

COMSAT HISTORY PROJECT

Interview with Robert E. Lee

Interview conducted by Nina Gilden Seavey

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NG: If you could just give me a brief description of your tenure at the FCC.

RL: Yes. I was originally appointed by President Eisenhower on October 6, 1953. I was subsequently appointed for, actually, seven terms by President Eisenhower and by President Nixon and by President Johnson; and by President Reagan, as Chairman. I served until June 30, 1981, which is not only the longest term of a regulator on the FCC, but it's, as I understand it; it's the longest term of any regulator--some roughly 28 years--which amounted to six Presidential Appointments by four different Presidents. Since I resigned, I stay active in the communications area, developing a fourth network with the Hubbard Broadcasting Company (I'm in a DBS project). I expect to work only a few more years, but I'm still in there.

NG: Okay. Describe if you would, to the best of your ability, what your initial thoughts were upon the founding of COMSAT. What did you expect from the company? What did you feel that the barriers to entry were that they would have to overcome?

What were the problems to be solved in the telecommunications field by COMSAT's existence?

RL: Well, I think I'd almost have to go back a little bit. This is an interesting bit of history. I think it's very possible that I took the first phone call when Sputnik went up. When was it? 1957, whenever. I'm sure it was a Sunday night. At the time, the FCC was the only body that was policing the entire spectrum (the only body in the government). We were doing things for the Defense Department under contract. The Navy would put up balloons and so on, and one Sunday night the phone rang--I was not Chairman at the time, the Chairman was away--and one of our monitors said, "We don't know what it is but there's something up there." I didn't quite know what to do, so I called the White House and I talked to either Captain Aurand, he was the Naval Attache to the President, and [or] Pat Coyne, who was Executive Officer of the National Security Counsel. I merely relayed the information that there was something up there. The next day, I read in the newspapers about Sputnik. Since that time, of course, President Kennedy said, "By God, we're going to catch up with them," and so on. That made an exciting few years.

Then, the Commission became involved with this concept of what kind of an organization should there be to further for

commercial purposes....for the improvement of communications. We had a particular Commissioner at the time who took a deeper interest in it. His name was T.A.M. Craven. He's since deceased. He was a very able engineering Commissioner, and he worked with the Senate--I guess it was the Foreign Relations Committee--Senator Kerr, who was the one from Oklahoma, was very active in it. Of course, we put together this proposed legislation. It was a new animal, and I think it's fair to say that we approached it with some timidity. We didn't really know whether it would work or whether it wouldn't, but somebody had to take the initiative. We thought that the government, in its entire history, had always assisted new business to get started. I don't think there was any entity that would have gone ahead without this particular legislation, so we created COMSAT. It was a sort of a quasi-government agency, with the objective in mind of it becoming completely independent of the government, which of course it has. It was a success beyond any of our expectations. I think one of the reasons that it was a great success was that the life of the satellite was underestimated at the time. I've forgotten the figures, but we were maybe thinking of eight, or nine....seven years sort of sticks in my head, and as it turned out, the satellites lasted much more than that. In the early days of COMSAT, I guess I wish they were back, one of the problems was they really had too much money. I remember when the stock came out, I think it

was 50 shares at \$20 a share.

NG: Twenty dollars, right

RL: Great competition for it, because we did not want a monopoly. We wanted it widely held. It's certainly worked well. I spent a lot of time over the years with Joe Charyk, particularly in international affairs. I handled a lot of the international work on behalf of the government at that time, and COMSAT was just a participant really, in the process. But one interesting factor in my observation was in those early years, the participating countries in the International Telecommunications Union, looked at COMSAT as kind of a government entity, which it was not. But that was the impression, and the COMSAT delegates to these conferences had a little more acceptance--they were more credible as far as the other countries were concerned--than the RCA's, the networks, and so on. That image is now gone, but it helped COMSAT a great deal. I think they had more influence in these international meetings than almost any of the others, which was the cause of some resentment.

NG: I was going to ask you. Was this a problem for the actual government entities?

RL: It was to the extent that we had to maintain a position of impartiality. But Joe Charyk was a dynamic sort of guy, and I think that he--I say this in a friendly way, because he's a friend of mine--he, in those early days, he had more influence that he really was entitled to. As a government industry, or as a government body, the delegation to these conventions had to be careful that he did not have more influence than any other participant.

NG: Can you give me an example where he displayed more control than maybe he was entitled to?

RL: I don't think it was deliberate. But I can remember, at the--I think was the '74, I think there was a conference in '74, maybe it was in '72--Space Conference, he was there for a short time. Of course, he had other delegates from COMSAT--the names escape me at the moment--who were there with the delegates appointed by the State Department, all being equal. When he was there, he had more access to our meetings, and in some instances we actually sought it out. He was really more knowledgeable. He also--I suppose through his contacts--He seemed to know more of the people in the other governmental agencies around the world. There are 145 members of the ITU and he seemed to know more of them than anyone else. He could be helpful in negotiating with people. I don't say in any way

was anything wrong with it, but the government did start it, and then that image stayed on maybe a little longer than it should. It's long since gone.

NG: What about the barriers to entry? You obviously said that Joe Charyk, because of the quasi-governmental nature of the company, that there was a lot of access. What about the things that gave it a disadvantage? What were some of those things?

RL: I don't think I quite understand that. Access, you mean by the fact that we were creating this sort of monopoly?

NG: Well, what were the obstacles that had to be overcome for the new company, in your perception?

RL: Well, the obstacles I suppose that existed, were before the legislation emerged. After the legislation emerged, it seemed to me it was just an instant success.

NG: What were the pre-legislative issues that you recall?

RL: I don't recall them with much specificity. There were obviously other units in the private sector who would have preferred to have this quasi-monopoly, or at least be a player in the field, but we made the judgement that to start-off, this

should be a preferred position for COMSAT.

NG: Let's talk a little bit about the Commission itself at this time. There have been some reports written about the Commission at this particular juncture, in the early days of COMSAT, that say basically that the Commission was influenced very heavily by the international common carriers. That not all of the Commissioners were favorable towards COMSAT. I was wondering if you could give me a picture, a verbal picture of the Commission and who sat where? What did it look like? Who were the players, and how did they interact and how did they feel about COMSAT?

RL: Well, I think that the negotiations were largely dominated by the Hill. Our liaison was T.A.M. Craven. I suppose I can be very honest and say speaking for myself, I certainly relied on T.A.M. Craven and whatever his recommendation [was]....He was one of seven of us...

NG: He was a Commissioner?

RL: He was a Commissioner, yes. We called him....he was the first space Commissioner. We dubbed him the Space Commissioner. Being the only technically-oriented man on the Commission, and there were a lot of technical problems....I



think the honest answer is I think we all relied pretty much on his [Craven's] judgment.

NG: And do you feel that he was influenced strongly by the view of the international common carriers?

RL: I don't really think so. He was a very knowledgeable man, and I'm sure he talked to them. He was just sort of a free enterprise sort of guy, business-oriented. I think that would reflect his philosophy, but I don't think anybody had any undue influence over his [Craven's] decisions.

NG: And you felt that the way that Mr. Craven went, so went the Commission?

RL: Yes, that would certainly be my....I can't even recall now who the Chairman was. Was it Rossell Hyde?

NG: Minow.

RL: Minow?

NG: Well, Minow initially and then William Henry would have been on there after that.

RL: Well, Minow was a very strong Chairman, but my recollection would be--and I'm sure you'll interview him too--that he put a great deal of reliance on T.A.M. Craven.

NG: I've read reports, giving them no credence--which is, you know, a question--that said that you were an opponent of the establishment of COMSAT. Is that true? (or was that true, I guess is the question)?

RL: I don't....I suppose it's possible....my whole recollection is one of enthusiasm. Now, I might have questioned it, I don't know, but you're talking quite a few years ago. My recollection is that I was very much for it.

NG: Did it matter to the FCC whether a geosynchronous or a medium altitude system was put into place by COMSAT? Was that an issue for FCC concern?

RL: Well, it was, I suppose a technical issue, because, we couldn't see it being a very economically feasible operation unless it was geosynchronous--you couldn't have blank spots. That's still of concern now with DBS, that we're talking about; eclipsed portions, where you rely on battery. We were very interested in the geosynchronous, yes.

NG: Do you feel that the Commission took an active interest in that decision, or was that just an issue....that you just wanted to make sure that the service was reliable?

RL: Well, we wanted to make sure that the it was technically feasible. I suppose the bottom line is we relied on T.A.M. Craven. I think I did.

NG: Several COMSAT officials and COMSAT watchers alike, have felt that COMSAT has been at a disadvantage from the beginning, vis-a-vis the international common carriers, in front of the FCC because of the strength of the common carriers, and that this has ultimately hurt COMSAT as a private company from a profit perspective. What is your view on that?

RL: I don't see how that is valid. I'm aware of the struggle between the mix of cable versus satellite. (I don't even know what the current situation is, but we did a formula there for a time--so much should go this way and that way) My recollection is that COMSAT was not hurt by whatever competition that amounted to because they were an instant success. If they've had troubles, its been in the last few years, rather than in those early days.

NG: So you don't feel that the international common carriers--AT&T, ITT, RCA--really overshadowed this small

company?

RL: I don't think so. This was the wave of the future. I suppose they were concerned....something's come back to me....I recall people saying for defense purposes, you must make sure that the cables are always there, 'cause it's so easy to jam a satellite. That was an argument that was considered and I suppose that's part of the reason why there were judgments made that we needed both. Certainly, in the time of great emergency, I suppose you couldn't count on the satellite.

NG: I guess the question then becomes, "Could you count on the cables?" which could be cut by trawlers?

RL: Yeah. That's a judgment, but it was technically easier to jam the satellite than to cut the cables. Of course, you had considerable redundancy with cable.

NG: Well, I guess that's part of my question which is, in many senses, satellite made cable somewhat of an obsolete technology. It gave you instant access to all parts of the world, from a multi-point perspective, whereas cable was always on a two way line. Do you think, then, that the national security implications were what kept cable alive, or was the lobbying by AT&T, ITT, etc?

RL: Well, I suppose it was an argument that the lobbyists used. It was a valid argument. I suppose they have the same problem now with fiber optics. Something new comes along and worries somebody. I suppose fiber optics must worry COMSAT too, I don't know.

NG: Some critics of COMSAT have said that COMSAT in its dealings with the FCC, was not an effective lobbyist--that they were basically....they stepped back. They didn't push as hard in front of the Commission as they might have; that they may have been, more or less, almost a shy Susan in front of the power of the international common carriers. Do you think that they made their case well, or that they could have been stronger?

RL: Oh, I do. I can't imagine a more effective spokesman than Charyk, who seems to have carried the ball in those early days. There is certainly nothing shy about him. I think he was very effective.

NG: What about Lloyd Cutler?

RL: Well, maybe it says something when I say I know, of course who he is, but I have no assessment as how good or bad he was.

I could hardly recall conversations with him. AT&T people were around, I can recall them. I don't even recall ever speaking to Lloyd Cutler.

NG: Let's talk a little bit about some of the specific decisions that the FCC made. Again, these will be just to the best of your recollection. These are issues that go way back, so you may have some varying levels of recollection on it. On the issue of earth stations, what brought the FCC to the decision that control over domestic earth stations should be shared jointly by the common carriers and COMSAT and in whose interest did that decision work?

RL: I don't think I can answer that question. If I knew, I've forgotten. I've been out of there four years now. I see no reason to stay current on it. I don't know.

NG: So you don't remember back to the time when you were making decisions about the 50/50 split between the common carriers and COMSAT?

RL: I remember the 50/50 split. A lot of those decisions, like many things before a body like the FCC, are compromises. Is 50/50 better than 40/60?

NG: You don't remember the reasons why either COMSAT, or AT&T, or one of the other international common carriers, should not have gotten just 100% of them?

RL: Well, we were dedicated to this new technology. It was every Administration's policy to help develop satellites--and still is. I suppose it would have been easier to give a hundred percent to the cable; we wanted to develop this thing and keep redundancy.

NG: And in the instance of the earth stations you feel as if there had been....that the 50/50 split was a compromise?

RL: I think it was a compromise.

NG: Do you remember what any of the issues were?RL: No.

NG: Ok. One of the big decisions for COMSAT, obviously, was the determination of its rate base. Can you give me your view of how the rate base decision evolved? What special cases may have been applied to COMSAT, if any? Do you recall what in the Commission happened to bring about the final decision?

RL: I really would be reaching out in the wild blue. I'm sure at the time I knew what I was doing, but I don't know what I

did. There was one guy at the Commission, I'm sure you have him on your list, if you don't, you should have him--Asher Ende--if you haven't interviewed him yet. His recollection is so deeply involved, he would be better able.

NG: Yeah, I have both Asher Ende and Bernie Strassberg.

RL: These issues were presented by them. I would guess that we pretty much went along with their analysis.

NG: With their recommendations?

RL: Yeah.

NG: Do you think that COMSAT has ever in the past made unwise investments to keep its rate base artificially high?

RL: You mean recently?

NG: At any time.

RL: At any time. Well, I guess their venture into STC didn't prove too....(subscription television) Even on that....I think that has probably proved to be....I'm sure the stock analysts and whatnot, would say that was an error on the part of



COMSAT. I think in the long range, you're going to see that DBS business come, whether it be subscription or not. And I'm sure COMSAT is still looking at that waiting to jump in again at some point. That particular decision cost them a lot of money, let's put it that way. But they made the judgment to get out, and I think it helped their position in the market. I hoped they would get back in it, because I think that they're a viable agency; they've got the know-how. I think it's going to work.

NG: I guess this goes back again to this issue of the rate base and I'm not sure that that you're going to have a recollection on this. From 1975-1978....initially the FCC came out with their original decision in '75, on the rate base. It was finally in 1978 that the FCC and COMSAT finally reached a compromise. I guess what I was interested in finding out was: what were the compromises that were made, how did those compromises get made, what happened in these negotiations, and how were the issues resolved? What were the tradeoffs that each side made?

RL: I don't know. I'd have to rely on staff for that....

NG: Okay. Well, I'll just turn those questions to them. Because, as I said, these are fairly specific questions about

specific decisions that I know have affected COMSAT's growth. Let's talk a little about the authorized user decision. What was your participation in that decision?

RL: Well, I guess I was just one of the boys. This thing was all so new and complicated that we pretty much relied on staff plus T.A.M. Craven--or was he gone by then?

NG: That I don't know.

RL: I think he might have been gone by the time the authorized user decision came up....His term ran out.

NG: Do you think that this decision in some way has stunted COMSAT's growth?

RL: Again, I don't think I'm competent to say. I don't know. I really don't.

NG: In that sense, do you think it's discouraged, in a way, the maximum benefit to the consumer, to world users, to have COMSAT be the carrier's carrier?

RL: Well, it's very hard to....how did the consumer benefit from that? I suppose you could argue that he bore an extra

cost. On the other hand, in those early days, the only people that had the know-how to run the thing was COMSAT. I think that probably had a bearing on making them the boss and the operator of the system. My recollection is that we had a great deal of confidence in the management of COMSAT in those days. We'd make a judgment and hope to hell they'd carry it out and do it right; by and large they have.

NG: Alfred Kahn the economist, has suggested that the authorized user decision may have retarded the application of new satellite technology, because cost savings would not be passed on directly to the consumer. Do you think this is true?

RL: I don't know why it would be. It seems to me technology has moved along rather well. Could one argue that it could have moved faster if they didn't have that decision? I don't know, but I think technology has moved about as fast as our ability to absorb it.

NG: So you don't feel as if the authorized user decision has impeded progress.

RL: I really don't. That's a kind of a gut reaction.

NG: This again is a fairly specific question. What was your

response to the 1970 Hinchman Report from the White House (the Office of Telecommunications Policy), which said that from an economic point of view the satellites was more advantageous than cable? It was clearly a report that was not favorable to the international common carriers and the investments that they had made. How did you respond to that report? What did you think of it?

RL: Well, I think my response was that "there's room for both of them," and I suppose I was influenced by the redundancy and the concern about national defense. Economically, I don't think you could argue: satellite is certainly cheaper. Satellite technology, for the first time, changed the pricing of communications for distance. It makes no difference whether you're calling from here to Arlington or here to Moscow, on a satellite. But on the cable it's a charge per mile.

NG: Would you agree, or did you agree, with the report's conclusion--I think it took it a step further--which said that the FCC went as far [as] to ignore cost as a factor in its decision on the cable/satellite ratios?

RL: My recollection is that I took a pretty skeptical view of the Hinchman Report. It would be hard for me to be more specific....

NG: Why were you skeptical?

RL: Well, perhaps, I was skeptical of economists. I considered it kind of impractical. I don't know that I could be more specific than that.

NG: We've talked about economics, we've talked about national security--I guess I'm wondering what might have been some of the other factors that the FCC might have brought in as they were determining the cable/satellite ratios, and how to mete out transmission traffic?

RL: It's not the best thing in the world to say from a regulatory standpoint, but compromise is a very important part of the regulatory process where you have seven individuals, each with a different idea. That's so typical in setting rates, for example. We used to regulate, and still do I guess, the rate of return of AT&T and as far as the Commissioners were concerned, it might run anywhere from 7% to 13%. You had to come out with a decision and if I was low, I'd move a little up and other guy would move down. All you can do on many of these decisions--particularly when economics get into it--you involve yourself as deeply as you can and listen to all of the players, and what they say. When you get right down to your final

judgment, it's kind of a visceral reaction--you have a feel that this is right. You can't take a slide rule and say that a specific thing is perfectly right. You must consider the views of the others and say, "We can't argue for a year. It's more important to make a decision, even though it isn't the way I want it, than to keep arguing." A lot of people forget that in the regulatory process. There is an awful lot of compromise in this, as well as in the Congressional process.

NG: So that's politics?

RL: Yeah, that's the way it is. The worse thing you can do is do nothing. And if you're stubborn, time just goes on. So you give and take. I used to like to tell the story about....we had a very controversial Commissioner, by the name of Nick Johnson, and he was very much consumer-oriented. He was sort of anti-business. He would take the lowest point on the rate of return and from my standpoint, knowing that, I would take a higher--higher than I wanted to go--but I wanted him to come up and then I'd go down, see? That seems to be the way it works.

NG: Has COMSAT understood that process? Do you think that they sometimes may have asked for a little bit more than they ever expected to receive or do you think they were always the Johnny Do-good and ask for what they really wanted?

RL: Maybe from their standpoint, they were too honest. It's like in the budget process on the Hill. Years ago, I was head of the staff of the House Appropriations Committee. We knew that the different departments--the Defense Department--they had a slice in there that they knew they were going to lose. But they knew, here we are in Congress, we have to save face too. So they're hiding something for us to find. I think, my recollection would be that COMSAT was probably super-honest, maybe to an extent they lost a little bit, but...

NG: Do you feel like the international common carriers were that honest?

RL: No, they were pros. (Laughter). They were used to this process.

NG: Yeah, that doesn't surprise me. The issue of domestic satellites in COMSAT is a long story and certainly very convoluted. What was the general view, initially, of--I mean right at the very beginning--of COMSAT's role in domestic satellite transmission?

RL: I think they were viewed as a regulated monopoly. I think that was the viewpoint. I guess we didn't know how technology would put....there must be hundreds of satellites up there now;

everybody's in the act. But I think at the time we passed the COMSAT Act....well, certainly its my recollection--I shouldn't speak for anyone else--I thought they would be the monopoly.

NG: So you felt that they would have both the international and the domestic service?

RL: Yeah, I think so. I think that was my thought at the time. Are we getting into INTELSAT? No.

NG: Well, it plays...

RL: To an extent.

NG: To an extent, because it plays a role obviously in COMSAT. I mean, in many ways they're one and the same.RL: I suppose I would have to admit to sort of a bias. I'm a modest investor in the competitor to INTELSAT. So I think...

NG: Were you at that time?

RL: Oh no.

NG: No. Okay.



RL: Oh, this is only in the last year or so. Orion....Orion came along....I'm just shooting dice. I'm out of the Commission. I'm interested in making money. I've got CBS stock, and somebody called me up, one of these....I guess it was a right-wing group and [they] talked to my wife about the ideology of CBS. Hell, I don't know. I don't give a damn about the ideology, I'm trying to make some money. So I took a little shot at Orion. I may lose it, but I thought that the complexion of the government was more competition. A little investment might make me some money.

NG: What about....getting back to the issue with the domestic satellites and COMSAT. There was obviously a lot of back and forth between AT&T and COMSAT, and who was going to own what portion of the domestic system and the other carriers got involved. What was your impression of what happened during the decision-making process on domestic satellites systems? Who was where? Who were the good guys; who were the bad guys? Who had the upper hand?

RL: I think there was a feeling on the part of the Commission--speaking for all of them--that COMSAT was our baby and we didn't want them to fail. So, if there was a bias, I think....let's call it a tilt, a little tilt toward COMSAT. We wanted them to succeed.

NG: Although there was a point at which, if I recall correctly, that they were ready to give away the ship to AT&T [before the Communications Satellite Act created COMSAT].

RL: Well, that wasn't.....I don't think that was ever my position.

NG: What about the comment that I've heard made, which is that COMSAT could have had it all, if it had played its cards right?

RL: I don't think so; AT&T was too strong. They are alert. They are a great lobbying organization. They know what they're doing. They've got an expert in anything you can mention.

NG: How did they approach you on this issue? Specifically, you personally?

RL: Well, they sent their smart young men around and they always knew what they were talking about. They never did it on a personal basis, just facts. They well-researched their position. You know, smart people can make anything look pretty good. They were articulate. They made their point, but a regulator, if he's been around a while....you turn a kind of skeptical ear to everybody. You listen, and then you sort of

take your chances again with....influenced not only by your fellow Commissioners, but your staff in the Common Carrier Bureau and your personal staff in your office. The Commissioner's influenced, in my experience, a great deal by the lawyer or two that's personally responsible to him. Each Commissioner has a lawyer, some of them two. The law provides that you can dismiss him with the wave of your hand. There's no rights, no nothing--on the theory that they want to reflect your views and do what they're told. For example, typically you'll say to your lawyer, "Now you go ahead and give me your ideas, argue as much as you want, but at some point I'm going to say this is the way I want it. Then you'll become my advocate." I think that's probably a pretty good system, because if I don't like the guy, I say, "Don't show up tomorrow." He's off the payroll, there's no rights, no hearings, no nothing. It's kind of unique in government.

NG: Sounds very much like the Hill.

RL: Yeah. That's right. They maintain that, yeah. That's to ensure loyalty.

NG: So where was your lawyer on the domestic satellite system and COMSAT? How did you view it; how did he view it?

RL: Well, I think my lawyer at the time was probably tilting pretty much toward COMSAT--He was just enamored with the new technique, and this brilliant future for this thing. Of course, I didn't go quite that far, I hope. But I listened to him and of course AT&T was around, and you sort of struck a balance. You take these things into a meeting and you argue. At that time, we could still have private meetings. Now there have been some laws passed, like the Sunshine Act that requires that all meetings be in public. I don't think that really works in the public interest because we used to meet on this subject....you could go into a room, sometimes we'd throw everybody out but the seven Commissioners, and you could really let your hair down. But if your doing that on a public basis--people are listening to you and they're reading things into it--you might even play games. You might take the position, like on this rate case. I might say, "You oughta give them 13%"....while I'm trying to get Nick to....I don't really believe that. But it's a game you play, like they do on the Hill. But to do it publicly is....you'd be crucified I guess.

NG: So are you saying that AT&T got their slice of the domestic satellite pie because they were strong, but maybe not necessarily right, vis-a-vis COMSAT?

RL: Well, I would say they were partly right and partly wrong. Certainly their strength was great. They were strong, yes, in advocacy. They had more people than COMSAT had, and better prepared graphs. COMSAT had....you know, Joe Charyk couldn't see everybody, everyday. AT&T might have had 40 people, so [they would say] "You get that guy." They could divide it up. COMSAT had a disadvantage--I think I'd say that--on the lobbying end. They were outnumbered by AT&T.

NG: So you think that's the reason they got their slice of the domestic satellite pie?

RL: Yeah, that's a contributing factor, yeah.

NG: What were some of the other factors?

RL: Well, the logic as you saw it, I suppose. And, I suppose, also the natural inclination to try to give everybody a little bit. You always worry about the reaction from the Hill, because these guys are up talking on the Hill, too. If you're a regulator who hopes to survive--like I did for 28 years--everytime you made a decision, you'd have to say to yourself, "How do I explain that up on the Hill?" Oversight. Under the lights "Why did you do this commissioner?" You'd better have a good answer. I think it's important for anyone

trying to understand the regulatory philosophy to keep in mind the practical considerations of a fellow: "Well, here I am a Commissioner, and I'm sitting there making these great decisions, going to effect the economy, the future of many companies, the selfish interests of a lot of people, and I'm perhaps the only one who isn't going to benefit one way or another." So your natural inclination is to protect your tail. So you must be able to answer in your own mind the fact that you made a rational decision. It might be that your intelligence would tell you, "This is going to be better in the long run." You can't help but be influenced by the fact that, "How do I explain that?" The more facts you have on one side, the easier it is. Maybe COMSAT, for example, could be engulfed with this massive material from AT&T, but if I'm engulfed with it, I might have a more logical explanation for what I do, because the other guy didn't give me enough of his side. And the only way particularly....again, you have to remember that a Commissioner has all of these things you have to do: the broadcast things, the common carrier, the [inaudible], the ships at sea, the airplanes, the telephone; you just can't be expert in all of them. You have to rely on some people, and if you're smart, you're going to have a reasonable explanation justifying what you did. Unless the other guy is pounding you--if they're equally pounding....it's like an old story I heard one time about some old judge who was about to hear a

case, and he says to the plaintiff, he says, "The defense here just gave me \$50,000, now if the plaintiff will give me the same amount I'll decide this on the merits." What I'm trying to say is, is if I was a lobbyist--I am in a way, at the moment, a lobbyist--about the best I can do is get that decision maker, have access to him, and pound my side of it into him. So he begins to develop a mechanism in his head that says, "It's easier for me to take his point of view and explain my decision, than it is [for] the other guy." If the other guy hasn't been in there, he's at a distinct disadvantage.

NG: So relate that for me to your decision on the domestic satellite issue. What happened?

RL: I don't even know what I decided. I don't remember. We decided to divide it up beyond the earth station. I think it'd be honest to say it was kind of a compromise judgment call, trying to keep the heat down from everybody.

NG: Let's go into another issue that came up before the FCC. What was the initial effect and the reaction at the FCC and specifically, obviously in your office, to Clay Whitehead's Open Skies Memorandum of 1970? How did you feel about that?

RL: As I recall it, that was where he said, "Anyone who can

put something up is entitled." I think I considered it kind of impractical at the time.

NG: Why is that?

RL: I don't think there were enough experts around to do it. I think I might have agreed that's a good philosophy perhaps now, when there are all kinds of experts around. But at the time, I think I was convinced that COMSAT pretty much had the only know-how to make it work. I'm sure I was influenced by that. If I was voting right now, I might say let them all go up.

NG: Was there a lot of conflict at that time between the OTP under Clay Whitehead and the Commission, which brought about that memorandum?

RL: On that issue I don't think so, but Clay Whitehead--I don't know whether it was before or after--he got in considerable controversy, with respect to other decisions, that made him perhaps somewhat suspect to us. I don't know whether this was before he made a speech to, in effect, threaten the networks. Do you remember that?

NG: I know of it.



RL: [It] got him in lot's of trouble....completely out of character for him.. He was a very fine technician--[during his] confirmation hearings, I remember that. You know, he just had all the qualifications.

NG: He was a very bright upstart, young man.

RL: Yeah, somehow or other he made that speech that offended us. In effect, what he said was that the networks are responsible for what goes out over the air and, in effect, they'd better be careful. What he was saying was, the government can do something. Now, the fact of the...he called me the next day, matter of fact, wanted to know what my reaction to his speech was. I said, "Well, you're saying something that everyone knows is true, so it was taken as a threat." (That was, I guess was part of the....like, I suppose the Nixon/Whitehead, Nixon thing. They told them, "These God Damn networks....")

NG: Nixon/Agnew.

RL: It was a threat, yeah, and Agnew was in on it big. So to that extent, and I don't know what the time frame is, we would look with some skepticism at Clay Whitehead.

NG: Were there other times that the FCC and the White House were at odds, as they may have been over the Open Skies Memorandum, on issues relating to COMSAT?

RL: I don't recall. Now, if there was any intervention from the White House, it typically would work through the Chairman. It's a very dangerous procedure, because the FCC is an independent agency. They are delegated their responsibilities from Congress, and as far as the White House is concerned, they're just another party. Typically, what they should be told, when there is any attempt at intervention and I don't have any direct information on that, but they [the White House] should be told, "You are just another party. If you want to intervene, put it in writing publicly, don't be calling the Chairman." Which may happen, [the White House] said, "Hey, you'd better this or that, unless you don't want to be reappointed." Because if the Hill hears these things, they raise hell. Sherman Adams lost his job. You weren't even born [at that time]. He was Eisenhower's Chief of Staff. He intervened in some hearing cases....

NG: What year was that?

RL That'd be maybe '56 or something like that. You weren't as

articulate [Laughter].

NG: No. Describe to the best of your recollections the beginning of CML and the transition of CML to SBS. What were the FCC concerns over a partnership between COMSAT, MCI, and Lockheed, and then, subsequent to that, COMSAT and IBM?

RL: You're talking about currently, now? COMSAT and....

NG: Well, no. I guess I'm talking about when the whole thing took place. When there was the transition, when you first started to determine whether or not COMSAT should be allowed to go into business with IBM for SBS.

RL: What year was that?

NG: I guess that would have been in '74 ('73-'74).

RL: Well, by that time COMSAT was no longer considered a quasi-government agency. They were just another regulated industry, I expect. I just don't remember collectively [what] my feeling would be. I think I would let them into almost any business that seemed somewhat related to communications.

NG: Although, it was stipulated by the FCC that they needed a

third partner, and that's when Aetna got into the business. And it became....SBS was a three way partnership with no majority stock ownership by anyone of the three companies, either COMSAT, IBM, or Aetna.

RL: I don't think I can help you on that.

NG: Okay. We're in this period of deregulation, an era of deregulation. What do you feel the role of the FCC should be in relationship to COMSAT? Some COMSAT watchers have felt that COMSAT would have been more successful if it had been allowed to operate in a more deregulated environment--That technology and profits would have been better and that savings to the consumer would have been more available. Do you think this is going to happen now? Should it be happening?

RL: I don't know what's happened in the last four or five years, but I would pretty much deregulate COMSAT to the extent of putting them into....letting them make an election for almost any business they wanted. I think I would retain the control of their rates. But beyond that, I'd....

NG: Why not regulate their diversification, but then regulate their rates?

RL: You mean not regulate their...?

NG: Why would you prefer not to regulate their methods of diversification, but then turn around and regulate their rate of return?

RL: Because, I think that they're certainly a semi-monopoly, and I have the same feeling for them as I do for AT&T. I never thought that AT&T was a monopoly since we've regulated their rates. If you tell them what your rate of return is going to be, and that's about as far I'd go; let them do whatever they want, but just keep that earning picture in perspective.

NG: So that as a monopoly...?

RL: It's just a philosophy, yeah. A regulated monopoly is not a true monopoly.

NG: No, it's not. Do you think that there will be a time when there are so many different competitors in the industry that you could lift...?

RL: Yes. In the satellite field?

NG: Yes.

RL: Yeah. I think it's certainly coming.

NG: And at that point you feel that they would no longer have to have their rates regulated?

RL: If we had enough competition, I'd walk away from that, yes.

NG: What do you think the future of regulation is going to be in this area? Within the next, say, five years?

RL: That depends on what happens to the Administration, I suppose, but I think the tendency will be to walk away from regulation in five years.

NG: What about in ten?

RL: My experience is, as kind of dean of the Commissioners is that the pendulum swings both ways. I think maybe in this five year period, that it may swing too much away from deregulation. Then, there will be some abuses, a scandal or two, and then the pendulum goes back maybe too far. I'd like to see it in a range of reasonableness.

NG: Are there any other issues that have come to your mind,

during the course of the interview about COMSAT?....roles that you played, vis-a-vis COMSAT, that you'd like to talk about a little bit?

RL: Not particularly, except that I was kind of disappointed....I understand it, but I think they belong in the DBS business, direct to the home. I know it doesn't look as good as it did when it was glamorous. I predict that they will be back in it at some point and I hope they are, because I think it's a proper avenue for them. Whether or not they wind up in the entertainment business....I'm not so sure they should do that, but they can certainly control the transmission.

NG: As a Commissioner would you have let it be known that you approved of--if you were a Commissioner, or when they were actually in that business--did you let them know that you thought it was a good idea for them to go off into that direction?

RL: I think if I was there now, I'd be encouraging them.

NG: What about in the past, when they actually were in the business? How'd you feel about it then?

RL: I've been out of there four years. I don't think they

were in that DBS business....were they in then?

NG: I don't know when they would have made the filing to the FCC.

RL: I don't remember that issue, but I think I would have encouraged it. And I think I still would.

NG: Okay. That's it.