

At this juncture Mr. Britton and Mr. Duce each read excerpts from confidential reports they had received from the Middle East which dealt with the adverse effect in the Middle East of the FTC Report and the cartel investigation.

In conclusion, the companies were requested to analyze the whole problem, including various possible bases of payments for transit rights together with arguments for and against each basis, and to submit the analysis to the Department. The company officials undertook to do this.

No. 276

880.2553/12-2352 Telegram

*The Ambassador in the United Kingdom (Gifford) to the
Department of State*¹

SECRET

LONDON, December 23, 1952—5 p. m.

3488. Re: A-869.² Gibson IPC said today Herridge has returned having made no progress. Discussions have been amicable. Date for renewal talks not yet set. Gibson professes believe IPC can settle on tap line basis provided tap line holds firmly to pipeline agreements. One other important factor in negotiations is that Iraq will not tolerate stoppage in flow it soil by Syria.

Change in concession terms after relatively short period is inevitable in all Middle East concessions according Gibson as long as present Middle East and international tension exists. It must be acknowledged but as little and as slowly as possible and with care that ill will is not created or intensified and that ultimate position is not compromised.

Others in IPC state fixed fee settlement will not be possible. Gibson would probably agree it may not be. Therefore company studying alternative tariff approach. Insists no basis for considering profit split on pipelines which are transport media and should be considered on basis applicable railroads, ships, other pipelines namely tariff per ton and non-discriminatory tax. In this connection would appreciate receiving details of charges for moving oil through six representative lines including Portland, Montreal, inter-provincial and some domestic lines crossing state boundaries. Also details of basis for setting rates on these lines, their initial cost, mileage, return on investment and how division made between states.

¹ Repeated to Beirut and Damascus.

² Document 272.