



Highlights of [GAO-05-550T](#), a testimony before the Subcommittee on Telecommunications and the Internet, Committee on Energy and Commerce, House of Representatives

## 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. In this testimony, GAO discusses (1) the impetus for the privatization of Intelsat as competition developed in the 1990s, (2) the extent to which the privatization steps required by the ORBIT Act have been implemented, and (3) whether access by global satellite companies to non-U.S. markets has improved since the enactment of the ORBIT Act.

[www.gao.gov/cgi-bin/getrpt?GAO-05-550T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-550T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact JayEtta Z. Hecker at (202) 512-2834 or [heckerj@gao.gov](mailto:heckerj@gao.gov).

## TELECOMMUNICATIONS

# Market Developments in the Global Satellite Services Industry and the Implementation of the ORBIT Act

## What GAO Found

When commercial satellite technology was first deployed, a worldwide system was seen as the most efficient means to facilitate the advancement of a fully global provider. INTELSAT was thus established as an intergovernmental entity, originally established by 85 nations, that was protected from competition in its provision of global satellite communications services. By the 1980s, however, technology developments enabled private companies to efficiently compete for global communications services, and in 1984, President Reagan determined that it would be in the national interest of the United States for there to be greater competition in this market. New commercial satellite systems emerged, but soon found that INTELSAT enjoyed advantages stemming from its intergovernmental status and ownership by telecommunications companies in other countries that impeded new satellite companies from effectively competing. The new satellite companies began to call for INTELSAT to be privatized. Decision makers within INTELSAT also determined that privatization would enable more rapid business decisions.

Just prior to INTELSAT's privatization in July 2001, FCC determined that INTELSAT's privatization plan was consistent with requirements of the ORBIT Act. The Federal Communications Commission (FCC) thus authorized the privatized Intelsat—the official name of the company after privatization—to use its U.S. satellite licenses to provide services within the United States pending an initial public offering (IPO) of securities that was mandated by the ORBIT Act to occur at a later time. New legislation was passed in 2004 that allows Intelsat to forgo an IPO if it has achieved substantial dilution of its “signatory” ownership—that is, dilution of ownership by those entities (mostly government-controlled telecommunications companies) that had been the investors in INTELSAT when it was an intergovernmental entity. Since Intelsat has recently been sold to a consortium of four private investors, it no longer has, according to an Intelsat official, any former signatory ownership. FCC is still reviewing this transaction to determine whether Intelsat has met the requirements of the ORBIT Act as amended and thus is no longer required to hold an IPO.

Most of the stakeholders we spoke with said that access to non-U.S. satellite markets has generally improved during the past decade. This improvement in market access is generally attributed to global trade agreements and privatization trends. Despite this general view, some satellite companies expressed concerns that some market access issues still exist. For example, some companies noted that some countries may favor domestic satellite providers or may choose to continue obtaining service from Intelsat because of long-term business relationships that were forged over time. Nevertheless, Intelsat officials noted that it seeks market access on a transparent and nondiscriminatory basis and that Intelsat has participated with other satellite operators, through various trade organizations, to lobby governments to open their markets.