ways that the Commission as a body would have responded.

WH: Well, again, I don't remember any specifics. But my impression is that we came out with what we considered to be an amalgam of the two: government participation in the affairs of COMSAT, versus letting COMSAT have the benefits of the private marketplace. I think in those days, the dispute may not have been as intense as maybe it appears in hindsight.

NG: Why do you say that?

WH: Well, because, there was a strong feeling in the country that this technology should not be turned over to the private marketplace. I remember there was a strong group in the Senate, I believe led by my Senator from Tennessee, Estes Kefauver....

NG: That was the man.

WH:who felt that it ought to be a government-owned company. The result was very much a compromise and a hybrid type of organization, which, in effect, allowed some private marketplace input and required some government input--the

President naming members of the Board, etc. So, there wasn't the intense pulling and tugging that there is now between the regulators and the marketplace. I mean, COMSAT was clearly a dominant carrier, to use the current word, involving new technology that nobody knew a lot about, and existed in the context and in an atmosphere of being thought to be at least partly a representative of the United States Government. So I think those questions were resolved rather easily, because there was never any question about the Commission's jurisdiction, etc. My recollection is that we reached some fairly reasonable results. I do recall--now as I think about it--that Joe Charyk was much more amenable to the regulation of the company by the government than Welch was.

NG: What gave you that impression?

WH: In the meetings and conversations that I had with both of them. I don't remember the specifics, but it was clear that I always thought of Leo Welch as an investment banker....the personification and good representative of the private marketplace, particularly the marketplace of finance. Joe

Charyk, on the other hand, as I recall, had come out of the Pentagon or been in the government, and was used to government intrusion in the affairs of defense contractors, etc., Therefore, he was more amenable to working out compromises with the staff and the Commission than Welch was. But again, my impression is that that was all resolved without a lot of acrimony. I don't believe we ever got into any serious debates at hearings on Capitol Hill.

NG: What about--as we're talking about this issue of the regulation, essentially, of a business that is supposed to provide returns on investment to the stockholders--do you think that the Commission placed COMSAT in a difficult position by--and especially in the beginning years, the oversight over COMSAT was fairly stringent by the FCC--do you think they put the stockholders in a difficult position, or the company in a difficult position, to really make a good return on investment?

WH: Well, I don't think so. I think that the costs of regulation, looking at it from COMSAT's point of view, the actual out-of-pocket expenses of dealing with the government,

were not all that great. Looking at it as to whether the regulatory policies somehow inhibited....

NG: That's more my point.

WH:the development of the system. Again, I don't think so. First, we never were concerned about....I don't believe we looked at or oversaw in detail the way they were allocating their resources. I think we encouraged them in our policy pronouncements to develop as rapidly and to expand as rapidly as possible and to develop as much business as possible. The only thing that perhaps might have inhibited them, I suppose, were the FCC procurement regulations. And again, maybe we erred there on the side of caution and made those a little too strict. It's the only thing I recall where we might have been subject to that criticism. But, even then, if you could say that the criticism was valid, we probably recognize it is valid only with hindsight. At the time, COMSAT was a clear monopoly and had arisen in the context of a feeling, on the part of some people, that it ought to be government owned. Therefore, it seemed only reasonable to have a fairly tight procurement

policy, to promote competition among suppliers and vendors.

NG: That leads me to another area, when you talk about the suppliers and the vendors. That's the issue of the carriers and the kinds of services that they both provided in the international marketplace in terms of manufacture of equipment and as well as being both the consumers of COMSAT's services as well as the competitors for their services through cable. Do you think that the carriers, with their seats on the Board--and specifically, obviously AT&T, who had three seats on the Board in the beginning--exerted any kind of undue influence over the policies of COMSAT as they would develop, that you would have seen from the FCC point of view?

WH: Well I doubt it.

NG: Why?

WH: I suspect they exerted influence. I'm sure that AT&T's Directors were themselves highly conscious of how their actions as Directors of COMSAT might affect AT&T, but that was part of

inherent conflict of interest among the carriers and this new company in which they had a good deal of influence?

WH: Well, I guess I probably had some doubts, but I resolved them in favor of this compromise, this amalgam of interests, this structure, to try to recognize everybody's interests more or less at the same time. In effect said, "We're just going to have to feel our way as we go." I had no personal reservations about the decision to try to structure COMSAT in that way. I mean, one of the things that I considered was that even in those long ago days, there was still the clear obligation on the part of any corporate Director to act in the best interests of the shareholders of that company of which he was a Director. So, when and if specific conflicts arose, I'm sure those Directors sought advice of counsel and thought very carefully about what they were doing, because if they engaged in some sort of a pro-AT&T or pro-ITT decision as a member of the COMSAT board--which was clearly not in the best interests of the COMSAT shareholders--they would have been exposed, not only to criticism, but to some legal liability. After all, COMSAT was on the New York Stock Exchange [and] was the most visible

the scheme, in which nobody quite knew what this new beast was. Therefore, the decision was to let everybody have a hand in shaping its development. I guess that may have resulted, to some extent, in slowing down COMSAT's development as a competitor. But on the other hand--in those days--it was only a carrier's carrier. Therefore, it seemed reasonable to put the carriers on the Board--the carriers being some of the largest customers of COMSAT. I guess what I'm saying is, I don't recall any specific instances of conflict, or if they arose how they were resolved. I recall just that it seemed like this structure was a way both of compromising conflicting views and of guessing at what might be the best structure.

NG: One of the Board Directors was a Ted Westfall from ITT. He was very adamant at the time that his interest lay obviously, not with COMSAT but with ITT, and that ITT was in the business of attempting to become larger and a more dominant international common carrier. I am certain that behind closed doors AT&T also knew that they were out for their own success, as opposed to the success of a company in which they only owned stock. Did you ever have any doubts about this apparent,

corporation in America probably, for a time. Therefore, these decisions that Westfall and others might make were in a goldfish bowl. So, there were protections there.

NG: So, you think the pressure was on? What about the Presidential Directors? What do you think they added to the equation?

WH: Well, I think they added to the equation a recognition of the view, that had been present at the time of the COMSAT legislation, that the government ought to have a direct interest in the company that was going to be the United States' representative in the world of international communications. And indeed, when you look for a way to do it, that seemed like a good one. The other benefit I suppose was, that those people were supposed to bring to the Board a somewhat less parochial view, a broader view, of the public interest and not just of what might result in the quickest rate of return on a shareholder's investment, but what might be best for the company as an instrument of United States'--both of United States' international communications operations and policy.

What might be best for it in the long run. Whether it worked, I'm not sure.

NG: My next question.

WH: I really don't know.

NG: You don't know.

WH: I really don't know, no.

NG: Let's go out of the realm of the Board of Directors at COMSAT and move a little bit into the Commission members themselves. There was a gentlemen, Nicholas Johnson, who sat on the Commission, who--from what I can gather--was a point man on satellite communications. Am I correct in that assumption?

WH: Well, no. He took my place. So he and I did not serve together.

NG: You did not serve together at all then.

WH: Rosel Hyde, [who] was then a member of the Commission, was named to be Chairman when I left by President Johnson. And then Nick Johnson was appointed as a Commissioner.

NG: As a Commissioner, so he would have come on....

WH: Right. So we did not serve together on the Commission.

NG: Who was the....

WH: But there's no explaining Nick Johnson anyhow. Nick was unique and had his own agenda and he was the point man, if you will, on I guess virtually every controversial issue--not just in satellites, indeed not just in common carrier, but also, indeed perhaps primarily, in broadcasting.

NG: What do you mean that he was....

WH: Well, he was sort of the representative of the non-establishment people who were affected by communications regulations. He was always the one fighting city hall.

NG: So he was the consumers advocate.

WH: I guess you could call him that, yes. I guess that's what he considered himself.

NG: Who, at the time that you sat on the Commission, took a particular interest in this issue?

WH: What issue?

NG: The issue of satellite communications. I mean, with all the other things the Commission was looking at.

WH: Well, I suppose I as Chairman, had the most responsibility and the most interest because often, if there were to be meetings at the top level--between COMSAT offices and the Commission--I may have been the only Commissioner present. If there was testimony to be given on how COMSAT was coming along, I gave the testimony. If there were letters from Senators or Representatives raising specific questions about the regulation of COMSAT they were usually addressed to me. And while I

didn't see each response, I did see the more important ones personally, and reviewed them and approved them. We had a Telephone and Telegraph Committee of Commissioners. I don't remember whether we enlarged the responsibilities of that committee of Commissioners to include satellites, or whether we appointed a separate satellite commissioner. It was one of the two. I don't remember who they were; I don't even remember whether I was on the committee. But again, the major decisions and issues would have come to the full Commission for decision.

NG: Were there people who you perceived [who] might have been--I don't know quite the term to put this--but anti-COMSAT?

WH: I don't remember that. I remember that AT&T, from the beginning of the regulation of telecommunications, had been the most influential of all of the regulated companies. Over the years, therefore, it had been quite successful in convincing the staff and the Commissioners of the soundness of AT&T's point of view on various issues, as those issues came up over the years. In other words, AT&T had a lot of "friends" on the Commission in the best sense of the word, and in the context

that we're talking about. To that extent, when COMSAT came along and posed a threat to AT&T in the international field, I suspect--although I don't recall specifically--that the folks who were friendliest to AT&T, had the most reservations about COMSAT. But on specific issues, my memory would have to be refreshed on that.

NG: And you don't remember the Commissioners specifically, who might have been more, say, prone towards AT&T than any of its competitors?

WH: Well, I think Bob Lee and Rosel Hyde come primarily to mind as those who felt most strongly that AT&T was a very dedicated, service-oriented, public interest-oriented company. But again, how each of those two men would come out on a particular issue involving COMSAT, I would really have to have my memory refreshed. My overall impression is that there was not a lot of conflict in those days, about specific items of COMSAT regulation as they occurred. It was brand new. We were all, both trying to be supportive of COMSAT on the one hand, and seeing to it that they operated within a regulatory context

that protected the public against their monopoly position. But in those days, prior to the development of competition, there did not seem to be that much controversy associated with the regulation of COMSAT.

NG: Let's talk about one issue that I know was of controversy and something that you would have had some involvement in, certainly. [This] was the decision, essentially, to keep COMSAT as the carrier's carrier--i.e., the authorized user decision--whereby, obviously, COMSAT was told that they could not provide direct service to consumers, that they would [instead] provide service to the carriers, and then the carriers would in turn provide service to the consumers. What was the basis of that decision at the FCC? Why was it necessarily in anyone's interest not to allow COMSAT to truly compete for consumers?

WH: I don't remember specifically, and again I would have to review some documents to give you the best answer. But again, my recollection is that that issue had been more or less settled in the legislation--if not specifically, then in the

broad context.

NG: Yeah, it was more in the broad context.

WH: My impression is that it was the intent of Congress that COMSAT was to serve the other carriers; indeed the carriers were to be its owners. It makes no sense, seems to me now--and I suspect it wouldn't have made sense to me at the time, if I had focused on it--to have a company owned by its competitors. How can you truly sit on a Board and serve the interests of those shareholders if the business of your company is to compete with--if the business of the company of which you are a Director--is to compete with the business of the company in which you are an officer? It wouldn't work. Indeed, why would a company keep investment in a competitor? It doesn't make any sense to invest in a competitor. You just don't do that. I don't think business has ever done that either in the COMSAT context or otherwise. You just don't invest in a competitor, unless your plans are eventually to take it over or somehow to work out an agreement with it to somehow to vertically integrate, or what have you.

NG: Exactly. Right.

WH: So it just seemed logical that with the legislative decision to have the carriers own the stock, or part of the stock, and to have representatives on the Board--that COMSAT was not to compete with those carriers. Further, I think there was the fear that COMSAT, being the so-called chosen instrument, would have an advantage.

NG: In what sense?

WH: Oh, in its contacts with its international counterparts and in the administrations abroad with whom arrangements had to be made in order to do any international communications; in the sense that it couldn't possibly be allowed to fail; in the sense that in the crunch the government would come in and bail it out. You know, all of those things. Again, I don't know whether those arguments were ever made, but I think they were in the background of our thinking.

NG: The issue of domestic satellites, as you mentioned before

the interview, is something that came along after your tenure at the FCC. There were, however, some hints of it in the mid-'60's. ABC had come to the FCC and requested that they be allowed to launch a satellite for their own purposes--for their own broadcast purposes--domestically. And it obviously got COMSAT to thinking about their role in the domestic market, as well as the international common carrier's role. What is it that you can remember about COMSAT's reaction, in front of the FCC, to the ABC application?

WH: I don't remember. My impression was that those requests for domestic satellites came along right at the time I was leaving. It's possible that they were in '65 but, I left the Commission on May 2--or May 1, 1966, and if I had to guess, I would guess that the ABC application or proposal--whatever it was--was pending, rather than had been acted upon. Though I don't have a recollection about that. I do remember that the Ford Foundation's proposal that the satellite be put up for use by the networks, as I recall, and the profits [would] go to public broadcasting--that came after my tenure.

NG: Right. The argument that COMSAT initially put forth--and I'd just like to get your thinking on this, because this would have come up during your tenure--the argument that they put forward in front of the FCC was that because they had been given the monopoly for international satellite communications, that they, by then, definition, should be given the similar monopoly for those domestic satellites, and that this they based on the legislation which had incorporated them. What do you think about that argument? .

WH: Well, what I think about it now and what I thought about it then, probably are two different things.

NG: Give me then.

WH: I really just don't remember. Did that happen in....Do you know when it happened, in what year? .

NG: I'd have to check the date on it, but I believe it was in '65/'66.

WH: Well....but aren't you talking now about a different question?

NG: Right, the domestic satellite.

WH: I really don't remember being asked to focus on that. If I did in fact focus on it, and don't remember it, I think part of the reason I don't remember it--if it did in fact come up during my tenure--is because the atmosphere of the times was that COMSAT was the chosen instrument. There had been no competition in domestic common carrier-type communications. The idea of somebody operating its own system--particularly if that was going to afford competition--was a brand new concept and a strange one. There were private microwaves at the time, owned and operated by oil companies, railroad companies, pipeline companies, that kind of thing. But again, the idea of entering into competition with COMSAT or anybody else in the general field of intercity longlines type of communications was novel, and not one that really attracted serious attention, at least at the Commission level, in that day. There was some debate about what should happen in the field of international

telecommunications, because there there were four or five companies operating in competition with each other. But that question had not yet arisen on the domestic level, so I suspect it was given fairly short shrift at the time.

NG: What about the competition in the international marketplace between--and this goes into the issue of satellite cable ratios and the kinds of allotments that would be set down. The Commission was getting into those issues when you would have been there. What was some of the beginning thinking on the way that that situation might be resolved? Ultimately, they came down to a 50/50 split, but that was after an enormous amount of haggling and discussion. What was the initial....

WH: Well, again, I don't remember specifically. My impression is that the effort was to try to work out a compromise, the compromise being not to allow....not to artificially structure the thing, so that traffic that would ordinarily flow over the established cable company's lines would be artificially diverted. But at the same time, [the FCC's goal was] to try to assure COMSAT enough business that it would survive, because

again, it was the chosen instrument. That was the overriding consideration in all of this. This was the representative of the United States in international communications and was the only representative in that world that was not a government organization itself.

NG: So how does this...

WH: So again, at the Commission level--by that I mean at a level at which we were not involved in the nitty gritty of the detailed negotiations, the policy decisions, which were usually presented to us in the form of a recommendation from the staff--if we felt that the justification for the staff position showed sufficient thought and analysis and reasonableness, then we approved it. Again, it was usually represented to us at the time as a fair compromise.

NG: But how did you go about making that decision, because in essence, what you are [doing] is artificially diverting circuits to a new entity?

WH: Yes. Well see, I don't know. I don't know really that you're correct--I mean--that we were artificially diverting them. I don't know. You could have said just as positively that COMSAT offered cost savings and therefore, we somehow inhibited their growth. I just don't remember. I mean, I really don't.

NG: But if there really were cost savings and they were able to provide a method to accumulate as much business as they could, then something like the FCC determining a satellite/cable ratio, is again an artificial decision pushing business back to cable.

WH: That's right. It would have been. And I don't remember what the factual basis was. I just don't remember.

NG: Okay. Well, I think we can find that. Let's wrap this up a little bit in talking about the future. Here you have an era of deregulation and competition, and not just the domestic satellite business, but also in the international satellite business. What do you think the role of the FCC should be now

in the regulation of COMSAT?

WH: Well, in the overall picture, it's very hard for me to determine whether the deregulatory actions of the FCC in the field of common carrier-type communications has been helpful or harmful. I have mixed feelings about it. I was in New Jersey Monday and was trying to make a long distance call. And I'm pretty good at that, and I do understand how to do it, and I got the instructions from the telephone company operator as to how to do it, and I couldn't do it. It didn't work. I'm absolutely confident that's because of the complexities that have been injected into the system now. What we may have done is lowered the costs of intercity communications and raised the cost of local communications. And in doing so, [we] have made all the economists feel better, but I'm not sure we've improved the service. If you paid more for an automobile because General Motors paid some sort of surcharge on its long distance communications, in order to subsidize the local telephones, I'm not so sure that was any great problem or caused anybody to suffer greatly. It displeased the economists because it was a subsidy and why should purchasers of automobiles subsidize

non-purchasers of automobiles, via the costs of their telephone communications? The same is true in international communications. Is all this competition really going to benefit the consumer or not? I'm not sure, but I do think that it is now far too late to argue that. We are now embarked irrevocably on a deregulatory course in the field of Title II telecommunications--what used to be known as common carrier communications. Maybe in 50 years the pendulum will swing back, but for the next 20/25 years, to me, we are moving inexorably down the deregulatory path. Given that, it seems to me that the FCC is properly exercising its role. That is, it is concerning itself with orbital spacing, allocation of frequencies, licensing equipment that is designed to work--to have a long and useful life--but otherwise, simply promoting competition among all the competitors. And I suppose it ought to continue down that road.

NG: I guess the question--now that we are presented with the issue of deregulation and whatnot, sort of ipso facto. Do you think the FCC changed the rules vis-a-vis COMSAT in the middle of the game, meaning that COMSAT was given a monopoly in the

1962 legislation and that--at least in the international field that was clear that they were given the monopoly. Do you think that they have now somehow reformulated this whole notion of the role of COMSAT to the detriment then, of COMSAT, obviously? And then also essentially usurped--actually, the word is not usurped--it's to have overridden the intent of the '62 legislation, which would have been to give COMSAT a monopoly?

WH: Well, I think there are two answers to your question. First of all, the FCC, I think, has itself not changed the rules to COMSAT's detriment. It has allowed COMSAT, for example, full rights to compete domestically. It has opened up access--it has changed the authorized user a little bit--that may have been to the detriment of COMSAT, I'm not sure. But by and large, I think it has continued to help promote COMSAT domestically, and to some extent internationally. For example, as I understand it, if carriers now want to build earth stations--private earth stations not owned by COMSAT or the earth station ownership consortium--they can do that. But in order to access INTELSAT, they still must go through COMSAT. So, in a sense, they're maintaining the rules of COMSAT's role

as a carrier's carrier. Where the rules may have been changed a bit is by the Administration, by the White House, and the State Department, and the Commerce Department, who recommended to the President--and the President then made the decision--that separate satellite systems were "in the national interest" citing the '62 Act. There are those who say that those separate systems were really intended to be for the U.S. military or [for] public purposes, not private purposes, but the Administration decided differently. But it was not the FCC. On the overall question of whether the rules have been changed or merely adapted to modern day technology, etc., I think is an open question; it's not been resolved.

NG: Do you have any perceptions about how COMSAT's going to fair in this new era of deregulation?

WH: I would think COMSAT would do well. I mean, COMSAT is very well positioned in the field. The question is more how will INTELSAT do and that, I think, is a more difficult question. I believe if the President's guidelines are adhered to, then INTELSAT will continue to do very well. If those

guidelines are eroded extensively, then the question would be raised as to whether that's going to harm INTELSAT.

NG: Is there anything else that you feel we've missed that has come to your mind during the interview that....We didn't discuss, really, the issue of earth stations, but you may have some point of view on that.

WH: No, again most of the regulations of earth stations and the changes in those regulations occurred after my tenure. I'll just tell how new it was to me. I went to see a COMSAT earth station in Andover. Actually, it was the AT&T earth station in Andover, and it was like going into another world. I remember the sign--as we drove up the gravel road in the Maine woods, we saw a sign--it said, "Earth Station," and I thought I was in a science fiction movie. I mean, the term itself was simply out of science fiction. And we got to the Andover Station and it was in a building that was over 100 yards long, covered in a kind of rubberized canvas that was supported by a fan that created air pressure to create two pounds per square inch of additional pressure inside the cover so as to keep it up, so

that the radio energy could pass through; it couldn't have any steel or other support. The horn was almost a hundred feet long, and at its large end of this cornucopia-like horn was of a diameter of maybe 50 feet and inside there was a sort of sterile atmosphere, you know, and everybody was walking around in white coats, and so forth. It was very much like being in a science fiction movie. It was that new. It was that unparalleled in anything that the government had been called upon to deal with including, certainly the FCC, so we really were feeling our way. That's my basic....

NG: But it's that kind of 21st Century technology and aura and what not, that I think gave COMSAT its special status.

WH: Oh, indeed, and that's the point. It had a very special status, and therefore, you know, you just didn't view that as merely another entrant into the communications field. It was a very special kind of entrant.