

# U.S. Held Liable For ITT's Claim In Chile Seizure

## Panel Rules Agency Must Compensate for '71 Loss; Amount to Be Set Later

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International Telephone & Telegraph Corp. won a key battle for compensation from the U.S. government for Chile's expropriation of an ITT-controlled telephone company in 1971.

A panel of arbitrators in Washington held that Overseas Private Investment Corp., a government agency that insures U.S. companies' investments abroad, is liable for ITT's claims in the matter. However, the panel reserved a ruling on how much the agency must pay ITT pending further hearings.

The investment agency had rejected ITT's claims in April 1973 for \$95 million, or about 60% of ITT's claimed investment of \$153 million in the Chilean company. The rejection followed charges by ITT's critics that the big conglomerate plotted to influence Chilean elections. ITT then exercised its right to arbitration of the claims.

In an unrelated development, the Justice Department, as expected, asked a federal judge to appoint a trustee to carry out ITT's divestiture of Levitt & Sons Inc., the home builders. The proposal, to which ITT agreed, would bring ITT into compliance with a 1971 antitrust-suit settlement that required the company to dispose of certain operations by last Sept. 24.

ITT failed to meet the deadline for divestiture of unprofitable Levitt and of Avis Inc., the auto renters, prompting the government to move to take them out of ITT's control. Last week, the Justice Department asked the court to appoint a trustee to offer to exchange ITT's 52% of Avis stock for publicly held ITT stock. ITT didn't agree to that plan and is expected to object to it at a court hearing Monday.

### Drain on Reserves Seen

The decision in the arbitration was a major blow to the U.S. investment agency. Payment of the full \$95 million sought by ITT would take nearly half of the agency's reserves available for insurance claims. In addition, the agency is about to enter arbitration over its denial of a \$154 million claim by Anaconda Co. on another Chilean take-over, full payment of which could easily wipe out the remaining available reserves.

The agency said in a statement following the ITT decision that its reserves available for insurance-claim payments total \$202.2 million.

Marshall Mays, president of the agency,

said, "Following payment to ITT, (the agency) will take over ITT's rights in the Chile Telephone Co. to the extent of the claim paid, and will pursue a settlement directly with the Chilean government." He added that it is "possible" that ITT and Chile may reach a settlement on the amount of compensation to be paid to ITT by Chile. An agency spokesman said the present Chilean government has promised to pay compensation for nationalization moves of the former Allende government, and any payment to ITT would reduce the agency's liability.

A total of 23 insurance claims against the agency resulted from nationalizations under the Allende government. Most have been settled, but the major claim from the expropriation of Anaconda's big copper facilities remains outstanding.

The agency denied the claim on the ground that Anaconda allegedly failed to maintain full "current" insurance coverage and instead merely had "standby" coverage. An agency spokesman said the Anaconda arbitration case is expected to begin shortly.

The spokesman said the ITT arbitration decision won't have a direct bearing on the Anaconda case. "The denials were based on different grounds, and each case must be decided on its merits," he said.

When Chile Telephone Co. was seized in September 1971 by the government of the late President Salvador Allende, ITT owned 70% of it and had agreed to sell that interest to Chile in 1980. ITT filed an insurance claim with the U.S. agency, to which the company says it had paid nearly \$6 million in premiums. ITT subsidiaries still operate two hotels, two international-communications companies and a small telecommunications-manufacturing facility in Chile. In 1971, the company set up a \$70 million reserve to cover the amount by which its total investment in Chilean companies exceeded the insurance carried for them.

When the U.S. Investment Agency denied ITT's claims, it asserted that the company had failed to disclose material information to the agency, neglected to preserve administrative remedies and failed to protect the agency's interest as a potential successor to ITT's rights.

However, the rejection came in the midst of public furor over ITT's alleged meddling in governmental affairs in the U.S. and abroad. The Senate was investigating ITT's attempts to prevent Mr. Allende, a Marxist, from winning the election that brought him to power in 1970 and later its attempts to apply economic pressure on the Allende government in an effort to protect U.S. investments. During hearings last year, some Senators questioned the propriety of reimbursing ITT for its losses.

President Allende's government was overthrown in September 1973, and he committed suicide. Control of the telephone company wasn't returned to ITT, however.

ITT didn't have any comment yesterday on the plan to turn Levitt over to a trustee. ITT agreed to the divestiture plan in 1971 to settle three antitrust suits brought by the Justice Department and to assure itself of keeping Hartford Fire Insurance Co. Most of the divestiture program was completed last year, including the highly profitable

sale to the public of a 48% interest in Avis.

### Offerings Lose Attraction

However, the stock market slump eliminated public offerings as a profitable means of divestiture, and the economic slump put Levitt into the red and made Avis less desirable to potential private buyers. ITT will receive the proceeds of any sale by trustees of Levitt and Avis, but it won't be able to control the negotiations.

ITT hoped to find a private buyer for Avis up to the moment the Justice Department proposed the share-exchange plan. Under that plan, any ITT shares exchanged for Avis stock would be turned over to ITT, reducing the number of ITT shares outstanding.

Another operation, Grinnell Fire Protec-

tion Systems Co., previously was turned over to a trustee for disposal when ITT failed to meet the Sept. 24, 1973, deadline for its divestiture.

The Justice Department's request for the appointment of a trustee was filed in Hartford, Conn., with Federal Judge M. Joseph Blumenfeld, who is overseeing compliance with the antitrust consent decrees. The government said it would nominate a candidate for trustee later.

The trustee would be empowered to dispose of Levitt through various means, among them distribution of stock to ITT holders, an exchange for ITT shares, a private sale, or a public sale.

The trustee would "restructure" Levitt as an operating company under the plan, and ITT would be required to provide funds "to the extent necessary to maintain and protect the viability of Levitt as a competitive entity." If the trustee didn't dispose of Levitt within three years, the court could require the disposal of it immediately by any means, including an auction.

Separately, ITT said it's reducing its headquarter staff of 1,800 by about 100, in the process laying off 75 to 80 middle-management executives. The other 20 to 25 jobs would be eliminated through resignations and retirements, a spokesman said.

The spokesman said that because of the divestitures under the 1971 antitrust-suit settlement and a reduction of the company's overseas operations, particularly in Latin America, ITT doesn't need as large a staff for centralized management control.