

E. Example of Initial Adjustment

The initial adjustment of investment quotas to investment shares would be accomplished as follows: All members' use of the satellite system would be measured and each member's share of the total use computed. Each member's share of the total use figure, or its base share, would be compared to its investment quota under the Interim Arrangements. The difference between these two figures would represent the percentage increase or decrease that would be made in the amount of the investment share of each member. For example, assume Member X's investment quota under the Interim Arrangements was 3% and its share of the total use of the satellite system for the initial adjustment was computed to be 4%. The difference in the two figures, 1%, represents X's percentage increase in its share of INTELSAT's investment. This member's purchase of an increased investment share and similar increases in other members' shares would provide funds to allow those members whose investment shares decrease to recover their capital.

III. Subsequent Adjustments

Subsequent adjustments would reapportion the investment held by members using the jointly financed satellites. The investment would be reapportioned among members in accordance with the use each member made of these satellites since the previous adjustment of members' investment shares. Base share members would again receive a fixed share of the INTELSAT investment. The basic formula for reapportionment would be the same used for the initial adjustment of members' investment shares. However, there would be the additional considerations of selecting a period between adjustments of investment shares and the treatment of new members.

A. Period Between Adjustment of Members' Investment Shares

The selection of a time period between the adjustment of the members' investment shares would require different considerations from those used for selecting the period for the measurement of use before the initial adjustment of investment shares. Eligibility for

representation on INTELSAT's Board of Governors under the Definitive Arrangements would continue to be based upon a member, or group of members, having a selected minimum investment share. However, under the Definitive Arrangements, a member's investment share would vary according to its share of the total use of the jointly financed satellites. These variations would be likely to alter the representation on the Board of Governors. Alterations in the composition of INTELSAT's policy-making organ to reflect changes in investment shares would not be justifiable if they occurred so frequently as to impede the Board of Governor's effectiveness.

B. Capital Contributions, and Compensation for Use of Capital

As the system has grown, a disequilibrium between the projected use upon which the investment quotas were determined and the actual use of the system has occurred. As a result of this disequilibrium, repayment of and compensation for use of capital has been accomplished through the space segment utilization charge mechanism. The periodic adjustment of investment shares proposed under the investment/use mechanism would prevent the continued growth of such disequilibrium and substantially reduce the actual transfer of funds as a result of under- and over-utilization of the space segment, though it would not eliminate the need for a space segment utilization charge.

C. Space Segment Utilization Charge

The ICSC Report on the Definitive Arrangements indicates that the retention of a space segment utilization charge is desirable. This is consistent with the proposed investment/use mechanism and provides a means of compensating for interim deviations between ownership and use.

D. New INTELSAT Members

When a new member enters INTELSAT at the time of an annual adjustment of investment shares, it would receive an investment share determined either by its use of jointly financed satellites during the period between adjustments or a base share. If a new member was using jointly financed satellites during the period between adjustments, the member that received credit for this use because of furnishing earth station access would lose this credit. A new member who was not a signatory to the Special Agreement under the Interim Arrangements could enter the organization at any time, but it would receive no investment share until the annual adjustment of the organization's investment shares following its entry. This would make it unnecessary to readjust every member's investment share between periods of adjustment of investment shares. Signatories to the Special Agreement who accede to the Operating Agreement during the year after which it enters into force would immediately receive an investment share based upon use of the satellite during the year preceding entry into force of the Operating Agreement or a base share if they did not use the space segment during this period.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/3
March 3, 1969

INVESTMENT IN INTERNATIONAL COOPERATION
UNDER THE DEFINITIVE ARRANGEMENT
(Submitted by the State of Kuwait Delegation)

I. This paper deals with one crucial aspect in which differences exist, the manner of deciding investment shares, and also deals with the manner of enlisting the co-operation of all concerned in arriving at a consensus.

II. Importance of Investment Shares to the Organization

It has generally been agreed that the Organization, though run on commercial lines, should really be based on genuine international co-operation. In view of the wide disparity among the member countries in their ability to make use of the Organization-financed facilities as well as in their ability to finance the schemes, the majority of the members have decided that investment should be proportional to the use made of the facilities. The voting rights in the policy-making bodies of the Organization have been linked to investment shares in one form or the other.

It stands to reason that a member who has a greater financial stake in the Organization must have a greater say in it.

III. Proposals for Investment in Proportion to Use

This principle, no doubt has been welcomed by most of the advanced countries. And we, as the delegates of the State of Kuwait, believe that in the event of applying the mentioned principle, it will show that less than ten countries will control more than two-thirds of shares, and obviously will govern the policies of INTELSAT.

IV. Features of Kuwait Proposal As Defined in 501 Doc. 6

The proposal in 501 stems from a fundamental source and seeks to establish a system, at once equitable and practical.

It lays down that every nation has a right to a share in the Organization which would control the space segment. A portion of the investment shares has, therefore, been fixed for equal distribution. But this consideration will not be overriding and so the portion is fixed as 40% of the total shares.

The overriding consideration is for the efficient planning and running of the Organization. The countries which make use of the Organization-financed facilities have a greater stake in it and so should be given a greater share. This is taken care of in Part II with 60% of the total shares, which are distributed according to the utilization of the space segment. This provision will encourage member-countries to develop themselves and take increasing part in the world body. By the same count, the influence of the countries which do not make use of the Organization is kept to a minimum. (See Annex 1).

The part of the proposal dealing with the shares not taken by certain members who are entitled to them (Annex 2), ensures that the pattern of distribution under Part I and Part II is not changed. When new members join the Organization, again the two parts retain their proportion.

By this means, a financial interest in the undertaking is created among all countries and the voting rights need not be different from the investment shares held by each member. The door is kept open for all countries, who are not yet signatories, to join the Organization and play their rightful role in it.

V. Conclusion

The Proposal for investment shares contained in Para. 501 of the Report of the Interim Communication Satellite Committee on Definitive Arrangements for INTELSAT is a fair compromise on the variety of considerations governing Investment and deserves careful attention from all countries, developing or developed. If adopted, it will pave the way for countries, not yet members of INTELSAT, joining it and thereby introduce an International Global Communications Satellite System.

* * *

Attachments:

Annexes 1 and 2

LIKELY SHARES IN INPELSAT

Traffic Shares as per Attachment 2 to ICSC-33-28E for 1970 Ignoring Domestic Traffic. (Total 65 members)

COUNTRY	As per U.S. Proposal	Assumed 100 Members								
		I 40%	II 60%	TOTAL	I 33.3%	II 66.66%	TOTAL	I 40%	II 60%	TOTAL
1. United States	31.6	0.62	18.96	19.58	0.5	21.1	21.6	0.4		19.36
2. United Kingdom	10.3	0.62	6.18	6.80	0.5	6.9	7.4	0.4		6.58
3. Japan	5.0	0.62	3.0	3.62	0.5	3.3	3.8	0.4		3.4
4. Philippines	3.0	0.62	1.8	2.42	0.5	2.0	2.5	0.4		2.2
5. Germany	2.9	0.62	1.74	2.36	0.5	2.0	2.5	0.4		2.14
6. Italy	2.8	0.62	1.68	2.30	0.5	1.9	2.4	0.4		2.08
7. Australia	2.7	0.62	1.62	2.24	0.5	1.8	2.3	0.4		2.02
8. Canada	2.5	0.62	1.5	2.12	0.5	1.7	2.2	0.4		1.9
9. France	2.5	0.62	1.5	2.12	0.5	1.7	2.2	0.4		1.9
10. India	2.4	0.62	1.44	2.06	0.5	1.6	2.1	0.4		1.84
11. Argentina	2.0	0.62	1.2	1.82	0.5	1.3	1.8	0.4		1.6
12. Ceylon	0.9	0.62	0.54	1.16	0.5	0.6	1.1	0.4		0.94
13. Indonesia	0.8	0.62	0.48	1.10	0.5	0.5	1.0	0.4		.88
14. Pakistan	0.7	0.62	0.42	1.04	0.5	0.5	1.0	0.4		0.82
15. Kuwait	0.5	0.62	0.30	0.92	0.5	0.33	0.88	0.4		0.70

NOTE: This example based on 33.33% and 66.66%. $33.33\% = .5$ $66.66\% \times 31.6 = 21.1$ = TOTAL $21.1 + .5 = 21.6$

This is to show the method of distribution of the shares that members may not be willing to take, due to financial difficulties or other reasons:

Consider Country "X" whose share is 1.15%. According to Kuwait Proposal in 501 it follows:

0.62% Under Part I

0.53% Under Part II

If Country "X" is unwilling to take the share, it will be given a minimum base share of 0.05%. The remainder, $(1.15 - 0.05)\% = 1.1\%$, will be distributed among other countries as follows:

Part I $(0.62 - 0.05 = 0.57\%)$ - This will be divided among the number of countries wishing to purchase.

Part II 0.53% - will be distributed among all countries in proportion to their space segment utilization.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/4
March 4, 1969

STATEMENT BY THE REPRESENTATIVE OF MALAYSIA IN COMMITTEE III
MONDAY, MARCH 3, 1969

Mr. Chairman:

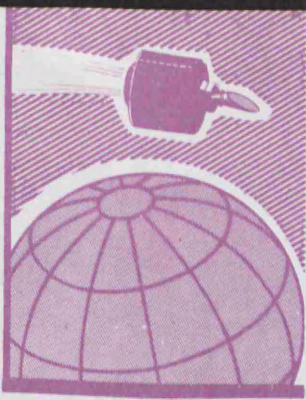
There seems to be general support by many previous speakers that investment shares in INTELSAT should in some way be related to use. Malaysia would like to propose that whatever the method of determining investment shares that might be finally agreed, provision should be made for any country that might wish to do so, to opt for an investment lower than the full amount that country is entitled to.

Referring to the Chairman's request following a Canadian suggestion to discuss the meaning of "actual use of all Organisation financed facilities" of paragraph 498 of Document 6, Malaysia sees two separate items here; one is "actual use" and the other is "all Organisation financed facilities".

On the question of the meaning of "actual use", Malaysia sees no difficulty if the Conference could accept the principle of a utilization charge and "actual use" could then be measured by the amount of money a country pays for use of the space segment. In this concept, there is no need to draw any distinction between domestic traffic, international traffic, leased circuits or any other kind of services. Indeed, as perhaps it was the Australian Delegation which pointed out at another Committee Meeting, the satellites merely provide satellite power and frequency spectrum, and make no distinction between the various services, domestic or international.

On the question of "all Organisation financed facilities", if it is possible for the Conference to finally agree on the principle of an "integrated global commercial system" or a "single global commercial system", then it would appear there could be one and only one set of "Organisation financed facilities"; there could not be pockets of different Organisation financed facilities. The "Organisation financed facilities" would then serve all the domestic, regional or global telecommunication needs, and there is no need for any distinction between the various categories of telecommunications services. Malaysia therefore sees no great difficulty arising if such a concept of a global system could be evolved.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/5
March 4, 1969

STATEMENT BY THE REPRESENTATIVE OF SWITZERLAND IN COMMITTEE III
MONDAY, MARCH 3, 1969

INTRODUCTION TO FINANCIAL PRINCIPLES

The Swiss delegation is in favor of the following principles:

1. A clear distinction should be made between the role of signatories as co-owners of the space segment and the role of signatories as users of the space segment, as expressed in paragraph 493 of the ICSC Report.
2. Investments should be related to the use of the space segment, but only the international public telecommunications traffic should form the basis for the determination, because the provision of international public telecommunications traffic is clearly the primary objective of the future organization.
3. Investment shares should be determined by adding together the investment related to actual use and a fixed and equal "basic" investment for all signatories, as proposed in paragraph 500 of the ICSC Report.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

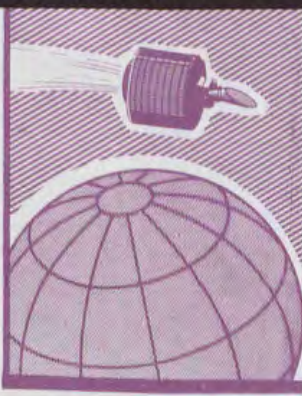
Com. III/6
March 4, 1969

FINANCIAL ARRANGEMENTS (Submitted by the Delegation of New Zealand)

This paper summarizes New Zealand's views in relation to the Introduction and Sections I, II and III of the work program of Committee III as set out in paper Com. III/1 (paragraphs 489 to 515 of Doc. 6).

1. The space segment of the single world satellite system should be owned jointly by signatories in undivided shares.
2. The existing distinction between ownership and use of the space segment should be maintained. Use should be paid for by utilization charges; ownership should be on the basis of investment quotas.
3. Investment quotas should be based on use for any purpose of the space segment facilities provided by the organization. The amount paid as utilization charges could provide a simple and direct index of use.
4. It should not be mandatory for participants to take up the whole of the investment quota available to them on the basis of use. Utilization charges should include provision for a rate of return on capital sufficiently high to attract investment.
5. Reallocation of investment shares will involve practical problems of a number of kinds and should therefore be as infrequent as possible consistent with a need to keep the relation between investment and use reasonably close. Three-yearly reallocation would probably be satisfactory.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/7
March 4, 1969

STATEMENT BY THE REPRESENTATIVE OF CANADA IN COMMITTEE III TUESDAY, MARCH 4, 1969

When I spoke at yesterday's session I expressed the opinion that the Committee should produce a definition of the word "use" as applying to Paragraph 498 of the ICSC Report. During the course of the discussion which followed, it was demonstrated that insofar as domestic use is concerned, there is a divergence of opinion in the Committee. As I said last evening, it is Canada's view that domestic traffic should not be included in the statistics to be used for determining investment shares. I feel it must be restated-- that the *raison d'être* of INTELSAT is to provide international public telecommunications, a fact which has been stressed at length in Committee I. That being so, domestic use is decidedly a secondary consideration and as such should not be allowed at any time during the life of the Agreement, to become a dominating factor in the distribution of the ownership of the system. Moreover, it is probable that countries of small area, but nevertheless with large populations, will never use satellites for their domestic services whilst countries of large areas, such as the United States, Canada and others, because of their very size and scattered communities, are likely to do so. For these reasons, in Canada's view, it would be improper to include domestic traffic in our calculations.

Further in support of these views, I must raise the following points, namely: should domestic television by satellites be given consideration--utilizing as it does many circuits for many hours daily?

Secondly, some countries have or will have hundreds, if not thousands, of domestic leased circuits--the number depending upon a variety of factors such as size of population, the number of business organizations having a need for instant communication with their branch offices or agencies and business associates--defense requirements, etc. Should these be included?

If all of these are included, I venture to suggest that ownership in the system will become totally unbalanced and many members will only acquire a minute investment in INTELSAT and consequently will derive very little in the way of return for their participation in a commercial venture which over the years will turn out to be a profitable one.

For the benefit of those members of the Committee who did not participate in the discussions in 1964 and as a reminder to those who did, I should mention

that from the information available at that time--had domestic traffic been included in the calculations, then the U. S. and Canada between them would, if my memory serves me correctly, have been entitled to about 99% of the investment in the system. Clearly, this would have been an unacceptable situation and I venture to suggest a somewhat similar problem will arise if domestic use is brought into our current considerations.

These factors certainly give Canada cause to reflect on the wisdom of a literal application of Paragraph 498. We believe that investment shares should not be related "directly through periodic adjustment, to actual use of all organization financed facilities"--and that a new formula should be found to replace some, if not all, of those last seven words, and, Mr. Chairman, I should like to suggest that the Committee give itself that task.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/8
March 4, 1969

STATEMENT BY THE REPRESENTATIVE OF AUSTRALIA IN COMMITTEE III
TUESDAY, MARCH 4, 1969

Australia supports the concept that investment quotas should be related to use of the INTELSAT space segment. We see problems, however, in making any such relationship precise and exclusive of other factors, whether the relevant calculations are based on past use, estimated future use, or a combination of both.

We have set aside the question of voting power, which can be adjusted to suit circumstances, and our delegation believes that all of the following criteria should be taken into account whenever new investment quotas are being considered:

- (i) existing investment shares;
- (ii) past and estimated future use of the INTELSAT global space segment;
- (iii) the views of signatories, particularly where some may wish to set a limit on their quota;
- (iv) the size of the Governing Body.

Taking first the change from the Interim to the Definitive Arrangements, it is our view that before new quotas can be established existing quotas under the interim agreements should be carefully considered having regard to the provisions of Article IX b (iii) of the Special Agreement and the substantial investment already existing.

We agree that an acceptable measure of use needs to be established as another criterion, recognizing that for those countries who do not possess an earth station transit arrangements may involve either direct or indirect payment for space segment utilization. We also think that account must be taken of the desires of any signatory wishing to keep its investment in the INTELSAT space segment within a given ceiling.

Finally, it seems to us necessary to ensure that the resulting investment quotas produce a Governing Body of adequate size and representation within any maximum limit of numbers which may be agreed.

It can also be accepted, we believe, that most signatories will have need to obtain the approval of their government to their investment quota, and it is our view that quotas should remain stable for periods longer than one year. Our preference would be for quotas to be set and retained at the agreed level for three yearly periods, subject only to the relatively minor changes necessary to accommodate new signatories to the Definitive Agreements.

Proposals which have been made so far on methods of determining investment quotas involve attempting a precise measure of past traffic use, or the recognition of commitments for the future, with either or both of these providing some kind of automatic mathematical relationship between use and investment.

We see practical problems from the adoption of this approach. As a principle we find it unacceptable that any signatory's quota may automatically be changed (particularly increased) merely by the accident of traffic incidence in some other part of the world. Again, as a principle, it seems undesirable that membership on the Governing Body could be changed automatically in marginal cases merely by small changes in space segment utilization. Furthermore, a fixed inter-relationship between investment and use could involve some countries in the prospect of having to obtain approval for an increase in investment each time there was a relative increase in their traffic utilization of the system.

There could well be many countries who do not wish to take up more than a specified amount of INTELSAT investment, notwithstanding their past or future use of the space segment, and we see the need to recognize problems of this kind in the determination of quota shares.

On the more practical side there could be many different ways of determining "use". Transit relationships, particularly those involving small traffic streams, present a problem here. For example, for countries who do not possess an earth station and yet wish to pass traffic through an earth station in another country it may well prove economic for all to integrate a number of small traffic streams into larger bundles. Such cases already exist and it is a matter of practical accounting convenience, in each case, as to whether the terminal country or the transit country with the earth station should actually pay for space segment use. (Article 8 (b) of the Special Agreement appears to allow either.) Other difficulties, too, could stem from problems of definition of what particular traffic use should or should not be recognized.

Finally, it should be noted that investment is being made now in INTELSAT IV satellites the life of which will extend throughout the whole of the 1970 time frame. Thus any precise attempt to correlate future use with the facilities being provided for that future must involve a substantial element of estimation error.

- 3 -

Therefore, it is the Australian view that the transition from the present investment quotas to new investment quotas under the definitive arrangement should be made by adjusting the present quotas to a new set of figures taking into account all the other factors mentioned above.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/9
March 4, 1969

STATEMENT BY THE REPRESENTATIVE OF NIGERIA IN COMMITTEE III
TUESDAY, MARCH 4, 1969

Mr. Chairman:

I regret that it had not been possible for me earlier to express the views of my delegation in this committee.

My delegation is in support of the views expressed by many others who have spoken in support of the basic principles recommended in ICSC recommendation paragraph 493, that the principles of financial participation of a Signatory as a user should be distinct from its participation as a co-owner.

Now, in respect of the principles which should be adopted for making the calculations of investment shares of signatories, my delegation recognizes that the principle governing the decision of any nation wishing to become a co-owner is basically different from those upon which it decides to become a user.

To become a user, a Signatory needs to justify to itself the need to invest in the provision of an expensive earth station. This decision will obviously be tied with its traffic requirement, the size of the country, the development of its internal telecommunications facilities, and the proximity to an existing outlet in an adjacent friendly country to which the traffic needs of the Signatory may be less expensively linked by land systems.

It thus follows that a number of signatories would most certainly score zero allocation on the basis of usage.

However, some of these countries may in fact be financially capable of taking up a fairly reasonable fixed share of the "cake" on the basis of co-owner investment allotment.

We are, I believe, hoping to evolve an organization which reflects equitable participation by all signatories, or at least one that appears to do so.

We should not however ignore the problems which may arise if the fixed allotment is made too high, for the poorer developing countries and even some countries of Europe may not be able to take up their shares.

The recommendation of my delegation therefore is that a reasonable balance should be as follows:

a) That a fixed allotment of 40% be set aside for fixed allotment to all signatories, as per ICSC paragraph 501, but subject to a minimum allotment of 0.05% in paragraph 498 to a signatory which indicates the intention to be party to the Definitive Agreement.

Each country will initially be afforded its share of 40% divided by the number of signatories at the time, the organization being free to reallocate any outstanding shares amongst countries indicating their wish for more shares subject of course to the existing principle that all shares are adjusted appropriately when new nations become signatories to the Agreement.

The remaining 60% of the total share should then be made available for allotment in direct relation to the use of the space segment for international telecommunications services.

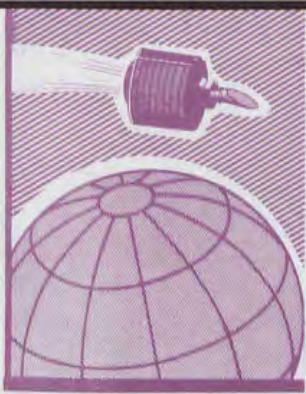
In this respect we must be cautious in equating other services to the same category as public international traffic.

I sympathize with the distinguished delegate of Pakistan, and I appreciate the point of view of the distinguished delegate of the United Kingdom in respect of Hong Kong. But, we must be careful here. Once you start to include services, the nature of which is not common to all co-owners or all users, for calculating investment shares we run the risk of opening the door wide open to other special services required by any users.

My delegation feels that the only safe principle here is to adopt the principle of investment calculation on the basis of signatories' requirement for public international traffic covered in ICSC Report paragraph 195, which at least is the only type of traffic that delegates within the ICSC and in Committee I had so far unanimously agreed upon. The fact that there are differences of views in accommodating special and domestic services in the global system already suggests that we may have some difficulties with agreeing upon the other types of traffic to be used for investment allocation.

It should be borne in mind also that communications entities which are not Signatories to the Definitive Agreement may be users also. If we say here that actual use is what should be used for investment calculations, what answer do we have for others who make actual use of the system but are not Signatories.

With respect to the periodicity of adjustment of investment shares, we share the view of Australia that adjustment on an annual basis is too frequent and something of the order of tri-annual adjustment may prove to present less administrative problems both to the Signatories themselves and to the Organization itself.



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/10
March 4, 1969

STATEMENT BY THE REPRESENTATIVE OF THE SYRIAN ARAB REPUBLIC IN COMMITTEE III
TUESDAY, MARCH 4, 1969

Concerning Items I, II, and III of the agenda of Committee III, it is felt that the following two principles should be taken as a guide:

1. To safeguard the interest of small or developing countries as is the case for many countries in Asia, Africa, and Latin America.
2. To see to it that the organization will have its true and very important international role.

Guided by these two principles, it is evident that:

1. Paragraph 493 of the ICSC Report should be endorsed. In this paragraph a clear distinction between the role of signatories as co-owners of the space segment and their role as users is made.

2. The context of paragraph 501 of ICSC Report should be also adopted. In fact, the interest of small and developing countries is safeguarded in this paragraph by keeping 40% of the shares to be divided equally among the signatories while the remaining 60% of the shares would be divided among the signatories according to their utilization of the space segment.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/11
March 4, 1969

STATEMENT BY THE REPRESENTATIVE
OF THAILAND IN COMMITTEE III
TUESDAY, MARCH 4, 1969

The Thai Delegation wishes to comment on financial arrangements of the definitive agreement.

On item one of the suggested work programme of Committee III dealing with principles underlying the financial arrangements of the organization, we could support paragraph 493 which is the recommendation favoured by the majority of ICSC members. A clear distinction between the roles of Signatories as co-owners of the space segment and as users of the space segment should be made.

As co-owner of the space segment, the Signatory contributes capital investment and as users of the space segment it pays utilization charges. We fully subscribe to these principles and ideas.

In paragraph 498 of ICSC report the substantial majority of committee members subscribe to the concept of relating investment shares directly to actual usage of all organization financed facilities. Thailand can also support that recommendation and feel that it is a just and fair proposition.

However, Mr. Chairman, this support is based on the assumption that all organization financed facilities means space segment as defined in paragraph 157 of the ICSC report. In this connection the term actual usage could not mean anything but actual usage of the space segment and by stressing the word actual it can only mean that the investment shares must be based on past usage but not on future projection.

In conclusion, we feel that investment shares should be related directly to actual usage of the past, whether measuring period will be one or two years.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/12
March 4, 1969

STATEMENT BY THE REPRESENTATIVE OF THE
FEDERAL REPUBLIC OF GERMANY IN COMMITTEE III
MONDAY, MARCH 3, 1969

My delegation is of the opinion that the activities of the organization should continue to be restricted to the provision and operation of the space segment whilst the establishment and operation of earth stations should remain within the national competency of each country. This would not rule out the fact, however, that the organization may issue binding directives for the technique and operation of earth stations participating in the global system.

Every member of the future organization will have to contribute to the costs of the space segment regardless of whether it operates an earth station or not. In our view, non-members should only pay a utilization charge insofar as they use the system.

The costs of the system consist of the investment costs and the maintenance, operation and administration expenditures. In return for its contribution each member will have a right of ownership in the space segment which will be in the undivided ownership of all members.

Member States having access to the space segment via an earth station should contribute to the costs of the system in proportion to the extent to which they utilize the space segment. Members making no use of the system should pay a certain minimum quota, e.g. 0.05 per cent.

The amount of utilization should be computed from the actual use during the past year and the prospective requirement for the next. Since we can safely assume that the capacity available after the putting into operation of Intelsat IV can cover the requirements for years to come, we do not think --provided that follow-up systems are planned in time--that any further measures will be necessary to assure the capacity for subsequent requirements for years ahead.

The investment shares should be adjusted annually to the amount of utilization, but for the sake of cutting down administrative work this should be done only if the traffic share of a member has changed by one per cent or more. The procedure for adjusting the ownership share of a member to a changed investment share needs to be carefully worked out.

A charge will have to be levied for the utilization of the space segment. The charge must cover the costs of depreciation and of the amortisation of capital, it must allow for an adequate yield of interest on the capital and must cover the costs of operation, maintenance and administration of the space segment.

It will have to be carefully considered in what way the utilization is to be determined if new techniques, for instance the demand assignment, are introduced.

In case the organization is authorized to provide special telecommunication services, the procedure for determining investment shares and utilization charges must be set up on a case by case basis due to the large variety of the special services possible.

In every case, however, provision must be made that no member can be compelled to participate in the financing of the space segment for a special telecommunication service.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/13
March 5, 1969

STATEMENT BY THE REPRESENTATIVE OF THE UNITED STATES IN COMMITTEE III
MONDAY, MARCH 3, 1969

A substantial majority of the Interim Committee, in which 18 delegates represent 48 INTELSAT members, recommended that the INTELSAT space segment should be owned in undivided shares by the Signatories in proportion to their investment shares. As you know, the term "substantial majority" as it is used in the Interim Committee report on the definitive arrangements means that between 14 and 17 delegates support a recommendation. A "substantial majority" of the Interim Committee have recommended that the investment shares of Signatories should be determined by relating them directly, through periodic adjustment, to actual use of all INTELSAT-financed satellites.

Thirteen members of the Interim Committee recommended that the allocation of investment shares be adjusted annually with the adjustments based upon the relative use of each Signatory during the preceding year. Finally, a "substantial majority" of the Interim Committee also recommended that the use of capital invested by the Signatories be compensated on the basis of the cost of money during the period between adjustments of investment shares.

It would appear from the Committee's report that the members of INTELSAT strongly favor relating investment in the INTELSAT-financed space segment directly to their use of the INTELSAT satellites. The United States does not consider it desirable that the Definitive Arrangements should do more than establish general principles regarding these matters. There is considerable value, however, in discussing some of the problems that will face INTELSAT.

These problems include the period over which members' use of the system will be measured; the method to determine members' use; the method to determine the value of the current INTELSAT investment; the method to be used in calculating the financial adjustment for the transition between the Interim Arrangements and the Definitive Arrangements; the period between subsequent adjustments of members' investment shares.

The United States would like to make the following major points:

1. We support the concept of "investment equal to use" as the basis for determining investment shares.
2. For the initial adjustment, we recommend that investment shares be determined on the basis of recent past use and that use be measured on the

basis of the utilization charges paid by each Signatory. The net investment value of INTELSAT could be determined by a number of accepted accounting methods.

3. We support a minimum investment share or base share for non-users of .05%. In addition, any Signatory whose use is less than .05% would nonetheless have the opportunity to take .05% as an initial investment share.

4. Adjustments subsequent to the initial adjustment should reapportion net INTELSAT investment in a manner similar to the initial adjustment. The period between adjustments should be short enough to keep ownership and use generally aligned but long enough to avoid constant fluctuation in a Signatory's investment.

5. The utilization charge should be the mechanism to obtain revenue to compensate Signatories that own a greater percentage of INTELSAT than they use.

6. New users of the INTELSAT-financed system who have not previously been members would buy their investment share at the time of the next adjustment. In the meantime, they would pay for their use through the utilization charge.

I would like to make it clear that several of the foregoing points differ from views previously proposed by the United States:

1. The first of these is that we now feel that there should be a utilization charge. It might be possible to operate without a utilization charge under the circumstance where ownership is kept very closely aligned with use and there are retroactive adjustments of owners' investment and expense payments. We still believe that such a method would be possible, but now support a utilization charge because it would:

- (a) provide funds for payment of interest to non-using Signatories.
- (b) permit promotional rates for new services.
- (c) provide a current measure of space segment costs.
- (d) make retroactive adjustments of investment unnecessary.

2. Also, we are supporting an accounting determination of net investment at the time of each ownership adjustment, rather than a new valuation of assets each time. Valuation of assets would be very subjective and require difficult judgements with respect to remaining lifetime and revenue producing capability. Therefore, we believe that a determination of net investment on the basis of the accounting value would be a more objective and still a fair basis for adjustment.



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com.III/14
March 5, 1969

STATEMENT BY THE REPRESENTATIVE OF IRAN IN COMMITTEE III
TUESDAY, MARCH 4, 1969

Discussing items II and III of the agenda of your committee and hearing many delegations stating their points of view on the subject, the delegation of Iran wishes to express its agreement with paragraph 498 of the ICSC Report, as stated in yesterday's meeting, namely, the determination of investment shares of signatories in proportion to actual use of all Organization Financed Facilities, whether for international, regional or domestic exchange of traffic.

I would like to add today the following remarks:

1. An exception shall be made for Signatories to the Interim Agreement who have not started the direct or indirect use of the Space Segment before the effective date of the Definitive Arrangements. In fact, the existing investment shares, determined before this conference, seem logical to be accepted for them if the Signatories concerned are agreeable to those ceilings.

2. In the computation of traffic volume, in the opinion of my delegation, the estimation for a number of years ahead, at least one year shall be taken into account for each user. The reason is that countries starting the use of the Space Segment do not have enough precedence to be taken as basis for calculation and determination of their investment shares.

3. The adjustments concerned take place every three years, as foreseen in paragraph 515 of the ICSC Report and also proposed by the delegation of Australia.

4. The effective date for each adjustment shall be selected one year after such adjustment for each Signatory. This extension is required by many Signatories due to necessity of accomplishment of certain formalities for the purpose of allocation of credit concerned in their annual budget.

This is the position of my delegation and allow me, Mr. Chairman, to present my further remarks whenever appropriate.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/15
March 5, 1969

STATEMENT BY THE REPRESENTATIVE OF ITALY IN COMMITTEE III
TUESDAY, MARCH 4, 1969

With regard to points I, II and III of the agenda of Committee III (document Com. III/1), the Italian delegation wishes to state the following principles to be taken as a basis in the establishment of the financial rules for the permanent organization of INTELSAT.

1. The ownership of the space segment of the single world satellite system should belong to the signatories in undivided shares.
2. The distinction between owners and users of the space segment should be maintained as stated in point 493 of the Report of the ICSC.
3. The investment shares should be distributed among the signatories strictly according to the use made of the system, including the use made through another country by a country which does not own an earth station.
4. A minimum quota of 0.05% should be offered to those signatories who are not yet users of the space segment.
5. Only international traffic should be taken into account to determine investment shares.
6. Periodical adjustments of the shares should not be based on future traffic forecasts but only on the actual use of the space segment during a given period of time, according to point 498 of the ICSC Report.
7. The periodicity of the adjustments should be decided by the Governing Body.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/16
March 5, 1969

OUTLINES FOR THE DETERMINATION OF INVESTMENT SHARES
UNDER THE DEFINITIVE ARRANGEMENTS
(Submitted by the Delegation of the State of Israel)

1. It is the opinion of the Delegation of Israel that the problem of voting powers should not overshadow the considerations governing the determination of investment shares.

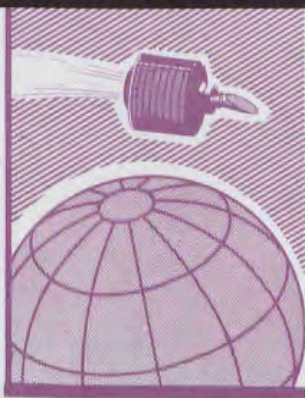
To this effect the voting power in the different organs of the Organization shall not be in direct proportion to investment shares of Signatories (in the Governing Body for instance a given percentage of the total voting power will be equally divided among the seats in this Organ--as foreseen in No. 393 of the ICSC Report).

2. Investment shares of the Signatories will be based, in principle, on the International Public Telecommunication traffic, passed by each Signatory on the Organization-financed facilities.
3. The initial adjustment of Signatories' investment shares will be directly related to the usage, as forecast for the third year, after the date on which the Definitive Arrangements come into force. This forecast shall be based on the trends of growth of actual use in the preceding period as well as on the Signatory's request for reserved capacity in the space segment.
4. The same principle will apply to a newly joining Signatory, on the date of accession.
5. For the purpose of allotment of investment share, a Signatory will be credited with usage, whether it is made directly by its own earth station or indirectly via the earth station of another Signatory.
6. Subsequent adjustment of investment shares will be made periodically every 2 to 3 years and will be based on actual use in the preceding period.

In the case where the actual or forecast use of a Signatory is less than 0.05%, its investment share will be considered, nevertheless, as 0.05%.

7. In case a Signatory wishes to acquire an investment share smaller than that due to it, the remaining investment share will be divided among the other Signatories, in accordance with the principles outlined above.

Such Signatory should be given the option to revert to the full investment share due to it, on a subsequent period of adjustment.



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/17
March 5, 1969

STATEMENT BY THE REPRESENTATIVE OF THE UNITED KINGDOM IN COMMITTEE III
TUESDAY, MARCH 4, 1969

The United Kingdom Delegation contributed the following views in the discussion of Items I to III of the Agenda of Committee III:

Agenda Item I

The United Kingdom supports the recommendation in paragraph 493 of the ICSC Report. The function of charging for use of the satellite system is more flexibly yet simply done through a utilisation charge related to capacity employed, than through a system in which the year-by-year capital and operating costs of the Organisation are shared among Signatories on a general proportionate basis. We do not therefore support any cooperative type of arrangement such as is recommended in paragraphs 495 and 496.

Agenda Item II

As to the principles for determining investment shares (paragraphs 497 to 506 of the ICSC Report), the United Kingdom fully supports the principle set out in the majority recommendation in paragraph 498. We base our support for the actual terms of that recommendation on the belief that the words "actual use of all Organisation financial facilities" mean the use for any purpose during a defined period--say one year before the date of determination--of any of the Organisation's facilities owned in undivided shares by the entire membership. This "actual" use must include use for public telecommunications purposes by any earth station in the territory of a Party, whether it is used directly by the Signatory of the Operating Agreement or by some other duly authorised telecommunications entity within that Party's territory. It must also include use for national purposes, at least in respect of traffic between geographically distinct areas of a territory under the jurisdiction of a Party, since this traffic is of the same nature as international traffic. In our view, use would most appropriately be measured by reference to actual total utilisation charges paid.

We consider that no attempt should be made to reflect future use (with or without guarantees) in the investment share, recalling some fairly bitter experience of applying this concept in 1964. Having had the opportunity of considering the suggestion in some depth we believe that such severe difficulties would be encountered in finding a generally equitable and acceptable formula to cover future use as to make the method impracticable.

The United Kingdom Delegation is firmly of the view, therefore, that the purely objective basis of past use should be employed, although we would recognise that in the case of a Signatory who was unable to increase his investment to the extent indicated by use, he should be permitted to retain his current investment quota if the Governing Body can make appropriate arrangements to meet his wish.

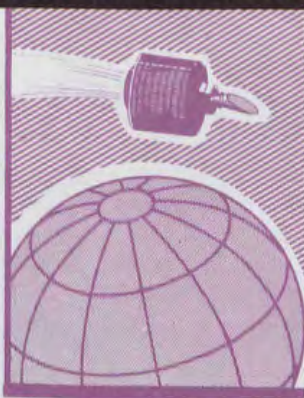
In the short term, the interests of Signatories who are not at present users, or whose satellite services are in a very early stage of establishment, can be protected by adopting the concept of a minimum investment share as is indeed recommended by paragraph 498. In the longer term, the general development of global satellite communications will tend to reduce the present disparities between proportionate actual use and use over a future period.

Agenda Item III

As to the method for determining investment shares--paragraphs 507-515 of the ICSC Report--the main question which arises is that of frequency of adjustment of investment shares. The United Kingdom believes that this is a matter which could well be left to the Governing Body. At the outset, as the global satellite communications network is still taking shape, an annual adjustment would probably be appropriate, but recognizing that it will be desired to avoid too frequent disturbance of the composition of the Governing Body, as a consequence of changes in investment quotas, consideration could be given at a later stage to adoption of a period of, say, two or three years.

We consider that it would not be in the general interest, or consistent with any comprehensible or satisfactory policy, to allow Signatories to take up a larger investment quota than that indicated by their use of the system, except to the extent of a minimum share.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/20
March 5, 1969

STATEMENT BY THE REPRESENTATIVE OF JAPAN IN COMMITTEE III TUESDAY, MARCH 5, 1969

I. Principles underlying the financial arrangements of the organization

The Delegation of Japan is much concerned with making possible the availability of the space segment on a global and non-discriminatory basis for all countries whether they are members or not of the organization, and also the widest possible participation in the organization, whereby those countries who wish to participate in it but have no immediate opportunity to use the space segment could properly be invited to do so. In order to implement the above, it is considered appropriate to make clear distinction between the roles of signatories as co-owners and as users of the space segment, and thus retain the utilization charges as under the present interim arrangements. My Delegation therefore supports paragraph 493 of the ICSC Report.

II. Principles for determining investment shares of signatories

The Delegation of Japan is in support of the concept of undivided ownership of all the organization's financed facilities by all signatories and considers it desirable in implementing this concept that the disparity between the investment in and the use of the space segment by a signatory could be as small as possible and also that the cooperative nature of the organization should be taken into account. With the above in view, my Delegation is in a position to support paragraph 498 of the ICSC Report.

III. Method of determining investment shares

Being in support of the undivided ownership concept as said above, the view of my Delegation is that the actual use of the space segment for various services such as use for domestic service should be counted in determining the investment shares.

As to the measurement of use, we believe that it would be the most practicable way to determine the use of space segment on the basis of the amount of utilization charges paid by signatories.

In respect to the adjustment of allocation of the investment shares, my Delegation supports paragraph 511 of the ICSC Report which recommends an annual adjustment based on the use during the preceding year. In this connection, however, we feel it adequate to leave some flexibility to the competent organ of the organization, whereby any longer period of adjustment may be decided when deemed appropriate.



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/21
March 5, 1969

STATEMENT BY THE REPRESENTATIVE OF THE UNITED KINGDOM
IN COMMITTEE III
WEDNESDAY, MARCH 5, 1969

Financial Rights and Obligations of Investors

Property Rights and Interests

The United Kingdom Delegation fully supports the recommendation in paragraph 518 of the ICSC Report, viz. that the entire Organization-financed space segment be owned in undivided shares by the Signatories, in proportion to their investment shares.

Compensation for Use of Capital

We are of the opinion that the space segment utilization charge should reflect compensation for use of capital at a rate not materially different from that adopted by the Interim Committee (14%). It is a feature of the type of financial arrangement accorded majority support in the ICSC Report (para. 493) that Parties may have different degrees of interest as investors and users, and thus, in effect, the capital investment by some Parties serves to finance the facilities enjoyed by others. We think it equitable that such investment should be rewarded at a rate which takes account of the risks inherent in an enterprise of this kind, and which is indeed comparable with rates employed in relation to other telecommunications media placed at the disposal of one entity by another.

It is also necessary to decide what rate of interest should be used in determining the net worth of the Organization's assets, if the 'net payments' method is used, as referred to in Com. III/2, para. II.C. The Interim Committee adopted for such a purpose rates of 8% for capital and 6% for revenue distribution. We think such an arrangement could continue.

In the United Kingdom view, it is unnecessary to prescribe specific rates of compensation in the Agreement or Operating Agreement, and the Governing Body should decide such matters in the exercise of the functions in the commercial operation of the system.

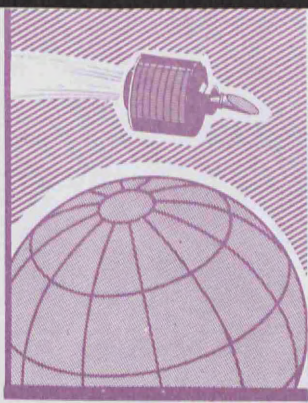
Contribution to Maintenance and Operating Expenses

We support the ICSC recommendation that such expenses should be met by Signatories in the same proportions as their investment shares.

Conditions of Use

We support the majority recommendation in the ICSC Report (para. 527) that use of all Organization-financed facilities should be open to Signatories on payment of the prescribed utilization charges. For this purpose, 'Signatory' would include all duly authorized telecommunications entities in the territory in which the Signatory operates. We consider that utilization charges should be fixed on principles corresponding to those defined in Article 9(a) of the Special Agreement.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/23
March 5, 1969

STATEMENT BY THE REPRESENTATIVE OF THE UNITED STATES IN COMMITTEE III
TUESDAY, MARCH 4, 1969

Mr Chairman, paragraph 498 of the Interim Committee Report stated that investment shares shall be determined on the basis of the actual use of all organization-financed facilities.

Actual use, referred to by some of the Delegates as real use, is the only fair and equitable method. Actual use must be defined in the dictionary sense - - the use actually made of the INTELSAT-financed system.

The distinguished representative of Canada referred yesterday to the "crystal ball" problem in connection with projected traffic. Let me illustrate the "crystal ball" problem as it relates to the past four years.

I have selected nine Signatories for my illustration. During 1968 (the year forecasted by the 1963 Rome meeting as the general basis for determining the investment quotas under the interim arrangements), the use - - actual use - - of the system ranged from 210% more than the estimates to 70% below the estimates. That is, seven countries used in 1968 substantially more than the estimates - the quota, so to speak. These seven countries used the following percentages over their quota:

- One country used 210% more
- Two countries used 90% more
- One country used 80% more
- One country used 70% more
- One country used 27% more
- One country used 25% more

Two other Signatories used much less than their quotas, one country using 70% less and another country 54% less.

This wide rang - - 210% above and 70% below - - makes it clear to the United States that actual use must necessarily be based on an historical record, the only record which can reasonably be relied upon. If actual use is interpreted otherwise, our interim experience could well be repeated in the next five years.

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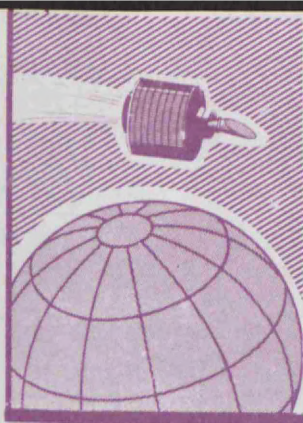
Therefore, Mr. Chairman, the United States believes that the investment shares must be based on past actual use of the INTELSAT-financed facilities.

As the distinguished Delegate from Malaysia stated so well yesterday, use of the system should be measured in terms of money, that is, the total of utilization charges paid in by each member

Now, as to which "actual use", it seems clear to us that it is all use of the INTELSAT system - - international message service, leased circuits, television, and particularly domestic or national use, if the facilities for such domestic or national use are, in fact, provided and financed by INTELSAT.

Further, Mr. Chairman, one of the fears I have with respect to future estimates is that the planning of INTELSAT's future facilities will be adversely affected. We have had a sufficiently difficult time in estimating future requirements when no investment commitment was involved. A commitment, that is, a financial commitment, attached to future estimates, could easily result in lower forecasts, with the result that the planners of the system may not provide adequate facilities to serve the real needs of the Signatories.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/24
March 6, 1969

STATEMENT BY THE REPRESENTATIVE OF CEYLON IN COMMITTEE III
MONDAY, MARCH 3, 1969

Mr. Chairman:

The financial structure of the proposed definitive arrangements will be very important especially for the smaller countries. Our recent visit to the Kennedy Space Center has only made this too clear. The small countries would not be in a position to bear the costs of the international global communication satellite system, unless it was equitably distributed. One reason why so many countries favored a global telecommunication system was to secure maximum participation so as to ease the financial burden. Many delegations mentioned in Committee I that INTELSAT has only 67 members so far, only about half the members are members of the ITU. If the financial structure is well organized, we can be sure that many of the countries who are at present hesitant will eventually join in, thus, not only easing the financial burden by further distribution of the costs, but also assuring global coverage.

Mr. Chairman, with regard to the principles underlying the financial arrangements, therefore, it is the view of my delegation that it is very desirable to maintain a clear distinction between the role of Signatories as co-owners of the space segment and the role of Signatories as users. We strongly support the majority ICSC recommendation at paragraph 493, which reads as follows:

"A majority of the committee recommends that the financial arrangements of the organization make a clear distinction between the role of signatories as co-owners of the space segment (in which role they would make capital contributions to the organization on the basis of a system of investment shares to be defined in the definitive arrangements) and the role of signatories as users of the space segment (in which role they would make utilization charge payments to the organization, such charges to be fixed by the organization according to commercial principles)."

This distinction, Mr. Chairman, will also be relevant as some countries who are signatories to the agreement have still not built earth stations and therefore would not become users for sometime, as in our case. This will be true also of other countries who are expected to join in the future.

On this basis, my delegation supports the recommendation at paragraph 498 of the ICSC Report with regard to the principles for determining the undivided investment shares of the signatories. This paragraph reads as follows:

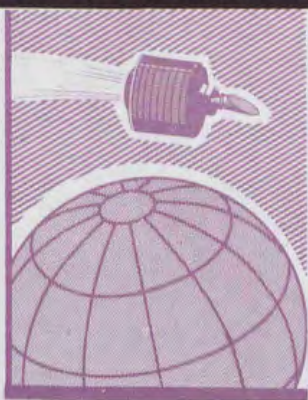
"A substantial majority of the committee recommends that investment shares of the signatories be determined by relating them directly through periodic adjustment to actual use of all organization-financed facilities, subject to allotment of a minimum investment share of approximately 0.05% to each signatory irrespective of use."

Without prejudice to the above recommendation we are in a position to consider the recommendations at paragraphs 509 and 511 with regard to the determining of investment shares and the frequency of allocation. My delegation will comment on these in detail at the appropriate time.

All these observations have been made from the financial angle only and the voting rights, etc., have to be determined by Committee I.

Thank you, Mr. Chairman.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/25
March 5, 1969

STATEMENT BY THE REPRESENTATIVE OF INDIA IN COMMITTEE III
MONDAY, MARCH 3, 1969

India would wish the following principles enshrined in the definitive arrangements:

- (a) Distinction between the role of Signatories as co-owners of the space segment, making capital contributions on a basis of investment shares, and the role of Signatories as users of the space segment, making utilization charge payments to the organization.
- (b) Determination of investment shares suitably related to usage of facilities with periodic adjustment, but with option for members not to increase their quota if they so desire.

In the application of the above principles, the following are some factors which need to be provided for:

- (a) Undivided ownership of organization financed assets.
- (b) Fixation of investment quotas on a basis reflecting usage and a rational distribution of shares.
- (c) Reckoning international public telecommunication services for measurement of usage.
- (d) Periodicity of readjustment of quotas may be two or three years.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/26
March 5, 1969

STATEMENT BY THE REPRESENTATIVE OF AUSTRIA IN COMMITTEE III
TUESDAY, MARCH 4, 1969

May I, Mr. Chairman, express very briefly the opinion of my country concerning the financial arrangements of the future organization according to points I, II and III of our agenda.

As to point I, principles underlying the financial arrangements of the organization, the Austrian delegation fully supports the principles expressed in paragraph 493 of the ICSC report.

As far as points II and III of the agenda are concerned we support the idea expressed in paragraph 500 of the ICSC report with the amendment, that investment shares should be based principally on actual and future use, whereby the period of time, which ought to be taken into account, should comprise the preceding year and the next two following years.

Measurement of use ought to be based on international traffic.

The investment shares should be adjusted periodically.

Further, we support the proposal made in paragraph 512 of the ICSC paper, which indicates that signatories not wishing to vary their present investment quota should not be obliged to do so.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/27
March 5, 1969

STATEMENT BY THE REPRESENTATIVE OF THE NETHERLANDS IN COMMITTEE III
TUESDAY, MARCH 4, 1969

Mr. Chairman:

Before entering into an expression of my views on point III of our work program, I should like to make a few remarks on what is said in point 498 of the document ICSC 36-58E, where, among others, the words "actual use" appear. In my opinion these words refer to the use at present, that is to say as close as possible to the date of determination or adjustment.

In point 504 from that report is proposed to base the investment shares on a certain percentage of the future use.

In point 505 is spoken of a five year period, starting with the year for which the investment share has been determined.

My delegation, Mr. Chairman, is in favour of the last mentioned method and more particular on a three or five year period, comprising the preceding year, based on the actual use, and the next two or four years, based on guaranteed use. The most important reason for taking into consideration future use in determining investment shares, is the fact that in our organization we will be dealing with investments based on long-term planning and that the basis for such a planning only can be a long-term traffic forecast by the users of the system. A serious and reliable forecast will be stimulated by the fact that this forecast at the same time, to a certain extent, will be a guarantee of the members to the organization as to their future demand for capacity.

As to the relation with traffic, I should like to point out that if investment shares are based not only on the international public telecommunications traffic, but also on national or domestic telecommunications services, the method of determining investment shares will have to take into consideration the individual interests of participants and any limitation which may be imposed on the entities by their national authorities.

With regard to point IV of our work program, I should like to remark, Mr. Chairman, that in 509 is said only that the investment shares of the signatories shall result from a proportional allocation of contribution of capital required for organization financed facilities in accordance with the

principles described in paragraphs 497-506 above. Taking 498 and 509 together, Mr. Chairman, a substantial majority of the ICSC recommends to determine a particular investment share by relating it to the use of traffic facilities by the relative signatory and to have this share result from what that signatory has to pay or has paid as his share in the capital contribution which share has to be determined in relation to the use made from the traffic facilities.

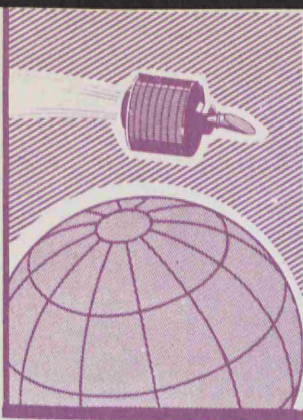
Well, Mr. Chairman, it seems to me that now the circle is closed without saying how in fact investment shares should be determined. In my opinion the first thing that is to be determined is the investment value of the organization as a basis for the determination of shares. There are a number of methods to determine this value, e.g., from the net-worth of the accounts or by net-payment method, taking all the payments together and deducting the revenue distributed.

In this relation I would refer to the U.S. paper Com. III/2 where is said that the precise method by which the general principles would be implemented, should be established by the Board of Governors and that the agreements should not do more than establish general principles regarding these matters. I could agree with that, Mr. Chairman, but just in order to establish these general principles, I am of the opinion that it would be desirable to give some more thought to it in this committee.

That is what I wanted to say just now, Mr. Chairman, maybe I will come back to it in a later stage.

Thank you, Mr. Chairman.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/28
March 5, 1969

STATEMENT BY THE REPRESENTATIVE OF THE PHILIPPINES IN COMMITTEE III
TUESDAY, MARCH 4, 1969

The Philippine Delegation is of the view that the concept of investment quotas or shares, along with a separate space segment utilization charge, as established by the Interim Arrangements, should continue to form the basis of the financial arrangements under the Definitive Arrangements.

Consistent with this view, a distinction should be made, therefore, between the role of signatories as co-owners of the space segment, and the role of signatories as users of the space segment. The space segment charge is paid by the users of the space segment, and the capital requirements are met by the owners.

The entire organization-financed space segment should be owned in undivided shares by the signatories in proportion to their investment shares.

The investment shares of the signatories should be determined by relating them directly, through a periodic adjustment, to actual use of all organization-financed facilities. A minimum investment share should be allotted to each signatory irrespective of use. The Philippine Delegation believes that this minimum investment should be fixed at .025% in order to provide more encouragement and incentive to other developing nations to become members of the organization.

The term "actual use" should be interpreted as including use of the organization-financed space segment for both international and domestic traffic. This logically follows from the position held by the Philippine Delegation that the organization should endeavor to provide adequate capacity in the organization-financed space segment for both international and domestic traffic requirements. Insofar as this may lead to possible undue concentration of ownership, the Philippine Delegation believes that the Definitive Arrangements should contain provisions to preclude such situation from arising.

The Philippine Delegation favors the view that past actual usage should determine the investment share of each signatory. This principle, however, need not be inflexible. Hence, where past usage of the organization's space segment cannot be determined, or where certain countries desire to enlarge their investment in the organization, it should be possible to use the measure of estimated future usage of the space segment as basis for fixing investment shares.

The Philippine Delegation likewise believes that signatories not wishing to vary their present investment share should not be obliged to do so.

The Philippine Delegation is also of the opinion that signatories (possibly non-signatories as well) should be able to use all organization-financed facilities by payment of a utilization charge. The rate of such charges should be established annually at a level which shall be sufficient, on the basis of estimated total use of the space segment, to cover amortization of the capital cost of the space segment, an adequate compensation for use of capital,* and the estimated operating, maintenance and administration costs of the space segment.

* * *

* i.e., not substantially lower than the 14% rate employed under the Interim Arrangements, as stated in paragraph 523 of the Report of ICSC.



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/29
March 5, 1969

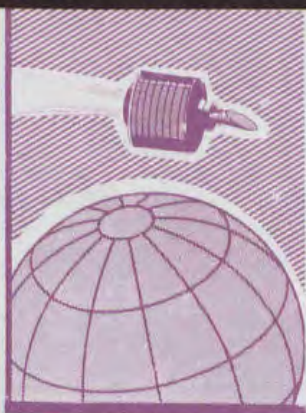
STATEMENT BY THE REPRESENTATIVE OF NORWAY IN COMMITTEE III
WEDNESDAY, MARCH 5, 1969

Reference is made to document Com. III/1 of February 24, 1969.

The Norwegian delegation would favor:

1. A distinction between the roles of the Signatories as co-owners and users of the space segment as mentioned in 493 of the ICSC report;
2. Undivided shares;
3. Investment shares directly related to use. Adjustments should take place yearly (or at longer intervals), preceding year's actual measured traffic and predicted future traffic (further details here to be agreed upon) being taken into account;
4. Basic shares as in 498 of the ICSC report;
5. "Use" in this connection should be clearly defined;
6. Utilization charges should be levied.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/31
March 6, 1969

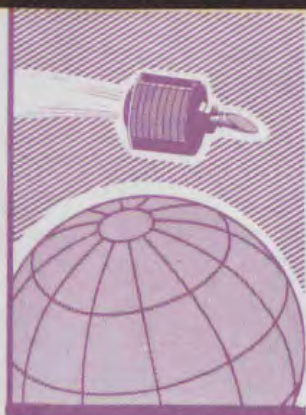
STATEMENT BY THE REPRESENTATIVE OF THE UNITED STATES IN COMMITTEE III
WEDNESDAY, MARCH 5, 1969

DETERMINATION OF INVESTMENT SHARES

The issue of inclusion or exclusion of domestic traffic over INTELSAT-financed facilities was discussed at length in Committee III. The nature of the discussion makes it imperative that we re-emphasize the fact that Committee III must concentrate upon the financial aspects of the definitive arrangements. In this regard, it should be noted that there is strong support in the ICSC Report for the proposal that members should be compensated for use of their capital "...on the basis of the cost of money...." If this proposal is approved the issue of making money on INTELSAT investment would be set aside, and there remains no logical basis upon which to exclude a member's domestic traffic from the determination of investment shares. On the other hand there is a pressing reason for including domestic traffic in the determination of investment shares. The exclusion of domestic traffic would place unnecessary financial burdens upon the system. INTELSAT is not trying to discourage users but rather encourage users. Increased use of the INTELSAT-financed satellites obviously reduces the utilization charges for all members. When considering this reason, representatives should be aware that there is an extremely low probability that any Signatory would ever seek INTELSAT-financed satellites for its own domestic service.

Satellites are unable to differentiate between domestic and international traffic. It would be ironic if we were to make this arbitrary distinction for the satellites with the result of contradicting the principles of INTELSAT's preamble which is to "Provide expanded telecommunication services to all...areas of the world and which will contribute to world peace and understanding."

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com.III/32
March 6, 1969

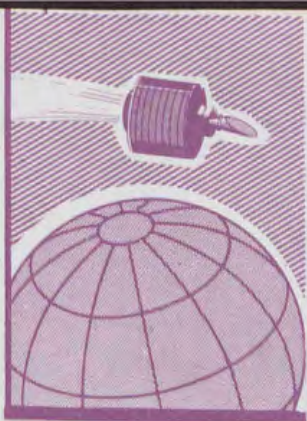
STATEMENT BY THE REPRESENTATIVE OF AUSTRIA IN COMMITTEE III
WEDNESDAY, MARCH 5, 1969

Mr. Chairman:

The Austrian delegation supports, as far as point IV of the agenda (Financial rights and obligations of investors) is concerned, the ideas expressed in Paragraphs 518, 521 and 525 of the ICSC Report, Doc. 6.

In regard to the conditions of use we believe, that a space segment utilization charge ought to be levied for the use of the facilities financed by INTELSAT; such charges could be fixed from time to time by the Organization. The rate of charge per unit shall, as a general rule, be sufficient, based on the total estimated use of the space segment to cover amortisation of the capital costs of the space segment, adequate compensation for use of capital, and the estimated operating, maintenance and administration costs of the space segment.

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**PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM**

Washington, D.C., February - March 1969

Com. III/33
March 6, 1969

**STATEMENT BY THE REPRESENTATIVE OF SWEDEN IN COMMITTEE III
WEDNESDAY, MARCH 5, 1969**

In connection with Item V on the work program of Committee III, as set out in document Com. III/1, the Swedish delegation wishes to submit the following points of view in relation to the interpretation of the proposals contained in paragraphs 553-556 of the ICSC Report with regard to access to the system.

There seem to be five different cases of access to the system in the sense of location of utilization units by a telecommunications entity:

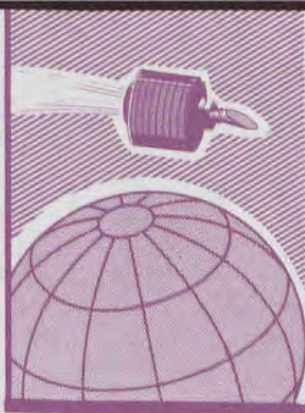
1. Unit location by a signatory, for a circuit established via the signatory's own earth station.
2. Unit location by a signatory, for a circuit established via the earth station owned by another signatory.
3. Unit location by a non-signatory, member of the ITU, for a circuit established via the earth station owned by a signatory.
4. Unit location by a non-signatory, member of the ITU, for a circuit established via an earth station of the non-signatory that has been constructed so as to comply with the technical requirements of INTELSAT.
5. Unit location to states non-members of the ITU, via an appropriate earth station.

In each case, a unit location contract is of course to be established and signed by the two parties, i.e., the Manager of the Organization and the telecommunications entity concerned, in accordance with the usual procedure.

Furthermore, the lease must be made on a non-discriminatory basis. Consequently, the same charge per unit is to be levied in each of the five cases mentioned above, irrespective of the status of the leasing administration or entity. The lease will always have been calculated so as to cover maintenance and operation charges, amortization and capital cost.

Accordingly, the Manager of the Organization should, in the opinion of the Swedish delegation, be entitled to enter into agreements on lease of utilization units to entities in all five cases previously stated. We think that paragraphs 554 and 555 of the ICSC Report are meant to apply in the sense indicated in the foregoing and therefore like to recommend their approval.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/34
March 6, 1969

INTELSAT ACCOUNTING PRACTICE

(Furnished by INTELSAT Manager at the Request of the
Chairman of Committee III)

Present Practice

Article 4(b) of the Special Agreement provides that signatories will make payments for design, development, construction and establishment of the space segment as required to enable INTELSAT obligations to be met as they become due. Billings for this purpose have been issued monthly and signatories have paid their share to the Manager monthly.

Article 9(a) of the Special Agreement provides that the utilization charge shall include a component for operating, maintenance and administration costs. Since there were no INTELSAT revenues during the first year of the consortium, it was necessary that such expenses also be billed to signatories in the same manner as capital expenditures. Even after INTELSAT I began operation, the revenues were not adequate to cover those expenses fully. Although revenues have now increased so that operating, maintenance and administration expenses are easily covered, the initial practice has been continued primarily because of the difference in timing between these expenses and INTELSAT revenues.

Article 9(c) of the Special Agreement requires that utilization charges be paid quarterly. Since operating, maintenance and administration expenses involve a rather constant flow of funds, financing them from revenues would require that the Manager retain a working fund sufficient to cover expenses for a three month period.

As a corollary to the procedure just described, the ICSC approved the distribution of the full amount of INTELSAT revenues to signatories. Instead of first deducting an amount of operating, maintenance and administration expenses, the totality of the utilization charges from users is immediately redistributed to signatories on the basis of ownership quotas.

In that manner, owners are being reimbursed quarterly for the expenses they originally paid on a monthly basis, and the burden of the expenses thus really falls on the users, as intended by Article 9(a).

Revenues distributed to date have been sufficient to cover operating, maintenance and administration expenses, and amortization of capital investment, as well as provide some compensation for use of capital.

It will be seen from the following example that the current procedure produces the same net flow of funds as that intended by the provision of the Agreement:

Example

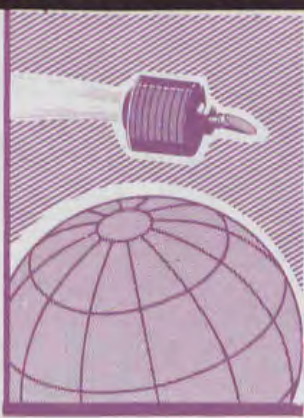
Development, construction etc.	costs	\$20 million
Operating, maintenance etc.	costs	\$10 million
Revenue		\$40 million

<u>Current procedure</u>		<u>Literal interpretation of Articles 4(b) and 9(a)</u>	
	(\$mils.)		(\$mils.)
Owners pay Development etc.	20	Owners pay Development etc.	20
Operating etc.	10		
Total	30		
Owners receive Gross revenue	40	Owners receive revenue	
Net receipt by owners	10	less operating etc. expenses	30
		Net receipt by owners	10
Users pay	40	Users pay	40

Definitive Arrangements

The present practice has resulted in some administrative simplification and could be continued in the future under the Definitive Arrangements with suitable modification of Article 9 as contained in the Special Agreement. This seems to be the intent of paragraph 525 of the ICSC Report.

This is quite consistent with paragraph 527 which enumerates the components of the utilization charge.



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/35
March 6, 1969

STATEMENT BY THE U. S. REPRESENTATIVE
IN COMMITTEE III

(Thursday, March 6, 1969)

Yesterday, I referred representatives to certain Articles in Conference Document 10 which were relevant to Agenda item VI; namely Article XII, page 24 and Article IV, page 10 of the draft Intergovernmental Agreement. I would also like to draw your attention to Article 6 (c) of the draft Operating Agreement, page 38, which also bears upon the financial aspects of withdrawal.

While I am on the subject of Agenda item VI, I might point out that Article XII of Document 10 does not include provisions analogous to those of Articles XI (d) and (e) of the Interim Agreement.

The provisions contained in those Articles of the Interim Agreement were more appropriate to an organization which does not adjust investment quotas annually. The United States has proposed that under the definitive arrangements investment shares be adjusted annually to conform to members' use of all INTELSAT-financed space segment facilities during the preceding year. The frequency of adjustment of investment shares should make it unnecessary to provide for a special adjustment upon the withdrawal of a member. It would appear more practical to make all withdrawals effective as of the date of adjustment of investment shares following the notification of such withdrawal, thus avoiding the administrative burden of an adjustment without prejudicing the rights of a withdrawing member.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/36
March 6, 1969

STATEMENT BY THE U. S. REPRESENTATIVE
IN COMMITTEE III

(Thursday, March 6, 1969)

Transition

The paper submitted by the U. S. Delegation (Document Com. III/2) generally covers our views on the transition from the interim arrangements to the definitive arrangements as they pertain to Signatories of the Special Agreement who continue into the definitive arrangements. Briefly, for the initial adjustment, that document indicates that three determinations are required:

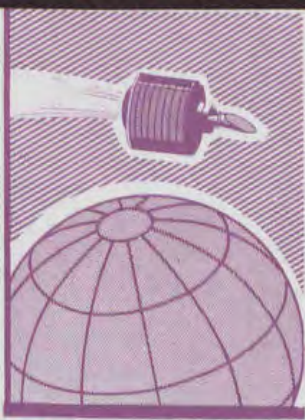
- (1) select a period preceding the definitive arrangements over which use would be measured;
- (2) develop a workable method to measure members' use of the satellite system during that period;
- (3) develop an equitable method of determining the value of INTEL SAT's investment.

Our view on that formula is that the utilization charges during the year 1969 should determine the new quota, after an appropriate reservation of ownership percentage for base share Signatories. The INTEL SAT investment value can be either the net worth at the end of 1969 or the cumulative net payments method currently used to admit new Signatories.

The difference between each Signatory's old quota percentage and new investment share percentage, times the INTEL SAT investment value will then determine the amount to be paid or received by each Signatory.

Article 4 (a), (b), (c), and (d) starting at page 32 of the draft Operating Agreement proposed by the U. S. in Document 10, spells this out in more detail and covers the legal aspects of a state acceding to the definitive arrangements after they enter into force.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/37
March 6, 1969

STATEMENT OF U. S. REPRESENTATIVE IN COMMITTEE III
(WEDNESDAY, MARCH 5, 1969)

FINANCIAL ASPECTS OF SYSTEM ACCESS BY NON-MEMBERS

The United States has proposed in Article VII(d), page 18 of Conference Document 10, that the Board of Governors, when establishing charges for non-member users, shall make appropriate allowances for the fact that such users have not borne any portion of the risk involved in the establishment of the space segment. If the Board of Governors does not adjust the charges for non-member users there would, in fact, be discrimination against INTELSAT members, and the Preamble to the Interim Agreement provides that satellites should be available to the nations of the world on a non-discriminatory basis. INTELSAT members have assumed the risk and obligations of membership. Those states who are not members of INTELSAT should be obliged to compensate INTELSAT members for having assumed such risks and obligations.

The space segment utilization charge for non-members could contain a compensation for capital component in excess of the cost of the money to insure that all users of the system would be charged on an equitable basis; for example, a component of 14% for the compensation of capital could be used for non-members. Continuing this example, this would result in a utilization charge of approximately \$8,300 per unit on the basis of 1972 projections rather than \$7,200 that would be paid by members using the system.

I suggest, Mr. Chairman, that this procedure would be consistent with commercial practice, in that service provided to non-members would be furnished at a fair price, and it is also consistent with the use of cost of money in setting the utilization charge for member countries, those countries which have joined together in a cooperative effort to establish the system and who look to the ultimate users, their customers, to provide the return to their telecommunications entities.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/38
March 7, 1969

STATEMENT BY THE REPRESENTATIVE OF INDIA IN COMMITTEE III
THURSDAY, MARCH 6, 1969

FINANCIAL ASPECTS OF WITHDRAWAL

Paragraph 624 of the ICSC Report recommends that the conditions of withdrawal be precisely defined. In order to do so, certain preliminary considerations arise and have to be met in appropriate parts of the definitive arrangements.

Definition of Vested Interests of Signatories

The net worth of commonly owned assets of INTELSAT is identifiable and signatories hold at all times their individual undivided shares of vested interests in proportion of their investment shares applied to the net worth of the assets. This principle, arising out of parts of the Interim Agreement, needs to be suitably defined in the definitive arrangements as a principle.

Article IX of the Special Agreement provided for the return of signatories of the component of capital corresponding to amortisation and compensation for use of capital. This principle has to be retained.

As a principle, it also needs to be recognized in the definitive arrangements that:

1. After meeting the maintenance and operating costs, the balance of revenue would be credited to signatories in proportion of their investment shares.
2. If the revenue receipts are inadequate for the above purpose, the maintenance and operating costs will be shared in proportion to investment shares.

The content of paragraph 4(2) is admittedly unlikely in a going concern but nevertheless the method of dealing with such a contingency needs to be spelt out.

Financial Aspects of Withdrawal

With these principles adopted, it is possible to consider financial aspects of withdrawal, voluntarily by a signatory who has discharged his payment obligations. The vested interest at all times of a signatory to the

extent of his investment share applied to the net worth of INTELSAT assets requires to be recognized. On voluntary withdrawal, the signatory would have a claim to this share of net worth at least as it is amortized year by year, and amortisation charges recovered from users. This could be recognized as a principle and details of procedure as to how to meet this claim should be left to the Governing Body, in order to arrange for the reimbursement to the withdrawing signatory of this claim to the outstanding part of amortisation. It may be open to the Governing Body to decide in due course if the withdrawing signatory should also receive the available compensation for the use of capital, such as it is from time to time, until the contribution of the signatory is fully amortised and reimbursed.

The investment shares of the withdrawing signatory could be redistributed to other signatories pro rata to their shares.

India suggests that these principles may form the basis for regulations in relevant parts of the definitive arrangements.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/39
March 7, 1969

FINANCIAL ASPECTS OF TRANSITION FROM INTERIM TO DEFINITIVE ARRANGEMENTS
(Submitted by the United Kingdom Delegation)

1. In the opinion of the United Kingdom Delegation, arrangements for transition should have the following objectives:

- (a) to establish a clear and equitable method of determining the amounts to be paid to or by a Party in consequence of a decrease or an increase in that Party's investment interest in the Organisation, arising from the transition to the Definitive Arrangements;
- (b) to safeguard the investment made by Signatories to the Special Agreement, as required by Article IX(b)(iii) of the Interim Agreement;
- (c) to ensure that the Management Body has an uninterrupted source of finance for the development and operation of the system, and that the burden of providing this finance is shared equitably by Parties to the new Agreement.

2. As to (a), the United Kingdom delegation has separately stated its opinion that investment shares should be related to use of the system, with provision for a minimum share, and has indicated how, in its opinion, such use should be measured. The other factor in the assessment is, of course, the value to be attributed to the assets of the Organisation at the date of transition (as also at the dates of periodic adjustments of investment shares). In the U.K. view there is a prima facie case for adopting for this purpose the net balance sheet value, determined in accordance with accounting policies approved by the Interim Committee. Grave difficulties seem likely to arise from any attempt to make ad hoc adjustments of such values in the light of, for example, views as to the service life to be expected from existing satellites. The only viable alternative would appear to be to adopt the procedure at present in use for determining the initial investment by new Signatories, viz. the "net payments" method referred to in Com. III/2, para. I C.

3. In general, therefore, the U.K. delegation supports (without commitment as to detail) the procedures described in the draft Operating Agreement (Doc. 10) submitted by the U.S. Delegation, at Article 4(a) to (d).

4. As to the implementation of Article IX (b)(iii) of the present Agreement, the U.K. delegation believes that the procedure described in Article 4(1) of the draft Operating Agreement referred to above provides a simple and equitable way of discharging this obligation.

5. As to the precise means of ensuring a smooth transition in the financing of the Management Body (paragraph 1(c) above), it will clearly be necessary to ensure before the Definitive Arrangements become effective:

- (a) that all measurements of use, etc. necessary to the determination of the initial investment shares have been completed in time to enable contributions to the Organisation's expenses to be called up on the new basis as soon as the Definitive Arrangements take effect;
- (b) that the new Organisation is assured of sufficient support to protect the Parties already members of it from being obliged to assume, even temporarily, a materially greater financial burden than would have arisen had all existing Parties acceded to the new Agreement.

6. The questions raised in 5(a) and 5(b) have, of course, other important aspects which are currently under discussion in Committees I and II. This Committee is unlikely to be able to do more at this point in time than to bring to the attention of the other Committees the need to give full weight to these financial aspects in their considerations; and we recommend this should be done without delay.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/40
March 7, 1969

FINANCIAL ASPECTS OF PROVISIONS RELATING TO WITHDRAWAL (Submitted by the United Kingdom Delegation)

1. The present Agreement and Special Agreement provide that when a Party withdraws, whether voluntarily or by decision of the Committee, the corresponding Signatory to the Special Agreement shall meet all financial obligations then existing under the latter Agreement, and shall further contribute, as the Committee may decide, to future costs arising from contracts placed during the Party's membership. Provision is also made for consequential adjustments of the quotas of other Parties and for the transfer of the quota of the withdrawing Party to other specific Parties, in certain conditions.

2. In the opinion of the U.K. Delegation:

- (a) the new Agreement should make corresponding provision as to the financial obligations of withdrawing Parties towards the Organisation;
- (b) on the assumption that investment shares will be related to use, it will not be appropriate to provide in the Agreement that individual Parties may take up shares which had been held by a withdrawn Party;
- (c) it is necessary that the Agreement should state what financial obligations, if any, the Organisation has towards a Party which has withdrawn;
- (d) subject to what is done about (c), the new Agreement should also provide that if withdrawal takes place other than at a periodic general adjustment of investment shares, the shares of remaining Parties are adjusted proportionately, so that their contributions can be increased to the extent necessary to ensure that the financial commitments of the organisation are met.

3. As to (c), it would appear that, in principle, there are two possibilities:

- (a) the Agreement might provide that the withdrawing Party should be refunded the value of his investment in the Organisation,

such value being computed by reference to the net worth of the Organisation at the time of withdrawal, and the investment share then held by the withdrawing Party. The amount required for the refund would be contributed by the remaining Signatories in proportion to their then investment shares;

- (b) the Agreement might provide that there should be no immediate refund but that a refund should be made in instalments over a suitable period out of the revenue of the Organisation.

4. Course (a) is inconsistent with the present (and in the U.K. delegation's view the necessary) provision that requires the withdrawing Party to contribute further capital in so far as this is required by current contracts; on the assumption that the Organisation would wish to continue to protect itself in this way it would appear that course (b) is the appropriate one to adopt, viz. the withdrawing Party would be refunded, over a period, the value of his investment share at the time of withdrawal plus any further investment required of him as a condition of withdrawal. Such a procedure would apply irrespective of the conditions giving rise to withdrawal.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com.III/46
March 13, 1969

BASIS FOR DETERMINING INVESTMENT QUOTAS (Submitted by the Delegation of Argentina)

In accordance with the discussions in Com. III concerning the determination of the investment quotas reflecting Item F.2 of Document Com. III/41, there are, in our judgment, the following alternatives:

- (A) The determination based on past traffic; for example, the use of the space segment during the year prior to the date of entry into force of the definitive arrangements.
- (B) The determination based on current traffic; for example, the use of the space segment right at the time of (or a brief period around) the entry into force of the definitive arrangements.
- (C) The determination based on future traffic; for example, the estimated use of the space segment for periods running from one to five years after the entry into force of the definitive arrangements.

All the principles set forth are based on paragraph 498, supported almost unanimously, in the sense that the investment should be proportionate to actual use of the space segment.

If the system should be set up completely, that is, if all the signatory countries would have their ground stations in operation, the three methods for determining the quotas would give us nearly identical figures without substantial variation regardless of the method used.

But in the present rapidly changing situation the three methods will give us results that vary noticeably.

Therefore, we shall analyze each of them and then select the one that best reflects the actual use of the space segment, a principle contained in the aforementioned paragraph 498.

Past Traffic

If we analyze the past traffic, for example during the year prior to the entry into force of the definitive arrangements, this has the advantage that a completely accurate figure may be arrived at that reflects the past situation. Its disadvantage is that it presents a completely distorted picture of the

actual situation at the time at which the principles contained in paragraph 498 enter into force.

In fact, let us assume that a station begins to function one month after the entry into force of the definitive arrangements. According to the computations, its traffic is zero until the pertinent adjustment takes places, which may be in one, two, or more years, whichever is decided.

The Argentine Delegation maintains that the letter and spirit of Paragraph 498 is not being followed when this method is applied.

Current Traffic

This has the same advantages and disadvantages as the previous case.

We might add that in the previous instances the contradictory case arises in which the signatory will be charged for the actual use it makes of the space segment but this situation is disregarded when it is considered in its capacity as an investor, notwithstanding the fact that both the status of user and that of investor are based on the same principle: actual use of the space segment.

Future Traffic

This has the disadvantage that the long-term traffic cannot be determined precisely.

However, if we make a distinction between the signatories that think that some day they will set up their ground stations and those that have already decided to do so, we can obtain, for the near future, a traffic figure sufficiently close to the reality.

Moreover, if we consider that the process for putting a ground station into operation requires approximately two years; that the feasibility decision must have been made on the basis of a traffic study; that a certain number of ground stations are under construction, entering into operation with reasonably definite initial traffic; that the governing body must be very stable in order to obtain a coherent long-term policy; that past traffic can serve as a basis for estimating the future traffic for those countries that already have their ground stations in operation; that the adjustment period is directly linked to the period of measurement;

For all the reasons set forth above, the Argentine Delegation proposes:

(1) Initial adjustment of the investment quota shares

To be fixed on the basis of future traffic via the space segment, estimated for the first two years during which the Definitive Arrangements are in effect.

(2) Adjustment period

An adjustment will be made every two years, taking the future traffic of the new period as the basis.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com.III/47
March 12, 1969

STATEMENT BY THE REPRESENTATIVE OF CANADA IN COMMITTEE III
WEDNESDAY, MARCH 12, 1969

At previous meetings of this Committee the Canadian Delegation has expressed the view that, in calculating investment shares, either initially or in future years, the use of INTELSAT facilities for domestic purposes should not be included. This point of view is based upon the premise, with which general agreement has been expressed, that the primary objective of INTELSAT is to provide for International Public Telecommunication Services and for that reason it does not appear proper that determination of investment shares should be prejudiced by consideration of what I shall call here, the strictly domestic factor.

In this regard I would refer at this point to Paragraph 161 of the I.C.S.C. Report which reads as follows:

"Domestic, in respect of telecommunications services, refers to communications among and between places within the territory of a single State."

This definition was approved by 17 out of the 18 Members of the I.C.S.C.--almost unanimity.

It was the view of Canada at the I.C.S.C. meeting at which this definition was approved that this was intended to cover telecommunications within a large land mass including off-shore islands.

With respect to Pakistan with her quite unique problem of a State divided into two distinctly separate areas, it seems to the Canadian Delegation that a strong case can and should be made for the inclusion of East/West Pakistan streams in our calculations. I say this because we believe it to be entirely reasonable to accept that traffic which crosses national boundaries or large expanses of ocean should be included in a State's investment share.

I think also that, by the same token, traffic between Mainland U.S.A. and Hawaii and Puerto Rico and Guam can be included in the calculations as can Britain--Hong Kong and there will be other similar cases. On the other hand

by no stretch of the imagination could one justify, in our opinion, the inclusion of traffic streams between a mainland state and its off-shore islands-- as, for example, between Newfoundland and the rest of Canada.

I hope, Mr. Chairman, that this statement, made in the light of various contributions to the debate so far, will clarify the views I have expressed previously.

* * *



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/48
March 13, 1969

FINANCIAL RIGHTS OF THE PARTIES AT THE TIME OF CHANGES IN INVESTMENT QUOTAS (Document Submitted by France)

These changes will occur not only at the time of periodic adjustments of investment quotas but also, and in greater degree, at the time of transition from the interim arrangements to the definitive arrangements and when a signatory withdraws from the Organization. It must be remembered in this connection that INTELSAT is not an enterprise seeking to make a financial profit from its own members but an Organization in which, in accordance with the recommendation in paragraph 521 of the Interim Committee's Report, which had the support of a substantial majority of the Committee, the capital invested will be compensated only at the rate of the cost of money during the period between two adjustments. Investment in INTELSAT is thus much closer to a loan (the income serving only to compensate for the depreciation of the invested capital and to provide interest at the minimum rate of the cost of money) than to a commercial investment. Consequently, the rights of the signatories should be the usual rights associated with loans or bonds and not those connected with stocks in industrial or commercial firms.

Under these conditions, if, during the period between two adjustments of quotas, the net income of the Organization (after payment of operating costs) has not permitted complete payment to the signatories of the amounts corresponding to investment depreciation and to the interest on the capital they have committed, the remainder should be credited to the parties in order to cover future utilization charges. This means that the net value of investments taken into account at the time of changes in quotas should not be the real value (capital contribution minus depreciation) but the capitalized value (capital contribution plus interest, minus net income).

Note: The method outlined above is in fact the method followed during the interim period when it was decided to amortize over a period of 10 years the deficit accrued from 1964 through 1966.

The largest portion of this \$19.6 million deficit remains chargeable to the Definitive Arrangements (see par. 138, Report of the Interim Committee).

* * *



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

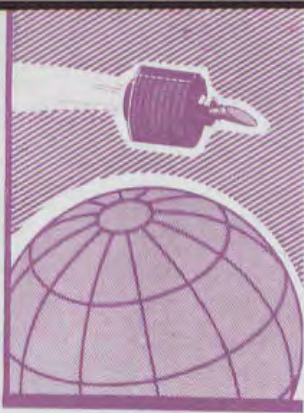
Com. III/49 (Corr. 2)
March 19, 1969

CORRIGENDUM TO Com. III/49

Page 6. First paragraph (as amended by Corr. 1). Please further amend by making the second sentence, beginning "Reference is made. . . ." a separate paragraph, and revising the wording as follows: "It has been mentioned that the reference is to traffic carried in the global system; not to domestic traffic carried in separate satellites or in the use of specialized satellites for specific purposes, which INTELSAT might put up on a permissible basis, but in respect of which members would have the ability to opt out of an investment contribution if they so wished."

Page 7. Part B, second paragraph (as amended by Corr. 1). Please further amend to read as follows: "When considered in Working Group No. 1, a majority view emerged in favor of the return on capital being about 10%, i.e., the cost of money, as determined periodically, plus a risk margin."

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/49 (Corr. 1)
March 18, 1969

CORRIGENDUM TO Com. III/49

Page 1. Please amend title "DRAFT REPORT OF COMMITTEE III, FINANCIAL ARRANGEMENTS" to read "REPORT OF COMMITTEE III, FINANCIAL ARRANGEMENTS, TO THE PLENARY SESSION."

Page 2. End of second paragraph, add the following sentence: "Nevertheless, since not all delegations have indicated or been able to indicate their active support for one or the other views expressed, the tabulation in document Com. III/41 is not necessarily a true reflection of the distribution of opinions held by the delegations participating at this Conference."

Page 3. First paragraph, fifth line. Delete "Australia" from list of countries comprising Working Group No. 2. Sixth line, substitute "Sudan" for "Sweden."

Page 3. Between the first and second paragraphs, please insert the following additional paragraph: "The Committee has received but has not discussed or approved the reports of the three Working Groups appended to this report."

Page 4. Section I, first paragraph, sixth line. Please delete word "depreciation."

Page 4. Section I, second paragraph. Please make final sentence, beginning "This subject . . ." a separate paragraph.

Page 4. Section I. Please insert new fourth and final paragraph, as follows: "There was also a proposal that two classes of investment be created, described as common and preferred stock, with common stock to finance the public international telecommunications services and preferred stock for all other projects of the Organization. This proposal received little support."

Page 4. Section II, paragraph 2. Please replace with the following words: "There was considerable support in the first round of debate for investment shares to be related to the actual past use governing a specific time period, and there was also substantial but more limited support for investment shares to be based upon use during a specific future time period. The views were divided as to whether such future use should be based on traffic estimates or on actual commitments to take up capacity for a specific future period. There was also support for the view that investment shares should be leased on a combination of both past and future use. It is understood that actual use of

the space segment includes all types of public telecommunications traffic: telephone traffic, television channels, musical channels, as well as record traffic."

Page 5. Second and third paragraphs. Please reverse the order of these paragraphs.

Page 5. Fourth paragraph. Please delete and substitute the following:
"It was proposed that the capital stock of INTELSAT should be adequate to cover the needs of a unified program and should comprise exclusively the requirements of the space segment for a global system, but that if it were acceptable for INTELSAT, under certain conditions to be determined, to design, operate and administer domestic, regional or special systems, it would be proper for the Organization to be authorized to issue preferred stock or other securities of a similar nature, which could be acquired by the signatories in the first place or by international financial organizations. In that way these extraordinary requirements for capital would not influence the quotas intended to finance the global system."

Page 5. Fifth paragraph. Please delete.

Page 5. Section III, last paragraph. Please change last sentence to read:
"There was substantial support for the inclusion also of domestic traffic passing between separated territories under one government; for example, East Pakistan to West Pakistan."

Page 6. First paragraph. Please amend to read as follows: "There was also substantial support that all use of the Organization-financed facilities should be included in the determination of investment shares. Reference is made to traffic carried in the global system; not to domestic traffic carried in separate satellites or in the use of specialized satellites for specific purposes which INTELSAT might put up on a permissible basis, but in respect of which members would have the ability to opt out of an investment contribution if they so wished."

Page 6. Section IV, A, first paragraph, first line. Please replace word "extremely" with "very."

Page 7. Part B, second paragraph. Please amend to read as follows: "When considered in Working Group No. 1, a majority view emerged in favor of the return on capital being about 10%, i.e., the cost of money, as determined periodically by the Governing Body, plus a risk margin of approximately 2%."

Page 7. Part C, second paragraph. Please amend to read as follows: "The Working Group noted the accounting explanations furnished by the Manager in Com. III/34. Regardless of the accounting practice to be adopted under the Definitive Arrangements, all members of the Group accepted that in the unlikely event of revenues failing to be sufficient to meet operating and maintenance expenses, the deficiency would need to be made good by members in their role as owners of the System."

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Page 7. Section V. Please remove period at end of first paragraph and replace by a hyphen and the words, "see Appendix C."

Page 7. Section V, last paragraph. Please delete.

Page 8. CONCLUSION, first paragraph. Please amend to read as follows: "From the consideration so far given to the area of the Committee's work, it appears that it would be extremely useful for later considerations, to have available wider studies made in greater depth. The Committee, therefore, RECOMMENDS that a Working Party be created for the further investigation of the financial aspects of the Definitive Arrangements, and, in particular, the method of determining investment quotas, to pursue the subject after March 21st. In considering this, the Committee has concluded that such a Working Party might well consist of representatives of all countries wishing to participate."

Page 9. Second paragraph, second line. Please change "Chairman" to "Chairmen."

Appendix B, page 1, last line. Please change "early" to "earlier."

Appendix B, page 4, paragraph 20, line 3. Please replace "such" with "domestic."

Annex 1 to Appendix B, page 1, third paragraph, first line. Please replace with following words: "The difference between pages 3 and 4, and 6 and 7, in fact, is . . ."

Annex 2 to Appendix B, page 1, second paragraph. Please amend to read as follows: "Page 2 shows the effects of 5%, 10%, 25%, and 40% shared equally among an assumed 70 Signatories, based upon 1970 utilization for public international traffic."

Third paragraph. Please amend to read as follows: "Page 3 shows similar effects but including domestic traffic with public international traffic."

Fourth paragraph. Please amend to read as follows: "Pages 4, 5, and 6 show the effect of basing use on: (1) past-year, (2) next three years, (3) past, plus next three years--in relation to public international traffic, with a two-part quota system with 10%, 25%, and 40% in the part 1 quota."

Fifth (last) paragraph. Please amend to read as follows: "Pages 7, 8, and 9 repeat the exercise on the basis of public international telecommunications traffic and domestic traffic."

Annex 2 to Appendix B, page 2. Column entitled "Use With .05% Minimum."

Please change figure for "Others" to read "24.895."

Annex 2, to Appendix B, page 6, column entitled "1968 Use." Please amend Argentina figure to read: ".571," China figure to read ".571," Turkey figure to read ".571" and "Others" to read "37.246."

Annex 2 to Appendix B, page 8. "1968 Use" column, amend figure for "Others" to read "25.475."

* * *



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/49
March 16, 1969

DRAFT REPORT OF COMMITTEE III FINANCIAL ARRANGEMENTS

Mr. Chairman,

I have the honour to communicate to you, the Report of Committee III, established at the First Plenary Meeting.

Committee III was constituted to consider financial arrangements as they would apply under the Definitive Agreements.

The Committee was aided greatly in its task by the Report of the Interim Communications Satellite Committee (Doc. 6). It accepted the work programme suggested in the first working paper of Committee III (Com. III/1) with the sole modification of adding a section at the commencement, "Introduction", the relevant paragraphs in the ICSC Report being 489-491. A copy of the work programme is attached at Appendix A.

With this work program and the Report of the ICSC as basic documents, the Committee commenced its deliberations.

The pattern pursued was to have a first round debate on associated groups of items in the work programme. Thus, the "Introduction", and items

- I. Principles underlying the financial arrangements of the organization;
 - II. Principles for determining investment shares of signatories;
 - III. Methods of determining investment shares
- were debated as a group.
- Item IV, "Financial rights and obligations of investors", and Item V, "Financial aspects of system access by non-members", were each considered separately.

Item VI, "Financial aspects of provisions relating to withdrawal", and Item VII, "Financial aspects of transition from interim arrangements to definitive arrangements", were considered together.

During the first round debate on the Introduction and Items I, II and III, views were expressed quite fully by many delegations, generally speaking to the relevant paragraphs in the ICSC Report, but in some cases, introducing new concepts. At the conclusion of the first round debate delegations were invited to submit papers to ensure that their views were fully captured. Many did so.

The views of delegations on this area were summarized on the basis of principles enumerated, and were presented for further consideration in document Com. III/41. In this document, the active support given to various matters in the first round debate was also indicated. It might be added that the figures for active support were extracted conjointly by the Chairman, Vice Chairman and Secretary of the Committee from the summary record of Committee III's proceedings and from the statements furnished by delegations.

After a limited consideration of Com. III/41 in Committee, Working Group No. 1 was set up with the following terms of reference: To examine Sections D, E, F and G of Com. III/41 and sections B, C and D of Com. III/43 and to formulate recommendations applicable to the Definitive Arrangements for consideration by this Committee. The following countries were represented in the Group: Australia, Belgium, Brazil, Chile, Colombia, France, Germany, India, Israel, Japan, Kuwait, Lebanon, Malaysia, Morocco, Pakistan, Switzerland, United Kingdom and the United States, and the Group elected Mr. T. Weaver (Australia) as Chairman. The report of this Working Group is attached at Appendix B.

Item IV on the work programme, "Financial rights and obligations of investors", was also the subject of a first round debate, the results of which were captured in paper Com. III/43.

A brief second round debate of Com. III/43 led the Committee to refer all but the first section of the paper to Working Group No. 1 for consideration, and a report by the working group on sections B, C and D of Item IV is also contained in Appendix B.

The first round debate on Item V, "Financial aspects of system access by non-members", revealed that there were some uncertainties surrounding paragraphs 554, 555 and 556 of the ICSC Report. After the debate there was a summing up by the Chairman (Comm. III/SR/5, page 8) with which there was general agreement, however, it was considered that a drafting group should be set up better to reflect the sense of the Committee on this subject. This was designated Working Group No. 3, and comprised representatives of Canada, France, Federal Republic of Germany, Indonesia, Norway and the United States. Miss Burwash (Canada) was elected Chairman.

It was pointed out that a working group (Working Group C) had been set up also by Committee I to consider "system access by non-members" and it was concluded at first that consideration by Committee III's drafting group should await a clarification of principles in Committee I. Later, in an endeavour to expedite consideration of the item, it was arranged that the Groups of Committee I and Committee III should meet together. A report of these considerations is attached at Appendix C.

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Items VI and VII were also the subject of a first round debate which quickly revealed that the attention of a working group of experts was required. The first round debate is summarized in Com. III/44 which also contains a statement of the terms of reference for a working group. This group was designated Working Group No. 2 and comprised representatives of: Argentina, Australia, Colombia, France, India, Kuwait, Mexico, Netherlands, Nigeria, Sweden, Switzerland, the United Kingdom and the United States. The Vice Chairman of Committee III, Mr. Abdul Rahman Khaled al-Ghumein (Kuwait) was elected Chairman of Working Group No. 2. The report of the Group is attached at Appendix D.

Having described the machinery of Committee III's action and identified the reports of the three Working Groups, there now follows a summary account of the Committee's deliberations. Before commenting under the item sub-headings of the work programme, a few general comments are necessary.

It is clear that each delegation came to the Conference to explain its views on all subjects and to hear the views of others. In the sense that all expected to be influenced by what they heard as well as to influence others by what they had to say, the Conference might best be described as a 68-nation multilateral exercise in mutual information and education.

With a gathering of this magnitude and with the multiplicity of views presented, it emerged rapidly, and probably inevitably, that delegations would wish to take stock of their positions in all respects in light of the exchanges which took place. Such a stock-taking could not take place under the pressure of Conference nor would most delegations wish it to take place without the benefit, or indeed, the obligation, of conferring in their home countries.

It is not surprising, therefore, and certainly far from disheartening, that finality in all aspects was not achieved.

Rather, there has been a necessary exposure of principles, arguments and data, a splendid foundation upon which to build soundly and therefore cautiously remembering that we are considering an international exercise of great magnitude, unique in concept, dynamic in its current activity, and tremendously important in its worldwide ramifications.

It is against this background that the following comments are made:

INTRODUCTION

(Relevant paragraphs of ICSC Report --- 489-491)

At the outset of the discussions it was proposed that the Committee should limit its discussion of investment quotas to their financial aspects. It was recognised that the question of voting is intimately associated with investment quotas but, because voting has a much wider influence than financial considerations and because there is greater freedom to design voting arrangements and

controls on voting power than there is to design a basis for investment quotas, it was concluded that it would be better for the working of Committee III and helpful to Committee I if Committee III were to confine its considerations to the financial aspects of investment quotas and leave to Committee I the task of taking the investment pattern determined into account when it established voting procedures. This general procedure was agreed to in the Committee (Com. III/SR/3, page 6).

Also arising under this item was the question of ownership of the organisation's assets. This subject is dealt with under item IV A below.

I. PRINCIPLES UNDERLYING THE FINANCIAL ARRANGEMENTS OF THE ORGANISATION
(Relevant paragraphs of ICSC Report--492-496)

During the first round debate there was very substantial support for there being a clear distinction between the role of signatories as co-owners of the space segment (in which role they would make capital contributions) and their role as users of the space segment (in which role they would pay space segment utilisation charges to cover all costs including interest on capital, operating and maintenance costs (see IV C below), depreciation, amortization, and a margin of profit, if any,)(see IV B below).

An alternative proposal that use of the space segment should be on a cooperative basis with no charges to signatories for the use of the space segment received little support in the first round debate and, indeed, it was argued by some that this would be discriminatory against non-members, who would be required to pay space segment utilisation charges and there would, therefore, be a contravention of United Nations resolution 1721 and the Treaty on the Peaceful Uses of Outer Space. This subject was not debated beyond the first round excepting that considerations of rate of interest to be paid on capital and the questions of whether or not there should be a margin of profit and, if so, what it should be, were considered further in Working Group No. 1 the views of which are summarised in IV B below and are reported more fully in Appendix B.

II. PRINCIPLES FOR DETERMINING INVESTMENT SHARES OF SIGNATORIES
(Relevant paragraphs of ICSC Report--497-506)

A number of principles emerged during the first round debate and these were further considered in Working Group No. 1.

There was considerable support in the first round debate for investment shares to be related to actual use, and there was also substantial but more limited support for investment shares to be based upon estimates of use during a specified future period. Some wished to couple with forward estimates a commitment to take up capacity estimated for the future. There was also support of about the same general magnitude for investment quotas to be determined by taking into account together, actual use during a recent specified period and estimates of use during a specified future period.

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A proposal that quotas be adjusted in the light of use and other factors received little active support.

Another well supported proposal involved the calculation of quotas in two parts, one part being divided equally among all partners as a basic quota, and the remainder according to use of the system. These considerations are dealt with more fully in the report of Working Group No. 1.

There was general agreement in Committee that there should be a generally applied minimum investment share of 0.05%. However, argument was advanced, with some support, for a smaller minimum (0.025%), and the rights of a small number of signatories to the Interim Agreements to retain their present quota at very much less than 0.05% was also raised. There was some consideration of permitting small countries seeking membership for the first time to apply to the Governing Body for quotas below 0.05%. These peripheral matters await consideration against a broader background of Definitive Decisions.

It was proposed, but not further debated, that the financial arrangements should provide for access by the organisation to funds outside the normal partnership arrangements. This concept envisaged the securing of some funds from the World Bank or a like body rather than automatically securing all of the funds required by the organisation from signatories. This might apply particularly to organisation projects other than those of a public international telecommunications character.

There was also a proposal that two classes of investment be created, described as common and preferred stock, with common stock to finance the public international telecommunications services and preferred stock for all other projects of the organisation. This proposal received little support.

III. METHODS OF DETERMINING INVESTMENT SHARES (Relevant paragraphs of ICSC Report--507-515)

There was a general consensus that investment quotas should be related to the use of the space segment but it was not possible at this time to determine precisely what the relationship should be.

It was generally agreed that the determination of investment quotas would have to be based upon one or a mixture of the principles enumerated under the previous sub-heading, but the Committee was unable to agree on a method to recommend to the Conference at this time.

With respect to the type of traffic upon which investment quotas should be based, the Committee was strongly of the opinion that it should include all public international telecommunications traffic. There was substantial support for the inclusion also of traffic of a type similar to public international but passing between separated territories under the one government, for example, East Pakistan to West Pakistan.

There was some support for quotas to be based on total traffic carried by the system.

The matter of traffic could not be resolved in view of the general considerations still unresolved in the determination of investment quotas and also in view of the need to await the precise determination of the scope of the system under consideration in Committee I.

The frequency with which investment quotas should be adjusted was also debated in the Committee and was considered further in Working Group No. 1. There was approximately equal support for the two concepts of an annual reallocation of quotas and reallocation at less frequent intervals (two or three years). In the Committee, it was felt that this matter was tied too closely to the method of determining quotas to be resolvable independently. The Working Group came to the same conclusion and also noted that the period to 1971 would be untypical because of the number of earth stations to be commissioned.

The Committee considered whether or not signatories should be required to take up reduced quotas after a periodical review and whether or not they should be required to take up increased quotas. This matter was further considered by the Working Group, the views of which are in Appendix B. In summary, their view is that members should be required to reduce their quota in accordance with the rules, but that members should not be obliged to take up their full quota against their wishes. The manner of dealing with shortfall in quotas taken up is dealt with in Appendix B.

IV. FINANCIAL RIGHTS AND OBLIGATIONS OF INVESTORS

A. Property Rights and Interests

(Relevant paragraphs of ICSC Report--517-519)

During the first round debate there was extremely strong support for the substantial majority recommendation of the Interim Committee (paragraph 518) that the entire organisation-financed space segment be owned in undivided shares by the signatories in proportion to their investment shares. This matter was not considered beyond the first round debate because there had yet to be defined elsewhere the meaning of "entire organisation-financed space segment".

An alternative view under which parts of the INTELSAT system would be owned in undivided shares by groups of signatories financing those parts in proportion to their investment shares received little support.

It was felt generally in the Committee that, until some decisions were taken in defining the scope of the system, this subject could not be usefully pursued beyond the first expressions of opinion reported here.

B. Compensation for Use of Capital
(Relevant paragraphs of ICSC Report--520-523)

During the relatively brief discussion on compensation for the use of capital in full committee two principal viewpoints emerged. First, it should be recognised that the organisation is not established for purposes of profit but rather as a cooperative international service, and for this reason, capital employed should be serviced only to the extent of the cost of money. The alternative view holds that the enterprise is commercial in nature, that there is risk for the capital employed and that this should be recognised by a return on capital which is higher than the cost of money. The highest return proposed was 14%, the rate currently applied in the Interim Arrangements.

When considered in Working Group No. 1, a majority view emerged in favour of the return on capital being the cost of money as determined periodically by the Governing Body plus a risk margin of approximately 2%.

C. Contribution to Maintenance and Operating Expenses
(Relevant paragraphs of ICSC Report--524-525)

The manner of meeting maintenance and operating expenses was debated briefly in Committee before being referred to Working Group No. 1.

In the Working Group, a majority supported continuation of the procedure operating under the Interim Arrangements in which all revenue is distributed to signatories in proportion to their investment quotas and they make payments to meet all costs in the same proportion.

D. Conditions of Use
(Relevant paragraphs of ICSC Report--526-531)

The only matter of a financial nature arising under this heading relates to the payment of utilisation charges. There was very substantial support both in the Committee and in Working Group No. 1 that signatories should be able to use all organisation-financed facilities by payment of utilisation charges.

V. FINANCIAL ASPECTS OF SYSTEM ACCESS BY NON-MEMBERS
(Relevant paragraphs of ICSC Report--553-556)

Other than the brief discussion in Committee leading to the formation of Working Group No. 3 referred to earlier in this Report, consideration of the financial aspects of access to the system was confined to Working Group No. 3 which has recommended an addition to the report of Working Group C of Committee I on Principles of Access.

This recommended addition is set out in the report of Working Group No. 3 at Appendix C.

VI. FINANCIAL ASPECTS OF PROVISIONS RELATING TO WITHDRAWAL
(Relevant paragraphs of ICSC Report--622-625)

A very limited discussion of this item in Committee led to a quick recognition that it required reference to a working group of experts. This led to the creation of Working Group No. 2, the report from which is attached at Appendix "D".

In brief, the Working Group concluded that the principles used for transition should also apply in the case of later accession by new signatories, periodic re-allocation of investment shares, and withdrawal. An amplification of these views is contained in Annex 1 to Appendix "D".

VII. FINANCIAL ASPECTS OF TRANSITION FROM INTERIM ARRANGEMENTS TO DEFINITIVE ARRANGEMENTS
(Relevant paragraphs of ICSC Report--626-636)

This subject also received brief attention in Committee, sufficient only to recognise the necessity for consideration by experts, and it was placed in the work programme of Working Group No. 2.

Principal consideration of the financial aspects of transition which emerged in the Working Group relate to a choice between the net book value method or the net payments method of determining the net investment worth of INTELSAT at the time of transition. After concluding that there was little to choose in net result between the two methods, the Working Group considered that it should be consistent with the idea that a signatory holds his share of the net worth of INTELSAT investments at any point in time, and agreed that the net payments method might be followed during the transition from Interim Arrangements to Definitive Arrangements and that for the future the method left for the Governing Body to determine.

The Working Group also recognised some problems associated with the transition. A more complete treatment of the whole subject is contained in the report of the Working Group in Annex 2 of Appendix "D".

CONCLUSION

From the consideration so far given to the area of the Committee's work, it appears that it would be extremely useful for later considerations, to have available wider studies made in greater depth. The Committee, therefore, recommends that a working party be created for "the further investigation of the financial aspects of the Definitive Arrangements and, in particular, the method of determining investment quotas" to pursue the subject after March 21st. In considering this, the Committee has concluded that such a working party might well consist of representatives of the following countries:

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It remains only now to acknowledge the cooperation of delegations in the work of Committee III and, in particular, those who contributed in the Working Groups.

The helpful cooperation of the Vice Chairman, Mr. Abdul Rahman Khaled al-Ghumein, has lightened the burden on the Chairman. The Chairman in the Working Groups, Mr. Weaver in Working Group No. 1, Mr. Abdul Rahman Khaled al-Ghumein in Working Group No. 2, and Miss Burwash in Working Group No. 3, together with their rapporteurs and collaborators, extended themselves in making valuable contributions with little regard for time of day or personal inconvenience. It is desired to gratefully acknowledge their efforts. A tribute is also due to the Secretary, Mr. Burt, who was most helpful at all times, to the interpreters, the rapporteurs and to the Secretariat as a whole.

H. White
Chairman, Committee III

* * *

Attachments:

Appendices A, B, C and D.

COMMITTEE III WORK PROGRAM

	<u>ICSC Report Para.</u>
Introduction	419-491
I. Principles underlying the financial arrangements of the organization	492-496
II. Principles for determining investment shares of signatories	497-506
III. Methods of determining investment shares	507-515
IV. Financial rights and obligations of investors	516
A. Property rights and interests	517-519
B. Compensation for use of capital	520-523
C. Contribution to maintenance and operating expenses	524-525
D. Conditions of use	526-531
V. Financial aspects of system access by non-members	553-556
VI. Financial aspects of provisions relating to withdrawal	622-625
VII. Financial aspects of transition from interim arrangements to definitive arrangements	626-627

* * *

REPORT OF WORKING GROUP I OF COMMITTEE III

1. Our Working Group was set up by Committee III on Wednesday, 12th March, with the following terms of reference:

"To examine Sections D, E, F, and G of Com. III/41 and Sections B, C, and D of Com. III/43 and to formulate recommendations applicable to the Definitive Arrangements for consideration by Committee III."

2. The composition of the Working Group was as follows with Mr. Weaver (Australia) in the Chair:

Australia	Germany	Malaysia
Belgium	India	Morocco
Brazil	Israel	Pakistan
Chile	Japan	Switzerland
Colombia	Kuwait	United Kingdom
France	Lebanon	United States

3. The Group held six sessions.

4. We took into account the consensus of views as expressed in Committee III that each signatory to the Agreement should have at least a minimum investment quota of 0.05% and that there should be some flexibility in this area in the light of our findings under Section E of Com. III/41, although there is the alternative possibility of each signatory having a basic minimum quota of 0.05% with the balance distributed under some agreed formula.

5. In the event we were not able to find a single set of financial principles, and in our report below we indicate the more important of the widely divergent views held by delegations that we were not able to reconcile.

6. Basic traffic data for the period 1968-71, together with details of existing quotas, as at February 1969, is given at Annex 1 which distinguishes between:

Pages 3 and 4 - Data relating to Public International Telecommunications traffic only;

Pages 6 and 7 - The data in pages 3 and 4 supplemented by traffic data for domestic traffic.

The Notes at pages 1 and 2 to Annex 1 explain the derivation of the figures, which have been compiled from information early furnished to ICSC.

SECTION A

(Examination of Sections D, E, F and G of Com. III/41)

Principles underlying the financial arrangements of the Organization
(Section I of Com. III/1)

7. We noted the view of Committee III that ownership of the global system would be in undivided shares with a distinction between owners and users and have framed our report on these assumptions.

Principles for determining investment shares of signatories (Section II
of Com. III/1)

8. There were divided views as to whether the investment shares should be based primarily on use of the system, or whether there should be a two part approach to the question of such investment shares. (See Section D of Com. III/41).

9. Those delegations who wished to see a two part approach adopted felt that:

- (i) It was impossible to come to a judgement in these regards purely on financial grounds because of the links with voting rights and composition of the Governing Body;
- (ii) It was reasonable to allocate a proportion of investment for equal division between signatories so as to give the smaller countries a greater investment share and hence a greater say in the activities of INTELSAT;
- (iii) Allocation of a proportionate part of the investment between all signatories gave the smaller countries a right to take up a larger share of investment, without imposing an obligation to do so, in those cases in which a country did not wish to take up its full quota share, no matter how this share was computed.

10. Those who held alternative views considered that:

- (i) The establishment of a minimum basic quota established under Section C of Com. III/41 was sufficient to preserve the right of small members not yet using the system; encourage new members to join; and at the same time represent a minimum financial obligation for admission to INTELSAT membership.

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- (ii) Having taken account, in this way, of both the obligations and rights of signatories who were not users, it was felt by some appropriate to apply "use" more or less directly as a measure of ownership interest so as to correlate investment in the space segment with the telecommunication interest in the complete global system;
- (iii) The procedures (including voting) under which the Organization reached decisions was best considered as a separate matter;
- (iv) To the extent that in any defined period "use" and "investment" were in close relationship, these financial arrangements represented, as best as could be practicably established, a cooperative enterprise in which the parties met both capital and operating expenses in proportion to use.

11. It should be noted here that an investment quota of 0.05% relative to an INTELSAT net asset worth of about \$100 million equals a quota of \$50,000. Expressed in terms of circuits, if the total INTELSAT half circuits in use in the early 1970's equals 6,000 half circuits, 0.05% represents no more than about three circuits worth of traffic--a figure which would be substantially exceeded by any member with an earth station, and almost certainly exceeded by any user of the system for any kind of telecommunications purposes.

12. Illustrative evaluations to show the quota changes of members are contained in pages 2 and 3 of Annex 2, the primary purpose of which is to reflect the downward movement of the quota shares of the larger users from the adoption of a "two part" quota system.

13. Since we are measuring relative changes, expressed in percentage terms, we have related these studies to the traffic of a single year (1970). Equally, we have not thought it necessary to itemize the particular position of every member, so have identified specifically those 8 members whose quota share based on "use" exceeds 2% and then chosen representative members whose quota share based on "use" approximates to:

- (i) 1.5%
- (ii) 1%
- (iii) 0.5%
- (iv) 0.1%
- (v) 0.05%

14. Under the Two Part Quota System, the total quota allocated to any member represents that amount of quota which it is his right to take up if he so wishes. It is not intended to represent an obligation and it is envisaged that countries may opt to take a lower share (above the 0.05% minimum) if they so wish (see also paragraph 4 above).

15. It is then envisaged that in respect of any quota rights which are not taken up, the Governing Body will circulate all other members with a view to establishing those wishing to take up the "shortfall". This shortfall will then be distributed pro rata to the affirming members on the basis of their "use" quotas.

16. It is impossible to evaluate the consequential effects of such a redistribution without having any idea of those countries who may be unwilling to exercise their rights and those willing to take up more. In the event of such a situation arising, in a broad way the redistribution of the shortfall will be in accordance with the "use" percentages as in Annex 1, unless some of the major users should decline to take up the shortfall.

Methods of determining investment shares (Section III of Com. III/1).

17. There were divided views both as regards to type of traffic to be included and in the determination of the period over which use should be measured.

18. It seemed appropriate, therefore, to indicate some quantitative assessment of what these conflicting views mean in terms of change of investment quotas.

19. As regards the type of traffic to be measured, it was noted that past use of INTELSAT facilities has been restricted to public international telecommunications traffic, and traffic between distant places which crossed a National Boundary (such as between the United States and Hawaii). Similarly, future estimates of use did not provide for any use of the global system for purely domestic traffic within National Boundaries (See Annex 1, page 1, paragraph 3).

20. Those delegations who wished to see public international traffic only counted towards the measurement of use did not wish this exclusion to deny such traffic any use of the global system. Their concern was mainly directed towards the influence such traffic might have in relation to the calculation of investment shares, and hence perhaps in the determination of voting shares and therefore of policies relative to a global system.

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21. Other members of the Working Group, however, felt strongly that the principle inherent in Com. III/41, Alternative F, 1(a), which related to all traffic carried by satellites should not be dismissed. All agreed, however, that we were referring to traffic carried in the global system and that our consideration did not relate to domestic traffic carried in separate satellites or in the use of specialized satellites for specific purposes which INTELSAT might put up on a permissive basis, but in respect of which members would have the ability to opt out of an investment contribution if they so wished.

22. Most members of the Working Group acknowledged the practical problems associated with certain domestic traffic streams such as between East and West Pakistan or the United Kingdom and Hong Kong, and many recognized that there were grounds for including this traffic in the determination of investment quotas. It was generally agreed that if it was not possible to formulate overall rules in these regards there could well be a case for specific requests for inclusion to be presented to the Governing Body for a determination on a case by case basis.

23. One view was that the inclusion of domestic traffic could influence the design of the global system. Another view was that unless domestic traffic is included in the determination of the investment quota, small users might be called upon to finance provision of facilities used for domestic purposes and that this was inequitable to the smaller users.

24. Our presentation of basic data in Annex 1 acknowledges these opposing viewpoints.

25. This same diversity of opinions was apparent when we came to consider the period over which to measure "use". All noted the transitional nature of the present situation with a substantial number of earth stations under construction, the traffic of which would necessarily be excluded from any measurement of use based upon a past period until after these stations had been brought into operational use.

26. Some thought that specific allowance should be made to adjust "past use" values for these reasons, retaining past use as the criteria for longer term application. Others felt that similar problems would be encountered for many years until all members had earth stations and there was, therefore, no reason to make separate exceptional provision for the present situation.

27. Others felt that "future use" over a period of up to four or five years was the more relevant yardstick, especially as investment expenditure tends to precede use. One view was that the only rational way to establish investment quotas, whether or not a two part quota system was adopted for other reasons, was to correlate investment contributions with future use associated with a commitment to take up specified circuits over a defined future period. The contrary view was that commitment arrangements of this kind were not practicable.

28. It was acknowledged that the effect of applying a commitment concept could not be evaluated because the future circuit estimates presently available had been tabled by members on the basis of a free choice of determination as to whether or not to take up the stated circuit estimates, and might be overstated in some cases.

29. It was noted that the application of a "future use with commitment" concept would necessarily involve close reconciliation of circuit estimates between countries at the ends of mutual circuits, and considered by some that it might even act as an inhibiting element against the provision of adequate future capacity.

30. For evaluation purposes the Working Group agreed that it would:

- (i) Evaluate past use on the basis of the previous years' figures (at this point in time 1968 values, which might well require revision to 1969 values if the Definitive Arrangements came into force in 1970);
- (ii) Evaluate future use on the basis of the three average future years 1969-1971;
- (iii) Evaluate a mixture of past and future use on the basis of an average of the 1969-1971 period.

31. Further refinements to the above could be made to eliminate the averaging process in those cases where an earth station would come into use in the near future, but the Working Group agreed, on the whole, that specific evaluation in these regards was not justified as a Working Group task.

32. The effect on quota shares of partners relative to the three basic situations outlined in Com. III/41, Section F(2) are listed in Annex 2 (pages 4 to 9), which, for these purposes, assume:

- (i) Pages 4, 5 and 6 Public International Traffic only related to:

Page 4	10%	Part I Quota Base;
Page 5	25%	" " " "
Page 6	40%	" " " "

- (ii) Pages 7, 8 and 9 Public International and Domestic Traffic related to:

Page 7	10%	Part I Quota Base
Page 8	25%	" " " "
Page 9	40%	" " " "

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33. A final commitment in relation to Section F of Com. III/41 is to present data in respect of Alternative 3 within that Section. Until it is known, however, what weighting should be applied to each of the factors enumerated on Page 8 of the Attachment to Com. III/41, an evaluation of this kind is not possible.

Frequency of Quota Adjustment

34. Some delegations felt that in the present period of change, quota shares should be revised annually to reflect the changing situation with the possibility of less frequent changes as decided by the Governing Body as the global system settled down. Others felt that because it was a time of change, adoption of future estimated use figures would obviate the necessity for frequent changes of the investment quota shares at the present time, with a more frequent review, say on an annual basis, when the relative changes became marginal in amount.

35. From a practical point of view, some delegations pointed out that it would be impossible for them to implement substantial changes in quota investment shares on an annual basis, since their internal departmental procedures could involve protracted delay in obtaining Governmental approval for quota changes of this kind.

Options Open to Members

36. Our final task, in relation to Section A of our work, was to consider, in relation to both the initial determination of quota shares and later adjustments, the extent to which signatories should or should not be compelled to take up the full quota to which they are entitled, or should or should not be compelled to reduce their quota after a periodical review if they did not wish to do so.

37. Most delegations acknowledged that it would be difficult to force a member to take up his full quota if there were compelling national reasons why it could not do so. Others, however, felt that countries should honor their obligations in relation to agreed rules. The majority view, however, was that from a practical point of view it would be reasonable for a dissenting member to be able to:

- (i) Advise the Governing Body of its inability to take up its full quota allotment;
- (ii) For the Governing Body to circulate other members to see if they wished to increase their quota;
- (iii) For the shortfall to be redistributed pro rata to the affirmative replies, on a use basis;
- (iv) For the dissenting partner to be required to take up only that part of his shortfall that others were not willing to take up.

38. A majority of delegations felt that corresponding arguments did not apply in those cases where a member wished to retain a higher quota than that which would flow to him from the application of agreed principles. It was their view that in such a case, the agreed principles were over-riding, although it was thought by some that perhaps such countries might be given a first preference in relation to any shortfall in those cases where members did not wish to take up their allocated quota shares.

39. The rights of existing signatories under the present Interim Agreement, and in particular in relation to Article IX(b)(iii) were noted, but it was felt that a compulsory reduction in a signatory's quota under the Definitive Agreements did not breach this principle provided the countries with a diminished investment share were properly reimbursed relative to their stake in the present worth of INTELSAT assets at the end of the interim arrangements.

SECTION B
(Examination of Sections B, C and D of Com. III/43)

Compensation for use of capital (Section IVB of Com. III/1)

40. We considered the rate of return on investment to be reflected in INTELSTAT utilization charges, and in particular whether owners should receive only a basic return equal to the average world cost of money or some higher figure which reflected the risk element associated with the provision of satellite space segment facilities.

41. A widely accepted view was that the provision of capital for space segment investment purposes was in the interest of all telecommunications organizations; that the aim was not to make profits within this area; and that, therefore investors in the system should content themselves with an amount representing the average world cost of servicing capital.

42. After discussion, almost all members of the Working Group agreed that a return of about 10%, or an amount of about 2% above the cost of money in world markets, would be appropriate. Such a rate which would be fixed by the Governing Body would have the effect that:

- (i) Those members who took up shortfalls of capital investment by other members would receive some return on their capital;
- (ii) The additive element might make it possible for space segment utilization charges to be the same for members and non-members.
- (iii) The inclusion of such a rate of return would not encourage speculation for investment in space segment facilities, nor would it, on the other hand, impose a penalty on the providers of such capital;

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- (iv) In those cases where a member's use of space segment facilities was equal to his investment quota, the level of return was immaterial since it had effect only on the difference between use and investment.

43. One member expressed the view that the remuneration of invested capital ought not significantly to exceed the average rate of borrowing in the principal financial markets, such a rate providing the only realistic basis on which the organization should secure the funds necessary for investment.

44. Another member considered that a rate of 10% might be insufficient to reflect the risk conditions under which the organization operated or to provide non-members with an incentive to join the organization.

45. Yet another expressed the view that since situations may arise wherein a member may not be allowed by the Definitive Agreement to increase his investment to the level of his use of the space segment, any relatively high rate of return would equate him to the status of non-member for the excess use and impose a penalty on him.

46. It was noted that until a decision was reached on the manner by which investment quotas would be established, countries would not know whether they were likely to provide capital in excess of their needs or otherwise. Thus, the expression of views outlined above was on the basis of broad general principles, rather than the particular situation of members.

Contribution to maintenance and operating expenses (Section IV-C of Com. III/1)

47. Delegations noted the accounting explanation furnished by the Manager in Com. III/34 regarding these questions.

48. It was recognized that in the unlikely event of revenues failing to be sufficient to meet operating and maintenance expenses, the deficiency would need to be made good by members in their role as owners of the system.

Conditions of Use (Section IV-D of Com. III/1)

49. The Working Group considered that the adoption of a space segment utilization charge at a level which met all of the Organization's costs (including the approved rate of return for investment in the system - see paragraphs 40-46) satisfied all the requirements of system use by members.

* * *

Attachment:

Annexes 1 and 2.

TRAFFIC DATA USE PERCENTAGES

The attached documents provide information regarding relative use by signatories as requested by Working Group #1 of Committee III.

Pages 6 and 7 are based on INTELSAT traffic projections as stated in ICSC-36-10. Pages 3 and 4 are based on the same data but exclude domestic traffic.

The difference between Attachments 1 and 2, in fact, is the traffic of the United States, the United Kingdom, Pakistan, and Portugal with overseas points within the jurisdiction of these countries since no traffic within national borders has been forecast for inclusion in the global system.

The columns in both documents were derived as follows:

Ownership 2/24/69 - The percentages shown are after the accession of Luxembourg.

1968 - Total utilization charges, except television and occasional use. These were converted to percentages.

1969, 1970, 1971 - An average number of units was obtained by adding the year end units (from ICSC-36-10) to the units at the end of the previous year and dividing by 2. These were converted to percentages.

Average 2 Years - The average 1969 and average 1970 units (as explained above) were added to obtain 2 year totals for each signatory. These were then converted to percentages.

Average 3 Years - The average 1969, 1970 and 1971 units (as explained above) were added to obtain 3 year totals for each signatory. These were then converted to percentages.

Average Past &
Future Years -

The 1968 utilization charge was divided by \$20,000 to obtain 1968 average units. (Thus small antenna stations were included on a unit rather than a half circuit basis.) This number was added to the 3 year total (as described above) to get a 4 year total for each signatory. These were then converted to percentages.

The attachments list all countries that are currently signatories to the Interim Agreement. Those that will not be users during the period are listed on page 5 with their present quota. The category of "others" includes also countries that are not currently signatories but are shown in ICSC-36-10 as having traffic during this period.

TRAFFIC DATA USE PERCENTAGES
PUBLIC INTERNATIONAL TRAFFIC ONLY

	Present Quota %	Percent of Average Traffic				Average Future Use		Avg. of Past & Future Yrs. %
		1968	1969	1970	1971	2 yrs. %	3 yrs. %	
U.S.A.	52.93050	61.259	43.634	36.939	34.157	39.547	37.146	39.308
U.K.	7.28879	8.609	11.900	13.230	13.912	12.712	13.248	12.831
Japan	1.73543	2.566	5.138	4.829	4.540	4.949	4.767	4.569
Philippines	.49160	3.394	3.098	2.945	2.892	3.005	2.956	2.994
Australia	2.38621	2.732	3.173	2.945	2.874	3.034	2.963	2.942
France	5.29305	2.815	2.871	2.849	2.801	2.858	2.832	2.831
Italy	1.90897	3.725	3.249	2.921	2.746	3.049	2.914	2.987
Spain	.95448	3.725	3.476	2.897	2.746	3.123	2.955	3.024
Canada	3.25392	3.063	2.493	2.390	2.435	2.430	2.432	2.489
Brazil	1.41057	-	1.511	2.245	2.087	1.959	2.016	1.835
Germany	5.29305	1.656	1.965	2.100	2.050	2.047	2.049	2.013
Argentina	1.41057	-	1.285	1.859	1.757	1.635	1.690	1.538
India	.47019	-	.831	1.183	1.464	1.046	1.232	1.122
Venezuela	.95593	-	-	.845	1.409	.515	.914	.832
Chile	.28211	.579	1.587	1.497	1.336	1.532	1.445	1.367
Peru	.49457	-	.982	1.376	1.245	1.223	1.232	1.122
Thailand	.09593	1.821	1.398	1.256	1.171	1.311	1.249	1.300
China	.09036	-	.869	1.255	1.153	1.105	1.126	1.025
Colombia	.54217	-	-	.676	1.098	.412	.718	.654
Ceylon	.04518	-	-	.507	.842	.309	.547	.498
Switzerland	1.73543	.911	.982	.821	.751	.884	.824	.832
Malaysia	.23982	-	.378	.676	.714	.560	.628	.572
Pakistan	.23576	-	-	.435	.696	.265	.457	.416
Singapore	.09631	-	.076	.435	.696	.295	.473	.431
New Zealand	.40663	-	-	.362	.659	.221	.416	.379
Panama	.03960	.248	.907	.700	.659	.781	.726	.684
Indonesia	.27108	-	-	.314	.641	.191	.392	.357
Greece	.09404	.331	.529	.579	.604	.560	.579	.557

TRAFFIC DATA USE PERCENTAGES
PUBLIC INTERNATIONAL TRAFFIC ONLY

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	Present Quota %	Percentage of Average Traffic				Average Future Use		Avg. of
		1968	1969	1970	1971	2 yrs. %	3 yrs. %	Past & Future Yrs. %
Korea	.04919	-	.453	.507	.604	.486	.539	.490
Mexico	1.46744	-	.604	.579	.586	.509	.588	.575
Netherlands	.86771	.579	.604	.555	.586	.574	.579	.580
Kenya	.04950	-	-	.290	.549	.177	.343	.312
Belgium	.95448	.662	.529	.507	.494	.516	.506	.520
Kuwait	.04518	-	.302	.459	.476	.398	.433	.394
Viet Nam	.05000	-	.416	.483	.476	.457	.465	.423
Iran	.24950	-	.340	.483	.439	.427	.433	.394
Israel	.56770	-	.604	.459	.384	.516	.457	.416
Sweden	.60740	.414	.529	.386	.366	.442	.408	.409
Nigeria	.33457	-	-	.193	.329	.118	.212	.193
Saudi Arabia	.04518	-	.113	.217	.329	.177	.245	.223
Denmark	.34709	.248	.378	.290	.293	.324	.310	.305
Ireland	.30370	.331	.378	.290	.256	.324	.294	.297
Portugal	.34709	-	.340	.266	.238	.295	.269	.245
Ethiopia	.07229	-	-	.145	.220	.088	.147	.134
Morocco	.28894	-	.151	.193	.220	.177	.196	.178
Norway	.34709	.166	.265	.241	.220	.250	.237	.230
Austria	.17354	.166	.189	.145	.146	.162	.155	.156
South Africa	.27108	-	-	.145	.146	.088	.114	.104
Turkey	.49775	-	.151	.121	.110	.133	.122	.111
Lebanon	.07229	-	-	.024	.092	.015	.049	.044
		-	-	-	-	-	-	-
Others	1.53004	-	1.322	1.956	2.306	1.709	1.973	1.798
TOTAL	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>

INVESTMENT SHARES
OWNERS WITH NO USAGE
QUOTA AS OF 2/24/69

Algeria	.54217%
Iraq	.00904
Jamaica	.05000
Jordan	.04518
Libya	.02711
Liechtenstein	.04818
Luxembourg	.05000
Monaco	.00452
Nicaragua	.05000
Sudan	.00904
Syria	.03614
Tanzania	.04946
Tunisia	.18072
Uganda	.04953
U.A.R.	.31627
Vatican City	.04339
Yemen	<u>.02829</u>
TOTAL	<u><u>1.53904%</u></u>

TRAFFIC DATA USE PERCENTAGES
PUBLIC INTERNATIONAL TRAFFIC
PLUS DOMESTIC TRAFFIC

	Ownership Quotas 2/24/69 %	Percent of Traffic				Average Future Use		Avg. of Past & Fut. Yrs. %
		1968 %	1969 %	1970 %	1971 %	2 yrs. %	3 yrs. %	
U.S.A.	52.93050	66.052	54.205	47.230	44.289	49.965	47.429	49.010
United Kingdom	7.28879	7.514	9.669	11.096	11.735	10.536	11.072	10.773
Japan	1.73543	2.259	4.174	3.956	3.693	4.041	3.886	3.747
Philippines	.49160	2.939	2.517	2.413	2.353	2.454	2.409	2.455
Australia	2.38621	2.389	2.578	2.413	2.338	2.478	2.415	2.413
France	5.29305	2.484	2.333	2.334	2.278	2.333	2.309	2.321
Italy	1.90897	3.270	2.640	2.393	2.234	2.490	2.375	2.449
Spain	.95448	3.286	2.828	2.373	2.234	2.550	2.409	2.480
Pakistan	.23576	-	-	1.147	2.204	.698	1.371	1.255
Canada	3.25392	2.693	2.026	1.958	1.981	1.985	1.983	2.041
Brazil	1.41057	-	1.228	1.839	1.698	1.600	1.643	1.505
Germany	5.29305	1.424	1.596	1.721	1.668	1.672	1.670	1.651
Argentina	1.41057	-	1.044	1.523	1.430	1.335	1.377	1.261
India	.47019	-	.675	.969	1.191	.854	1.005	.920
Venezuela	.95593	-	-	.692	1.147	.421	.745	.682
Chile	.28211	.534	1.289	1.226	1.087	1.251	1.178	1.121
Peru	.49457	-	.798	1.127	1.013	.998	1.005	.920
Thailand	.09593	1.591	1.136	1.029	.953	1.070	1.018	1.066
China	.09036	-	.706	1.029	.938	.902	.918	.841
Colombia	.54217	-	-	.554	.894	.337	.586	.536
Ceylon	.04518	-	-	.415	.685	.253	.446	.408
Switzerland	1.73543	.793	.798	.672	.611	.722	.672	.682
Malaysia	.23982	-	.307	.554	.581	.457	.512	.469
Singapore	.09631	-	.061	.356	.566	.241	.386	.353
Panama	.03960	.190	.736	.574	.536	.637	.592	.561
New Zealand	.40663	-	-	.297	.536	.180	.339	.311
Indonesia	.27108	-	-	.257	.521	.156	.319	.292

TRAFFIC DATA USE PERCENTAGES
PUBLIC INTERNATIONAL TRAFFIC
PLUS DOMESTIC TRAFFIC
(Cont.)

	Ownership Quotas 2/24/69 %	Percent of Traffic				Average Future Use		Avg. of Past & Fut. Yrs. %
		1968 %	1969 %	1970 %	1971 %	2 yrs. %	3 yrs. %	
Greece	.09404	.293	.430	.475	.491	.457	.472	.457
Korea	.04919	-	.368	.415	.491	.397	.439	.402
Mexico	1.46744	-	.491	.475	.477	.481	.479	.439
Netherlands	.86771	.537	.491	.455	.477	.469	.472	.475
Kenya	.04950	-	-	.237	.447	.144	.279	.256
Belgium	.95448	.563	.430	.415	.402	.421	.413	.427
Kuwait	.04518	-	.245	.376	.387	.325	.353	.323
Viet Nam	.05000	-	.338	.396	.387	.373	.379	.347
Iran	.24950	-	.276	.396	.357	.349	.353	.323
Israel	.56770	.007	.491	.376	.313	.421	.373	.341
Sweden	.60740	.366	.430	.316	.298	.361	.333	.335
Portugal	.34709	-	.276	.277	.281	.277	.279	.256
Nigeria	.33457	-	-	.158	.268	.096	.173	.158
Saudi Arabia	.04518	-	.092	.178	.268	.144	.200	.183
Denmark	.34709	.221	.307	.237	.238	.265	.253	.250
Ireland	.30370	.298	.307	.237	.208	.265	.240	.244
Ethiopia	.07229	-	-	.119	.179	.072	.120	.110
Morocco	.28894	-	.123	.158	.179	.144	.160	.146
Norway	.34709	.148	.215	.198	.179	.204	.193	.189
Austria	.17354	.149	.153	.119	.119	.132	.126	.128
South Africa	.27108	-	-	.119	.119	.072	.093	.085
Turkey	.49775	-	.123	.099	.089	.108	.100	.091
Lebanon	.07229	-	--	.020	.074	.012	.040	.037
Others	1.53904	-	1.070	1.602	1.876	1.395	1.609	1.475
TOTAL	<u>100.00000</u>	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>

INVESTMENT SHARES RESULTING FROM QUOTAS IN TWO PARTS

Pages 2 and 3 provide information concerning investment shares under various sharing formulas. In both cases, the nine signatories using the largest percentage of the system are listed, and signatories using closest to 1.5%, 1.0%, .5%, and .1% are also shown as examples of the smaller users. Investment shares for signatories not listed can be derived from these examples.

Page 2 shows the effects of 5%, 10%, 25%, and 40% shared equally among an assumed 70 signatories, based on 1970 utilization including public international traffic and domestic traffic.

Page 3 shows similar effects but including only public international traffic.

Page 4 shows the effect of basing use on:

- 1) past year,
- 2) next three years,
- 3) past plus next three years

in relation to public international traffic and domestic traffic, with a 2 part quota system with 25% in the Part 1 quota.

Page 5 repeats the exercise on the basis of public international telecommunications traffic only.

INVESTMENT SHARES
 RESULTING FROM QUOTA IN TWO PARTS
 PUBLIC INTERNATIONAL TRAFFIC ONLY
 (1970 TRAFFIC)

	Use With .05% Minimum	5% Part I (.071% to Each)	10% Part I (.143% to Each)	25% Part I (.357% to Each)	40% Part I (.571% to Each)
U.S.	36.625	35.163	33.388	28.061	22.734
U.K.	13.118	12.639	12.050	10.280	8.509
Japan	4.778	4.659	4.489	3.979	3.468
Philippines	2.920	2.869	2.794	2.566	2.338
Australia	2.920	2.869	2.794	2.566	2.338
Italy	2.896	2.846	2.772	2.548	2.324
Spain	2.872	2.823	2.750	2.530	2.309
France	2.825	2.778	2.707	2.494	2.280
Canada	2.370	2.341	2.294	2.149	2.005
Argentina					
(1.5% example)	1.843	1.837	1.816	1.751	1.686
China					
(1.0% example)	1.244	1.263	1.273	1.298	1.324
Greece					
.5% example)	.574	.621	.664	.791	.918
Turkey					
(.1% example)	.120	.186	.252	.448	.644
Others	24.985	27.106	29.957	38.539	47.123
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

INVESTMENT SHARES
RESULTING FROM QUOTA IN TWO PARTS
PUBLIC INTERNATIONAL AND DOMESTIC TRAFFIC
(1970 TRAFFIC)

	Use With .05% Minimum	5% Part I (.071% to Each)	10% Part I (.143% to Each)	25% Part I (.357% to Each)	40% Part I (.571% to Each)
U.S.	46.829	44.939	42.650	35.780	28.909
U.K.	11.002	10.612	10.129	8.679	7.229
Japan	3.922	3.829	3.703	3.324	2.945
Philippines	2.392	2.363	2.315	2.167	2.019
Australia	2.392	2.363	2.315	2.167	2.019
Italy	2.373	2.344	2.297	2.152	2.007
Spain	2.353	2.325	2.279	2.137	1.995
France	2.314	2.288	2.243	2.107	1.971
Canada	1.941	1.931	1.905	1.826	1.746
Argentina (1.5% example)	1.510	1.518	1.514	1.499	1.485
China (1.0% example)	1.020	1.049	1.069	1.129	1.188
Greece (.5% example)	.471	.522	.571	.713	.856
Turkey (.1% example)	.098	.165	.232	.431	.630
Others	21.383	23.752	26.778	35.889	45.001
TOTAL	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

- 4 -

INVESTMENT SHARES
RESULTING FROM QUOTA IN TWO PARTS
PUBLIC INTERNATIONAL TRAFFIC ONLY

PART I QUOTA OF 10% WITH
BALANCE ALLOCATED ON A USE BASIS

	<u>1968 Use</u>	<u>3 Year Average (1969-71)</u>	<u>4 Year Average (1968-71)</u>
U.S.	55.276	33.574	35.520
U.K.	7.891	12.066	11.691
Japan	2.452	4.433	4.255
Philippines	3.198	2.803	2.838
Australia	2.602	2.810	2.791
Italy	3.496	2.766	2.831
Spain	3.496	2.803	2.865
France	2.676	2.691	2.691
Canada	2.900	2.332	2.383
Argentina (1.5% example)	.143	1.664	1.527
China (1.0% example)	.143	1.156	1.066
Greece (.5% example)	.441	.664	.644
Turkey (.1% example)	.143	.253	.243
Others	<u>15.143</u>	<u>29.985</u>	<u>28.655</u>
Total	<u><u>100.000</u></u>	<u><u>100.000</u></u>	<u><u>100.000</u></u>

INVESTMENT SHARES
RESULTING FROM QUOTA IN TWO PARTS
PUBLIC INTERNATIONAL TRAFFIC ONLY

PART I QUOTA OF 25% WITH
BALANCE ALLOCATED ON A USE BASIS

	<u>1968</u> <u>Use</u>	<u>3 Year</u> <u>Average</u> <u>(1969-71)</u>	<u>4 Year</u> <u>Average</u> <u>(1968-71)</u>
U.S.	46.301	28.217	29.838
U.K.	6.814	10.293	9.980
Japan	2.282	3.932	3.784
Philippines	2.902	2.574	2.603
Australia	2.406	2.579	2.563
Italy	3.151	2.542	2.597
Spain	3.151	2.573	2.625
France	2.468	2.481	2.480
Canada	2.654	2.181	2.224
Argentina (1.5% example)	.357	1.625	1.511
China (1.0% example)	.357	1.202	1.126
Greece (.5% example)	.605	.791	.775
Turkey (.1% example)	.408	.449	.440
Others	<u>26.144</u>	<u>38.561</u>	<u>37.454</u>
Total	<u><u>100.000</u></u>	<u><u>100.000</u></u>	<u><u>100.000</u></u>

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INVESTMENT SHARES
RESULTING FROM QUOTA IN TWO PARTS
PUBLIC INTERNATIONAL TRAFFIC ONLY

PART I QUOTA OF 40% WITH
BALANCE ALLOCATED ON A USE BASIS

	1968 Use	3 Year Average (1969-71)	4 Year Average (1968-71)
U.S.	37.326	22.859	24.156
U.K.	5.736	8.520	8.270
Japan	2.111	3.431	3.312
Philippines	2.607	2.345	2.367
Australia	2.210	2.349	2.336
Italy	2.806	2.319	2.363
Spain	2.806	2.344	2.385
France	2.260	2.270	2.330
Canada	2.409	2.030	2.064
Argentina (1.5% example)	.751	1.585	1.494
China (1.0% example)	.751	1.247	1.186
Greece (.5% example)	.770	.918	.905
Turkey (.1% example)	.751	.644	.637
Others	36.706	47.139	46.195
Total	<u>100.000</u>	<u>100.000</u>	<u>100.000</u>

INVESTMENT SHARES
RESULTING FROM QUOTA IN TWO PARTS
PUBLIC INTERNATIONAL AND DOMESTIC TRAFFIC

PART I QUOTA OF 10% WITH
BALANCE ALLOCATED ON A USE BASIS

	<u>1968 Use</u>	<u>3 Year Average (1969-71)</u>	<u>4 Year Average (1968-71)</u>
U.S.	59.590	42.829	44.252
U.K.	6.906	10.108	9.839
Japan	2.176	3.640	3.515
Philippines	2.788	2.311	2.352
Australia	2.293	2.317	2.315
Italy	3.086	2.280	2.347
Spain	3.100	2.311	2.375
France	2.379	2.221	2.232
Canada	2.567	1.928	1.980
Argentina (1.5% example)	.143	1.382	1.278
China (1.0% example)	.143	.969	.920
Greece (.5% example)	.407	.568	.554
Turkey (.1% example)	.143	.233	.225
Others	<u>14.279</u>	<u>26.903</u>	<u>25.816</u>
TOTAL	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

INVESTMENT SHARES
RESULTING FROM QUOTA IN TWO PARTS
PUBLIC INTERNATIONAL AND DOMESTIC TRAFFIC
PART I QUOTA OF 25% WITH
BALANCE ALLOCATED ON A USE BASIS

	<u>1968 Use</u>	<u>3 Year Average (1969-71)</u>	<u>4 Year Average (1968-71)</u>
U.S.	49.896	35.929	37.114
U.K.	5.993	8.661	8.437
Japan	2.051	3.272	3.167
Philippines	2.561	2.164	2.198
Australia	2.149	2.168	2.167
Italy	2.809	2.138	2.193
Spain	2.821	2.164	2.217
France	2.220	2.089	2.098
Canada	2.377	1.844	1.888
Argentina (1.5% example)	.357	1.390	1.303
China (1.0% example)	.357	1.045	.988
Greece (.5% example)	.577	.711	.700
Turkey (.1% example)	.357	.432	.425
Others	<u>23.683</u>	<u>35.993</u>	<u>35.105</u>
TOTAL	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

INVESTMENT SHARES
RESULTING FROM QUOTA IN TWO PARTS

PUBLIC INTERNATIONAL AND DOMESTIC TRAFFIC

PART I QUOTA OF 40% WITH
BALANCE ALLOCATED ON A USE BASIS

	<u>1968 Use</u>	<u>3 Year Average (1969-71)</u>	<u>4 Year Average (1968-71)</u>
U.S.	40.202	29.028	29.277
U.K.	5.079	7.214	7.035
Japan	1.926	2.902	2.819
Philippines	2.334	2.016	2.044
Australia	2.004	2.020	2.019
Italy	2.533	1.996	2.040
Spain	2.543	2.016	2.039
France	2.061	1.956	1.964
Canada	2.187	1.761	1.796
Argentina (1.5% example)	.571	1.397	1.326
China (1.0% example)	.571	1.122	1.075
Greece (.5% example)	.747	.854	.845
Turkey (.1% example)	.571	.631	.626
Others	<u>36.671</u>	<u>45.087</u>	<u>44.373</u>
TOTAL	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

* * *

REPORT OF WORKING GROUP NO. 3 OF COMMITTEE III

Subject: Financial Aspects of Access to the System
by Non-Members

The Working Group proposes that the following paragraph be added to the report of Working Group C of Committee I on Principles of Access:

" The appropriate body, in establishing space segment utilization charges for non-members, should take account of the fact that non-members have not borne any of the risks and obligations of membership. "

* * *

REPORT OF WORKING GROUP NO. 2 OF COMMITTEE III
(Financial Aspects of Withdrawal and Transition)

1. Committee III, in its meeting of March 11, 1969, the Seventh Session decided to establish a Working Group to deal with Items VI and VII of the Work Program outlined in Com. III/1. The Working Group was made up of Representatives of Argentina, Australia, Colombia, France, India, Kuwait, Mexico, Netherlands, Nigeria, Sweden, Switzerland, the United Kingdom, and the United States.
2. The Terms of Reference set by Committee III were the following as outlined in Com. III/44, "To study agenda Items VI and VII; to report to the Committee on its findings; and to prepare proposals in respect of each of the agenda items for consideration by the Committee."
3. The Working Group held two meetings. In the first meeting which was held on March 14, at 2:30 p.m. the Working Group elected the Vice Chairman of Committee III, Mr. Abdulrahman Khalid Al-Chunaim as its Chairman. It was decided in this meeting due to the short time available to have these two following approaches.
 - (a) To discuss in general the principle of financial applications on Item VI and VII in the time available for it.
 - (b) To form a Drafting Group for the work of the Group.
4. The Drafting Group was composed of the Representatives of Colombia, France, Mexico, the Netherlands, and the United States. Dr. Felten of the Netherlands was elected as the Chairman of the Group.
5. The Drafting Group submitted its findings and proposals as in Annex 1 for Item VI and Annex 2 for Item VII. It was felt that in drafting its report the Working Group found it difficult to achieve the right solution to these problems due to the fact that various problems exist that are not yet resolved in other committees.

VI. Financial Aspects of Provisions Relating to Withdrawal

In general, the same principles used for transition in Annex 2 should also be applied in the case of later accession by new signatories, periodic reallocation of investment shares, and withdrawal. However, the Working Group believes that the organization must protect itself against too many withdrawals. Since the effects of the withdrawal of one signatory on other signatories will vary from case to case, there must be some flexibility, within prescribed limits, in making the arrangements. If other signatories are willing to take up the quota of the withdrawing signatory, the adjustment could be made on the basis of the principles described under transition. If they were not so willing, it would be necessary for the Governing Body to consider, for example, a delayed reimbursement to the signatory for his share of investment, and a possible differential rate of return on the outstanding net worth of his share of the assets. Consideration should also be given to require from the withdrawing party a contribution to future payments under contract concluded during his membership; such a contribution would be repaid to the withdrawing party out of the revenue of the organization.

* * *

VII. Financial Aspects of Transition from Interim Arrangements to Definitive Arrangements

There are two methods of determining the net investment worth of INTELSAT at the time of the transition from the interim arrangements to the definitive arrangements. Either of the methods described below would be acceptable:

- (a) The net book value method would be based on the book value of property and system development on the transition date less amortization to that date. This value would have to be increased by the amount of expected compensation for use of capital that had not cumulatively been realized on that date. The overall percentage desired could be the 14% return objective established for the interim period or some other percentage approved by the Conference. The accounts should be audited as of the transition date. This method has the advantage of simplicity.
- (b) The net payments method would require a listing of all payments by signatories to INTELSAT from the beginning of the interim period and also the credits to signatories as revenue distribution. Interest on each such payment to INTELSAT would also be computed from the date of each payment to the transition date. Interest on revenue distributions would also be calculated and credited. The total so derived would represent net payments to INTELSAT by signatories plus a net interest. This total would be the basis for adjusting investment on the transition date. This method has been used for admission of new signatories during the interim period. Some delegations expressed the view that the same rate of interest as in (a) should be used as the interest rate on both payments and revenue distributions in making this calculation.

In principle, and assuming that the same rate of return is used in both methods, the results obtained by them are identical. From the practical view point also there is little to choose between them. Consistent with the idea that a signatory holds his share of the net worth of INTELSAT investments at any point in time, the Working Group felt that the matter of providing for the signatories' shares during transition from interim agreements may follow method (b) above, and that for the future the method be left for the Governing Body to determine.

It is recognized by the Working Group that there may be a financing problem associated with the fact that not all signatories will accede to the definitive arrangements on the same date, and it would appear to be essential to ensure that the definitive arrangements may actually take effect when a continued flow of contributions to the Organization's capital requirements is assured without placing an undue burden on those Parties which have acceded to the definitive arrangement. It will also probably be appropriate to defer for a certain period the financial adjustments between Parties resulting from changes in investment quotas, interest being paid at a suitable rate for the period of delay. Therefore, the Governing Body will require flexibility in administering the financial aspects of transition.



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

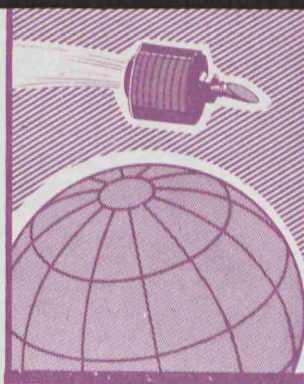
Com. III/1 (Add. 1)
March 3, 1969

COMMITTEE III - FINANCIAL ARRANGEMENTS

Ahead of the entry, "I. Principles underlying the financial arrangements of the organization 492-496," please insert a new item:

"Introduction 489-491."

* * *



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/1 (Corr. 1)
February 26, 1969

COMMITTEE III - FINANCIAL ARRANGEMENTS

In Item VII of the suggested work program, "Financial aspects of transition from interim arrangements to definitive arrangements," the ICSC Report Par. should be corrected to read "626-627."

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/2
February 28, 1969

DETERMINATION OF INVESTMENT SHARES
UNDER THE DEFINITIVE ARRANGEMENTS
(Submitted by the United States Delegation)

I. INTRODUCTION

The United States has proposed that INTELSAT members' investment shares under the Definitive Arrangements be related directly to use of jointly financed satellites (Document ICSC-29-33). This proposal is designed to build upon and perfect the principle of relating investment shares to use of the system which was agreed upon in negotiating the Interim Arrangements in 1964. The investment quotas established for the initial participants in the Interim Arrangements were based upon estimated relative satellite usage for 1968. The patterns of actual usage, however, have developed differently than estimated and there are disparities between signatories' quotas and their actual utilization of the system. The U.S. proposal for the Definitive Arrangements would alleviate the disparity between use and investment and would also provide an objective and reasonable basis for determining investment shares in an organization and satellite system which will continue to develop at a rapid pace.

The purpose of this paper is to reflect the most current United States thinking regarding the principle of investment/use and to discuss the implementation of this concept and its effects upon INTELSAT members. It is not desirable that the Definitive Arrangements should do more than establish general principles regarding these matters. The Board of Governors should be given the discretion to establish the precise method by which the general principles would be implemented. This paper, however, will discuss such details to provide a fuller understanding of the United States proposal.

II. Initial Adjustment of Members' Investment Shares

One of the first problem areas to be considered in implementing the principle of relating investment shares of INTELSAT members to use of jointly financed satellites, is the means for accomplishing the adjustment from the investment quota system in effect under the Interim Arrangements. In order to accomplish the transition, several determinations must be made. In particular, in order to change over from the investment quota system to a system whereby investment shares are related to use of jointly financed satellites, it is necessary to:

- (i) select a period preceding the Definitive Arrangements over which use would be measured,
- (ii) develop a workable method to measure members' use of the satellite system during that period, and
- (iii) develop an equitable method of determining the value of INTELSAT's investment at the time the Definitive Arrangements enter into force.

A. Period for Measuring Use

The year preceding the effective date of the Definitive Arrangements would appear to be an appropriate period over which to measure members' use of the satellite system for the initial adjustment of the members' investment. If the Definitive Arrangements enter into force on January 1, 1970, the year 1969 would be the period of measurement.

B. Measurement of Use

For the initial adjustment, each INTELSAT member's use of the satellite system would be determined by the total amount of space segment utilization charges it was required to pay during the year preceding the entry

into force of the Definitive Arrangements. It would appear that these charges would be the most practical common denominator available for the initial adjustment.

Each member would receive credit for the use made of the satellite system by communications entities in territories for which it is responsible. If use of the satellite system is provided through a member's earth station to a user which is neither a member of INTELSAT nor a communications entity in a territory for which an INTELSAT member is responsible, the member providing the earth station would receive credit for such use since it is responsible for meeting space segment charges for such use.

C. Determination of INTELSAT Investment Value to be Used as the Basis for Initial Adjustment in Investment Shares

The investment value could be determined by a number of accepted methods, for example: from the net worth in the INTELSAT accounts, or by a net payments method similar to that currently being used for admission of new signatories. In any case the Board of Governors would approve the value to be used as the basis for adjustment.

D. Minimum Investment Shares (Base Share)

The concept of relating a member's investment share to its use naturally assumes use. It is anticipated, however, that there will be some INTELSAT members not yet using the satellites by the time the Definitive Arrangements enter into force. To accommodate these members, each of them would be allotted a minimum investment share (hereinafter sometimes referred to as a base share).

Since the United States proposes that the distribution of voting power would be related to a member's investment share, a possible inequity would result if a member using the satellites had an investment share smaller than the base share investment. Under these circumstances, such a member would have the option of increasing its investment share to equal the base share of the members not using the satellite system.