

43  
INCOMING TELEGRAM Department of State

TEL 11 BRAZ

CONFIDENTIAL

43  
Action

ARA

Info

ESB433SUA658

000455

RR RUEHC  
DE RUESUA 299 0701320  
ZNY CCCCC  
R 111310Z  
FM AMEMBASSY RIO DEJANEIRO  
TO RUEHC/SECSTATE WASHDC 2019  
INFO ZEN/PORTO ALEGRE 178  
ZEN/CURITIBA 57

1966 MAR 11 AM 10 25

SS

G

SP

SAH

L

H

P

STAE GRNC  
BT  
C O N F I D E N T I A L MARCH 11

USIA

NSC

INR

CIA

NSA

IGA

AID

E

COM

FRB

TRSY

XMB

SUBJECT: IT&T TELEPHONE PROPERITIES.

1. AMCONSUL PORTO ALEGRE HAS INFORMED US RIO GRANDE DO SUL STATE TREASURY COURT RULED ON MARCH 4 THAT RGS GOVERNMENT SHOULD PAY IT&T CRUZEIROS FIVE POINT SEVEN BILLION AS COMPENSATION FOR TELEPHONE EXPROPRIATION. COMPANY REPORTEDLY ASKING EIGHTEEN BILLION. RULING NOW GOES STATE SUPREME COURT FOR CONFIRMATION OR REJECTION.
2. FOLLOWING INFO PROVIDED IN EVENT IT&T NEW YORK APPROACHES DEPARTMENT.
3. BASED ON RECENT DISCUSSION BETWEEN EMBASSY TCO AND PRESIDENT

RSR

PAGE 2 RUESUS 299 C O N F I D E N T I A L  
CONTEL GOB APPARENTLY ANXIOUS REACH FINAL SETTLEMENT RGS CASE BUT  
CONTEL PRESIDENT QUANDT DE OLIVEIRA SAID HE FINDS IT VERY DIFFICULT  
DEAL WITH COMPANY. HE STATED HE MET IN DECEMBER 1965 WITH HARKINS  
AND OTHER IT&T OFFICIALS IN EFFORT REACH AGREEMENT FINAL SETTLEMENT  
IN LINE INTERIM AGREEMENT. HE WAS TOLD THAT AGREEMENT ENTIRELY  
UNACCEPTABLE TO IT&T AND IN ANY CASE IT&T NOT BOUND BY INTERIM  
AGREEMENT SINCE IT REACHED BETWEEN TWO GOVERNMENTS AND NOT BY  
COMPANY. ACCORDING QUANDT, HARKINS INDICATED IT&T WANTED ABOUT EIGHT  
MILLION DOLLARS IN ADDITION SEVEN POINT THREE ALLOWED FOR IN INTERIM  
AGREEMENT. QUANDT STATES HIS POSITION WAS THAT MATTER SHOULD BE  
SETTLED ON BASIS INTERIM AGREEMENT BUT WOULD BE PREPARED  
CONSIDER REASONABLE COUNTER-PROPOSAL FROM IT&T. TO DATE QUANDT  
HAS HEARD NOTHING FURTHER FROM IT&T.

Microfilm by RMB

CONFIDENTIAL

Rec'd  
2019  
3/11/66

CONFIDENTIAL

-2-2019, March 11, from: Rio de Janeiro

4. IT&T SITUATION IN PARANA ALSO DETERIORATING BECAUSE CONTEL DISAPPROVED IT&T OWNED CTN PLAN EXPAND TELEPHONE SYSTEM IN CURITIBA THROUGH SUBSCRIBER FINANCING SCHEME. QUANDT INFORMED TCO CONTEL POLICY ON SUBSCRIBER FINANCED TELEPHONES IS THAT AMOUNTS PAID BY SUBSCRIBER MUST BE RETURNED BY COMPANY IN FORM BONDS OR SHARES IN COMPANY. CTN PROPOSAL DID NOT PROVIDE FOR ISSUANCE BONDS OR SHARES TO SUBSCRIBERS.

PAGE THREE RUESUA 299 C O N F I D E N T I A L  
QUANDT ADDED THAT IF CTN UNABLE SELF-FINANCE EXPANSION OR UNWILLING ISSUE SHARES TO SUBSCRIBERS IN RETURN FOR FINANCING THERE WOULD BE NO ALTERNATIVE BUT EXPROPRIATION OF PROPERTIES. HE HASTENED TO STATE THAT BY EXPROPRIATION HE MEANT PURCHASE WITH JUST COMPENSATION.

5. ON LONG DISTANCE LINE CONCESSIONS IN PARANA IT&T ALSO APPEARS MOVING TOWARD CLASH WITH STATE-OWNED COMPANY TELEPAR WHICH CLAIMS IT&T CONCESSION EXPIRED IN 1965 AS RESULT STATE LAW WHICH GRANTED MONOPOLY TO TELEPAR.

6. MORE DETAILS ON FOREGOING FOLLOW BY AIRGRAM. RAINE  
BT

CONFIDENTIAL

DECLASSIFIED  
Authority NND 959000