

PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/1 (Final)
February 28, 1969

SUMMARY RECORD--FIRST SESSION OF COMMITTEE III TUESDAY, FEBRUARY 25, 1969

Convening of the Session

The session was convened at 3:11 p.m., by the Chairman of the Conference, Leonard H. Marks, acting as Temporary Chairman of Committee III.

Election of Committee Chairman

Mr. Marks called for nominations for Chairman of Committee III. The Representative of Indonesia nominated Mr. Harold White, Alternate Representative of Australia. The Representatives of Kenya, Iran, Korea, Mexico, and the Netherlands seconded the nomination. Mr. White was unanimously elected Chairman of Committee III. Upon taking the Chair, Mr. White thanked the Committee for choosing him as its Chairman.

Election of Committee Vice Chairman

Mr. White called for nominations for Vice Chairman of Committee III. The Representative of Tanzania nominated Mr. Abdul Rahman Khaled al-Ghuneim, the Representative of Kuwait. The Representatives of Japan, Pakistan, Indonesia, Morocco, and Iran seconded the nomination. Mr. al-Ghuneim was unanimously elected and thanked the Committee for choosing him.

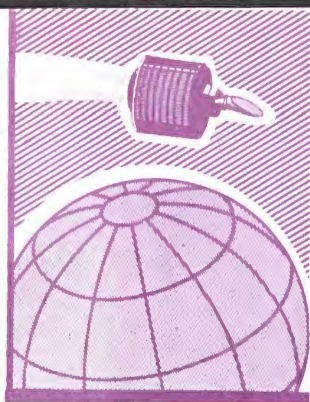
Consideration of Suggested Work Program (Com. III/1)

Chairman White referred to the Suggested Work Program (Com. III/1) and proposed deferring consideration of it until the next day to allow for examination of it. The Representative of France pointed out that the English version contained 7 points, whereas the French version contained only 6 points. The Chairman requested the Secretariat to correct this discrepancy.

Adjournment

The session was adjourned at 3:25 p.m. to be resumed at 3:00 p.m. on Wednesday, February 26, in a room to be indicated in the Order of the Day.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/2 (Final)
March 5, 1969

SUMMARY RECORD - SECOND SESSION OF COMMITTEE III
WEDNESDAY, FEBRUARY 26, 1969

Convening of the Session

The session was convened in Committee Room B (Room 1107), at 3:10 p.m. by the Chairman of Committee III, Mr. Harold White.

Secretary

Chairman White introduced the Committee to Mr. Al Burt, on his left, whom the Chairman said would act as Secretary of the Committee. The Chairman asked Committee members to hand amendments to the Secretary, including amendments to the Provisional Summary Record, unless such amendments were of a contentious nature, in which case they should be presented to the Chairman.

Relevant Documents

The Chairman indicated that the documents that the Committee would wish to be working with primarily were: the Terms of Reference and Suggested Work Program, Com. III/1; the Rules of Procedure, Doc. 2; the Agreement Establishing Interim Arrangements, Doc. 3; the Special Agreement, Doc. 4; the Report of the ICSC Committee, Doc. 6; and the Agreement Proposed by Sweden, Doc. 8.

Method of Proceeding

The Chairman proposed to open the floor to general statements and thereafter the Committee might discuss specific issues. The goal of the Committee would be agreement on Financial Arrangements that could be incorporated into the draft of the Definitive Arrangements. The Chairman noted that some Committee III decisions would probably have to await decisions in other Committees, particularly those of Committee I relating to the form of organization and the number of agreements. In considering the ICSC Report, the Chairman suggested, the Committee need not proceed sequentially, but rather it might discuss matters of importance and then proceed to details.

The Chairman opened the floor to general statements.

Committee Meeting Room

The Representative of the United Kingdom said that he would like to have his adviser at his side. The Chairman reported that the Secretary General had indicated that the only larger room was the Main Conference Room. The Chairman agreed that Committee Room B was not large enough to ensure more than one seat per delegation. He asked if the Committee wished to meet in Committee Room B with its limitations, or whether it wished to meet in the Main Conference Room. If all Committees wished to use the Main Conference Room the result would be that the Committees could not meet simultaneously and would have to meet in sequence.

The Representative of Malaysia shared the view of the Representative of the United Kingdom. His primary reason, however, was his desire for sequential meetings. The leaders of the Malaysian Delegation wished to attend all meetings; however, the delegation was small and would be reduced still further during the Conference. The only way it could attend all committee meetings would be if the committees met sequentially. If committee meetings took place sequentially, there would be no difficulty in holding all of them in the Main Conference Room.

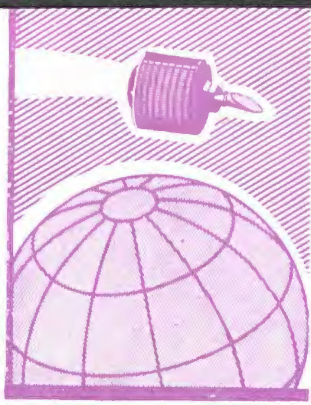
The Representatives of the Netherlands, Tanzania and Morocco concurred with the previous comments on this question.

The Committee favored attempting to arrange to meet in the Main Conference Room. The Chairman noted that the question of sequential meetings was a matter for the Conference Chairman rather than Committee III, and that he would communicate to him the desires of the Committee.

Adjournment

The Chairman suggested adjourning until the possibility of meeting in the Main Conference Room could be explored. The session was adjourned at 3:30 p.m.

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PLENIPOENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/2
February 26, 1969

PROVISIONAL SUMMARY RECORD - SECOND SESSION OF COMMITTEE III
WEDNESDAY, FEBRUARY 26, 1969

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Note: Any changes or corrections in this Summary Record must be submitted to the Secretary General within 48 hours.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/3 (Final)
March 7, 1969

SUMMARY RECORD - THIRD SESSION OF COMMITTEE III
MONDAY, MARCH 3, 1969

Convening of the Session

The session was convened in the Main Conference Room at 2:34 p.m. by the Chairman of Committee III, Mr. Harold White.

Committee Meeting Room

Chairman White expressed his appreciation to the Secretary General for obtaining the larger seating capacity provided by the Main Conference Room.

Work Program

The Chairman indicated that the current list of relevant documents for the work of Committee III is as follows:

- The Terms of Reference and Suggested Work Program, Com.III/1 (Corr. 1);
- Proposed Intergovernmental Agreement submitted by the U. S.,
Com. III/2;
- Rules of Procedure, Doc. 2;
- The Agreement Establishing Interim Arrangements, Doc. 3;
- The Special Agreement, Doc. 4;
- Report of the ICSC, Doc. 6;
- The Agreement Proposed by Sweden, Doc. 8; and
- The Summary Record of the First Session (Com. III/SR/1 (Final))

The Chairman asked for comments on the latter document, and since there were none, the document was accepted by the Committee. The Chairman mentioned that the work of this Committee and the other Committees is somewhat inter-dependent, and that this Committee will proceed as far as possible on its work program. He proposed considering Com. III/1, as revised and corrected, to be the work program for the Committee. This was agreed.

Additional Agenda Item

The Representative of Australia stated his view that paragraphs 489 through 491 of the ICSC Report, Document 6, are pertinent to topics being considered by the Committee and should therefore be included as reference material.

The Representative of Canada agreed and suggested that since paragraphs 489 through 491 may be pertinent to more than one of the agenda items listed in Com. III/1, that a new agenda item be added ahead of the present item I. This was agreed. The new agenda item precedes item I, is entitled "Introduction" and includes as reference material paragraphs 489 through 491.

Agenda Item: Introduction

The Chairman opened the floor to discussion of the new agenda item, "Introduction."

The Representative of Ceylon observed that the question of financial arrangements is very important to many smaller countries, and to countries not operating an earth station. It is important to maintain clearly the distinction made in paragraph 493 of Document 6, between the role of signatories as co-owners of the space segment and the role of signatories as users of the space segment. He stated that his views on paragraph 498 will be furnished later.

The Representative of The Federal Republic of Germany expressed the view that INTELSAT activities should continue to be restricted to the space segment; that non-members should pay only a utilization charge; that member states that have an earth station should contribute proportionately to their use of the space segment; and that countries making no use of the system should be allotted specific shares. Investment shares should be adjusted annually based upon use, but adjustment should be made only when the change of use is 1 percent or more, so as to minimize the administrative activities. If consideration of new techniques arises, the allotment may have to be determined on a case by case basis.

The Representative of the United States observed that the majority of the Committee recommended space segment ownership based on proportionate use. He expressed his view that the definitive arrangements should cover only the general principles necessary, but recognized the need to discuss further details of this matter in the Committee. He supported the concept of investment in the system proportionate to the use of the system, and outlined briefly a procedure for transition from the present investment quota system. The transition would require selection of a time period, such as one year, which would precede the effective date of the definitive arrangements; a method of measuring the use of the satellite system by the members during that period; and the development of a method to determine the value

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of the INTELSAT investment at the time the definitive arrangements enter into force. He stated that the United States now supported the concept of a utilization charge based on the use made of the space segment during the year preceding entry into force of the definitive arrangements.

The Representative of France indicated that he shared a similar view. Investment shares must be tied to system use in some way, but perhaps more on the future use of the system than on past use. He agreed with the majority recommendation in paragraph 493. He noted, however, that a new principle--to minimize accounting difficulties--is needed to avoid the phenomenon of having money paid out by users and returned to users as an investment. He observed that it might be difficult to use a one year period upon which to base changes in shares for each member, and that a four-year period might be considered.

The Representative of India agreed that it was necessary to perceive clearly the distinction between the role of owners and of users. In regard to paragraph 498, he supported this principle, but also wished to support the provisions of paragraph 512, which provided that signatories not wishing to increase their shares were not obliged to do so.

The Representative of Chile stated that he supported the concepts in paragraph 493, and considered that future use must be taken into account. He supported the concept of a minimum quota for those countries not yet users of the system. The investment quota should be based upon utilization at the end of the preceding period (for example, the last month or the last quarter), and should also be related to projected use during the period under consideration.

The Representative of Belgium supported the provisions of paragraph 496 of the Interim Committee's Report, combining the roles of the Signatories as owners and as users, and based on the use that the Signatories anticipate they will make of the space segment over the next 5 years. He felt, however, that the concept of a charge for utilization should be reintroduced in order to avoid the difficulties that may arise in connection with evaluating the assets of the Organization at the time of the periodic adjustments of investment shares.

He proposed, furthermore, that Committee III, limit its discussions, pending completion of the work of the other committees, to financial questions relating to the space segment intended for the public international telecommunications services.

The Representative of Pakistan supported the concept in paragraph 495, adding that this might make unnecessary any accounting for space segment utilization charges.

The Representative of Canada supported fully the provisions of paragraphs 493 and 498, but stated his view that it was necessary that the Committee agree on a definition for the word "use" before attempting further progress.

The Representative of Mexico made four points on the subject of financial policies:

1. He agreed that investment limits should not exceed the cost of the space segment.

2. The source of finances should not be limited to the investment quotas but the door should also be open to tapping other sources like the World Bank.

3. Concerning the level of participation by each country, he recognized this to be a difficult matter related to decisions made in other Committees of the Conference. Thus, the determination of the size of the investment share might raise the question of voting weights.

4. Quotas should not be determined solely by past use because in the present case this would mean that quotas for the members would be determined by the 13 countries which have made use of the system.

The Representative of Australia drew attention to the usefulness of the contents of paragraphs 489 through 491 as a working basis for Committee deliberations. Concerning the ownership of undivided shares, he added that the concept needed to be discussed before the Committee proceeded to other questions. The questions of ownership and voting should be separated, and the matter of voting set aside because it is for another Committee to decide.

The Representative of Singapore also supported the concept of a clear distinction between the roles of ownership and use in paragraph 493. In addition, he supported the provisions of paragraph 498.

The Representative of Japan supported the concept of ownership proportional to investment shares, investment shares proportional to actual use, with such investment shares to be adjusted periodically. He also supported the principles in paragraphs 498 and 518.

The Representative of Portugal supported the principles in paragraphs 493 and 498. He referred to the period of adjustment and suggested that the period might end one year after the effective date of the arrangements. He indicated that it was necessary to define what "actual use" meant, and stated his understanding that the meaning included both international and domestic use.

The Representative of Italy first restated his view favoring the principle of undivided ownership of the space segment. He then stated his view favoring the provisions of paragraph 493 concerning the owner-user distinction as recommended by the ICSC. He endorsed the principle of investment shares closely tied to the use made of the system, including the use made through another country by a country which does not own a ground station. He supported the minimum quota of 0.05 percent for those countries who wished to join INTELSAT, but might not be users. Concerning the frequency of adjustment of participation related to use, he was inclined to agree with the majority view.

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The Representative of the Philippines agreed with the concept of investment shares and separate space segment charges, as in the present operation of INTELSAT. The space segment should be owned in proportion to investment shares, and these should be related in some way to the use by each signatory of the space segment of the system. Contribution to the operation should be proportional to investment shares.

The Representative of Spain supported the principles of paragraph 493. He expressed his view that investment should be a function of the real use made of the system, such use to be estimated according to use in a previous time period. An estimate for use expected during the ensuing year should be added, but long term forecasts should not be included. The allocation of shares should not take into account domestic use or use for specialized services. He supported the minimum share account of 0.05 percent.

The Representative of Switzerland also stated his support of paragraph 493. He expressed the view that the investment should be related to use, but only use for international traffic. The basic allotment should consist of equal shares for all signatories with the remainder of the cost shared according to use of the space segment.

The Representative of Netherlands agreed with provisions of paragraph 493. He favored determining investment shares by combining actual use with future use estimates. He supported the minimum investment share of 0.05 percent.

The Representative of Israel observed that provisions of paragraphs 493 and 498 appeared to conflict to a degree. He stressed the idea of equal use of all operational facilities, considering that a country was a user whether it had an earth station or was linked to an earth station by other facilities. He expressed the view that the basis of calculation of investment shares should include the consideration of past, present and future use.

The Representative of the United Kingdom, referring to paragraph 490, said that it was in the interests of the Signatories collectively that the space segment should continue to be owned in undivided shares.

The Representative of Argentina agreed with the provisions of paragraphs 493 and 498. He explained that, after the initial share, the basis of allotment should be the actual use during the quarter preceding the effective date of the agreement.

The Representative of France asserted that, insofar as public telecommunications services were concerned, the space segment should be owned in undivided shares. Specialized telecommunications services, however, should be separately financed.

He had one reservation about undivided ownership, namely, that ownership be tied into the particular satellite used by the country. For example, European ownership might be related to Atlantic, as opposed to Indian Ocean, satellites.

He stated that the condominium apartment principle was a valid analogy. The owners own the condominium in undivided shares, but nonetheless have a specific apartment allocated for their use.

The Representative of Belgium stated that he can accept the principle of undivided ownership for the space segment used by the public international services but that he must reserve his position with respect to the space segment intended for special services.

The Chairman suggested that the Committee limit its discussion of quotas to their financial aspects, and leave to Committee I the voting aspects of quotas. If the Committee agreed, he would include a statement to this effect in the Summary Record, which of course the Committee could later comment on.

The Representative of the United Kingdom supported the Chairman's suggestion.

The Chairman stated that he heard no objection and asked that this statement be recorded, subject to correction or deletion.

The Chairman took note of a great deal of support for paragraph 493.

The Chairman suggested that Items 1, 2, and 3 of the suggested work program were linked, and that Item 3 was the end result of the three sections. He said that he had heard a variety of views on these items, and suggested that the delegations record their views on these matters and pass them to the Secretary prior to conclusion of discussion of the three items. The Secretary could then prepare a table that would show the various views for the use of a working party.

Principles Underlying the Financial Arrangements of the Organization
(Item I of Work Program)

The Representative of the United Kingdom supported the recommendation in paragraph 493 of the ICSC report that there should be a distinction between the role of signatories as co-owners of the space segment and their role as users; i.e., he supported the view that the space segment charge should continue. His reasons for this were that such a system provided a more flexible financial structure, allowing on the one hand for utilization by parties not investing in the system, and on the other hand, for investment by parties not yet using the system. He also believed that retention of the space segment charge might also provide a convenient means of determining the net worth of the system. He further thought that the space segment should continue to be owned in undivided shares by the signatories. In effect, he supported the present type of financial arrangement.

The Representative of Pakistan commented that a separate utilization share is an unnecessary accounting exercise, since the money would be returned to the owners. He suggested consideration of the cooperative structure indicated under paragraph 495.

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The Representative of New Zealand believed the Committee should continue the distinction between use and ownership. Though ownership was related to use, the relation could not be so close that separate payment for use would be unnecessary. Even though the distinction required accounting and transfers of money, he believed that it should be maintained.

The distinction was related to having a single global system owned in undivided shares, which he also supported. Individualizing ownership would tend to fragment the financial structure, and impede coordinated administration and operation.

The Chairman accepted the reservation of certain Members regarding ownership in undivided shares. When the form of the system was worked out more fully in Committee I, Committee III could return to the point.

The Representative of Australia observed that many of the paragraphs in the ICSC report were in conflict, others represented variations within a common theme. It might be advantageous to narrow down the number of alternatives open for study and in these regards paragraphs 495 and 496 were similar in that they were cooperative structures; they differed in that in 495 use was restricted to the signatories, whereas 496 envisioned separate formal arrangements which could be made with non-signatories.

The Representative of Malaysia supported the comments of the Representative of the United Kingdom and the principle embodied in paragraph 493. He said that the roles of owner and user should be kept distinct. A member country, when acting as user, should pay the satellite utilization charge because this simplified the accounting. If a country paid for use related to investment, it would have to provide capital in advance and determine use afterward. He advocated separating the capital investment from the cost of utilization. The user paid a fixed but calculable utilization charge based on the costs of the space segment and the cost of capital.

The Representative of Ireland supported the principle expressed in paragraph 493. He wished to examine the distinction between paragraphs 495 and 496 discussed by the Australian delegate. He noted that the Interim Agreement recalled U.N. Resolution No. 1721, to the effect that communication by means of satellites should be available to the nations of the world as soon as practicable on a global and non-discriminatory basis. He thought that it would be contrary to that resolution to accept paragraph 494, since use would be confined to the co-owners. He also considered that it could be held that paragraph 496 was also discriminatory because there was a separate charge for users who were not co-owners.

The Representative of Belgium also indicated the differences between the principles expressed in paragraphs 495 and 496. The principles of paragraph 496 enabled non-owners to use the system by payment of a users charge. Paragraph 496, which he favored, limited or curbed the flow of capital back and forth between the INTELSAT organization and the users. He agreed, however, that it was necessary to charge a users fee under paragraph 496.

The Representative of Denmark supported the distinction between the role of countries as users of the space segment, and their role as owners. Quotas would need to be adjusted periodically. It would be more difficult if each party to the agreement had to consider that if it used more circuits, it would have to pay an increased investment quota. He believed that use should be flexible and based on need, and on no other consideration. If use were not directly related to investment, then an increase in circuits would be considered on the basis of need. Accordingly, he supported the principle expressed in paragraph 493.

The Representative of Australia supported the point made by the Representative of Ireland, and said that the Committee should not consider paragraph 495 because it was discriminatory. This would leave for consideration only paragraphs 493 and 496.

The Chairman asked the delegations to hand in papers on their positions through Item 3. These would record their views, and then a working party could attempt to obtain further agreement.

Principles for Determining Investment Shares of Signatories
(Item II of Work Program)

The Chairman suggested that the Committee proceed to Item II.

The Representative of Canada supported paragraph 498 but suggested there be debate on the definition of "use" in that paragraph. Should it be past, present or future, and should it include leased as well as public traffic, and domestic traffic?

The Representative of France observed there was an issue as to whether to consider all kinds of traffic or only certain kinds, such as international public message traffic. He said that half of the ICSC Committee did not want to take into account domestic traffic in determining the investment quota. Domestic traffic could, however, be accepted and paid for by the users' charge.

The Representative of France also suggested that, in determining investment shares, the Agreement should take into account future as well as past traffic. Some people had objected to considering future traffic because of errors that could occur in estimates of the future. However, such errors could not occur if the commitments of members regarding future use were considered. He observed that it was normal to take into account future commitments when dealing with any kind of enterprise. Such a principle would appeal to certain countries now having less than a .05% share because this would increase their share to more than .05%. This was important because voting was related to use.

The Representative of Chile observed that it was difficult to discuss paragraph 498 until "use" was defined. Therefore he wished to take up items 2 and 3. He did, however, want to reiterate his view that the investment

share be related to the use of total common installation. If the organization supplied a domestic use, the country supplied would thus automatically provide the necessary capital, without, however, having this reflected in voting power.

The Representative of Belgium supported the point of view expressed by the Representative of France. He stated that national and international traffic should be taken into consideration as regards the financial arrangements.

He also supported the French proposal to consider future use, with financial commitments corresponding to the share of utilization, to determine the investment shares. This arrangement is the most likely to ensure the financial equilibrium of the Organization and its economic development. Furthermore, it permits the Signatories to enjoy the right to use the necessary capacity to meet their future needs.

Special arrangements should, however, be made for the benefit of new users. As satellites are not yet built to measure, the capacity required to meet their needs will be available.

The Representative of Pakistan stated that "use" should be defined to include total use, and that it would be discriminatory to exclude domestic traffic. The U.N. Resolution had indicated that communications should be available to the nations of the world on a non-discriminatory basis. He stated that Pakistani domestic traffic crosses national frontiers. Accordingly, he supported a definition of "use" that included all use.

The Representative of Switzerland observed that the purpose of the worldwide system was for international traffic, and therefore only this kind of use should be considered in determining investment shares.

The Representative of Mexico found paragraph 498 unsatisfactory for determining investment shares. He believed that international traffic should be the determinant of the investment share. Mixing domestic with international traffic would mix facilities. Also it would be difficult to assess the accuracy of forecasts of domestic use. He agreed with the Representative of France that potential future use should be included in determining the investment quota. He also suggested that "real" utilization by a member should not require him to participate in investment to that extent.

Since the investment factors relate to the policies of the organization, he hoped that the policies would reflect the international character of the organization. He believed that paragraph 498 should be expanded upon, and that international traffic should be considered as one of several factors used to determine investment shares.

The Representative of Denmark favored using past as well as future use in determining investment shares. He suggested that there be a distinction in future use between expected use and guaranteed use, the latter being what the country would be expected to pay for. Domestic use could be paid for by the various signatories directly.

The Representative of the United States stated that the question of what traffic should be included in the term "use" was a matter for the Committee, but it should await the determinations of Committee I. If domestic traffic were considered a part of use, it should be included in the investment quotas.

The Representative of France concurred with the remarks of the Representatives of Chile and Denmark. He stated that domestic traffic should be used in determining investment shares, but not in determining voting weight.

The Representative of the Federal Republic of Germany saw no relation between investment by the owner and use by the user. In the Interim Agreement, utilization charges were related to depreciation and amortization. Investment in INTELSAT was comparable to investment in a bank. One country could finance the whole thing.

The Representative of Iran supported quota shares in proportion to use. It was pointed out in Committee I that certain traffic was defined as domestic, but the distance traveled was comparable to international. He cited as examples traffic between the United Kingdom and Hong Kong, the United States Mainland and Hawaii, and between East and West Pakistan. In view of the investment of money in earth stations and the space segment, he concurred in the views of the Representative of Pakistan.

The Representative of Italy stated that the determination of investment shares had an inseparable relation to the question of voting. Therefore he suggested that the Committee await the determinations of Committee I.

The Representative of Australia stated that the question of the relationship between investment shares and voting rights was one primarily for Committee I to resolve. It would be easier for Committee I to devise a voting procedure if it had an investment proposal. Accordingly, he suggested setting aside the question of voting and trying to achieve a consensus on investment.

The Representative of Malaysia said that he was in general agreement with the principle of investment related to use, but that the principle should not be inflexible. He pointed out that some countries might have difficulties in obtaining foreign exchange, and might wish to take up a lesser amount than that to which they were entitled.

On the question of "actual use", if a utilization charge were paid, it could measure the amount of use. This use could include domestic use and use for any other purposes, including use by non-standard earth stations, which may have a special charge.

If there was to be a single global system, then there should be only one financial structure, and no distinction between domestic, regional, and international traffic. The satellites provide only bandwidth and power; the Committee should not distinguish kinds of traffic.

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The Representative of Ceylon agreed there should not be a distinction between kinds of traffic. In regard to paragraphs 466 to 469, he believed that they should wait until a decision was reached by other committees.

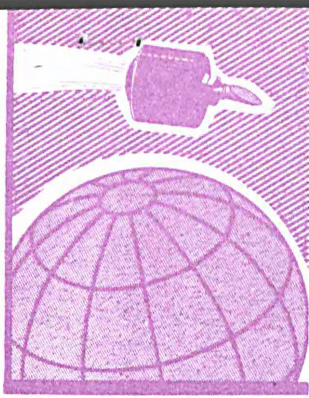
The Representative of Canada asked whether the Committee should consider that the purpose of the organization was to handle international public message traffic, or whether domestic traffic should also be included. Including domestic traffic would reduce the quota of the smaller countries.

The Chairman summarized what the Committee had done. It had exchanged views on the first four sections of the work program--the "Introduction" added by amendment, and Items 1-3--though there had not been a final discussion of Item 3. There would need to be further discussion before the Committee took stock and narrowed down the issues. He suggested that the Committee continue its consideration of Item 3. The Committee might then wish to discuss the various views, discard the ones with the least following, and refer the remainder to working groups to prepare recommendations.

Adjournment

The session was adjourned at 5:29 p.m. to be resumed at 2:30 p.m. on Tuesday, March 4, in the Main Conference Room.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/3
March 3, 1969

PROVISIONAL SUMMARY RECORD - THIRD SESSION OF COMMITTEE III
MONDAY, MARCH 3, 1969

Convening of the Session

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Committee Meeting Room

Chairman White expressed his appreciation to the Secretary General for obtaining the larger seating capacity provided by the Main Conference Room.

Work Program

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- The Agreement Proposed by Sweden, Doc. 8; and
- The Summary Record of the First Session (Com. III/SR/1 (Final))

The Chairman asked for comments on the latter document, and since there were none, the document was accepted by the Committee. The Chairman mentioned that the work of this Committee and the other Committees is somewhat interdependent, and that this Committee will proceed as far as possible on its work program. He proposed considering Com. III/1, as revised and corrected, to be the work program for the Committee. This was agreed.

Note: Any changes or corrections in this Summary Record must be submitted to the Secretary General within 48 hours.

Additional Agenda Item

The Representative of Australia stated his view that paragraphs 489 through 491 of the ICSC Report, Document 6, are pertinent to topics being considered by the Committee and should therefore be included as reference material.

The Representative of Canada agreed and suggested that since paragraphs 489 through 491 may be pertinent to more than one of the agenda items listed in Com. III/1, that a new agenda item be added ahead of the present item I. This was agreed. The new agenda item precedes item I, is entitled "Introduction" and includes as reference material paragraphs 489 through 491.

Agenda Item: Introduction

The Chairman opened the floor to discussion of the new agenda item, "Introduction."

The Representative of Ceylon observed that the question of financial arrangements is very important to many smaller countries, and to countries not operating an earth station. It is important to maintain clearly the distinction made in paragraph 493 of Document 6, between the role of signatories as co-owners of the space segment and the role of signatories as users of the space segment. He stated that his views on paragraph 498 will be furnished later.

The Representative of The Federal Republic of Germany expressed the view that INTELSAT activities should continue to be restricted to the space segment; that non-members should pay only a utilization charge; that member states that have an earth station should contribute proportionately to their use of the space segment; and that countries not having an earth station should be allotted specific shares. Investment shares should be adjusted annually based upon use, but adjustment should be made only when the change of use is 1 percent or more, so as to minimize the administrative activities. If consideration of new techniques arises, the allotment may have to be determined on a case by case basis.

The Representative of the United States observed that the majority of the Committee recommended space segment ownership based on proportionate use. He expressed his view that the definitive arrangements should cover only the general principles necessary, but recognized the need to discuss further details of this matter in the Committee. He supported the concept of investment in the system proportionate to the use of the system, and outlined briefly a procedure for transition from the present investment quota system. The transition would require selection of a time period, such as one year, which would precede the effective date of the definitive arrangements; a method of measuring the use of the satellite system by the members during that period; and the development of a method to determine the value

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of the INTELSAT investment at the time the definitive arrangements enter into force. He stated that the United States now supported the concept of a utilization charge based on the use made of the space segment during the year preceding entry into force of the definitive arrangements.

The Representative of France indicated that he shared a similar view. Investment shares must be tied to system use in some way, but perhaps more on the future use of the system than on past use. He agreed with the majority recommendation in paragraph 493. He noted, however, that a new principle--to minimize accounting difficulties--is needed to avoid the phenomenon of having money paid out by users and returned to users as an investment. He observed that it might be difficult to use a one year period upon which to base changes in shares for each member, and that a four-year period might be considered.

The Representative of India agreed that it was necessary to perceive clearly the distinction between the role of owners and of users. In regard to paragraph 498, he supported this principle, but also wished to support the provisions of paragraph 512, which provided that signatories not wishing to change their shares were not obliged to do so.

The Representative of Chile stated that he supported the concepts in paragraph 493, and considered that future use must be taken into account. He supported the concept of a minimum quota for those countries not yet users of the system. The investment quota should be based upon utilization during the preceding period (for example, a quarter of a year), and should also be related to use during the current period.

The Representative of Belgium supported the concept in paragraph 496 of the Report, providing a tie between users and investors, and expressed the view that the use principle should include future use. He stated that a change in the provisions of paragraph 496 might be desirable, for accounting reasons, to provide a means for determination of user charges and to stipulate that payment should be on that basis. He proposed that financial considerations discussed in the Committee be limited to the public international telecommunications services of the system.

The Representative of Pakistan supported the concept in paragraph 495, adding that this might make unnecessary any accounting for space segment utilization charges.

The Representative of Canada supported fully the provisions of paragraphs 493 and 498, and stated his view that it was necessary that the Committee agree on a definition for the word "use" before attempting further progress.

The Representative of Mexico made four points on the subject of financial policies:

1. He agreed that investment limits should not exceed the cost of the space segment.

2. The source of finances should not be limited to the investment quotas but the door should also be open to tapping other sources like the World Bank.

3. Concerning the level of participation by each country, he recognized this to be a difficult matter related to decisions made in other Committees of the Conference. Thus, the determination of the size of the investment share might raise the question of voting weights.

4. Quotas should not be determined solely by past use because in the present case this would mean that quotas for the members would be determined by the 13 countries which have made use of the system.

The Representative of Australia drew attention to the usefulness of the contents of paragraphs 489 through 491 as a working basis for Committee deliberations. Concerning the ownership of undivided shares, he added that the concept needed to be discussed before the Committee proceeded to other questions. The questions of ownership and voting should be separated, and the matter of voting set aside because it is for another Committee to decide.

The Representative of Singapore also supported the concept of a clear distinction between the roles of ownership and use in paragraph 493. In addition, he supported the provisions of paragraph 498.

The Representative of Japan supported the concept of ownership proportional to investment shares, investment shares proportional to actual use, with such investment shares to be adjusted periodically. He also supported the principles in paragraphs 498 and 518.

The Representative of Portugal supported the principles in paragraphs 493 and 498. He referred to the period of adjustment and suggested that the period might end one year after the effective date of the arrangements. He indicated that it was necessary to define what "actual use" meant, and stated his understanding that the meaning included both international and domestic use.

The Representative of Italy first restated his view favoring the principle of undivided ownership of the space segment. He then stated his view favoring the provisions of paragraph 493 concerning the owner-user distinction as recommended by the ICSC. He endorsed the principle of investment shares closely tied to the use made of the system, including the use made through another country by a country which does not own a ground station. He supported the minimum quota of 0.05 percent for those countries who wished to join INTELSAT, but might not be users. Concerning the frequency of adjustment of participation related to use, he was inclined to agree with the majority view.

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The Representative of the Philippines agreed with the concept of investment shares and separate space segment charges, as in the present operation of INTELSAT. The space segment should be owned in proportion to investment shares, and these should be related in some way to the use by each signatory of the space segment of the system. Contribution to the operation should be proportional to investment shares.

The Representative of Spain supported the principles of paragraph 493. He expressed his view that investment should be a function of the real use made of the system, such use to be estimated according to use in a previous time period. An estimate for use expected during the ensuing year should be added, but long term forecasts should not be included. The allocation of shares should not take into account domestic use or use for specialized services. He supported the minimum share account of 0.05 percent.

The Representative of Switzerland also stated his support of paragraph 493. He expressed the view that the investment should be related to use, but only use for international traffic. The basic allotment should consist of equal shares for all signatories with the remainder of the cost shared according to use of the space segment.

The Representative of Netherlands agreed with provisions of paragraph 493. He favored determining investment shares by combining actual use with future use estimates. He supported the minimum investment share of 0.05 percent.

The Representative of Israel observed that provisions of paragraphs 493 and 498 appeared to conflict to a degree. He stressed the idea of equal use of all operational facilities, considering that a country was a user whether it had an earth station or was linked to an earth station by other facilities. He expressed the view that the basis of calculation of investment shares should include the consideration of past, present and future use.

The Representative of the United Kingdom noted that the space segment should continue to be owned in undivided shares.

The Representative of Argentina agreed with the provisions of paragraphs 493 and 498. He explained that, after the initial share, the basis of allotment should be the actual use during the quarter preceding the effective date of the agreement.

The Representative of France asserted that, insofar as public telecommunications services were concerned, the space segment should be owned in undivided shares. Specialized telecommunications services, however, should be separately financed.

He had one reservation about undivided ownership, namely, that ownership be tied into the particular satellite used by the country. For example, European ownership might be related to Atlantic, as opposed to Indian Ocean, satellites.

He stated that the condominium apartment principle was a valid analogy. The owners own the condominium in undivided shares, but nonetheless have a specific apartment allocated for their use.

The Representative of Belgium maintained that the property of the consortium should be used for international services, but not for specialized services. The latter services should be reserved to satellites launched for that purpose.

The Chairman suggested that the Committee limit its discussion of quotas to their financial aspects, and leave to Committee I the voting aspects of quotas. If the Committee agreed, he would include a statement to this effect in the Summary Record, which of course the Committee could later comment on.

The Representative of the United Kingdom supported the Chairman's suggestion.

The Chairman stated that he heard no objection and asked that this statement be recorded, subject to correction or deletion.

The Chairman took note of a great deal of support for paragraph 493.

The Chairman suggested that Items 1, 2, and 3 of the suggested work program were linked, and that Item 3 was the end result of the three sections. He said that he had heard a variety of views on these items, and suggested that the delegations record their views on these matters and pass them to the Secretary prior to conclusion of discussion of the three items. The Secretary could then prepare a table that would show the various views for the use of a working party.

Principles Underlying the Financial Arrangements of the Organization (Item I of Work Program)

The Representative of the United Kingdom supported the recommendation in paragraph 493 of the ICSC report that there should be a distinction between the role of signatories as co-owners of the space segment and their role as users; i.e., he supported the view that the space segment charge should continue. His reasons for this were that such a system provided a more flexible financial structure, allowing on the one hand for utilization by parties not investing in the system, and on the other hand, for investment by parties not yet using the system. He also believed that retention of the space segment charge might also provide a convenient means of determining the net worth of the system. He further thought that the space segment should continue to be owned in undivided shares by the signatories. In effect, he supported the present type of financial arrangement.

The Representative of Pakistan commented that a separate utilization share is an unnecessary accounting exercise, since the money would be returned to the owners. He suggested consideration of the cooperative structure indicated under paragraph 495.

The Representative of New Zealand believed the Committee should continue the distinction between use and ownership. Though ownership was related to use, it could not be calculated as simply as charges. Even though the distinction required accounting and transfers of money, he believed that it should be maintained.

The distinction was related to having a single global system owned in undivided shares, which he also supported. In a condominium, no doubt one could assign use of particular apartments to certain owners, but in a satellite system, the owners would be using the system as a whole. Individualizing ownership would fragment the financial structure, and impede coordinated administration and operation.

The Chairman accepted the reservation of certain Members regarding ownership in undivided shares. When the form of the system was worked out more fully in Committee I, Committee III could return to the point.

The Representative of Australia observed that there was no unanimity on the principles underlying the financial arrangements. He pointed out that three principles were stated in the ICSC Report, in paragraphs 493, 495, and 496. Paragraphs 495 and 496 were similar in that they were cooperative structures; they differed in that in 495 use was restricted to the signatories, whereas 496 envisioned separate formal arrangements which could be made with non-signatories.

The Representative of Malaysia supported the comments of the Representative of the United Kingdom and the principle embodied in paragraph 493. He said that the roles of owner and user should be kept distinct. A member country, when acting as user, should pay the satellite utilization charge because this simplified the accounting. If a country paid for use related to investment, it would have to provide capital in advance and determine use afterward. He advocated separating the capital investment from the cost of utilization. The user paid a fixed but calculable utilization charge based on the costs of the space segment and the cost of capital.

The Representative of Ireland supported the principle expressed in paragraph 493. He wished to examine the distinction between paragraphs 495 and 496 discussed by the Australian delegate. He noted that the Interim Agreement recalled U.N. Resolution No. 1721, to the effect that communication by means of satellites should be available to the nations of the world as soon as practicable on a global and non-discriminatory basis. He stated that it would be contrary to that resolution to accept paragraph 494, since use would be confined to the co-owners. Paragraph 496 was discriminatory because there was a separate charge for users who were not co-owners.

The Representative of Belgium also indicated the differences between the principles expressed in paragraphs 495 and 496. The principle of paragraph 495 enabled non-owners to use the system by payment of a users charge. Paragraph 496, which he favored, limited or curbed the flow of capital back and forth between the INTELSAT organization and the users. He agreed, however, that it was necessary to charge a users fee under paragraph 496.

The Representative of Denmark supported the distinction between the role of countries as users of the space segment, and their role as owners. Quotas would need to be adjusted periodically. It would be more difficult if each party to the agreement had to consider that if it used more circuits, it would have to pay an increased investment quota. He believed that use should be flexible and based on need, and on no other consideration. If use were not directly related to investment, then an increase in circuits would be considered on the basis of need. Accordingly, he supported the principle expressed in paragraph 493.

The Representative of Australia supported the point made by the Representative of Ireland, and said that the Committee should not consider paragraph 495 because it was discriminatory. This would leave for consideration only paragraphs 493 and 496.

The Chairman asked the delegations to hand in papers on their positions through Item 3. These would record their views, and then a working party could attempt to obtain further agreement.

Principles for Determining Investment Shares of Signatories
(Item II of Work Program)

The Chairman suggested that the Committee proceed to Item II.

The Representative of Canada supported paragraph 498 but suggested there be debate on the definition of "use" in that paragraph. Should it be past, present or future, and should it include leased as well as public traffic, and domestic traffic?

The Representative of France observed there was an issue as to whether to consider all kinds of traffic or only certain kinds, such as international public message traffic. He said that half of the ICSC Committee did not want to take into account domestic traffic in determining the investment quota. Domestic traffic could, however, be accepted and paid for by the users' charge.

The Representative of France also suggested that, in determining investment shares, the Agreement should take into account future as well as past traffic. Some people had objected to considering future traffic because of errors that could occur in estimates of the future. However, such errors could not occur if the commitments of members regarding future use were considered. He observed that it was normal to take into account future commitments when dealing with any kind of enterprise. Such a principle would appeal to certain countries now having less than a .05% share because this would increase their share to more than .05%. This was important because voting was related to use.

The Representative of Chile observed that it was difficult to discuss paragraph 498 until "use" was defined. Therefore he wished to take up items 2 and 3. He did, however, want to reiterate his view that the investment share

be related to the use of total common installations. If the organization supplied a domestic use, the country supplied should provide the capital, without, however, having this reflected in voting power.

The Representative of Belgium concurred in the view of the Representative of France. He said that the investment share would ordinarily take into consideration national and international traffic. He also supported the proposal to consider future use suggested by the French Representative. If the signatories made formal commitments regarding projected use, financial operations would be made easier. Some countries would have difficulty in estimating future needs, but they could be helped.

He pointed out that one could not have a tailor-made satellite, but that additional capacity was needed to allow additional users to come into the system.

Signatories have the capacity to meet future needs, for example, by using satellites that were jointly financed for their own needs.

The Representative of Pakistan supported the views of the Chilean and Belgian Representatives. He stated that "use" should be defined to include total use, and that it would be discriminatory to exclude domestic traffic. The U.N. Resolution had indicated that communications should be available to the nations of the world on a non-discriminatory basis. He stated that Pakistani domestic traffic crosses national frontiers. Accordingly, he supported a definition of "use" that included all use.

The Representative of Switzerland observed that the purpose of the world-wide system was for international traffic, and therefore only this kind of use should be considered in determining investment shares.

The Representative of Mexico found paragraph 498 unsatisfactory for determining investment shares. He believed that international traffic should be the determinant of the investment share. Mixing domestic with international traffic would mix facilities. Also it would be difficult to assess the accuracy of forecasts of domestic use. He agreed with the Representative of France that potential future use should be included in determining the investment quota. He also suggested that "real" utilization by a member should not require him to participate in investment to that extent.

Since the investment factors relate to the policies of the organization, he hoped that the policies would reflect the international character of the organization. He believed that paragraph 498 should be expanded upon, and that international traffic should be considered as one of several factors used to determine investment shares.

The Representative of Denmark favored using past as well as future use in determining investment shares. He suggested that there be a distinction in future use between expected use and guaranteed use, the latter being what the country would be expected to pay for. Domestic use could be paid for by the various signatories directly.

The Representative of the United States stated that the question of what traffic should be included in the term "use" was a matter for the Committee, but it should await the determinations of Committee I. If domestic traffic were considered a part of use, it should be included in the investment quotas.

The Representative of France concurred with the remarks of the Representatives of Chile and Denmark. He stated that domestic traffic should be used in determining investment shares, but not in determining voting weight.

The Representative of the Federal Republic of Germany saw no relation between investment by the owner and use by the user. In the Interim Agreement, utilization charges were related to depreciation and amortization. Investment in INTELSAT was comparable to investment in a bank. One country could finance the whole thing.

The Representative of Iran supported quota shares in proportion to use. It was pointed out in Committee I that certain traffic was defined as domestic, but the distance traveled was comparable to international. He cited as examples traffic between the United Kingdom and Hong Kong, the United States Mainland and Hawaii, and between East and West Pakistan. In view of the investment of money in earth stations and the space segment, he concurred in the views of the Representative of Pakistan.

The Representative of Italy stated that the determination of investment shares had an inseparable relation to the question of voting. Therefore he suggested that the Committee await the determinations of Committee I.

The Representative of Australia stated that the question of the relation of investment to voting was not capable of solution by Committee I. It would be easier for Committee I to devise a voting procedure if it had an investment proposal. Accordingly, he suggested setting aside the question of voting and trying to achieve a consensus on investment.

The Representative of Malaysia said that he was in general agreement with the principle of investment related to use, but that the principle should not be inflexible. He pointed out that some countries might have difficulties in obtaining foreign exchange, and might wish to take up a lesser amount than that to which they were entitled.

On the question of "actual use", if a utilization charge were paid, it could measure the amount of use. This use could include domestic use and use for any other purposes, including use by non-standard earth stations, which may have a special charge.

If there was to be a single global system, then there should be only one financial structure, and no distinction between domestic, regional, and international traffic. The satellites provide only bandwidth and power; the Committee should not distinguish kinds of traffic.

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The Representative of Ceylon agreed there should not be a distinction between kinds of traffic. In regard to paragraphs 466 to 469, he believed that they should wait until a decision was reached by other committees.

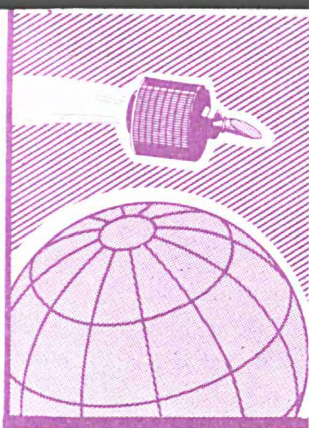
The Representative of Canada asked whether the Committee should consider that the purpose of the organization was to handle international public message traffic, or whether domestic traffic should also be included. Including domestic traffic would reduce the quota of the smaller countries.

The Chairman summarized what the Committee had done. It had exchanged views on the first four sections of the work program--the "Introduction" added by amendment, and Items 1-3--though there had not been a final discussion of Item 3. There would need to be further discussion before the Committee took stock and narrowed down the issues. He suggested that the Committee continue its consideration of Item 3. The Committee might then wish to discuss the various views, discard the ones with the least following, and refer the remainder to working groups to prepare recommendations.

Adjournment

The session was adjourned at 5:29 p.m. to be resumed at 2:30 p.m. on Tuesday, March 4, in the Main Conference Room.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/4 (Final)
March 10, 1969

SUMMARY RECORD - FOURTH SESSION OF COMMITTEE III TUESDAY, MARCH 4, 1969

The session was convened at 2:34 p.m. by Chairman White.

The Representative of Austria supported distinguishing between signatories as co-owners and as users, as in ICSC paragraph 493. He supported paragraph 500 provided shares are periodically adjusted and are determined by the actual use during a preceding period and estimated future use over the next 2 years. Use should include only international traffic; he supported paragraph 512 allowing signatories not to vary their quotas if they did not wish to.

The Representative of Japan approved the principle in paragraph 493, which included utilization charges. All traffic should be considered in determining investment shares, since the latter would be used to provide all kinds of traffic and were owned in undivided shares. Use should be measured by the amount of space segment utilization charges. He supported paragraph 511 providing that investment shares be based on use in the previous year, but readjustment could be less frequent than every year if a competent organ deemed this more appropriate.

The Representative of Thailand supported paragraphs 493 and 498. As to the latter, he assumed that the facilities whose use is related to investment shares meant only the space segment facilities as defined in paragraph 157. Use data should be based on actual past use. The adjustment period could be 1 or 2 years.

The Representative of Australia agreed that investment quotas should have some relationship with use, but this should not be the only criterion. It was necessary also to take account of the existing quota shares; the views of members as to whether they wanted to take up their full quota shares on a use basis; and the effect of frequently changing quotas on the size and composition of the Governing Body. All these factors suggested the need for quotas to be fixed at say three yearly intervals, with the transition from the quotas under the Interim Arrangements to the Definitive Arrangements made by revising existing quotas taking account of all the points raised in the Australian statement.

The Representative of Colombia felt the real use of all facilities should be the criterion, and there could be annual or biannual adjustment. Provision could be made for sources of financing outside the membership.

The Representative of Pakistan pointed out that Pakistan would use satellites to communicate between East and West Pakistan such traffic would cross national boundaries. He suggested defining international traffic to include domestic traffic where it crossed national boundaries.

The Representative of the Netherlands supported paragraph 498, and suggested actual use should be present use, determined as closely as possible to the time of adjustment. Paragraphs 504 referred to future use, and 505 referred to 5 year periods. The preceding year and the next 2 to 4 years of guaranteed future use would be an appropriate period. Referring to paragraphs 498 and 509, he noted that the investment value of the organization must be determined, and suggested net worth or net payments minus deductions. While the U.S. paper, Com. III/2, suggested general principles with details left to the Governing Body, he believed certain details should be considered.

The Representative of Canada opposed including domestic traffic in computing use for determining investment quotas. He felt compelled to restate that the *raison d'etre* of INTELSAT was to provide international public telecommunications and consequently domestic use must be considered as secondary and should not be dominant in determining distribution. Large countries with scattered populations, such as the United States and Canada, would be likely to use satellites for domestic purposes. He also questioned whether use for domestic television, requiring hundreds of circuits for many hours daily, and leased circuits for business and defense purposes should be included. If all of these were included, there would be an imbalance in ownership, and there would be little return to the smaller investors. He suggested that a new formula be found to replace the following seven words in paragraph 498: "actual use of all organization financed facilities."

The Representative of Syria wanted financial arrangements to safeguard the small and developing countries, and to assure that international organizations had an important role. He supported paragraphs 493 and 501, the latter because 40% would be divided equally, and 60% would be divided according to use.

The Representative of the United Kingdom fully supported paragraph 493. The concept of a use charge is simpler and more flexible than sharing capital and operating expenses on some proportionate basis. He could not support a cooperative type arrangement as described in paragraphs 495 and 496. He supported paragraph 498, interpreting the latter to refer to use during a past period of organization-financed facilities which are owned in undivided shares. Those domestic uses clearly similar to international traffic should be counted in determining actual use. He strongly opposed taking future use into account in determining investment shares. Regarding Item III, the main problem is the frequency of adjustment; changes could be on an annual basis at first and on a

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longer period basis later; this should be left to the Governing Body. A country should not be allowed to take up a larger investment share than its allotment, except to the extent permitted by a minimum share arrangement.

The Representative of Italy believed that only international traffic should be used to determine investment shares, but special consideration should be given in cases such as Pakistan where traffic crossed national boundaries. He was against adjustment of shares based on future forecasts because the latter were difficult to make and all countries could not carry out their estimates. Since international communications involved a party on each end of the line, it was difficult to know what the other party would need. He favored paragraph 498; use should be measured on the past year's experience. When earth stations are inaugurated the preceding year should be used. Quotas should not be adjusted yearly; the Governing Body could determine the frequency.

The Representative of France suggested that rather than consider numerous factors with financial implications, as suggested by the Australian Representative, the financial matters themselves should be considered. He added that the United States Representative had said in Committee I that the future organization should not be profit-making, but that had not been the United States view previously when it tried to obtain investment commitments from the organization. The purpose of the organization was not to make profits but to meet telecommunications needs and operate the satellite system. Therefore he wanted a cooperative rather than a capitalist approach. He agreed with the Canadian position that domestic traffic should not be included in determining investment quotas. Members should be allowed to use satellites for domestic traffic, with leases on conditions different from those used for international traffic. When national needs became large enough, separate satellites would be necessary. Investment shares should be determined by future use. Admittedly certain future estimates had not been confirmed by events, but these had not had financial consequences, or caused the organization to undertake investments it should not have. Accounting would be complicated by frequent adjustments in investment quotas, but the financial consequences were less important than the level of payment.

The Representative of Belgium believed that there should be close ties between the user and investor. He favored paragraph 514. Quotas should be based on a commitment 5 years into the future, and should be adjusted annually. In response to the Italian Representative, he said that future estimates were not difficult if the country did detailed planning. The cables had been laid on the basis of future estimates. Domestic traffic should be considered in determining the amount of use and thus the investment share; but it should not be considered in determining the right to vote. In this way, others would not be required to finance domestic traffic. He also favored undivided ownership.

The Representative of Switzerland supported the Canadian position. Only international traffic should be considered in determining use, but the system should accept domestic traffic.

He supported paragraph 500, in which a certain proportion of investment shares would be divided equally, and the remainder shared according to the amount of traffic.

The Representative of Argentina repeated his support of paragraphs 493 and 498; the latter he understood to mean actual use for international traffic only. The initial contribution can be established by calculating use at the time the Definitive Arrangements enter into force rather than on the basis of current space segment use. If any future period is allowed, it should be not over one year after adoption of the Definitive Arrangements.

The Representative of Israel said that, since use in paragraph 498 means actual use, consideration must also be given to future use. A 2 to 3 year period from the entry into force of the Definitive Arrangement could be used. This count could be based on the growth of international telecommunication traffic. He supported the Australia views concerning the determination of investment shares; he would give full credit to a country for use whether through its own earth station or that of another country.

The Representative of the Federal Republic of Germany stated investment shares of member states should be proportional to utilization of the space segment for international traffic. Investment shares should be adjusted annually but to minimize administrative problems there should be adjustment only if the change is at least one percent.

The Representative of Kuwait supported the views of Switzerland, noting that paragraph 500 could mean the same as certain provisions of paragraph 501. The paragraphs would be similar if the basic investment share were fixed at 40%.

The Representative of Denmark stated that investment must be related to the amount of international traffic desired to move over the system. Certain domestic traffic might also be moved over the system; in the final analysis the Governing Body would decide if a country would have to increase its investment accordingly. A base period of two or three years to fix investment shares would help avoid abrupt changes. No problem was foreseen in using future traffic estimates as the basis for investment. It should, however, be possible partly to lease channels over the basic commitment, provided capacity was available. Such additional channels should not give rise to any increase of investment shares.

The Representative of the United States noted that about 15 delegations favored relating investment shares to the actual use of all the organization's facilities. Real use was the only fair basis; for example, actual use in 1968 for nine selected countries varied from 210 % greater to 70% less than estimated use. Thus, use must be based on the historical record, measured by use charges that have been paid, and defined to comprehend all uses including leased circuits, television, and domestic traffic provided by INTELSAT. If estimates of future traffic were used, planning would be complicated and INTELSAT might not be able to meet the real need.

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The Representative of the Philippines stated that a single global system must provide for domestic traffic when requested. He did not share the concern that this could lead to an undesirable concentration of ownership if appropriate provisions were included in the definitive arrangements. In determining investment shares, past usage should preferably be counted over an agreed period of years, but some flexibility involving future use estimates might be considered. Signatories wishing to enlarge their investments above the basic usage quota should have this option.

The Representative of New Zealand based investment on actual use with all uses included. Domestic traffic should not rank behind international traffic, but additional capacity should be added if needed. For allocation of quotas, an annual revision would be impracticable; a period of three years might be preferable.

The Representative of Nigeria supported paragraph 493, and in respect of the principles for determining investment shares feels that a reasonable balance between paragraphs 498 and 501 is to adopt the fixed total allotment of 40% as recommended in paragraph 501 to be shared between all signatories, irrespective of usage, subject to a minimum of 0.05% per signatory and the rest of this 40% shared between those who indicate an additional request. Only the remaining 60% should be subject to division on the basis of usage, such usage being only related to international telecommunication services, referred to in paragraph 195. He recognized the needs in such cases, as indicated by Pakistan and the United Kingdom (in respect of Hong Kong), but felt it would be risky to open the door too wide to domestic services being included in satellite usage for the calculation of investment shares. In agreement with the Australian proposal, a period of three years will be preferable for readjustment of investment shares.

Referring to the statement of the United States, the Representative of Belgium observed that the actual uses which varied so widely from those estimated pertained to global traffic by satellite, cable and HF radio. Present estimates would not be subject to similar error. Countries making estimates should include a commitment for future use.

The Representative of Iran supported paragraph 498, with an exception for signatories not using the space segment before the effective date of the definitive arrangements. For these countries data prior to this Conference might be used. Estimates of future use should be for one year or more with adjustments every three years according to paragraph 515. The effective date for each adjustment should be a year after the date the definitive arrangements became effective for each signatory.

The Representative of Sweden supported paragraph 493. The investment share should be related directly to the use of organization-financed facilities. Only international traffic should, in principle, be counted. Shares should be fixed on the basis of a combined estimate of actual traffic and forecast traffic for the next few years.

The Representative of Ireland supported ICSC paragraphs 493 and 498; as to the latter, the method of determining investment shares was entirely separate from the question of voting rights. Traffic for the previous calendar year should determine periodic adjustments.

The Representative of Morocco agreed with paragraph 498 and thought those of 501 equitable. He favored counting real usage and an adjustment period of three years.

The Representative of Canada repeated his support of paragraph 493 and preferred the provisions of paragraph 511 concerning frequency of reallocation, but could agree to a longer term. He also supported paragraph 512.

The Representative of France questioned the desirability of having to prove or justify the need for an earth station if a country wished to become a user, as he had understood the Representative of Nigeria to say.

The Representative of Korea supported paragraphs 498, 509 and 511.

The Representative of Kuwait thought that if paragraph 498 is adopted in principle, it can safely be assumed that more satellites will be launched in areas of interest to the advanced nations, who will thereby increase their share of space segment utilization, and, therefore, their control of the organization.

The Representative of Nigeria explained that his reference to justification meant that a country which contemplated becoming a user would need to justify to itself whether it needed an earth station.

The Representative of Israel stated his view concerning paragraph 510 that the adjustment should be every three years rather than annually. Many countries had recently switched from HF radio systems and the situation is not yet sufficiently stabilized.

The Representative of Malaysia supported a period of adjustment of investment shares of no less than three years.

The Chairman noted that the Committee had had a very useful exchange of views on the first three agenda items. He recalled that he had suggested that written statements be submitted to the Secretary. Responding to the Representative of Italy, he clarified that a submission need only be made if a delegation wanted to record its own wording and emphasis. In response to a query by the Representative of France he said he would like the statements by the close of business on March 5. He had in mind using these statements and the summary records to prepare a paper summarizing the views that had been expressed and suggesting the outstanding points on which the Committee should try to reach conclusions. If a conclusion cannot be reached, he would propose that that item be referred to a working group. In this way the Committee could focus its attention on the most important matters. There being no objections, the Chairman indicated that this procedure would be followed.

The Chairman adjourned the session at 4:52 p.m., noting that Agenda Item IV would be discussed at the next meeting, which would convene at 2:30 p.m., March 5.



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/4
March 4, 1969

PROVISIONAL SUMMARY RECORD - FOURTH SESSION OF COMMITTEE III
TUESDAY, MARCH 4, 1969

The session was convened at 2:34 p.m. by Chairman White.

The Representative of Austria supported distinguishing between signatories as co-owners and as users, as in ICSC paragraph 493. He supported paragraph 500 provided shares are periodically adjusted and are determined by the actual use during a preceding period and estimated future use over the next 2 years. Use should include only international traffic; he supported paragraph 512 allowing signatories not to vary their quotas if they did not wish to.

The Representative of Japan approved the principle in paragraph 493, which included utilization charges. All traffic should be considered in determining investment shares, since the latter would be used to provide all kinds of traffic and were owned in undivided shares. Use should be measured by the amount of space segment utilization charges. He supported paragraph 511 providing that investment shares be based on use in the previous year, but readjustment could be less frequent than every year if a competent organ deemed this more appropriate.

The Representative of Thailand supported paragraphs 493 and 498. As to the latter, he assumed that the facilities whose use is related to investment shares meant only the space segment facilities as defined in paragraph 157. Use data should be based on actual past use. The adjustment period could be 1 or 2 years.

The Representative of Australia supported relating the investment quota to use of the space segment. Existing investment shares, past and estimated future use, and the number of ground stations should also be considered. To measure use such factors as whether the signatory had an earth station, the desire to retain investment, the fact that quotas determined the size of the Governing Body, and the need for governmental approval to change investment quotas. Investment quotas should not be changed for 3 years except for minor changes for new signatories. There should not be direct relation between ownership and use; certain countries that increased their use might not wish to increase their investment. The Governing Body should not be changed because of small changes in use.

Note: Any changes or corrections in this Summary Record must be submitted to the Secretary General within 48 hours.

The Representative of Colombia felt the real use of all facilities should be the criterion, and there could be annual or biannual adjustment. Provision could be made for sources of financing outside the membership.

The Representative of Pakistan pointed out that Pakistan would use satellites to communicate between East and West Pakistan such traffic would cross national boundaries. He suggested defining international traffic to include domestic traffic where it crossed national boundaries.

The Representative of the Netherlands supported paragraph 498, and suggested actual use should be present use, determined as closely as possible to the time of adjustment. Paragraphs 504 referred to future use, and 505 referred to 5 year periods. The preceding year and the next 2 to 4 years of guaranteed future use would be an appropriate period. Referring to paragraphs 498 and 509, he noted that the investment value of the organization must be determined, and suggested net worth or net payments minus deductions. While the U.S. paper, Com. III/2, suggested general principles with details left to the Governing Body, he believed certain details should be considered.

The Representative of Canada opposed including domestic traffic in computing use for determining investment quotas. Domestic use was secondary and should not be dominant in determining distribution. Large countries with scattered populations, such as the United States and Canada, would be likely to use satellites for domestic purposes. He also opposed including use for domestic television and leased circuits for business and defense purposes. If they were included, there would be an imbalance in ownership, and there would be little return to other countries. He did not want a literal application of the term actual use, and preferred a new formula to replace the last 7 words in paragraph 498.

The Representative of Syria wanted financial arrangements to safeguard the small and developing countries, and to assure that international organizations had an important role. He supported paragraphs 493 and 501, the latter because 40% would be divided equally, and 60% would be divided according to use.

The Representative of the United Kingdom fully supported paragraph 493. The concept of a use charge is simpler than that of an operating charge shared on some proportionate basis. He could not support any of the various cooperative type arrangements discussed in paragraph 495. He supported paragraph 498, interpreting the latter to refer to use during a one-year period of organization-financed facilities which are owned in undivided shares. Individual shares should be related to actual use. Those domestic uses clearly similar to international traffic should be counted in determining actual use. He strongly opposed taking future use into account in determining investment shares. Regarding Item III, the main problem is the frequency of adjustment; changes could be on an annual basis at first and on a longer period basis later; this should be left to the Governing Body. A country should not be allowed to take up a smaller or larger investment share than its allotment.

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The Representative of Italy believed that only international traffic should be used to determine investment shares, but special consideration should be given in cases such as Pakistan where traffic crossed national boundaries. He was against adjustment of shares based on future forecasts because the latter were difficult to make and all countries could not carry out their estimates. Since international communications involved a party on each end of the line, it was difficult to know what the other party would need. He favored paragraph 498; use should be measured on the past year's experience. When earth stations are inaugurated the preceding year should be used. Quotas should not be adjusted yearly; the Governing Body could determine the frequency.

The Representative of France suggested that rather than consider numerous factors with financial implications, as suggested by the Australian Representative, the financial matters themselves should be considered.

The United States Representative had said that the future organization should not be profit-making, but that had not been the United States view previously when it tried to obtain investment commitments from the organization. The purpose of the organization was not to make profits but to meet telecommunications needs and operate the satellite system. Therefore he wanted a cooperative rather than a capitalist approach. He agreed with the Canadian position that domestic traffic should not be included in determining investment quotas. Members should be allowed to use satellites for domestic traffic, with leases on conditions different from those used for international traffic. When national needs became large enough, separate satellites would be necessary. Investment shares should be determined by future use. Admittedly certain future estimates had not been confirmed by events, but these had not had financial consequences, or caused the organization to undertake investments it should not have. Accounting would be complicated by frequent adjustments in investment quotas, but the financial consequences were less important than the level of payment.

The Representative of Belgium believed that there should be close ties between the user and investor. He favored paragraphs 514-515. Quotas should be based on a commitment 5 years into the future, and should be adjusted annually. In response to the Italian Representative, he said that future estimates were not difficult if the country did detailed planning. The cables had been laid on the basis of future estimates. Domestic traffic should be considered in determining the amount of use and thus the investment share; but it should not be considered in determining the right to vote. In this way, others would not be required to finance domestic traffic. He also favored undivided ownership.

The Representative of Switzerland supported the Canadian position. Only international traffic should be considered in determining use, but the system should accept domestic traffic.

He supported paragraph 500, in which a certain proportion of investment shares would be divided equally, and the remainder shared according to the amount of traffic.

The Representative of Argentina repeated his support of paragraphs 493 and 498; the latter he understood to mean actual use for international traffic only. The initial contribution can be established by calculating use at the time the Definitive Arrangements enter into force rather than on the basis of space segment use as at present. If any future period is allowed, it should be not over one year after adoption of the Definitive Arrangements.

The Representative of Israel said that, since use in paragraph 498 means actual use, consideration must also be given to future use. A 2 to 3 year period from the entry into force of the Definitive Arrangement could be used. This count could be based on the growth of international telecommunication traffic. He supported the Australia views concerning the determination of investment shares; he would give full credit to a country for use whether through its own earth station or that of another country.

The Representative of the Federal Republic of Germany stated investment shares of member states should be proportional to utilization of the space segment for international traffic. Investment shares should be adjusted annually but to minimize administrative problems there should be adjustment only if the change is at least one percent.

The Representative of Kuwait supported the views of Switzerland, noting that paragraph 500 could mean the same as certain provisions of paragraph 501. The paragraphs would be similar if the basic investment share were fixed at 40%.

The Representative of Denmark stated that investment must accord with the amount of international traffic it is desired to move over the system. Certain domestic traffic might also be moved over the system; in the final analysis the Governing Body would decide if a country would count this in its investment. A base period of two or three years to fix investment shares would avoid abrupt changes. No problem was foreseen in using future traffic estimates, including a future commitment to lease a few channels over the basic commitment.

The Representative of the United States noted that about 15 delegations favored relating investment shares to the actual use of all the organization's facilities. Real use was the only fair basis; for example, actual use in 1968 for nine selected countries varied from 210 % greater to 70% less than estimated use. Thus, use must be based on the historical record, measured by use charges that have been paid, and defined to comprehend all uses including leased circuits, television, and domestic traffic provided by INTELSAT. If estimates of future traffic were used, planning would be complicated and INTELSAT might not be able to meet the real need.

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The Representative of the Philippines stated that a single global system must provide for domestic traffic when requested. He did not share the concern that this could lead to an undesirable concentration of ownership if appropriate provisions were included in the definitive arrangements. In determining investment shares, past usage should preferably be counted over an agreed period of years, but some flexibility involving future use estimates might be considered. Signatories wishing to enlarge their investments above the basic usage quota should have this option.

The Representative of New Zealand based investment on actual use with all uses included. Domestic traffic should not rank behind international traffic, but additional capacity should be added if needed. For allocation of quotas, an annual revision would be impracticable; a period of three years might be preferable.

The Representative of Nigeria supported paragraph 493 together with a minimum share of 0.05% in accordance with paragraph 498. The organization should be free to readjust shares. He recognized the special needs in such cases as Pakistan and Hong Kong, but thought it risky to open the door to other services. Non-signatories should be able to utilize the system. Three years was desirable for an adjustment period.

Referring to the statement of the United States, the Representative of Belgium observed that the actual uses which varied so widely from those estimated pertained to global traffic by satellite, cable and HF radio. Present estimates would not be subject to similar error. Countries making estimates should include a commitment for future use.

The Representative of Iran supported paragraph 498, with an exception for signatories not using the space segment before the effective date of the definitive arrangements. For these countries data prior to this Conference might be used. Estimates of future use should be for one year or more with adjustments every three years according to paragraph 515. The effective date for each adjustment should be a year after the date the definitive arrangements became effective for each signatory.

The Representative of Sweden supported paragraph 493. The investment share should be related directly to the use of organization-finance facilities. Only international traffic should be counted. Fixed shares should be based on a combination of actual and estimated traffic.

The Representative of Ireland supported ICSC paragraphs 493 and 498; as to the latter, the method of determining investment shares was entirely separate from the question of voting rights. Traffic for the previous calendar year should determine periodic adjustments.

The Representative of Morocco agreed with paragraph 498 and thought those of 501 equitable. He favored counting actual usage and an adjustment period of three years.

The Representative of Canada repeated his support of paragraph 493 and preferred the provisions of paragraph 511 concerning frequency of reallocation, but could agree to a longer term. He also supported paragraph 512.

The Representative of France questioned the desirability of having to prove or justify the need for an earth station if a country wished to become a user, as he had understood the Representative of Nigeria to say.

The Representative of Korea supported paragraphs 498, 509 and 511.

The Representative of Kuwait thought that if paragraph 498 were adopted the satellite system could be assumed to belong to, and be controlled by, the richer states.

The Representative of Nigeria explained that his reference to justification meant that a country which contemplated becoming a user would need to justify to itself whether it needed an earth station.

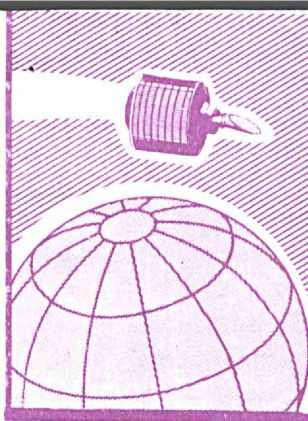
The Representative of Israel stated his view concerning paragraph 510 that the adjustment should be every three years rather than annually. Many countries had recently switched from HF radio systems and the situation is not yet sufficiently stabilized.

The Representative of Malaysia supported a period of adjustment of investment shares of no less than three years.

The Chairman noted that the Committee had had a very useful exchange of views on the first three agenda items. He recalled that he had suggested that written statements be submitted to the Secretary. Responding to the Representative of Italy, he clarified that a submission need only be made if a delegation wanted to record its own wording and emphasis. In response to a query by the Representative of France he said he would like the statements by the close of business on March 5. He had in mind using these statements and the summary records to prepare a paper summarizing the views that had been expressed and suggesting the outstanding points on which the Committee should try to reach conclusions. If a conclusion cannot be reached, he would propose that that item be referred to a working group. In this way the Committee could focus its attention on the most important matters. There being no objections, the Chairman indicated that this procedure would be followed.

The Chairman adjourned the session at 4:52 p.m., noting that Agenda Item IV would be discussed at the next meeting, which would convene at 2:30 p.m., March 5.

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PLENIPOENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/5 (Final)
March 12, 1969

SUMMARY RECORD - FIFTH SESSION OF COMMITTEE III
WEDNESDAY, MARCH 5, 1969

Convening of the Session

The session was convened in the Main Conference Room at 2:36 p.m. by the Chairman of Committee III, Mr. Harold White.

Agenda for the Day

The Chairman suggested that the Committee speak to Item IV on the Committee Work Program, the financial rights and obligations of investors, and its subtopics: A. Property rights and interests; B. Compensation for use of capital; C. Contribution to maintenance and operating expenses; and D. Conditions of use.

Summary Paper

The Chairman indicated that the Provisional Summary Records for the Third and Fourth Sessions were issued Wednesday morning, and would be open for comment for 48 hours. He also said that written statements of delegates should be deposited with the Secretary by the close of business Wednesday. He indicated that the Committee would consider a paper summarizing representative's views at the beginning of next week.

Discussion of Item IV

The Representative of the Federal Republic of Germany referred to his delegation's paper issued March 3 and spoke in favor of paragraphs 518, 521, 525, and 527. He maintained that utilization charges should cover the costs of capital, amortization, and operation.

The Representative of Canada favored paragraphs 518 and 527. While Canada had originally proposed the language in paragraph 522, he would be content with paragraph 521 if this were the majority view. He agreed with paragraph 525, subject to satisfactory determination of the principles in paragraphs 497 through 506.

The Representative of France agreed with paragraphs 518, 521, and 527. With regard to paragraph 518, most of the assets of the signatories should be owned prorated to investment shares, insofar as public international telecommunications were concerned. He was opposed to undivided ownership of parts of the space segment related to specialized services. With regard

to paragraph 527, facilities could be used by non-signatories if they paid charges. In addition to costs, they should pay interest on capital to compensate investors for the risk involved. If the only way to obtain access to the system was by investing, then there would be no need to compensate for risk. If one distinguished between investor and user, however, there should be compensation for risk.

The Representative of Pakistan noted that paragraph 498 enabled even those investors not using the system to get a minimum investment share of .05%. He believed that charging operating expenses to non-users was not equitable.

The Representative of Austria supported paragraphs 518, 521, and 525. Regarding conditions of use, he believed there should be a space segment utilization charge, fixed by the organization from time to time, and based on the total use. This charge should cover the amortization of capital, the cost of capital, and maintenance and operating expenses.

The Representative of the United Kingdom supported paragraphs 518, 523, 525, and 527. Regarding paragraph 523, he related it to paragraph 493, which distinguishes investor from user. He said that certain parties to the agreement might provide capital for other users. The rate of return should be appropriate to the commercial nature of the enterprise; the rate of return presently used could be continued. The operating agreement need not specify the rate; this could be done by the Governing Body. In determining net worth, he suggested using the net payments method, the method now used. He also believed that the interest rate should be that used by the ICSC, i.e., broadly the cost of money.

Regarding paragraph 527, he thought use by a signatory should mean use by any authorized communication entity in the territory of the signatory. In determining the space segment charge, the principle in the Special Agreement should be followed.

The Representative of the Netherlands supported the views of the Representative of the United Kingdom.

The Representative of Portugal supported paragraphs 518, 521, 525, and 527. He also agreed with the remarks of the Representative of the United Kingdom.

The Representative of Syria supported paragraphs 518, 521, 525, and 527.

The Representative of Japan supported paragraphs 518, 521, 522, 525, and 527.

The Representative of Lebanon supported paragraphs 518, 521, 525, and 527.

The Chairman noted strong support for paragraph 518, with some difference in opinions concerning compensation. He hoped to get the views of all of

the delegates in order to present the Committee with a summary analysis.

The Representative of Nigeria supported paragraphs 518, 521, 525, 527.

The Representative of Ireland asked for an explanation of the meaning of "cost of money" in paragraph 521. How would it be decided and what was the present rate of interest on this basis?

The Representative of the United States, in response to a query from the Chairman, promised to obtain the answer.

The Representative of Israel supported paragraphs 518, 521, 525, and 527. He also supported the views of the United Kingdom.

The Representative of New Zealand supported paragraph 518. He stated that compensation for the use of capital should be different from that provided by paragraph 521 and that an approach similar to paragraph 523 might be preferable without, however, any commitment to the 14% figure. This could be left to the Governing Body. He stated that paragraph 525 was not clear. Maintenance and operating expenses fall upon users in a different proportion than upon owners.

The Representative of Spain supported paragraphs 518, 521, 525, and 527. He stressed support of paragraph 527 but noted this did not signify his opposition to paragraph 521.

The Representative of India supported paragraphs 518, 521, and 527, but said that he would also feel the proposal in paragraph 522 worthy of consideration.

The Representative of Argentina agreed with paragraphs 518, 523 and 527. He did not understand paragraph 525 clearly; its provisions seemed to be contained in paragraph 527.

The Representative of Tunisia apologized for reverting to Agenda Item II and asked if the minimum share of 0.05% in paragraph 498 would be considered an investment and would it bear interest as would the capital mentioned in paragraph 521. The Chairman stated his understanding that the 0.05% share was capital which would receive interest at the same rate as other invested capital.

The Representative of Denmark supported paragraphs 518, 521 and 527. Paragraph 525, he believed, referred to a cooperative system with no utilization charge involved. Operating expenses must be paid directly and he assumed this concept was behind this paragraph.

The Representative of Chile supported paragraphs 518 and 527. He completely shares the views of New Zealand.

The Representative of Morocco supported paragraphs 518, 521, 525, and 527.

The Representative of Australia supported paragraphs 518, 525, 527. He preferred paragraph 523 (without too definitive a view concerning the proper return) to paragraph 521.

The Representative of Korea supported paragraphs 518 and 521, with an annual adjustment period according to paragraph 511; he also endorsed paragraph 527.

The Representative of Sudan supported paragraphs 518, 521, 525, 527.

The Representative of Kuwait agreed with paragraphs 518, 521, and 523. Regarding paragraph 525, operating and maintenance charges should be proportional to use and should be first charges on the revenue.

The Representative of Belgium supported paragraphs 518, 525 and 527 with the proviso that a satisfactory position be reached on the matter of other than international public service traffic. Concerning return on capital, since INTELSAT was not primarily a profit-making organization he preferred paragraph 521. He favored paragraph 530, though it contained difficulties; the payment of use charges was necessary, at least for accounting reasons.

The Representative of Ethiopia supported paragraphs 518, 521, and 527.

The Representative of Singapore supported paragraphs 518, 523, 525, and 527. Since the United States proposed that INTELSAT be a cooperative organization, there was no need for the 14% compensation for the use of capital. A rate should be considered which approximated the prime rate of most countries which varies from 2.5% to 22%, but which averaged around 8%. He thought something like 8 or 9% would be appropriate at this time. The Governing Body could set the rate at a later date.

The Representative of Sweden supported paragraphs 518, 521 and 527.

The Representative of Switzerland supported paragraphs 518, 521, 525, and 527.

The Representative of the Philippines supported paragraph 518. Regarding compensation for the use of capital he preferred an equitable rate of return and was inclined to support paragraph 523 as containing some flexibility. Compensation for use should be borne by the users rather than the owners.

The Representative of Brazil supported paragraphs 518, 521, 525, and 527.

The Representative of Norway supported paragraphs 518, 521, and 527.

The Representative of Saudi Arabia supported paragraphs 518, 521, 525, and 527.

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The Representative of Indonesia supported paragraphs 518, 521, 525, and 527.

The Representative of Thailand supported paragraphs 518, 523, 525, and 527.

The Representative of Nigeria, in confirming his support of paragraphs 525 and 527, doubted that paragraph 527 covered the provisions of paragraph 525. He thought both paragraphs were needed.

The Representative of Ireland supported paragraphs 518, 521, 525, and 527.

The Representative of Pakistan stated his view, in connection with paragraph 525, that replacing satellites would be a capital charge rather than a maintenance and operating item.

However, the Representative of Israel understood paragraph 525 to mean that maintenance and operating expenses were not additional charges proportional to investment charges.

The Representative of France disapproved of paragraph 525. Some signatories might lease more than the capacity that would normally correspond to their investment share; the maintenance and operating expenses for those circuits would then be paid by the investors, which seemed unfair. Expenses related to use should be shared according to actual use, and not on the basis of investment shares.

The Representative of Switzerland stated that paragraph 525 should be retained even though paragraph 527 existed. Charges should include amortization, return on capital, maintenance and operating expenses. Regarding paragraph 525, charges should be paid first and then profits would be returned to investors according to their shares. He wanted to leave paragraphs 525 and 527 as they were.

The Representative of the United States said that part of what he wished to say had already been covered by the Representative of Switzerland. He believed, however, that revenue was sufficient to cover expenses, so that the profits could be paid directly in proportion to shares. What was involved was merely deducting expenses from revenues and applying profits to the signatory shares.

The Representative of Nigeria supported paragraph 525. He believed that in practice it would work out as the United States Representative had indicated. Unless the organization ensured that expenses were paid and service maintained, new users would be discouraged.

The Representative of Chile was in agreement with the Representatives of Switzerland and the United States and agreed with both paragraphs 525 and 527. These depended on paragraph 493, distinguishing owners and users.

The Representative of Australia also agreed with the Representatives of Switzerland and the United States. The organization was now a going concern and revenues were sufficient to meet operating and maintenance expenses. Paragraphs 525 and 527 together reflected the current accounting practices as used by the Manager and were both necessary. They did not, however, give rise to any adverse financial effects on members who were not users.

The Representative of Morocco agreed with paragraphs 525 and 527.

The Representative of Denmark said that if paragraph 525 were retained, expenses would have to be charged to the investors, but they would be reimbursed from traffic revenues.

The Representative of France stated that charges would be set before operating and maintenance charges were known, so that it would be difficult to know in advance what one would get back. As the Australian Representative had said, the organization obtained revenues, deducted maintenance, operating, and depreciation expenses, and applied the remainder to investment shares.

The Representative of Belgium believed that paragraphs 509 and 525 should be considered together; both referred to the principles of paragraphs 497-506. Paragraph 509 related to contribution of capital and paragraph 525 to maintenance and operating expenses. Investment shares paid by signatories and charges for maintenance and operating expenses were apportioned in like manner.

Discussion of Item IV

The Chairman called for discussion of Item IV.

The Representative of Australia asked whether the Manager could present a brief paper on present accounting practices relating to expenses, depreciation and return on capital. This would be valuable to give all delegations to the Conference an understanding of the accounting practices currently in use.

In response to a query from the Chairman the Representative of the United States indicated the paper would be provided.

The Representative of Mexico stated that regarding undivided ownership, his delegation was publishing a document that he would like to revert to later in the discussion.

Discussion of Item V

The Chairman called for discussion of Item V.

The Representative of Italy supported paragraph 554.

The Representative of Canada supported paragraph 554 and noted that it had been unanimously recommended by the ICSC.

The Representative of Singapore supported paragraph 554.

The Chairman asked if any delegation disagreed with paragraph 554.

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The Representative of the United Kingdom said his delegation could not support paragraph 554 taken in isolation; if it stood alone it would apparently exclude direct access to anyone who was not a signatory. He believed that a non-signatory should not have his access to the system restricted to access via a ground station of a signatory.

The Representative of Sweden agreed with the Representative of the United Kingdom.

The Representative of Belgium concurred with the Representative of Canada. He said that paragraphs 555 amplified paragraph 554. Paragraph 555 allowed direct access if there was agreement with the organization. A non-signatory, wanting direct access, might or might not be a member of the ITU. If he were an ITU member, the organization should make an agreement with him. If he were not a member of ITU, a condition should be included in any agreement to abide by normal regulations of the ITU. On these conditions, the Representative of Belgium supported paragraphs 554 and 555.

The Representative of Chile supported paragraphs 554 and 555.

The Representative of France also supported paragraphs 554 and 555. He did, however, wish to add a non-discriminatory provision to paragraph 555. Anyone who wanted to use organization facilities must, of course, make an agreement with the organization. The organization should require technically compatible ground stations. However, it should not deny access for other, non-technical reasons; e.g., political reasons and, therefore, he wished to add a non-discriminatory clause so that non-members would have access if they paid the same charges. He noted that what he was discussing was in the competence of Committee I.

The Representative of the United States agreed with the Representative of France that this discussion belonged properly in Committee I. He also said that the question of the price to non-members should await progress in Committee I.

The Representative of Mexico agreed with the Representatives of France and the United States. He stated, however, that he would like the opinions of the observer delegations.

The Representative of Belgium supported the position of the French Representative.

The Representative of the Federal Republic of Germany believed with the United States Representative that Committee III should defer action until Committee I had acted.

The Representative of the United Kingdom referred to the comments by the Representative of France and said he thought the objections to paragraph 555 were related to the words "by agreement with the organization." He believed that the same charges should apply to all, including non-signatories.

The Chairman suggested considering paragraphs 550-555 together; these clearly indicated that access should be provided in a non-discriminatory manner. Paragraphs 554 and 555 were related only to the machinery for access. Non-discrimination would seem to mean equal charges and equal access to all.

The Representative of Syria said he would like the Preamble to the definitive arrangements to reflect the provisions of the Preamble to the present agreement. He thought that the Committee should accept paragraph 556, rather than paragraphs 554 and 555. In view of the many observers showing interest in this Conference, it was important to provide for equal access to the satellite system.

The Representative of Switzerland stated that he still had difficulty understanding the difference between paragraphs 554 and 555. What is direct access? Do only countries having earth stations have access? It seems to him that a country could have direct access via its own earth station or that of a co-owner or a lessor. Only paragraph 555 provided that non-members could lease directly, therefore, one paragraph or the other, but not both, should be adopted.

The Chairman alluded to the possibility of accepting both paragraphs 554 and 555 without conflict. The former seemed to give access through a signatory, while the latter would give direct access through agreement with the organization. It was hard to imagine a circumstance other than those two. Paragraphs 550 through 552 cover the non-discriminatory aspects.

The Representative of Tunisia expressed the view that this was a matter of fundamental importance, especially to countries which were members but not yet users. He noted four possibilities: member countries who have a ground station, those who do not, non-member countries who have a ground station, and those who do not. He observed that the provisions of paragraphs 554 and 555 covered three of these categories but did not cover the category of non-members without ground stations. Therefore, an amendment was needed because this latter category **should** not be excluded. The means of including this category could be by arrangement through a signatory, pursuant to an appropriate agreement.

The Chairman thought the Committee might agree that non-discriminatory access should be provided for all signatories and all non-signatories, whether these entities were or were not members of the ITU, and whether they did or did not have an earth station, provided only that the earth station met the required technical standards of the INTELSAT system.

The Representative of the Federal Republic of Germany stated that any country which was not a member but wished to use the system, might simply join. With this in mind, it would not seem discriminatory to refuse service to a non-member.

The Representative of Canada stated his agreement with the Chairman's two summaries.

The Representative of Lebanon agreed with the views of the Chairman concerning the interpretation of paragraphs 554 and 555.

The Chairman observed that the Committee had not decided upon provisions which tell how to separate owners from users. If users are distinguished simply by the use charge, the matter is relatively simple. If, however, some other arrangement is desired, it would have to be determined how to levy charges on a non-discriminatory basis and whether to leave this to the Governing Body.

The Representative of Switzerland believed there were financial aspects to paragraphs 554 and 555 which must be considered by the Committee. He observed that financial matters are contained in document Com. III/2, submitted by the United States, referring to page 3 thereof. Regarding paragraph 555, he understood this to refer to the case of non-members who would have direct access.

The Chairman then reviewed the procedure to be followed for these agenda items: From the Summary Records and the written statements submitted by the delegates, a summary will be prepared for consideration next week. The debate concerning Agenda Item V would appear to be completed for the present and Item VI might be discussed. The reference material included paragraphs 622 through 625 of the ICSC report. Paragraph 624 contained provisions for the precise manner of withdrawal, which might be written into the definitive agreement. Paragraph 625 covered the question of withdrawal if a country's obligations were not honored. This raised the question of repayment, how it would be done, how calculated, and whether it were defined or left to the Governing Body.

The Representative of the United States observed that Doc. 10 submitted by his Delegation contained provisions covering both of these paragraphs.

The Representative of India thought it might be helpful to postpone debate on this item for one day.

The Representative of Israel noted that these provisions deal more with form than with substance and supported paragraphs 624 and 625.

The Representative of Ceylon supported the suggestion of the Representative of India to postpone the debate for one day. Without objection, this was agreed.

The Representative of France asked if the Representative of the United States could indicate the appropriate references to the United States document, in order that delegates might study these before the next meeting.

The Representative of the United States stated that the references in the Intergovernmental Agreement are Article IV, paragraph viii on page 10, and Article XII on page 24.

The Representative of Australia asked whether we should not also take account of the following references: Article XI in the Interim Agreement and Article IV in the Special Agreement. The Chairman indicated this might be desirable.

The Representative of Mexico referred to a point discussed in the previous meeting. In view of the importance of the principles for determining investment shares of the signatories, he thought it would be very useful to have data from INTELSAT concerning traffic patterns.

The Chairman reported that he had already asked the Chairman of Comsat Corporation to provide forecasts and usage data which might be pertinent for Conference consideration and had been informed that these were available.

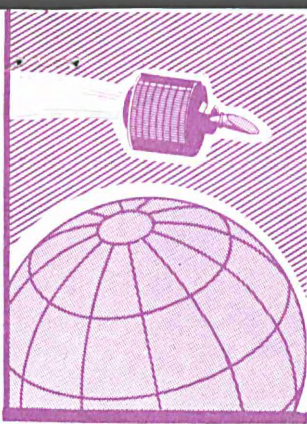
The Representative of the Philippines observed that other Committees also were considering items concerning withdrawal provisions and asked what aspect this Committee should consider.

The Chairman noted that Committee II was considering the legal aspects of withdrawal, Committee IV was considering operational aspects, and Committee I was probably also considering appropriate aspects. He expressed the view that Committee III could nevertheless proceed; when it had completed drafting its views concerning the financial aspects of withdrawal, it could then collaborate with the other committees.

The Vice Chairman reminded delegates of the African and Middle Eastern Group of a meeting tomorrow at nine o'clock in Room 1107.

The Chairman announced that the Committee would resume tomorrow at 2:30 p.m. and would consider Item V further, if desired, and Items VI and VII. The meeting was adjourned at 4:42 p.m.

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PLENIPOENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/5
March 5, 1969

PROVISIONAL SUMMARY RECORD - FIFTH SESSION OF COMMITTEE III
WEDNESDAY, MARCH 5, 1969

Convening of the Session

The session was convened in the Main Conference Room at 2:36 p.m. by the Chairman of Committee III, Mr. Harold White.

Agenda for the Day

The Chairman suggested that the Committee speak to Item IV on the Committee Work Program, the financial rights and obligations of investors, and its subtopics: A. Property rights and interests; B. Compensation for use of capital; C. Contribution to maintenance and operating expenses; and D. Conditions of use.

Summary Paper

The Chairman indicated that the Provisional Summary Records for the Third and Fourth Sessions were issued Wednesday morning, and would be open for comment for 48 hours. He also said that written statements of delegates should be deposited with the Secretary by the close of business Wednesday. He indicated that the Committee would consider a paper summarizing representative's views at the beginning of next week.

Discussion of Item IV

The Representative of the Federal Republic of Germany referred to his delegation's paper issued March 3 and spoke in favor of paragraphs 518, 521, 525, and 527. He maintained that utilization charges should cover the costs of capital, amortization, and operation.

The Representative of Canada favored paragraphs 518 and 527. While he had originally proposed the language in paragraph 522, he would be content with paragraph 521. He agreed with paragraph 525, subject to satisfactory determination of the principles in paragraphs 497 through 506.

The Representative of France agreed with paragraphs 518, 521, and 527. With regard to paragraph 518, most of the assets of the signatories should be owned or prorated to investment shares, insofar as public international telecommunications were concerned. He was opposed to undivided ownership of parts of the space segment related to specialized services. With regard

NOTE: Any changes or corrections in this Summary Record must be submitted to the Secretary General within 48 hours.

to paragraph 527, facilities could be used by non-signatories if they paid charges. In addition to costs, they should pay interest on capital to compensate investors for the risk involved. If the only way to obtain access to the system was by investing, then there would be no need to compensate for risk. If one distinguished between investor and user, however, there should be compensation for risk.

The Representative of Pakistan noted that paragraph 498 enabled even those investors not using the system to get a minimum investment share of .05%. He believed that charging operating expenses to non-users was not equitable.

The Representative of Austria supported paragraphs 518, 521, and 525. Regarding conditions of use, he believed there should be a space segment utilization charge, fixed by the organization from time to time, and based on the total use. This charge should cover the amortization of capital, the cost of capital, and maintenance and operating expenses.

The Representative of the United Kingdom supported paragraphs 518, 523, 525, and 527. Regarding paragraph 523, he related it to paragraph 493, which distinguishes investor from user. He said that certain parties to the agreement might provide capital for other users. The rate of return should be appropriate to the commercial nature of the enterprise; the rate of return presently used could be continued. The operating agreement need not specify the rate; this could be done by the Governing Body. In determining net worth, he suggested using the net payments method, the method now used. He also believed that the interest rate should be that used by the ICSC, i.e., broadly the cost of money.

Regarding paragraph 527, he thought use by a signatory should mean use by any authorized communication entity in the territory of the signatory. In determining the space segment charge, the principle in the Special Agreement should be followed.

The Representative of the Netherlands supported the views of the Representative of the United Kingdom.

The Representative of Portugal supported paragraphs 518, 521, 525, and 527. He also agreed with the remarks of the Representative of the United Kingdom.

The Representative of Syria supported paragraphs 518, 521, 525, and 527.

The Representative of Japan supported paragraphs 518, 521, 522, 525, and 527.

The Representative of Lebanon supported paragraphs 518, 521, 525, and 527.

The Chairman noted strong support for paragraph 518, with some difference in opinions concerning compensation. He hoped to get the views of all of

the delegates in order to present the Committee with a summary analysis.

The Representative of Nigeria supported paragraphs 518, 521, 525, 527.

The Representative of Ireland asked for an explanation of the meaning of paragraph 521. How would it be decided and what was the present basis?

The Representative of the United States, in response to a query from the Chairman, promised to obtain the answer.

The Representative of Israel supported paragraphs 518, 521, 525, and 527. He also supported the views of the United Kingdom.

The Representative of New Zealand supported paragraph 518. He stated that compensation for the use of capital should be different from that provided by paragraph 521 and that an approach similar to paragraph 523 might be preferable without, however, any commitment to the 14% figure. This could be left to the Governing Body. He stated that paragraph 525 was not clear. Maintenance and operating expenses fall upon users in a different proportion than upon owners.

The Representative of Spain supported paragraphs 518, 521, 525, and 527. He stressed support of paragraph 527 but noted this did not signify his opposition to paragraph 521.

The Representative of India supported paragraphs 518, 521, 522, 525 and 527.

The Representative of Argentina agreed with paragraphs 518, 523 and 527. He did not understand paragraph 525 clearly; its provisions seemed to be contained in paragraph 527.

The Representative of Tunisia apologized for reverting to Agenda Item II and asked if the minimum share of 0.05% in paragraph 498 would be considered an investment and would it bear interest as would the capital mentioned in paragraph 521. The Chairman stated his understanding that the 0.05% share was capital which would receive interest at the same rate as other invested capital.

The Representative of Denmark supported paragraphs 518, 521 and 527. Paragraph 525, he believed, referred to a cooperative system with no utilization charge involved. Operating expenses must be paid directly and he assumed this concept was behind this paragraph.

The Representative of Chile supported paragraphs 518 and 527. He completely shares the views of New Zealand.

The Representative of Morocco supported paragraphs 518, 521, 525, and 527.

The Representative of Australia supported paragraphs 518, 525, 527. He preferred paragraph 523 (without too definitive a view concerning the proper return) to paragraph 521.

The Representative of Korea supported paragraphs 518 and 521, with an annual adjustment period according to paragraph 511; he also endorsed paragraph 527.

The Representative of Sudan supported paragraphs 518, 521, 525, 527.

The Representative of Kuwait agreed with paragraphs 518, 521, and 523. Regarding paragraph 525, operating and maintenance charges should be proportional to use and should be first charges on the revenue.

The Representative of Belgium supported paragraphs 518, 525 and 527 with the proviso that a satisfactory position be reached on the matter of other than international public service traffic. Concerning return on capital, since INTELSAT was not primarily a profit-making organization he preferred paragraph 521. He favored paragraph 530, though it contained difficulties; the payment of use charges was necessary, at least for accounting reasons.

The Representative of Ethiopia supported paragraphs 518, 521, and 527.

The Representative of Singapore supported paragraphs 518, 523, 525, and 527. Since the United States proposed that INTELSAT be a cooperative organization, there was no need for the 14% compensation for the use of capital. A rate should be considered which approximated the prime rate of most countries which varies from 2.5% to 22%, but which averaged around 8%. He thought something like 8 or 9% would be appropriate at this time. The Governing Body could set the rate at a later date.

The Representative of Switzerland supported paragraphs 518, 521, 525, and 527.

The Representative of the Philippines supported paragraph 518. Regarding compensation for the use of capital he preferred an equitable rate of return and was inclined to support paragraph 523 as containing some flexibility. Compensation for use should be borne by the users rather than the owners.

The Representative of Brazil supported paragraphs 518, 521, 525, and 527.

The Representative of Norway supported paragraphs 518, 521, and 527.

The Representative of Saudi Arabia supported paragraphs 518, 521, 525, and 527.

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The Representative of Indonesia supported paragraphs 518, 521, 525, and 527.

The Representative of Thailand supported paragraphs 518, 523, 525, and 527.

The Representative of Nigeria, in confirming his support of paragraphs 525 and 527, doubted that paragraph 527 covered the provisions of paragraph 525. He thought both paragraphs were needed.

The Representative of Ireland supported paragraphs 518, 521, 525, and 527.

The Representative of Pakistan stated his view, in connection with paragraph 525, that replacing satellites would be a capital charge rather than a maintenance and operating item.

However, the Representative of Israel understood paragraph 525 to mean that maintenance and operating expenses were not additional charges proportional to investment charges.

The Representative of France disapproved of paragraph 525. Some signatories might lease more than the capacity that would normally correspond to their investment share; the maintenance and operating expenses for those circuits would then be paid by the investors, which seemed unfair. Expenses related to use should be shared according to actual use, and not on the basis of investment shares.

The Representative of Switzerland stated that paragraph 525 should be retained even though paragraph 527 existed. Charges should include amortization, return on capital, maintenance and operating expenses. Regarding paragraph 525, charges should be paid first and then profits would be returned to investors according to their shares. He wanted to leave paragraphs 525 and 527 as they were.

The Representative of the United States said that part of what he wished to say had already been covered by the Representative of Switzerland. He believed, however, that revenue was sufficient to cover expenses, so that the profits could be paid directly in proportion to shares. What was involved was merely deducting expenses from revenues and applying profits to the signatory shares.

The Representative of Nigeria supported paragraph 525. He believed that in practice it would work out as the United States Representative had indicated. Unless the organization ensured that expenses were paid and service maintained, new users would be discouraged.

The Representative of Chile was in agreement with the Representatives of Switzerland and the United States and agreed with both paragraphs 525 and 527. These depended on paragraph 493, distinguishing owners and users.

The Representative of Australia also agreed with the Representatives of Switzerland and the United States. He believed the organization was a going concern. Revenues should be used to provide for maintenance and operating expenses, along with return on capital.

The Representative of Morocco agreed with paragraphs 525 and 527.

The Representative of Denmark said that if paragraph 525 were retained, expenses would have to be charged to the investors, but they would be reimbursed from traffic revenues.

The Representative of France stated that charges would be set before operating and maintenance charges were known, so that it would be difficult to know in advance what one would get back. As the Australian Representative had said, the organization obtained revenues, deducted maintenance, operating, and depreciation expenses, and applied the remainder to investment shares.

The Representative of Belgium believed that paragraphs 509 and 525 should be considered together; both referred to the principles of paragraphs 497-506. Paragraph 509 related to contribution of capital and paragraph 525 to maintenance and operating expenses. Investment shares paid by signatories and charges for maintenance and operating expenses were apportioned in like manner.

Discussion of Item IV

The Chairman called for discussion of Item IV.

The Representative of Australia asked whether the manager could present a brief paper on present accounting practices relating to expenses, depreciation and return on capital. This would be valuable because the organization had to estimate future expenses and fix rates.

In response to a query from the Chairman the Representative of the United States indicated the paper would be provided.

The Representative of Mexico stated that regarding undivided ownership, his delegation was publishing a document that he would like to revert to later in the discussion.

Discussion of Item V

The Chairman called for discussion of Item V.

The Representative of Italy supported paragraph 554.

The Representative of Canada supported paragraph 554 and noted that it had been unanimously recommended by the ICSC.

The Representative of Singapore supported paragraph 554.

The Chairman asked if any delegation disagreed with paragraph 554.

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The Representative of the United Kingdom said its purpose was to exclude direct access to anyone who was not a signatory. He believed that a non-signatory should not have to go through a ground station of a signatory, and, therefore, suggested redrafting the article.

The Representative of Sweden agreed with the Representative of the United Kingdom.

The Representative of Belgium concurred with the Representative of Canada. He said that paragraphs 555 amplified paragraph 554. Paragraph 555 allowed direct access if there was agreement with the organization. A non-signatory, wanting direct access, might or might not be a member of the ITU. If he were an ITU member, the organization should make an agreement with him. If he were not a member of ITU, a condition should be included in any agreement to abide by normal regulations of the ITU. On these conditions, the Representative of Belgium supported paragraphs 554 and 555.

The Representative of Chile supported paragraphs 554 and 555.

The Representative of France also supported paragraphs 554 and 555. He did, however, wish to add a non-discriminatory provision to paragraph 555. Anyone who wanted to use organization facilities must, of course, make an agreement with the organization. The organization should require technically compatible ground stations. However, it should not deny access for other, non-technical reasons; e.g., political reasons and, therefore, he wished to add a non-discriminatory clause so that non-members would have access if they paid the same charges. He noted that what he was discussing was in the competence of Committee I.

The Representative of the United States agreed with the Representative of France that this discussion belonged properly in Committee I. He also said that the question of the price to non-members should await progress in Committee I.

The Representative of Mexico agreed with the Representatives of France and the United States. He stated, however, that he would like the opinions of the observer delegations.

The Representative of Belgium supported the position of the French Representative.

The Representative of the Federal Republic of Germany believed with the United States Representative that Committee III should defer action until Committee I had acted.

The Representative of the United Kingdom referred to the comments by the Representative of France and said he thought the objections to paragraph 555 were related to the words "contract with the organization." He believed that charges should apply equally to all, including non-signatories.

The Chairman suggested considering paragraphs 550-555 together; these clearly indicated that access should be provided in a non-discriminatory manner. Paragraphs 554 and 555 were related only to the machinery for access. Non-discrimination would seem to mean equal charges and equal access to all.

The Representative of Syria said he would like the Preamble to the definitive arrangements to reflect the provisions of the Preamble to the present agreement. He thought that the Committee should accept paragraph 556, rather than paragraphs 554 and 555. In view of the many observers showing interest in this Conference, it was important to provide for equal access to the satellite system.

The Representative of Switzerland stated that he still had difficulty understanding the difference between paragraphs 554 and 555. What is direct access? Do only countries having earth stations have access? It seems to him that a country could have direct access via its own earth station or that of a co-owner or a lessor. Only paragraph 555 provided that non-members could lease directly, therefore, one paragraph or the other, but not both, should be adopted.

The Chairman alluded to the possibility of accepting both paragraphs 554 and 555 without conflict. The former seemed to give access through a signatory, while the latter would give direct access through agreement with the organization. It was hard to imagine a circumstance other than those two. Paragraphs 550 through 552 cover the non-discriminatory aspects.

The Representative of Tunisia expressed the view that this was a matter of fundamental importance, especially to countries which were members but not yet users. He noted four possibilities: member countries who have a ground station, those who do not, non-member countries who have a ground station, and those who do not. He observed that the provisions of paragraphs 554 and 555 covered three of these categories but did not cover the category of non-members without ground stations. Therefore, an amendment was needed because this latter category should not be excluded. The means of including this category could be by arrangement through a signatory, pursuant to an appropriate agreement.

The Chairman thought the Committee might agree that non-discriminatory access should be provided for all signatories and all non-signatories, whether these entities were or were not members of the ITU, and whether they did or did not have an earth station, provided only that the earth station met the required technical standards of the INTELSAT system.

The Representative of the Federal Republic of Germany stated that any country which was not a member but wished to use the system, might simply join. With this in mind, it would not seem discriminatory to refuse service to a non-member.

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The Representative of Canada stated his agreement with the Chairman's summary.

The Representative of Lebanon agreed with the views of the Chairman concerning the interpretation of paragraphs 554 and 555.

The Chairman observed that the Committee had not decided upon provisions which tell how to separate owners from users. If users are distinguished simply by the use charge, the matter is relatively simple. If, however, some other arrangement is desired, it would have to be determined how to levy charges on a non-discriminatory basis and whether to leave this to the Governing Body.

The Representative of Switzerland believed there were financial aspects to paragraphs 554 and 555 which must be considered by the Committee. He observed that financial matters are contained in document Com. III/2, submitted by the United States, referring to page 3 thereof. Regarding paragraph 555, he understood this to refer to the case of non-members who would have direct access.

The Chairman then reviewed the procedure to be followed for these agenda items: From the Summary Records and the written statements submitted by the delegates, a summary will be prepared for consideration next week. The debate concerning Agenda Item V would appear to be completed for the present and Item VI might be discussed. The reference material included paragraphs 622 through 625 of the ICSC report. Paragraph 624 contained provisions for the precise manner of withdrawal, which might be written into the definitive agreement. Paragraph 625 covered the question of withdrawal if a country's obligations were not honored. This raised the question of repayment, how it would be done, how calculated, and whether it were defined or left to the Governing Body.

The Representative of the United States observed that Doc. 10 submitted by his Delegation contained provisions covering both of these paragraphs.

The Representative of India thought it might be helpful to postpone debate on this item for one day.

The Representative of Israel noted that these provisions deal more with form than with substance and supported paragraphs 624 and 625.

The Representative of Ceylon supported the suggestion of the Representative of India to postpone the debate for one day. Without objection, this was agreed.

The Representative of France asked if the Representative of the United States could indicate the appropriate references to the United States document, in order that delegates might study these before the next meeting.

The Representative of the United States stated that the references in the Intergovernmental Agreement are Article IV, paragraph viii on page 10, and Article XII on page 24.

The Representative of Australia asked whether we should not also take account of the following references: Article XI in the Interim Agreement and Article IV in the Special Agreement. The Chairman indicated this might be desirable.

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The Chairman reported that he had already asked the Chairman of Comsat Corporation to provide forecasts and usage data which might be pertinent for Conference consideration and had been informed that these were available.

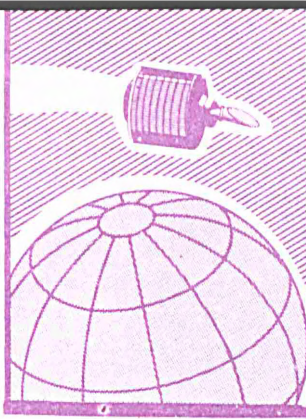
The Representative of the Philippines observed that other Committees also were considering items concerning withdrawal provisions and asked what aspect this Committee should consider.

The Chairman noted that Committee II was considering the legal aspects of withdrawal, Committee IV was considering operational aspects, and Committee I was probably also considering appropriate aspects. He expressed the view that Committee III could nevertheless proceed; when it had completed drafting its views concerning the financial aspects of withdrawal, it could then collaborate with the other committees.

The Vice Chairman reminded delegates of the African and Middle Eastern Group of a meeting tomorrow at nine o'clock in Room 1107.

The Chairman announced that the Committee would resume tomorrow at 2:30 p.m. and would consider Item V further, if desired, and Items VI and VII. The meeting was adjourned at 4:42 p.m.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/6 (C)
March 14, 1969

SUMMARY RECORD - SIXTH SESSION OF COMMITTEE III THURSDAY, MARCH 6, 1969

Convening of the Session

The session was convened in the Main Conference Room at 2:42 p.m. by the Chairman of Committee III, Mr. White.

Summary Records

The Chairman noted that the Summary Record of the Second Session had been issued in final form.

The Representative of France asked whether these records were to be approved before or after the final Summary Record had been issued. The Chairman said that the procedure was as follows: The Provisional Summary Record was produced; thereafter delegates submitted comments, ordinarily within 48 hours, and the Provisional Record was then issued in final form. The final Summary Record for the First Session had been accepted and he asked whether the same could be done for the final Summary Record of the Second Session.

The Representative of France indicated that the final Summary Record for the Second Session had been issued in French; the Chilean Representative indicated that the Spanish version had also been issued.

The Chairman said that, hearing no objections, Com. III/SP/2 (Final) was accepted.

Item VI: Financial Aspects of Provisions relating to Withdrawal

The Representative of the United States referred to Article XII, page 24; Article 4, page 32 of the draft Intergovernmental Agreement; Article 6(c), page 33 of the draft Operating Agreement (Doc. 10). Article XII of Doc. 10 has no provisions like Interim Agreement, Article XI(d) and (e). The Interim Agreement provided for readjustment annually, but this was not appropriate to the organization described in the United States proposal (Doc. 10). There was no need for special readjustment upon withdrawal; quotas could be readjusted at the regular date of adjustment, subsequent to withdrawal.

The Representative of India agreed with paragraph 624 in that conditions of withdrawal should be precisely defined. Net worth of commonly owned facilities was identifiable and the signatory held a specific proportion of the undivided interest in investment shares, making possible the calculation of the amount to be reimbursed. Article 9 of the Special Agreement provided for the return to signatories of the component of capital corresponding to amortization and compensation for use of capital. This provision should be maintained. The definitive arrangements should provide, after payment of maintenance and operating costs, a return to signatories in proportion to their investment shares. If the revenues were not adequate to cover maintenance and operating expenses, these uncovered costs would also be shared in proportion to investment shares. Although it was unlikely that revenues would be inadequate, this obligation should nevertheless be spelled out. Regarding voluntary withdrawal of signatories, those countries which have investment shares have a vested interest which should be recognized. Signatories would have a claim to that amount, as amortized. The method of reimbursement upon withdrawal should be left to the Governing Body. The Governing Body could 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 amortized and reimbursed. After withdrawal, the quota share of the withdrawing country could be distributed pro-rata among remaining members.

The Representatives of Australia felt that the United States approach assumed a pre-determined decision regarding the frequency of quota changes. There were two possible situations: voluntary withdrawal and an expulsion for failure to comply with treaty obligations. Both types of withdrawal should be provided for in the definitive arrangements, and the question now for consideration was whether the rights of the withdrawing partner should be the same in these two situations. It was also necessary for principles to be established regarding the taking up of a withdrawing partner's quota by the remaining partner, and this, too, should be covered in the definitive arrangements.

The Representative of Japan said that access to the system should be global and on a non-discriminatory basis. Direct access could be obtained by payment of utilization charges, subject to proper terms and conditions. Accordingly, he supported paragraphs 554 and 555. The question of withdrawal was covered in the Interim Agreement under Article XI, which could be included in the definitive arrangements.

The Representative of Canada said that, regarding U.S. comments, he believed that the settlement of withdrawal should be on an annual basis, because this would prevent unnecessary bookkeeping. The obligation of the remaining members to take up the withdrawing country's share should be spelled out. This could be done by some modification of Article XI(d) and (e). Regarding the comments of the Indian Representative on withdrawal, he believed the rights of members, as well as their obligations, should be spelled out.

The Representative of Denmark indicated that most delegations apparently felt members and non-members should have access under the same financial conditions. However, if a country can choose to become a member, there should not be too great a penalty for withdrawal. The Interim Agreement penalizes withdrawal in that it requires payment both of commitments, up to the time of withdrawal, and obligations for the future, without spelling-out any corresponding rights. If there were a withdrawal, the withdrawing country should get its money back.

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If a country were not sure that it would get its money back, it might deplete its investment share before withdrawing.

The Representative of France said that, upon withdrawal, a country should get back the net worth of its remaining investment, minus an appropriate amount for depreciation. If the budget were balanced, it would also get interest on its capital. If revenues did not cover depreciation and interest at the time of withdrawal, there would be a right to such amounts from future revenues. If the withdrawing country did not have the rights mentioned above, it would be treated unfairly. This would be particularly bad for countries with a substantial capital investment.

The Representative of the United Kingdom said that the Interim Agreement provided that upon withdrawal a country should meet all its obligations, including amounts arising from existing contracts. Furthermore, the quotas of remaining members were adjusted. He believed a similar provision in the definitive arrangements would be appropriate. He noted the question of refunding to the withdrawing country its invested capital, but pointed out that there was the problem of reconciling two principles: (1) If the principle of investment related to use were maintained, individual members could not take over the quota of the withdrawing country; (2) on the other hand, members should not collectively be forced to contribute to the refund of that country's investment.

The Representative of Syria supported the positions of India, Denmark and France. He believed that the withdrawing country's investment should be safeguarded.

The Representative of Germany said, regarding Item V, that he supported paragraph 554 and had done so at the time the ICSC Report had been prepared. Non-members could have access via members' ground stations. The member would have financial obligations arising from that traffic to the organization. Regarding Item VI, the provisions of Article XI(a), (b), (c) of the Interim Agreement, should be included mutatis mutandis in the definitive arrangements. In accord with paragraph 625, the Assembly could require withdrawal when obligations had not been maintained.

The Representative of Switzerland said that financial interests of all members should be safeguarded. This subject should be studied further in a working party. The amount that should be paid back a withdrawing country should be based on the market value of its assets in the organization.

The Representative of the Netherlands saw the question of withdrawal as primarily legal.

The Representative of Australia believed that the voluntarily withdrawing country should have rights, but that the expelled country should not necessarily have them. In both cases, the withdrawing country also had obligations regarding monies due and monies committed under existing contracts. The existing agreements spelled out these obligations and these would need to be retained in the definitive arrangements. What we were now discussing was rights of withdrawing partners after such obligations had been satisfied.

The Representative of Chile said that there must be some advantage in remaining in the organization.

The Representative of Venezuela supported the Representatives of Chile and Australia. Withdrawing and expelled countries should be differentiated and conditions of withdrawing should be defined. Regarding voluntary withdrawal, perhaps Article XI of the Interim Agreement could be followed. The expelled country might not be fulfilling its obligations and for this reason might be asked to withdraw. It should not receive compensation upon such withdrawal.

The Representative of Morocco supported the Swiss proposal to establish a working group. He pointed out that at the outset investment was large and revenues small; at the end the reverse situation obtained. With such a complicated problem, experts should be called in to determine a solution.

The Chairman explained the contemplated procedure. First, opinions would be expressed; hopefully members' views would be modified; there would then be a second round of debate; if there was no agreement, the problems would be given to specific work groups. Accordingly, the Committee might wish to take up the suggestion of the Swiss Representative for a working party after the second round of discussion.

The Representative of Australia pointed out that withdrawal presented problems. The withdrawing country's quota should be reapportioned according to utilization by remaining members, but on the other hand such remaining members should not be required to take what they did not want.

The Representative of France believed it impossible to distinguish completely between discrimination and non-discrimination, because a country ready to withdraw involuntarily from the organization very likely would arrange to leave the organization voluntarily to avoid any penalty. It might be preferable therefore to apply equitable treatment to voluntary and involuntary withdrawals.

The Representative of Denmark thought the distribution of quotas released by the withdrawal of a member should be the same as that applied when shares are adjusted.

The Representative of Italy believed that the machinery for dealing with withdrawals should be studied by experts. A going commercial concern was being created and risks were anticipated. Care must be taken not to encourage withdrawals. In considering standards for withdrawals of members with 1.5 or 2% interest in the organization, the applicability of such standards to the withdrawal of a member who owned 45 or 50% of the capital of the organization should not be overlooked. Rather than a bonus for withdrawal, a penalty should be considered.

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The Representative of Venezuela observed that there seemed to be three suggested categories of withdrawal; voluntary, forced and required withdrawal. In his view there were just two categories: voluntary withdrawal and withdrawal for failure to comply with the rules.

The Representative of Belgium believed strongly that this matter should be referred to a group of experts. In regard to Agenda Item VII, more specific data were needed to consider the financial aspects of the different kinds of withdrawal actions, such as, partial, forced, expelled, and transition withdrawals. He, therefore, supported the Swiss proposal for a small working group.

The Chairman requested the Committee's guidance concerning desired procedures. He felt an exchange of views was needed so that the terms of reference for a working party were not too hastily drawn. In first exchanging views, then preparing a summary, next debating a second time, and finally referring to a working party those aspects still not agreed, he hoped to maximize the Committee's effectiveness.

The Representative of Italy observed that the Committee appeared to agree with the Chairman's suggestion, which he also supported. He agreed with the Representative of Belgium that withdrawal presented a special problem which might be given to a small working group of experts.

The Representative of Canada agreed with Switzerland, Belgium and Italy about setting up a working group now. He noted the presence of several experts on financial matters and thought that, given a few hours, a group of these individuals could provide some concrete proposals for the Committee to consider.

The Representative of the Philippines did not entirely agree with the Canadian view since some delegates had not yet expressed their views. He felt the matter went beyond financial issues and preferred a second round of debate before establishment of a working group.

The Representative of France supported the creation of a working group with additional responsibility for the substance of Agenda Item VII.

The Chairman noted that the Committee has not yet discussed Item VII and thought it therefore premature to assign it to a working party.

The Representative of France agreed and suggested discussing Item VII where the technical problem was quite similar to that of Item VI.

The Chairman asked whether the Committee could accept a working party for Item VI and other items which might be finished in the first round of debate today. He referred to the desirability of establishing one working party rather than a multiplicity of them.

The Representative of the Netherlands supported a second round of debate next week and then the establishment of a working group.

The Representative of the United Kingdom thought a working party could be particularly helpful on the subject of withdrawal but favored a second round of debate before its establishment.

The Representative of Syria thought Point VI had been fully covered and the time had come to proceed to the next item.

The Representative of Venezuela recommended that debate proceed to Item VII; the Agenda could be reviewed afterwards and a decision taken on working parties.

The Chairman suggested that the Committee debate Item VII and establish a working group the first part of next week.

The Representative of Belgium explained his statement about withdrawal during transition. He had merely observed a connection between Item VI and Item VII in that there would be some partial withdrawals as members' quotas were increased or decreased during the period of transition to the definitive arrangements.

Concerning Item VI, the Representative of the Philippines felt that while on the one hand there was a need that a withdrawing country be reimbursed for its invested capital, on the other hand this could endanger the viability of the system if it encouraged a major investor to withdraw. Also, provisions encouraging non-discriminatory direct access, regardless of membership in the organization, could mean that there was little incentive to membership. Withdrawal should be discouraged, not encouraged.

Item VII: Financial Aspects of Transition from Interim Arrangements to Definitive Arrangements

The Representative of the United States referred to the U.S. paper, Com. III/2, whose provisions concerning transition covered three needed determinations: (1) selection of a period of time preceding the definitive arrangements over which system-use would be measured; (2) development of a workable method to measure use during that period; and (3) development of an equitable method to determine INTELSAT's investment valuation at the time of entry into force of the definitive arrangements. 1969 could be the period for determining new quotas. Doc. 10, starting with Article 4 on page 32, covered these matters in detail.

The Chairman observed that it might be difficult to debate this topic at the present time. By the second round of debates, he hoped Committee I would be further along with its consideration of related matters.

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The Representative of Australia agreed with the Chairman. Valuation of assets was the heart of this question. There was almost certain to be some change in quotas after the transition period. The rights of Signatories to the Interim Agreements expecting a return on their capital would be an important question.

The Representative of Argentina thought that when the definitive agreements entered into force, investment shares would have to be modified and decisions made concerning countries whose quotas increased--whether they must accept the increase or not. Countries should not be obliged to accept the increased quota, but all should have the right to do so.

The Representative of the Netherlands said that, in determining the value of property, the net payments method, as described in the U.S. paper, should be used. The Representative of France agreed with Australia that the question of return on capital must be examined. He agreed that from a juristic viewpoint the Committee needed the conclusions of Committee I, but that Committee III could nevertheless study financial aspects without awaiting the results of Committee I. Members of the future organization should not be obliged to take up their new quotas. Countries could increase their quota by increased leasing of circuits. In other words, they could buy some of the increase and lease the rest.

The Representative of Germany suggested the Committee defer further consideration of this topic until it reached its decisions concerning Items I and IV.

The Representative of Australia noted that if the Committee were to discuss the value of INTELSAT property it might be advantageous to have information on the different methods of valuation.

The Representative of Chile inquired about the possibility of obtaining financial assets figures up to December 31, 1968.

The Representative of the United States stated that figures for this period could readily be made available.

Next Meeting

The Chairman announced the next meeting of Committee III at 2:30 p.m. Tuesday, March 11, in the Main Conference Room.

The meeting was adjourned at 4:34 p.m.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/6
March 6, 1969

PROVISIONAL SUMMARY RECORD - SIXTH SESSION OF COMMITTEE III
THURSDAY, MARCH 6, 1969

Convening of the Session

The session was convened in the Main Conference Room at 2:42 p.m. by the Chairman of Committee III, Mr. White.

Summary Records

The Chairman noted that the Summary Record of the Second Session had been issued in final form.

The Representative of France asked whether these records were to be approved before or after the final Summary Record had been issued. The Chairman said that the procedure was as follows: The Provisional Summary Record was produced; thereafter delegates submitted comments, ordinarily within 48 hours, and the Provisional Record was then issued in final form. The final Summary Record for the First Session had been accepted and he asked whether the same could be done for the final Summary Record of the Second Session.

The Representative of France indicated that the final Summary Record for the Second Session had been issued in French; the Chilean Representative indicated that the Spanish version had also been issued.

The Chairman said that, hearing no objections, Com. III/SR/2 (Final) was accepted.

Item VI: Financial Aspects of Provisions relating to Withdrawal

The Representative of the United States referred to Article XII, page 24; Article 4, page 32 of the draft to Intergovernmental Agreement; Article 6(c), page 38 of the draft Operating Agreement (Doc. 10). Article XII of Doc. 10 has no provisions like Interim Agreement, Article XI(d) and (e). The Interim Agreement provided for readjustment annually, but this was not appropriate to the organization described in the United States proposal (Doc. 10). There was no need for special readjustment upon withdrawal; quotas could be readjusted at the regular date of adjustment, subsequent to withdrawal.

Note: Any changes or corrections in this Summary Record must be submitted to the Secretary General within 48 hours.

The Representative of India agreed with paragraph 624 in that conditions of withdrawal should be precisely defined. Net worth of commonly owned facilities was identifiable and the signatory held a specific proportion of the undivided interest in investment shares, making possible the calculation of the amount to be reimbursed. Article 9 of the Special Agreement provided for compensation for the use of capital which included an amount for amortization. This provision should be maintained. The definitive arrangements should provide, after payment of maintenance and operating costs, a return to signatories in proportion to their investment shares. If the revenues were not adequate to cover maintenance and operating expenses, these uncovered costs would also be shared in proportion to investment shares. Although it was unlikely that revenues would be inadequate, this obligation should nevertheless be spelled out. Regarding voluntary withdrawal of signatories, those countries which have investment shares have a vested interest which should be recognized. Signatories would have a claim to that amount, as amortized. The method of reimbursement upon withdrawal should be left to the Governing Body. The Governing Body could decide, in due course, how much money was available for reimbursement of capital to the withdrawing country. After withdrawal, the quota share of the withdrawing country would be distributed pro-rata among remaining members.

The Representative of Australia did not want to pre-determine how often quotas should be changed. Potential withdrawing countries were of two types: (1) voluntary; (2) those which were expelled. The definitive arrangements should give consideration to the investment of the withdrawing country. He wondered what the rights of countries which voluntarily withdrew should be. He also wondered what the rights and obligations of the remaining members were regarding taking-up the withdrawing country's investment share.

The Representative of Japan said that access to the system should be global and on a non-discriminatory basis. Direct access could be obtained by payment of utilization charges, subject to proper terms and conditions. Accordingly, he supported paragraphs 554 and 555. The question of withdrawal was covered in the Interim Agreement under Article XI, which could be included in the definitive arrangements.

The Representative of Canada said that, regarding U.S. comments, he believed that the settlement of withdrawal should be on an annual basis, because this would prevent unnecessary bookkeeping. The obligation of the remaining members to take up the withdrawing country's share should be spelled out. This could be done by some modification of Article XI(d) and (e). Regarding the comments of the Indian Representative on withdrawal, he believed the rights of members, as well as their obligations, should be spelled out.

The Representative of Denmark indicated that members and non-members should have access under the same financial conditions. If a country can choose to become a member, there should not be too great a penalty for withdrawal. The Interim Agreement penalizes withdrawal in that it requires payment both of commitments, up to the time of withdrawal, and obligations for the future, without spelling-out any corresponding rights. If there were a withdrawal, the withdrawing country should get its money back.

If a country were not sure that it would get its money back, it might deplete its investment share before withdrawing. On the other hand, if it was reimbursed it would have no reason to withdraw.

The Representative of France said that, upon withdrawal, a country should get back the net worth of its remaining investment, minus an appropriate amount for depreciation. If the budget were balanced, it would also get interest on its capital. If revenues did not cover depreciation and interest at the time of withdrawal, there would be a right to such amounts from future revenues. If the withdrawing country did not have the rights mentioned above, it would be treated unfairly. This would be particularly bad for countries with a substantial capital investment.

The Representative of the United Kingdom said that the Interim Agreement provided that upon withdrawal a country should meet all its obligations, including amounts not paid. Furthermore, the rights of remaining members were readjusted. He believed a similar provision in the definitive arrangements would be appropriate. He noted the desirability of compensating the withdrawing country, but pointed out that that country's obligation should also be maintained. If the withdrawing country was paid compensation, there was the problem of reconciling two principles: (1) If the principle of investment related to use were maintained, remaining members would have to increase their investment shares; (2) on the other hand, members should not be forced to increase their investment.

The Representative of Syria supported the positions of India, Denmark and France. He believed that the withdrawing country's investment should be safeguarded.

The Representative of Germany said, regarding Item V, that he supported paragraph 554 and had done so at the time the ICSC Report had been prepared. Non-members could have access via members' ground stations. The non-member would have financial obligations to the organization. Regarding Item VI, the provisions of Article XI(a), (b), (c) of the Interim Agreement, should be included mutatus mutandis in the definitive arrangements. In accord with paragraph 625, the Assembly could require withdrawal when obligations had not been maintained.

The Representative of Switzerland said that financial interests of all members should be safeguarded. This subject should be studied further in a working party. The amount that should be paid back a withdrawing country should be based on the market value of its assets in the organization.

The Representative of the Netherlands saw the question of withdrawal as primarily legal.

The Representative of Australia believed that the voluntarily withdrawing country should have rights, but that the expelled country should not necessarily have them. The withdrawing country has certain obligations regarding monies presently due and monies committed by contract.

The Representative of Chile said that there must be some advantage in remaining in the organization.

The Representative of Venezuela supported the Representatives of Chile and Australia. Withdrawing and expelled countries should be differentiated and conditions of withdrawing should be defined. Regarding voluntary withdrawal, perhaps Article XI of the Interim Agreement could be followed. The expelled country might not be fulfilling its obligations and for this reason might be asked to withdraw. It should not receive compensation upon such withdrawal.

The Representative of Morocco supported the Swiss proposal to establish a working group. He pointed out that at the outset investment was large and revenues small; at the end the reverse situation obtained. With such a complicated problem, experts should be called in to determine a solution.

The Chairman explained the contemplated procedure. First, opinions would be expressed; hopefully members' views would be modified; there would then be a second round of debate; if there was no agreement, the problems would be given to specific work groups. Accordingly, the Committee might wish to take up the suggestion of the Swiss Representative for a working party after the second round of discussion.

The Representative of Australia pointed out that withdrawal presented problems. The withdrawing country's quota should be reapportioned according to utilization by remaining members, but on the other hand such remaining members should not be required to take what they did not want.

The Representative of France believed it impossible to distinguish completely between discrimination and non-discrimination, because a country ready to withdraw involuntarily from the organization very likely would arrange to leave the organization voluntarily to avoid any penalty. It might be preferable therefore to apply equitable treatment to voluntary and involuntary withdrawals.

The Representative of Denmark thought the distribution of quotas released by the withdrawal of a member should be the same as that applied when shares are adjusted.

The Representative of Italy believed that the machinery for dealing with withdrawals should be studied by experts. A going commercial concern was being created and risks were anticipated. Care must be taken not to encourage withdrawals. In considering standards for withdrawals of members with 1.5 or 2% interest in the organization, the applicability of such standards to the withdrawal of a member who owned 45 or 50% of the capital of the organization might be overlooked. Rather than a bonus for withdrawal, a penalty should be considered.

The Representative of Venezuela observed that there seemed to be three suggested categories of withdrawal; voluntary, forced and required withdrawal. In his view there were just two categories: voluntary withdrawal and withdrawal for failure to comply with the rules.

The Representative of Belgium believed strongly that this matter should be referred to a group of experts. In regard to Agenda Item VII, more specific data were needed to consider the financial aspects of the different kinds of withdrawal actions, such as, partial, forced, expelled, and transition withdrawals. He, therefore, supported the Swiss proposal for a small working group.

The Chairman requested the Committee's guidance concerning desired procedures. He felt an exchange of views was needed so that the terms of reference for a working party were not too hastily drawn. In first exchanging views, then preparing a summary, next debating a second time, and finally referring to a working party those aspects still not agreed, he hoped to maximize the Committee's effectiveness.

The Representative of Italy observed that the Committee appeared to agree with the Chairman's suggestion, which he also supported. He agreed with the Representative of Belgium that withdrawal presented a special problem which might be given to a small working group of experts.

The Representative of Canada agreed with Switzerland, Belgium and Italy about setting up a working group now. He noted the presence of several experts on financial matters and thought that, given a few hours, a group of these individuals could provide some concrete proposals for the Committee to consider.

The Representative of the Philippines did not entirely agree with the Canadian view since some delegates had not yet expressed their views. He felt the matter went beyond financial issues and preferred a second round of debate before establishment of a working group.

The Representative of France supported the creation of a working group with additional responsibility for the substance of Agenda Item VII.

The Chairman noted that the Committee has not yet discussed Item VII and thought it therefore premature to assign it to a working party.

The Representative of France agreed and suggested discussing Item VII where the technical problem was quite similar to that of Item VI.

The Chairman asked whether the Committee could accept a working party for Item VI and other items which might be finished in the first round of debate today. He referred to the desirability of establishing one working party rather than a multiplicity of them.

The Representative of the Netherlands supported a second round of debate next week and then the establishment of a working group.

The Representative of the United Kingdom thought a working party could be particularly helpful on the subject of withdrawal but favored a second round of debate before its establishment.

The Representative of Syria thought Point VI had been fully covered and the time had come to proceed to the next item.

The Representative of Venezuela recommended that debate proceed to Item VII; the Agenda could be reviewed afterwards and a decision taken on working parties.

The Chairman suggested that the Committee debate Item VII and establish a working group the first part of next week.

The Representative of Belgium explained his statement about withdrawal during transition. He had merely observed a connection between Item VI and Item VII in that there would be some partial withdrawals as members' quotas were increased or decreased during the period of transition to the definitive arrangements.

Concerning Item VI, the Representative of the Philippines felt that while on the one hand there was a need that a withdrawing country be reimbursed for its invested capital, on the other hand this could endanger the viability of the system if it encouraged a major investor to withdraw. Also, provisions encouraging non-discriminatory direct access, regardless of membership in the organization, could mean that there was little incentive to membership. Withdrawal should be discouraged, not encouraged.

Item VII: Financial Aspects of Transition from Interim Arrangements to Definitive Arrangements

The Representative of the United States referred to the U.S. paper, Com. III/2, whose provisions concerning transition covered three needed determinations: (1) selection of a period of time preceding the definitive arrangements over which system-use would be measured; (2) development of a workable method to measure use during that period; and (3) development of an equitable method to determine INTELSAT's investment valuation at the time of entry into force of the definitive arrangements. 1969 could be the period for determining new quotas. Doc. 10, starting with Article IV on page 32, covered these matters in detail.

The Chairman observed that it might be difficult to debate this topic at the present time. By the second round of debates, he hoped Committee I would be further along with its consideration of related matters.

The Representative of Australia agreed with the Chairman. Valuation of assets was the heart of this question. There was almost certain to be some change in quotas after the transition period. The question of rights of Signatories expecting a return on their capital would be an important question.

The Representative of Argentina thought that when the definitive agreements entered into force, investment shares would have to be modified and decisions made concerning countries whose quotas increased--whether they must accept the increase or not. Countries should not be obliged to accept the increased quota, but all should have the right to do so.

The Representative of the Netherlands said that, in determining the value of property, the net payments method, as described in the U.S. paper, should be used. The Representative of France agreed with Australia that the question of return on capital must be examined. He agreed that from a juristic viewpoint the Committee needed the conclusions of Committee I, but that Committee III could nevertheless study financial aspects without awaiting the results of Committee I. Members of the future organization should not be obliged to take up their new quotas. Countries could increase their quota by increased leasing of circuits. In other words, they could buy some of the increase and lease the rest.

The Representative of Germany suggested the Committee defer further consideration of this topic until it reached its decisions concerning Items I and IV.

The Representative of Australia noted that if the Committee were to discuss the value of INTELSAT property it might be advantageous to have information on the different methods of valuation.

The Representative of Chile inquired about the possibility of obtaining financial assets figures up to December 31, 1968.

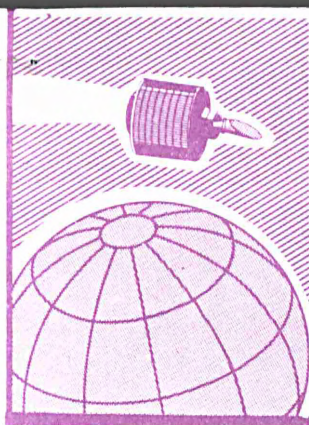
The Representative of the United States stated that figures for this period could readily be made available.

Next Meeting

The Chairman announced the next meeting of Committee III at 2:30 p.m. Tuesday, March 11, in the Main Conference Room.

The meeting was adjourned at 4:34 p.m.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/7 (Final)
March 13, 1969

SUMMARY RECORD--SEVENTH SESSION OF COMMITTEE III
TUESDAY, MARCH 11, 1969

Convening of the Session

The meeting was convened in the Main Conference Room at 2:35 p.m. by Chairman White.

Announcement

The Chairman said that Mr. Claude Badoux, Chief of the Interpreting Section for the ICSC Report had been killed in an accident yesterday. He wished to express condolences on behalf of the Committee and requested that they be conveyed to Mr. Badoux's family by the U.S. Delegation.

Summaries of the Committee's Consideration of Its Work Program: Procedure

The Chairman called the Committee's attention to Documents Com. III/41 through 44 which summarized the Committee's consideration of its Work Program thus far. The summaries had been prepared by himself, the Vice Chairman and the Secretary. There were two ways the Committee could take decisions: (1) by recording agreement on various issues; or (2) by voting. He preferred the first method, using the second only where there was conflict.

The Representative of Malaysia pointed out that all members were not in Committee III and questioned therefore whether a vote was binding. The Chairman said the rules of procedure provided that on substantive matters a two-thirds majority of those present and voting was necessary, whereas on procedural matters a simple majority was sufficient. Committee votes would be transmitted to the Plenary Session for consideration and final decision.

The Representative of France observed that small delegations were not fully represented in the Committee and therefore its votes would not fully represent the views of members. Accordingly, he suggested leaving voting to the Plenary Sessions.

The Representative of New Zealand believed that the Committee should form its views without voting if possible. He might go along with the Committee's decisions now but later object to them in the Plenary Sessions.

The Chairman noted that every matter discussed in Committee could be reopened in the Plenary Session if desired.

The Representative of Belgium supported the Representative of France in the view that there should be no voting on Document Com. III/41.

The Representative of Denmark also favored attaining a consensus in the Committee and leaving voting to the Plenary Sessions. This was followed by Committee IV.

The Chairman then set forth a possible approach to the matter of summary documents. There were four papers: Com. III/41, Com. III/42, Com. III/43 and Com. III/44. Com. III/41 summarized the first round of debate on the first four sections of the suggested work program. It tried to capture the principal issues raised by the delegates in their papers and statements, to clarify the questions raised and to indicate degrees of support for various viewpoints. As a result, some issues might be decided by the Committee unanimously or through a large consensus, for example, the minimum quota of .05%. On Section F of Com. III/41, however, the Committee would probably need to establish a working party to evaluate the alternatives suggested in the first round of debate. The working party would want usage data and forward estimates to test various proposals against factual information. COMSAT would provide any usage data and forward estimates required. Other Sections in Com. III/41 might also necessitate a working party. Document Com. III/43, covering Item IV of the suggested work program, presented many issues which might well be decided in the Committee, with undecided matters being referred to the previously established working party. On Com. III/42, Committee I had already set up a working party to go into the problem of access. Sections 554-556 of the ICSC Report were confusing and thus a drafting committee would seem necessary. Committee III might wish to wait until Committee I had acted. On Com. III/44, covering Items VI and VII of the suggested work program, the Committee might wish an expert review by a small working party different from the previous one.

Discussion on Document Com. III/41

The Representative of Portugal mentioned that his country has to handle public domestic traffic similar to the examples mentioned in Section F1(c) of document Com. III/41.

The Representative of the Federal Republic of Germany asked the Chairman's opinion on whether only decisions relating to public telecommunications service would be discussed and suggested there be no discussion regarding special services. The Chairman said the purposes of the system were partly a question for Committee I. Section F of Com. III/41 included different possibilities.

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Although a final decision would need to rely on a Committee I decision, this should not preclude preliminary consideration of the matter by Committee III.

The Representative of Sudan said with regard to the remarks of the Representative of Portugal that that whole country was within its geographical borders.

The Representative of the United Kingdom, whilst observing that this question could not be considered entirely in isolation from other issues, was prepared to agree that the minimum basic investment share should not be less than .05%.

The Representative of Pakistan also agreed on a minimum share of not less than .05%. If Section D were accepted, a member's total share could be greater; if Section E were accepted there would be an option to reduce it.

The Representative of Canada supported a minimum basic investment share but questioned whether it should be .05% or some other figure, in view of the effect of investment on the governing body and the large number of countries which might become members.

The Representative of Morocco agreed with the attempt to make certain decisions in Committee III now and supported a minimum basic investment quota of .05%.

The Representative of the United States supported paragraph 498 and a minimum basic investment quota of .05%. The minimum basic investment share was a deviation from the principle of investment related to use but this was not important since members using less than .05% would probably increase to that amount when they got earth stations or used the earth stations of another country.

The Representative of Italy believed members using more than .05% should be allowed to take merely that amount of investment. Accordingly, he recommended deleting the words in Section C: "or does not choose to have one."

The Chairman asked if Section C as amended by the Representative of Italy was acceptable to the Committee.

The Representative of Switzerland said Sections C, D and E should be considered together. There would always be a deviation of ownership from use because there would always be changes in use from year to year relative to other states and there would always be very small countries who would not use the system at all. Accordingly, he supported a .05% minimum. Any determination under Section E should not allow a country to go below that minimum.

The Representative of Israel supported the minimum basic share of .05% subject to the exception indicated by the Italian Representative.

The Representative of Ireland supported the Italian formulation.

The Representative of Australia said that every member should have a minimum percentage and $\frac{1}{2}\%$ was reasonable.

The Representative of Malaysia pointed out that $.05\%$ represented three out of the 6000 circuits which is approximately the total capacity available when the present series of INTELSAT III satellites are launched. Even small countries would soon use that many circuits; thus a minimum share of $.05\%$ would apply mainly to countries which do not use the system at all. Malaysia sees no difficulty in applying $.05\%$ as the minimum quota.

The Representative of Nigeria supported the minimum basic share of $.05\%$ as did the Representative of the Federal Republic of Germany.

The Representative of Mexico pointed out that countries having less than 1% of the investment numbered 57; those having 1% to 5% numbered 8; 5% to 8% numbered 3; and those greater than 8% numbered 1. Eighteen of the low 57 had less than $.05\%$ and totaled less than 1% of global telecommunications. Of these eighteen many have a usage near $.04\%$, so an upward adjustment of $.01\%$ would be insignificant. Need for working capital would be higher in the future. Accordingly, his delegation supported a minimum basic share of $.05\%$.

The Representative of the Netherlands supported a minimum but said the amount should be determined later. If investment were related to voting perhaps the minimum should be greater than $.05\%$.

The Representative of Japan supported a minimum basic share of $.05\%$. He also pointed out that Section E related investment shares to actual use and accordingly did not agree with Section E.

The Representative of France asked if $.05\%$ was a minimum below which no country could go.

The Chairman said the minimum was an absolute floor.

The Representative of India supported a minimum basic share of $.05\%$, without a commitment as to the method of determination of quota shares at this stage.

The Representative of Austria said the only difference between Sections C and D was whether the basic share should be given separately from the amount given for use. Regarding Section E he supported paragraph 512.

The Chairman suggested the Committee confine its discussion to Section C and not consider how the $.05\%$ was arrived at.

The Representatives of Belgium, Colombia, Ethiopia and Peru supported a minimum basic share of $.05\%$.

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The Representative of Spain pointed out that this was the situation at present.

The Representative of Syria referred to the Kuwaiti paper, Com. III/3 and the Syrian paper, Com. III/10. He said some small countries could afford a share bigger than the minimum basic share while others could not. The latter should be allowed to choose a lesser amount for their quota.

The Representative of the Philippines had supported a minimum basic share of less than .05% because this would be more attractive to smaller countries. In view of the support he saw for .05% he said he would go along with it but hoped for further consideration. The minimum basic share should be lower than .05% when 17 countries had less than that amount.

The Chairman observed that if the organization's net worth were one hundred million dollars, .05% would be fifty thousand dollars and .025% would be twenty-five thousand dollars.

The Representatives of Argentina and Brazil agreed with the minimum basic share of .05%.

The Chairman asked if he could record the Committee's consensus in favor of a minimum basic share and that the amount of that minimum basic share should be .05%.

The Representative of Canada accepted the minimum basic share of .05%.

The Representative of Italy supported a minimum basic share of .05% regardless of use; any quota above .05% should be related to usage.

The Representative of Ecuador stated that as an observer he was pleased at the proposed adoption of the figure of .05% as a minimum basic share.

The Representative of Iran supported the .05% figure and asked if it would be allotted to a country not qualifying for a higher quota.

The Representative of France could not support the present proposition. It would mean that a small country like Monaco, which could not accept a small fixed quota because of the amount of capital required, would have to withdraw from the organization. This would be unfortunate because the organization should be global and universal.

The Chairman observed there was a consensus on a minimum basic quota, that the figure for this quota should be .05%, and that no member would be entitled to a lower quota. He noted the exception taken by France.

The Representative of Pakistan invited the attention of the Committee to Section E and stated that it did not seem to compel a minimum quota.

The Chairman noted that Section E was yet to be debated. This debate would cover the question of which countries have a right to accept or reject the allotted quotas.

The Representative of Morocco believed that the problem of the minimum basic quota mentioned by France should be discussed under Section E.

The Representative of Tunisia said the Committee should take no action in opposition to the desire for universality. He supported the principle of a minimum basic share if a lower amount could be selected.

The Representative of Italy asked for information on the amount of a share of .05% as of January 1970 in order that any difficulty could be evaluated.

The Representative of the United States confirmed that the amount of this share as of the end of 1969 would be fifty thousand dollars.

The Representative of Sudan supported France on a lower limit for a share because some countries had less than .05% now.

The Representative of Belgium noted that fourteen countries have a lower share than .05% and that this is a relatively large number.

The Representative of Mexico noted that Morocco and Tunisia had raised questions about the difficulty faced by some small countries if they were compelled to adjust their payments upward. He stated that Item D is closely related to Item C and said that the status quo would be desirable for those countries having quotas under about 8%.

The Representative of Kuwait thought Section D should be considered before making a decision on Section C.

The Representative of Chile believed the minimum basic share should not be made compulsory but should be left up to each country.

The Representative of Nigeria noted a consensus favoring .05%. Perhaps Section C could establish the minimum quota and there could be a savings clause in Section E to take care of the problem raised by certain delegations. The title of Section E does not stipulate what kind of quota is intended.

The Representative of the Netherlands thought the provision for a minimum basic share had been originally included to protect the small countries from having too small a share. It now appeared that such countries did not desire this protection.

The Representative of Switzerland proposed noting the Committee's decision to fix .05% as the minimum basic share. He suggested that countries not agreeing could express their views in a plenary meeting.

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The Chairman recorded the action of the Committee along the lines of the proposal of Italy that the minimum basic share would be stipulated as .05% and that the matter would be again considered before the Committee reported. He proposed to proceed to Section E and recalled that in the first round of debate there was not a full measure of expression by all delegates concerning the rejection of quotas. The question to be debated was whether countries have a right to reject the quotas.

The Representative of Morocco said it must be known whether a basic quota or an entire quota is intended. He said he interpreted the meaning to be the minimum quota.

The Representative of the United States supported the investment use concept with a minor deviation to accommodate members who were not yet users of the system. A country could join the organization and receive benefits before becoming a user. Members using the system should, however, bear their just share according to their use.

The Representative of Malaysia agreed generally that investment should in some way be related to use. Whatever formula that the Conference may finally adopt in determining investment shares, there is a need for certain degree of flexibility and the formula should not be rigidly applied in a strict mathematical sense. A country should be given the option not to take up the full amount of quota it is entitled to, if that country finds it difficult to do so for reasons of its own. Also, any country not wishing to change the present quota on entering into the Definitive Arrangement, should not be compelled to do so.

The Representative of Nigeria noted that a definition of the term "quota" in the title of Section E may resolve the problem in Section C. He expressed the view that a Signatory should not be forced to change its quota.

The Representative of Pakistan supported the view of Malaysia. In the case of Pakistan, a country which did not have an earth station, its present share would have to be reduced under the compulsory proposal. A country should not be compelled to reduce its present quota.

The Chairman requested delegates in their statements to indicate whether they meant the quota held by a country or a quota to which a country is entitled.

The Representative of Canada stated, in regard to Section E, that if the Committee desired to maintain the relationship between investment and use it would be necessary to stipulate the obligations of membership. A continuation of the present procedure under ICSC would eventually cause some quotas to be reduced. Traffic in some areas would increase less than it did in other areas with a consequent readjustment of quotas.

The Representative of Denmark noted the necessity to make a distinction for those quotas held under the terms of the Interim Agreement. It would be wrong to force an increased quota upon members. It was not necessary to decide now what happened to the quotas held because Committee I or Committee II might be considering matters which would determine this.

The Chairman noted that (1) Article X of the Interim Agreement provided safeguards for existing investments; (2) Item IV of the Committee's working program concerned rights and obligations.

The Representative of Australia referred to the problem of tying the quota share in a rigid mathematical way to use of the system. A country should not be forced to reduce its quota and a country should not be required to take a rigidly determined quota.

The Representative of Syria noted that a decision had already been taken about the amount of the minimum share. Rejection of a quota can only be decided when the amount of traffic and the use of the space segment is related to the quota of a country.

The Representative of Chile reminded the Committee that relating investment shares to use implied both rights and obligations. An obligation might be relieved if another country wished to increase its share.

The Representative of New Zealand supported Malaysia, agreeing that the relationship between use and investment should not be a precise mathematical one. The question of willingness to meet obligations did not arise. Small users were willing and able to pay for the right of use, including the provision of capital. The flexibility which had been achieved could be continued to allow adequate return on capital if it were provided. A stake in management would be an attractive feature also.

The Representative of France agreed that if proper flexibility were provided, all the problems might be met. A system could be based on the circuit capacity which a country reserves for its future needs. The user would then benefit according to his choice, either as a co-owner or as a lessor, and could change from one category to the other. Participation would then be partly by investment and partly by lease. If this proposition were unsatisfactory, provisions could be adopted somewhere between this and the written proposals being considered by the Committee.

The Representative of Argentina observed that most delegations supported paragraph 498, i.e., a quota based on actual use, and suggested that Section C be considered in two parts. First, a provision could be adopted so that use of the system would determine the maximum investment of each country. Later, provisions could be considered for determining whether all countries were obliged to reach this investment level or not.

The Representative of India noted difficulty in following the discussion on Section E because of its interrelationship with other items. The purpose of Section E was to enable countries which had difficulty in providing capital to limit their quota. The Representative of India agreed with the Representative of New Zealand who had made it clear that a country's contribution of limited capital short of the usage formula was not necessarily tantamount to a failure to meet its obligation. With some rate of return on capital provided, it is preferable to keep an option open for members to meet their obligation by way of usage charges rather than as an investment share.

The Representative of the United Kingdom could not agree with paragraph 51C of the ICSC Report without more qualifications. It would perhaps be inappropriate for the organization to insist that existing members with very small shares increase their shares to a new minimum level. As to the other case of a Signatory wishing to have a larger share than the normal formula might provide, any freedom here must be very clearly defined, and the question could not be fully resolved under this agenda item.

The Representative of Italy pointed out that when a country increased its use of the system it meant the traffic demand was good. On the other hand reduced traffic meant a reduced use of the system and a country would be reimbursed for the amount it contributed at the next adjustment period. The soundest principle for a commercial system is the principle of adjusting the basic shares and the investment quota according to actual use.

The Representative of Switzerland noted that some of the delegations appeared to want to provide for shares in excess of the system and others to want to provide for shares less than the use. The over-all objective should be to encourage investment as a right rather than as a duty. Section E appeared to include two principles: (1) a country could take a lower quota than that allotted to it according to use; and (2) it could request a higher quota than the allotment. While there was no difficulty with the first principle there should be with the second. There could be a provision that a country wishing to take a lower quota could do so if another country were ready to assume an increased quota.

Formation of Working Party

The Chairman noted that it was near adjournment time and asked the Committee to consider agenda items VI and VII. It had been decided last week that a working party of experts was needed. He asked for the views of delegates.

The Chairman, in the absence of objection, established the working party. The work program consisted of Doc. Com. III/44, with the addition of Doc. 8 submitted by Sweden. The composition of the working party was proposed and approved as follows: Argentina, Australia, Colombia, France, India, Kuwait, Mexico, Netherlands, Nigeria, Sudan, Switzerland, the United Kingdom and the United States. The working party will select its chairman.

The Representative of the United Kingdom observed that the personnel for this working party might have to be different from the personnel of the other working party to be established.

The Chairman noted that this consideration could determine whether the working party would be able to meet simultaneously with the other working party or not. He announced that a change in the schedule will permit the Committee to meet in the main conference room tomorrow morning and adjourned the meeting at 5:35 p.m.



PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/7
March 11, 1969

PROVISIONAL SUMMARY RECORD--SEVENTH SESSION OF COMMITTEE III
TUESDAY, MARCH 11, 1969

Convening of the Session

The meeting was convened in the Main Conference Room at 2:35 p.m. by Chairman White.

Announcement

The Chairman said that Mr. Claude Badoux, Chief of the Interpreting Section for the ICSC Report had been killed in an accident yesterday. He wished to express on behalf of the ICSC Committee condolences to be conveyed to Mr. Badoux's family by the U.S. Delegation.

Summaries of the Committee's Consideration of Its Work Program: Procedure

The Chairman called the Committee's attention to Documents Com. III/41 through 44 which summarized the Committee's consideration of its Work Program thus far. The summaries had been prepared by himself, the Vice Chairman and the Secretary. There were two ways the Committee could take decisions: (1) by recording agreement on various issues; or (2) by voting. He preferred the first method, using the second only where there was conflict.

The Representative of Malaysia pointed out that all members were not in Committee III and questioned therefore whether a vote was binding. The Chairman said the rules of procedure provided that on substantive matters a two-thirds majority of those present and voting was necessary, whereas on procedural matters a simple majority was sufficient. Committee votes would be transmitted to the Plenary Session for consideration and final decision.

The Representative of France observed that small delegations were not fully represented in the Committee and therefore its votes would not fully represent the views of members. Accordingly, he suggested leaving voting to the Plenary Sessions.

The Representative of New Zealand believed that the Committee should form its views without voting if possible. He might go along with the Committee's decisions now but later object to them in the Plenary Sessions.

Note: Any changes or corrections in this Summary Record must be submitted to the Secretary General within 48 hours.

The Chairman noted that every matter discussed in Committee could be reopened in the Plenary Session if desired.

The Representative of Belgium supported the Representative of France in the view that there should be no voting on Document Com. III/41.

The Representative of Denmark also favored attaining a consensus in the Committee and leaving voting to the Plenary Sessions. This was followed by Committee IV.

The Chairman then set forth a possible approach to the matter of summary documents. There were four papers: Com. III/41, Com. III/42, Com. III/43 and Com. III/44. Com. III/41 summarized the first round of debate on the first four sections of the suggested work program. It tried to capture the principal issues raised by the delegates in their papers and statements, to clarify the questions raised and to indicate degrees of support for various viewpoints. As a result, some issues might be decided by the Committee unanimously or through a large consensus, for example, the minimum quota of .05%. On Section F of Com. III/41, however, the Committee would probably need to establish a working party to evaluate the alternatives suggested in the first round of debate. The working party would want usage data and forward estimates to test various proposals against factual information. COMSAT would provide any usage data and forward estimates required. Other Sections in Com. III/41 might also necessitate a working party. Document Com. III/43, covering Item IV of the suggested work program, presented many issues which might well be decided in the Committee, with undecided matters being referred to the previously established working party. On Com. III/42, Committee I had already set up a working party to go into the problem of access. Sections 554-556 of the ICSC Report were confusing and thus a drafting committee would seem necessary. Committee III might wish to wait until Committee I had acted. On Com. III/44, covering Items VI and VII of the suggested work program, the Committee might wish an expert review by a small working party different from the previous one.

Discussion on Document Com. III/41

The Representative of Portugal indicated regarding Com. III/41, Section F 1 (c) that, like the Representative of the United Kingdom, he was concerned about traffic to an overseas possession. Accordingly, he suggested amending the section appropriately.

The Representative of the Federal Republic of Germany asked the Chairman's opinion on whether only decisions relating to public telecommunications service would be discussed and suggested there be no discussion regarding special services. The Chairman said the purposes of the system were partly a question for Committee I. Section F of Com. III/41 included different possibilities.

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Although a final decision would need to rely on a Committee I decision, this should not preclude preliminary consideration of the matter by Committee III.

The Representative of Sudan said with regard to the proposal of the Representative of Portugal that that whole country was within its geographical borders.

The Representative of the United Kingdom agreed with Section C of Com. III/41. The minimum basic investment share should not be less than .05%, although it might be more.

The Representative of Pakistan also agreed on a minimum share of not less than .05%. If Section D were accepted, a member's total share could be greater; if Section E were accepted there would be an option to reduce it.

The Representative of Canada supported a minimum basic investment share but questioned whether it should be .05% or some other figure, in view of the effect of investment on the governing body and the large number of countries which might become members.

The Representative of Morocco agreed with the attempt to make certain decisions in Committee III now and supported a minimum basic investment quota of .05%.

The Representative of the United States supported paragraph 498 and a minimum basic investment quota of .05%. The minimum basic investment share was a deviation from the principle of investment related to use but this was not important since members using less than .05% would probably increase to that amount when they got earth stations or used the earth stations of another country.

The Representative of Italy believed members using more than .05% should be allowed to take merely that amount of investment. Accordingly, he recommended deleting the words in Section C: "or does not choose to have one."

The Chairman asked if Section C as amended by the Representative of Italy was acceptable to the Committee.

The Representative of Switzerland said Sections C, D and E should be considered together. There would always be a deviation of ownership from use because there would always be changes in use from year to year relative to other states and there would always be very small countries who would not use the system at all. Accordingly, he supported a .05% minimum. Any determination under Section E should not allow a country to go below that minimum.

The Representative of Israel supported the minimum basic share of .05% subject to the exception indicated by the Italian Representative.

The Representative of Ireland supported the Italian formulation.

The Representative of Australia said that every member should have a minimum percentage and .05% was reasonable.

The Representative of Malaysia said that .05% represented three out of the 6,000 units of satellite operation. Even small countries would soon use that much; thus a minimum share would apply to someone who did not use the system at all.

The Representative of Nigeria supported the minimum basic share of .05% as did the Representative of the Federal Republic of Germany.

The Representative of Mexico pointed out that countries having less than 1% of the investment numbered 57; those having 1% to 5% numbered 8; 5% to 8% numbered 3; and those greater than 8% numbered 1. Eighteen of the low 57 had less than .05% and totaled less than 1% of global telecommunications. Of these eighteen many have a usage near .04%, so an upward adjustment of .01% would be insignificant. Need for working capital would be higher in the future. Accordingly, his delegation supported a minimum basic share of .05%.

The Representative of the Netherlands supported a minimum but said the amount should be determined later. If investment were related to voting perhaps the minimum should be greater than .05%.

The Representative of Japan supported a minimum basic share of .05%. He also pointed out that Section E related investment shares to actual use and accordingly did not agree with Section E.

The Representative of France asked if .05% was a minimum below which no country could go.

The Chairman said the minimum was an absolute floor.

The Representative of India supported a minimum basic share of .05%.

The Representative of Austria said the only difference between Sections C and D was whether the basic share should be given separately from the amount given for use. Regarding Section E he supported paragraph 512.

The Chairman suggested the Committee confine its discussion to Section C and not consider how the .05% was arrived at.

The Representatives of Belgium, Colombia, Ethiopia and Peru supported a minimum basic share of .05%.

The Representative of Spain pointed out that this was the situation at present.

The Representative of Syria referred to the Kuwaiti paper, Com. III/3 and the Syrian paper, Com. III/10. He said some small countries could afford a share bigger than the minimum basic share while others could not. The latter should be allowed to choose a lesser amount for their quota.

The Representative of the Philippines had supported a minimum basic share of less than .05% because this would be more attractive to smaller countries. In view of the support he saw for .05% he said he would go along with it but hoped for further consideration. The minimum basic share should be lower than .05% when 17 countries had less than that amount.

The Chairman observed that if the organization's net worth were one million dollars, .05% would be fifty thousand dollars and .025% would be twenty-five thousand dollars.

The Representatives of Argentina and Brazil agreed with the minimum basic share of .05%.

The Chairman asked if he could record the Committee's consensus in favor of a minimum basic share and that the amount of that minimum basic share should be .05%.

The Representative of Canada accepted the minimum basic share of .05%.

The Representative of Italy supported a minimum basic share of .05% regardless of use; any quota above .05% should be related to usage.

The Representative of Ecuador stated that as an observer he was pleased at the proposed adoption of the figure of .05% as a minimum basic share.

The Representative of Iran supported the .05% figure and asked if it would be allotted to a country not qualifying for a higher quota.

The Representative of France could not support the present proposition. It would mean that a small country like Monaco, which could not accept a small fixed quota because of the amount of capital required, would have to withdraw from the organization. This would be unfortunate because the organization should be global and universal.

The Chairman observed there was a consensus on a minimum basic quota, that the figure for this quota should be .05%, and that no member would be entitled to a lower quota. He noted the exception taken by France.

The Representative of Pakistan invited the attention of the Committee to Section E and stated that it did not seem to compel a minimum quota.

The Chairman noted that Section E was yet to be debated. This debate would cover the question of which countries have a right to accept or reject the allotted quotas.

The Representative of Morocco believed that the problem of the minimum basic quota mentioned by France should be discussed under Section E.

The Representative of Tunisia said the Committee should take no action in opposition to the desire for universality. He supported the principle of a minimum basic share if a lower amount could be selected.

The Representative of Italy asked for information on the amount of a share of .05% as of January 1970 in order that any difficulty could be evaluated.

The Representative of the United States confirmed that the amount of this share as of the end of 1969 would be fifty thousand dollars.

The Representative of Sudan supported France on a lower limit for a share because some countries had less than .05% now.

The Representative of Belgium noted that fourteen countries have a lower share than .05% and that this is a relatively large number.

The Representative of Mexico noted that Morocco and Tunisia had raised questions about the difficulty faced by some small countries if they were compelled to adjust their payments upward. He stated that Item D is closely related to Item C and said that the status quo would be desirable for those countries having quotas under about 8%.

The Representative of Kuwait thought Section D should be considered before making a decision on Section C.

The Representative of Chile believed the minimum basic share should not be made compulsory but should be left up to each country.

The Representative of Nigeria noted a consensus favoring .05%. Perhaps Section C could establish the minimum quota and there could be a savings clause in Section E to take care of the problem raised by certain delegations. The title of Section E does not stipulate what kind of quota is intended.

The Representative of the Netherlands thought the provision for a minimum basic share had been originally included to protect the small countries from having too small a share. It now appeared that such countries did not desire this protection.

The Representative of Switzerland proposed noting the Committee's decision to fix .05% as the minimum basic share. He suggested that countries not agreeing could express their views in a plenary meeting.

The Chairman recorded the action of the Committee along the lines of the proposal of Italy that the minimum basic share would be stipulated as .05% and that the matter would be again considered before the Committee reported. He proposed to proceed to Section C and recalled that in the first round of debate there was not a full measure of expression by all delegates concerning the rejection of quotas. The question to be debated was whether countries have a right to reject the quotas.

The Representative of Morocco said it must be known whether a basic quota or an entire quota is intended. He said he interpreted the meaning to be the minimum quota.

The Representative of the United States supported the investment use concept with a minor deviation to accommodate members who were not yet users of the system. A country could join the organization and receive benefits before becoming a user. Members using the system should, however, bear their just share according to their use.

The Representative of Malaysia agreed generally with the formula and said the quota should not be applied in a strict mathematical sense. A country not wishing to change the quota it had upon becoming a member should not be required to do so.

The Representative of Nigeria noted that a definition of the term "quota" in the title of Section E may resolve the problem in Section C. He expressed the view that a Signatory should not be forced to change its quota.

The Representative of Pakistan supported the view of Malaysia. In the case of Pakistan, a country which did not have an earth station, its present share would have to be reduced under the compulsory proposal. A country should not be compelled to reduce its present quota.

The Chairman requested delegates in their statements to indicate whether they meant the quota held by a country or a quota to which a country is entitled.

The Representative of Canada stated, in regard to Section E, that if the Committee desired to maintain the relationship between investment and use it would be necessary to stipulate the obligations of membership. A continuation of the present procedure under ICSC would eventually cause some quotas to be reduced. Traffic in some areas would increase less than it did in other areas with a consequent readjustment of quotas.

The Representative of Denmark noted the necessity to make a distinction for those quotas held under the terms of the Interim Agreement. It would be wrong to force an increased quota upon members. It was not necessary to decide now what happened to the quotas held because Committee I or Committee II might be considering matters which would determine this.

The Chairman noted that (1) Article X of the Interim Agreement provided safeguards for existing investments; (2) Item IV of the Committee's working program concerned rights and obligations.

The Representative of Australia referred to the problem of tying the quota share in a rigid mathematical way to use of the system. A country should not be forced to reduce its quota and a country should not be required to take a rigidly determined quota.

The Representative of Syria noted that a decision had already been taken about the amount of the minimum share. Rejection of a quota can only be decided when the amount of traffic and the use of the space segment is related to the quota of a country.

The Representative of Chile reminded the Committee that relating investment shares to use implied both rights and obligations. An obligation might be relieved if another country wished to increase its share.

The Representative of New Zealand supported Malaysia, agreeing that the relationship between use and investment should not be a precise mathematical one. The question of willingness to meet obligations did not arise. Small users were willing and able to pay for the right of use, including the provision of capital. The flexibility which had been achieved could be continued to allow adequate return on capital if it were provided. A stake in management would be an attractive feature also.

The Representative of France agreed that if proper flexibility were provided, all the problems might be met. A system could be based on the circuit capacity which a country reserves for its future needs. The user would then benefit according to his choice, either as a co-owner or as a lessor, and could change from one category to the other. Participation would then be partly by investment and partly by lease. If this proposition were unsatisfactory, provisions could be adopted somewhere between this and the written proposals being considered by the Committee.

The Representative of Argentina observed that most delegations supported paragraph 498, i.e., a quota based on actual use, and suggested that Section C be considered in two parts. First, a provision could be adopted so that use of the system would determine the maximum investment of each country. Later, provisions could be considered for determining whether all countries were obliged to reach this investment level or not.

The Representative of India noted difficulty in following the discussion on Section E because of its interrelationship with other items. The purpose of Section E was to aid some countries in contributing the capital required.

The Representative of New Zealand had made it clear that a country's failure to contribute capital according to the prescribed formula was not necessarily tantamount to a failure to meet its obligation. Because of the rate of return, it was preferable to keep an option open to pay more in use charges than to pay an investment share all at one time.

The Representative of the United Kingdom could not agree with paragraph 516 without more qualifications. It would be wrong for the organization to insist that existing members participate in the new organization under a new formula. There was also the other case of a Signatory wishing to have a larger share than the formula might provide. The question could not be fully resolved under this agenda item.

The Representative of Italy pointed out that when a country increased its use of the system it meant the traffic demand was good. On the other hand reduced traffic meant a reduced use of the system and a country would be reimbursed for the amount it contributed at the next adjustment period. The soundest principle for a commercial system is the principle of adjusting the basic shares and the investment quota according to actual use.

The Representative of Switzerland noted that some of the delegations appeared to want to provide for shares in excess of the system and others to want to provide for shares less than the use. The over-all objective should be to encourage investment as a right rather than as a duty. Section E appeared to include two principles: (1) a country could take a lower quota than that allotted to it according to use; and (2) it could request a higher quota than the allotment. While there was no difficulty with the first principle there should be with the second. There could be a provision that a country wishing to take a lower quota could do so if another country were ready to assume an increased quota.

Formation of Working Party

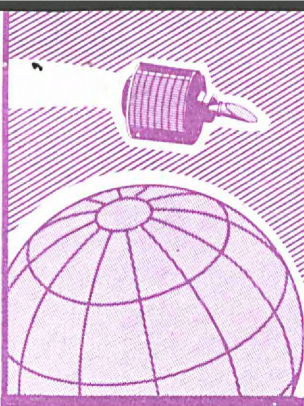
The Chairman noted that it was near adjournment time and asked the Committee to consider agenda items VI and VII. It had been decided last week that a working party of experts was needed. He asked for the views of delegates.

The Chairman, in the absence of objection, established the working party. The work program consisted of Doc. Com. III/44, with the addition of Doc. 8 submitted by Sweden. The composition of the working party was proposed and approved as follows: Argentina, Australia, Colombia, France, India, Kuwait, Mexico, Netherlands, Nigeria, Sweden, Switzerland, the United Kingdom and the United States. The working party will select its chairman.

The Representative of the United Kingdom observed that the personnel for this working party might have to be different from the personnel of the other working party to be established.

The Chairman noted that this consideration could determine whether the working party would be able to meet simultaneously with the other working party or not. He announced that a change in the schedule will permit the Committee to meet in the main conference room tomorrow morning and adjourned the meeting at 5:35 p.m.

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PLENIPOENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/8
March 12, 1969

PROVISIONAL SUMMARY RECORD--EIGHTH SESSION OF COMMITTEE III
WEDNESDAY, MARCH 12, 1969

Convening of the Session

The session was convened at 10:14 a.m. in the Main Conference Room by Chairman White.

Summary Record for Third Session

The Summary Record for the Third Session, Com. III/SR/3 (Final), was accepted by the Committee.

Working Party Membership

The Representative of Australia expressed a willingness to withdraw from the working party studying withdrawal and transition in order to reduce its size. The Chairman accepted the withdrawal of the Representative of Australia.

Obligation of Countries to Change Quotas, Section E, Com. III/41

The Chairman said that Committee members had had a full first round debate on Section E, Com. III/41, which had been captured in the Summary Record and in statements. Accordingly, he hoped delegates would now confine themselves to short statements.

The Representative of Peru wanted a minimum basic investment share and believed the amount of that share should be .05%. The Representative of France had said that .05% would present obstacles to certain small countries. Accordingly, the Representative of Peru supported .025%. Sections D and E were closely related to questions of use, including international traffic and future use. A member should be able to take a quota less than that allotted. The overage should be distributed among those members who wanted it. If the quota were to be related to use, a member should be compelled to reduce his quota, if necessary, every two years.

Note: Any changes or corrections in this Summary Record must be submitted to the Secretary General within 48 hours.

The Representative of Pakistan pointed out that para. (b) (III) of Article IX of the Interim Agreement provided for safeguarding the investment of members. Accordingly, the Definitive Arrangements should not compel members to reduce their quotas.

The Representative of Israel pointed out that para. 512 related to existing investment quotas and that Section E related to Com. III/16. The initial adjustment should be determined on a forecast of use in the third year, based on the trend of past traffic and requested capacity. Periodic adjustments, on the other hand, should be every two or three years. In either case a member country whose quota was lowered should be required to reduce its quota. A member should not be compelled to increase its quota provided that the amount not taken could be divided proportionately among remaining members.

The Representative of the Federal Republic of Germany referred to Section E. If investment were related to use, members should be required to adjust their quotas. On the other hand, if members felt their quotas to be too high, they should be allowed to reduce them. There should be a periodic review of quotas.

The Representative of Nigeria believed that the issues in Sections C and D had not been resolved. Para. 498 had been quoted only in part. The concept of a minimum basic investment share would not mean that members could not have a higher basic investment share. Some of the developing countries wanted more than .05%. Nigeria itself had .335% and was satisfied with that amount. However, in view of Nigeria's current limited usage, the present proposals would require its share to be reduced to .05%. Under the Interim Agreements Nigeria had been unable to arrange a combined quota of 1.5%, which would entitle the representative of the combined quotas to obtain membership on the ICSC Committee. Regarding Section E, if members were not compelled to reduce their quotas when a new country entered the organization, there would be a problem. There should be a reallocation of quotas when new members came in.

The Chairman said that the .05% under C related to the minimum basic investment share. There was still the question of the rights and obligations of existing members. There was a consensus regarding the minimum basic investment share, with certain exceptions that he would note. The Committee should now consider whether a member was required to take a certain share, including his minimum basic investment share, or whether the member had an option to increase or decrease it.

The Representative of Thailand said that if investment were related to use, it would be necessary to compel an appropriate increase or decrease in members' shares at periodic intervals.

The Chairman said he wished to formulate what he believed to be the consensus of the Committee. Investment shares should be related to traffic, whether the traffic was past or present. Members would be expected to take up their apportioned share. However, present members who have a lower than assigned quota should have the option of not taking up a higher share.

The Representative of the United Kingdom believed there should be no unequivocal right not to take up shares. If some members's shares would not rise, others shares would have to rise. Therefore, the rights not to have to take up an additional amount must be subject to the consent of remaining members.

The Chairman acknowledged this exception. Any country not wishing to take up its entitlement share could request a smaller share from the Board of Governors on the assumption that other countries would take up the unallocated portion.

The Representative of France said that members should have the right not only not to increase their shares but also to reduce them. Existing members who did not want to increase their shares, and new members who would not want to take up as much as .05% should not be required to do so.

The Chairman asked the Representative of France for a summary explanation of how he wished to amend the consensus.

The Representative of France said that members not wishing to take their full quota should not be required to do so, under terms to be defined. One of these was the freedom of choice to take less than their assigned share. In addition, new members desiring greater than .05% could also take such greater amount.

The Chairman said that the latter point would be acceptable if stated in the form that members could make application to the Board of Governors, who would then make the determination. The first point of the Representative of France had been covered already.

The Representative of Italy noted that the first part of the French proposal contradicted the concept of a minimum basic investment share of .05%.

The Chairman said that the Board of Governors could determine whether to make this exception to the minimum basic investment share.

The Representative of France believed this right should be that of the members and not of the Board of Governors.

The Chairman said that when a new country seeks to join, it must make application. If the concept of a minimum basic investment share were approved, this would be one of the conditions of membership. If applicants desired to take less, they could so state. Whether they would be allowed to do so would be determined by the organization. It was fundamental that prospective members could not determine their own rules for obtaining membership.

The Representative of Belgium said that members should have the right to have a minimum basic investment share of less than .05%. In addition, new members should not be required to take that amount.

The Chairman said that only a few countries, probably two or three, had quotas substantially less than .05%. About fourteen countries had shares near .05%, but, these had been reduced below that figure because of the entry of new members. Thus, only two or three members might not wish their quotas to be increased. There was a consensus for a minimum basic investment share of .05%. The two exceptions would be existing members with low quotas, and new ones who sought low quotas.

The Representative of Nigeria said that certain existing and prospective members had or would want less than .05%. Accordingly, he believed that the minimum basic investment share should be low enough to satisfy all countries.

The Chairman said that a working group had been set up to work on Section F. He believed this working group should also examine Section D because it was integrally related. Accordingly, the Committee was left with Sections A, B, and G. Regarding Sections A and B, the Committee had clearly expressed its view in the first round of debate. Section G, the frequency of quota adjustments could be resolved in Committee. If it were not possible to capture a consensus on Sections A, B and G, they could be considered by the group working on Sections D and F.

The Representative of Canada said, regarding Section E, that if a minimum basic investment share were established it would not make sense thereafter to make numerous exceptions.

The Representative of Colombia agreed with the Canadian Representative. The Committee had agreed yesterday that new countries would have to take up a minimum basic investment share of .05%, subject to the French exception that existing members with less than .05% who could not afford to increase it would not be required to do so. Now there were discussions that new members need not take up .05%. If yesterday's Committee decision were maintained, new members as well as existing ones should be required to take up at least .05%.

The Representative of Morocco said that those countries that have less than .05% should be allowed to stay in the organization, even if they did not wish to take up to their minimum basic investment share.

The Representative of Malaysia asked whether the Chairman could summarize the points of disagreement.

The Chairman responded that some delegations believed that if there was a minimum basic investment share, no one should go below it. Others believed that some should be able to go lower. These views would appear in the summary records.

Frequency of Quota Adjustments

The Chairman noted that some delegations had suggested that investment quotas be adjusted on an annual basis, while others suggested every two or three years. Some countries believed that annual adjustments would not be practicable for them.

The United States Representative supported the concept of annual adjustments, and suggested Item G be considered together with Items D and F by the working group. The Representatives of Belgium and the United Kingdom supported the United States view.

The Representative of Italy urged that the Working Group consider a third alternative to Section G, Com. III/41, permitting the Governing Body to determine the frequency of adjusting quotas.

The Representative of Denmark, while not opposing the concept of annual adjustments, suggested that the Working Group consider how accounting procedures with regard to capital investment would work in actual practice.

The Representative of Malaysia noted that domestic considerations of some countries, such as his, made annual adjustment impractical.

The Representative of Australia suggested that the Working Group consider both the long term and short term aspects of quota adjustments. The rapid proliferation of earth stations over the short term might require special attention.

The Representative of Switzerland noted that Items C, D, F and G were interrelated and should be considered together by the Working Group. Switzerland endorsed para. 500 of Document 6, which proposed a fixed investment quota for all signatories.

The Chairman observed that the Working Group could take into account the consensus achieved during the previous Session with regard to Item C, that the minimum investment share for each signatory should be .05%.

Owners/Users

Taking note of previous discussion, the Chairman consulted the Committee and determined that a clear consensus existed in support of Section B.1. of Com. III/41, that there should be a clear distinction between the role of signatories as co-owners of the space segment and their role as users of the space segment. He noted that consideration of rate of return on capital investment would be taken up by the Working Group.

Ownership

The Chairman solicited the views of the Committee as to whether the Committee could achieve a consensus with regard to Item A, Com. III/41, or whether it would be appropriate to refer this matter to the Working Group.

The Representative of the Federal Republic of Germany suggested that discussion of this issue be deferred until such time as the structure of the organization is determined. In the event the organization has its own legal personality, ownership will reside in the organization itself; whereas, if the joint venture arrangements are continued, ownership will belong to all members in undivided shares.

The Chairman thereupon agreed to defer consideration of Item A at this time.

Financial Rights and Obligations of Investors

The Chairman observed that Com. III/43 dealt with Item IV of the work program (Com. III/1) and suggested that it be considered by the Working Group since the subject was inseparable from other areas under consideration, such as the rate of return on investment.

The Representative of Belgium suggested, and the Chairman agreed, that Section A of Com. III/43--Property Rights and Interests--should not be considered by the Working Group at this time.

Establishment of Working Group 1

Following general discussion by the Committee a working group designated as Working Group 1, was formed consisting of the following: Australia, Belgium, Brazil, Chile, Colombia, France, Germany, India, Israel, Japan, Kuwait, Lebanon, Malaysia, Morocco, Pakistan, Switzerland, United Kingdom and the United States.

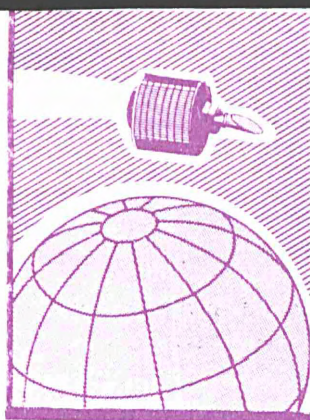
Chairman White proposed, and there was no objection, that Working Group 1 should examine Sections D, E, F and G of Com. III/41, and Sections B, C and D of Com. III/43, and that the Working Group formulate recommendations applicable to the definitive arrangements for consideration by the Committee. In response to a request for clarification by the Representative of Italy, the Chairman indicated that the Working Group should seek to capture recommendations which the Committee could approve and refer to a Plenary Session of the Conference.

The Representative of Belgium expressed concern that such an approach might not provide proper visibility for all points of view expressed before the Working Group.

The Chairman observed that certain views would necessarily be dropped as the Working Group moved along in its deliberations. The Working Group would have the benefit of all the views expressed to date from the Summary Records and Statements issued by various delegations. Additionally, observers may attend the Working Group sessions to present their points of view.

The Representative of Canada urged and was supported by Kuwait and Nigeria, that the Working Group take account of Canada's view that INTELSAT facilities used for domestic services not be taken into account in determining investment share quotas. Facilities used to provide services between such distant geographic areas as East and West Pakistan, the United States and Puerto Rico, Hawaii and Guam, and between the British Isles and Hong Kong, could properly be included in the investment base. Domestic facilities serving a mainland state and its off-shore islands, for example Canada and Newfoundland, should be excluded from the rate base.

The meeting was adjourned at 12:10 p.m.



PLENIPOENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/9
March 13, 1969

PROVISIONAL SUMMARY RECORD--NINTH SESSION OF COMMITTEE III
THURSDAY, MARCH 13, 1969

Convening of Session

The session was convened at 2:42 p.m. in the Main Conference Room by Chairman White.

Establishment of Working Party

The Chairman stated that the primary purpose of the session was to consider establishment of a Working Group to deal with Agenda Item V, Financial Aspects of System Access. The Steering Committee yesterday requested Committee I and Committee III to join in considering the various aspects of system access. He proposed that the Committee constitute a small drafting group to be designated as Working Group 3 for this purpose.

In response to a question by the Representative of France, the Chairman clarified the status of the proposed Group. It will be a Working Group of Committee III, rather than a mixed group of Committees I and III. Working Group 3 of Committee III would hold joint meetings with Working Group C of Committee I.

There was a brief discussion on the question of consecutive and simultaneous meetings. It was decided that there will be no simultaneous meetings of Working Group 1 and Working Group 2 of Committee III at this time. In constituting the new Working Group 3, however, the Chairman proposed that the membership be so formed that it may meet simultaneously with either Working Group 1 or Working Group 2. He noted that it will be necessary for Committee III to make a report to the Plenary early next week, and, therefore, as much work as possible must be accomplished by the close of business on Saturday of this week. The Committee agreed to the Chairman's suggestion.

The following countries were named as members of Working Group 3: Canada, France, Federal Republic of Germany, Indonesia, Norway and the United States.

Note: Any changes or corrections in this Summary Record must be submitted to the Secretary General within 48 hours.

Com. III/SR/9

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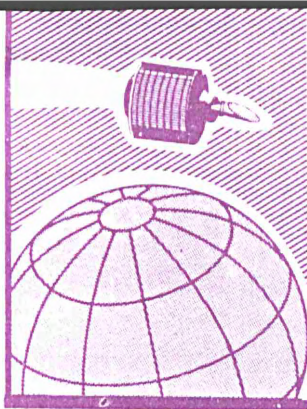
The Representative of France asked what would be the terms of reference of Working Group 3. The Chairman said they were contained in the last paragraph of Com. III/42.

Com. III/SR/4 Final, having been issued in all languages, was accepted by the Committee.

The Chairman asked the members of Working Group 3 to remain behind so they could make arrangements for meeting with Working Group C of Committee I.

The meeting was adjourned at 3:05 p.m.

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PLENIPOTENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/10
March 17, 1969

PROVISIONAL SUMMARY RECORD--TENTH SESSION OF COMMITTEE III
MONDAY, MARCH 17, 1969

Convening of Session

The session was convened at 2:12 p.m. by Chairman White. The Committee accepted the Final Summary Record of its Fifth Session (Com. III/SR/5 (Final)).

Draft Report of Committee III

The Chairman said that the purpose of today's meeting was to consider the Draft Report of Committee III (Com. III/49). The report had been issued in all official languages only recently and he asked if the delegates would like more time to consider it. The Representatives of Kuwait, Switzerland and Mexico supported deferring consideration. The Chairman postponed consideration of the report to a further Committee meeting on Tuesday, March 18.

The Chairman outlined the proposed manner of dealing with the Committee's report. Appendices B, C and D are the reports of Working Groups 1, 3 and 2, respectively. The Committee need only receive these reports. A covering report to the Plenary must be presented by the Committee and this would be considered tomorrow. Hopefully, the Committee could deal with any changes at one session. If there are many amendments, a drafting group, under the Vice Chairman, will be established to revise the report appropriately. The Committee's report is scheduled to be presented to the Plenary on Wednesday, March 19. The Chairman then outlined the future course of the Conference as it affected the Committee's area of work.

The Chairman called attention to a number of changes that had been noted in the draft report, document Com. III/49:

1. Page 4, Item I, second paragraph - Second sentence, beginning "This subject was not debated" should be a separate paragraph.

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2. Page 8, "CONCLUSION," 3rd line - Change "recommends" to "RECOMMENDS"
3. Page 8, last sentence - Amend to read: "In considering this, the Committee has concluded that such a working party might well consist of representatives of all countries wishing to participate."
4. Page 9, final paragraph, second sentence - Change the word "Chairman" to "Chairmen."

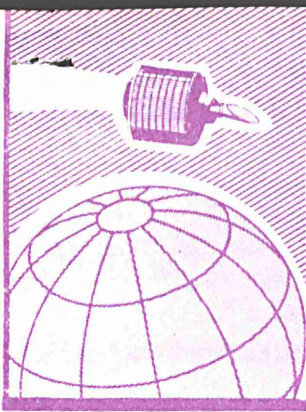
The Representative of France, referring to the Chairman's description of the Committee's proposed procedure and noting that there have been many documents, agreed that a summary of the work of the Committee and the Working Groups is desirable. He proposed that each delegate give particular attention to his own statements, to determine that these are expressed clearly and correctly. He also suggested that delegates refrain from comments on the viewpoints of others. The Representative of Nigeria noted those countries unable to participate in the Working Groups may wish to introduce amendments to ensure inclusion of their views. He also hoped that in scheduling the next Committee meeting, a time would be found that did not conflict with the various Working Groups which the delegates may wish to attend.

The Chairman expressed his understanding of the desire to ensure the correct reporting of all viewpoints. All delegates were free to suggest appropriate changes, although the concern should now be to reflect previous discussions accurately, rather than to introduce any further comments.

Adjournment

The meeting was adjourned at 2:43 p.m. The Chairman announced that the time and place of the meeting tomorrow would be reported in the Order of the Day.

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PLENIPOENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR
THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/11
March 19, 1969

PROVISIONAL SUMMARY RECORD--ELEVENTH SESSION OF COMMITTEE III
TUESDAY, MARCH 18, 1969

Convening of the Session

The Chairman convened the meeting at 11:00 a.m.

Summary Record of the Sixth Session

The Committee accepted document Com. III/SR/6 (Final) dated March 6, 1969.

Committee Report to the Plenary

The Chairman stated that the main business of this session is to consider the Draft Report to the Plenary contained in Com. III/49. He asked if any delegation expected to propose such major amendments thereto that it might be advisable to establish a drafting group. He emphasized that it is not proposed to approve, endorse or discuss the reports of the Working Groups contained in the appendices to Com. III/49, but only to receive them for attachment to the Committee report. He proposed that, in processing any amendments to the text of the report itself, the Committee not debate the issues but propose amendments in written form to the Secretary. Any important matters requiring further attention might be brought up in the Plenary if they are not covered in the specific amendments made to document Com. III/49 today.

A question was raised concerning the correctness of the basic traffic data used by the Working Group and attached to the report. In view of the clarification by the Representative of the United States that the data furnished was only illustrative, it was agreed that this matter be noted in the Plenary for the attention of the Interim Committee, expected to be established, with the understanding that current data will be introduced and considered at the appropriate time.

In the absence of any comments regarding page 1 of Com. III/49, the Chairman asked for amendments to page 2 of the report.

It was proposed and agreed that the second paragraph on page 2 be amended by adding the following: "Nevertheless, since not all delegations have indicated or been able to indicate their active support for one or the

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other views expressed, the tabulation in document Com. III/41 is not necessarily a true reflection of the distribution of opinions held by the delegates participating at this Conference."

It was proposed and agreed that the word "Australia" be deleted from the fifth line, first paragraph of page 3.

The Chairman asked if there were any amendments to the "Introduction," beginning on page 3. It was proposed and agreed to use the term "investment shares" throughout the report in place of the term "investment quotas."

The Chairman called for amendments to Section I. A proposal was adopted to delete the word "depreciation" appearing near the end of the first paragraph. The last sentence beginning "This subject was not deleted" was made a separate paragraph.

The Chairman asked for amendments to Section II. A proposal was adopted for insertion at the end of the present text of Section I of the last paragraph which now appears in Section II.

The order of the second and third paragraph on page 5 was reversed.

In response to a question about the use of words in the report to describe the various degrees of support for proposals, the Chairman stated that in drafting this document the descriptions of the degrees of support are simply intended to reflect the general order of support. It would be difficult to obtain alternative wording, although suggestions might be made.

It was agreed to replace the second paragraph of Section II with the following: "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 commitment 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."

It was proposed and agreed to amend the first paragraph of page 6 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."

- 3 -

It was also proposed and agreed to amend the last sentence of the last paragraph of Section III on page 5 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."

The Committee accepted a suggestion regarding page 6, Section IV, A, first paragraph, first line, by replacing the word "extremely" with "very."

After some discussion, it was agreed to amend page 7, Part B, second paragraph 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%."

After further deliberation the Committee agreed to amend page 7, Part C, second paragraph, 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."

A suggestion was considered and accepted to amend page 7, Section V, by removing the period at end of the first paragraph and replacing it by a hyphen and the words, "see Appendix C."

The Chairman reminded the Committee of the changes he had already recommended in the first paragraph of the Conclusion, page 8, namely, capitalizing and underlining "Recommends," and, in the last sentence of that second paragraph, deleting the words "the following countries," and substituting the words "all countries wishing to participate."

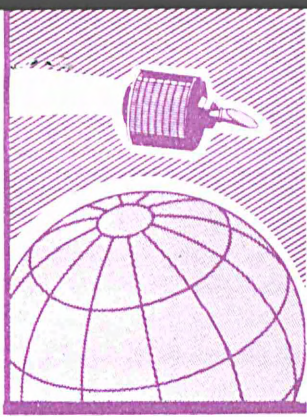
The Representative of Morocco suggested that observers have the same right of participation at the upcoming deliberations as members. The Chairman said that the question of participation was one for the Plenary Session to decide. The Representative of the United Kingdom proposed adding a sentence indicating that the Committee saw the need for continued discussions. The Chairman said that the Plenary must determine whether the Conference would be continued or reconvened. The Representative of Morocco requested the addition of a sentence indicating that observers should be allowed to participate. The Chairman said he thought participation would be open to all.

The Representative of Kuwait preferred to delete the words "after March 21st" from the last paragraph on page 8. The Chairman said that these words did not mean that the Conference would take action a few days after March 21st; they were added because the Steering Committee had not yet determined whether the conference should be adjourned or continued at a later date.

The Representative of France suggested and the Committee agreed to changing the verb in the French version to "reprenant," to make the intent more clear, and adding a sentence indicating that the Committee had received but had not discussed or approved the Appendices.

The Chairman said that since the Committee had completed its amendments to the Committee Report there would be no need for further meetings. The Representatives of Mexico, the United States, Switzerland, Pakistan and Nigeria thanked the Chairman for the efficient way in which he had conducted the Committee meetings and thanked members of the Secretariat for the work they had done. The Chairman thanked the Representatives for their comments. The meeting was adjourned at 1:00 p.m.

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PLENIPOIENTIARY CONFERENCE ON DEFINITIVE ARRANGEMENTS FOR THE INTERNATIONAL TELECOMMUNICATIONS SATELLITE CONSORTIUM

Washington, D.C., February - March 1969

Com. III/SR/11 (Final)
March 21, 1969

SUMMARY RECORD - ELEVENTH SESSION OF COMMITTEE III
TUESDAY, MARCH 18, 1969

Convening of the Session

The Chairman convened the meeting at 11:00 a.m.

Summary Record of the Sixth Session

The Committee accepted document Com. III/SR/6 (Final) dated March 6, 1969.

Committee Report to the Plenary

The Chairman stated that the main business of this session is to consider the Draft Report to the Plenary contained in Com. III/49. He asked if any delegation expected to propose such major amendments thereto that it might be advisable to establish a drafting group. He emphasized that it is not proposed to approve, endorse or discuss the reports of the Working Groups contained in the appendices to Com. III/49, but only to receive them for attachment to the Committee report. He proposed that, in processing any amendments to the text of the report itself, the Committee not debate the issues but propose amendments in written form to the Secretary. Any important matters requiring further attention might be brought up in the Plenary if they are not covered in the specific amendments made to document Com. III/49 today.

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