



Highlights of [GAO-04-891](#), a report to congressional requesters

Why GAO Did This Study

In 2000, the Congress passed the Open-market Reorganization for the Betterment of International Telecommunications Act (ORBIT Act) to help promote a more competitive global satellite services market. The ORBIT Act called for the full privatization of INTELSAT, a former intergovernmental organization that provided international satellite services. GAO agreed to provide federal officials' and stakeholders' views on (1) whether the privatization steps required by the ORBIT Act have been implemented and whether there were potential inconsistencies between ORBIT Act requirements and U.S. obligations made in international trade agreements; (2) whether access by global satellite companies to non-U.S. markets has improved since the enactment of the ORBIT Act and, if so, to what is this generally attributed; and (3) if any market access problems remain, what role does the Federal Communications Commission (FCC) have in addressing those problems under the ORBIT Act.

www.gao.gov/cgi-bin/getrpt?GAO-04-891.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Mark Goldstein at (202) 512-2834 or goldsteinm@gao.gov.

TELECOMMUNICATIONS

Intelsat Privatization and the Implementation of the ORBIT Act

What GAO Found

Most of INTELSAT's privatization steps have taken place and a variety of stakeholders told us that implementation of the ORBIT Act was not inconsistent with the commitments that the United States made in international trade agreements. In July 2001, INTELSAT transferred its satellite and financial assets to a private company. FCC determined that this and other actions satisfied the ORBIT Act requirements for INTELSAT's privatization but noted that the company must hold an initial public offering (IPO) of securities by a required date. The current deadline for the IPO is June 30, 2005. Because Intelsat has not completed the IPO, some satellite companies assert that privatization is not fully complete. Some parties have pointed out that there was a possibility that implementation of the ORBIT Act could have given rise to action arguably inconsistent with commitments that the United States made in international trade agreements. However, we were told that actual implementation avoided such outcomes and no disputes arose.

Most stakeholders and experts that GAO spoke with believe that access to non-U.S. satellite markets has improved, but few attribute this improvement to the ORBIT Act. These stakeholders and experts said that global trade agreements, such as the WTO's basic telecommunications commitments, and the global trend towards privatization of telecommunications companies have improved access in non-U.S. markets. Several stakeholders and experts told GAO that improvements in market access were already underway when the Congress passed the ORBIT Act and that the act has complemented ongoing trends towards more open satellite markets.

Some satellite companies report continuing market access problems, but there are disagreements regarding whether FCC should investigate and resolve these problems. Some satellite companies that GAO spoke with report problems with access to non-U.S. satellite markets, which they attribute to countries with policies that favor domestic and regional satellite companies, countries exercising control over content, bureaucratic processes in various countries, and long-term business relationships between INTELSAT and various telecommunications companies. Most companies GAO spoke with report that Intelsat does not take active steps to acquire preferential or exclusive market access, and Intelsat itself stated that it does not seek nor, if offered, would accept preferential market access. Finally, some companies suggest that FCC should take a more proactive role in investigating market access problems, rather than assuming an adjudicative role. FCC said that evidence provided to the agency has not been sufficient to warrant action and also suggested that trade disputes are more appropriately addressed by the United States Trade Representative.

We provided a draft of this report to four government agencies and five private companies for review and comment. Their comments are summarized in the letter of this report.