



EDUARDO AGUIRRE  
VICE CHAIRMAN

EXPORT-IMPORT BANK  
OF THE UNITED STATES

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February 8, 2002

The Honorable John Dingell  
Ranking Member  
Committee on Energy and Commerce  
U.S. House of Representatives  
2328 Rayburn House Office Building  
Washington, D.C. 20515

Dear Representative Dingell,

Thank you for your letter to Chairman Robson regarding the proposed transaction of support for Shin Satellite Public Co. Ltd ("Shin Sat"). As we informed your staff on January 10, the Export-Import Bank (Ex-Im Bank) Board of Directors voted on that same date to preliminarily approve this transaction subject to referral to the National Advisory Council (NAC) and subject to required Congressional notification. The NAC has subsequently unanimously supported the proposed transaction.

Shin Sat requested support for a loan to finance the iPSTAR Satellite Project, including, possibly, the related launch services. This support will help two U.S. companies, Lockheed Martin and Space Systems/Loral and offset competition from other foreign Export Credit Agencies (ECAs), which could steer jobs from U.S. companies to foreign competitors.

Attached is a detailed response to your questions and I hope this letter is helpful to you and addresses your concerns regarding the Shin Sat transaction.

Sincerely,

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cc: The Honorable W.J. "Billy" Tauzin, Chairman  
Committee on Energy and Commerce

The Honorable James C. Green, Chairman  
Subcommittee on Oversight and Investigations

The Honorable Peter Deutsch, Ranking Member  
Subcommittee on Oversight and Investigations

The Honorable Fred Upton, Chairman  
Subcommittee on Telecommunications and the Internet

The Honorable Edward J. Markey, Ranking Member  
Subcommittee on Telecommunications and the Internet

The Honorable Vanessa Weaver, Board Member  
Ex-Im Board

The Honorable Dan Renberg, Board Member  
Ex-Im Board

The Honorable J. Joseph Grandmaison, Board Member  
Ex-Im Board

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In reference to your specific questions raised in this correspondence:

1. *Orbital Slot Coordination* – In reference to the issue of orbital slot coordination, Ex-Im Bank's engineers have examined the issue related to the orbital positioning of the iPSTAR satellite and have determined that measures are being taken that will minimize the potential for interference between iPSTAR and Asiasat-4. In conformance with recommendations of the International Telecommunications Union, owners of proposed satellites designed to operate in the same frequency band that have assigned orbital slots separated by 2 degrees engage in a "Frequency Coordination Process" to mitigate the potential for signal interference over regions covered by their satellites. Ex-Im Bank's engineers have verified that the owners of iPSTAR and Asiasat-4 are engaged in a formal Frequency Coordination Process, and Ex-Im's engineers are confident that the owners will agree to measures that will allow each satellite to operate with minimal, if any, loss of capacity or degradation in performance. Expected results of the Frequency Coordination Process involve nominal adjustments to the frequency plans of the respective satellites and/or minor adjustments to the iPSTAR satellite.

Ex-Im Bank engineers have verified that the Federal Communications Commission (FCC) allows satellites over the US to be positioned in orbital slots having no more than 2 degrees of separation from adjacent satellites and that numerous satellites, especially over the US, are positioned in orbital slots of this nature. For satellites positioned over the US, the FCC requires operators of such satellites to engage in a Frequency Coordination Process similar to that being undertaken by iPSTAR and Asiasat-4.

Ex-Im Bank's engineers have verified that the technical solutions required to mitigate the potential of signal interference between the two satellites are readily achievable with little, if any, impact on the performance level of either satellite.

The potential for impact on the revenue of iPSTAR resulting from any capacity loss or performance degradation due to adjustments to its frequency plan or satellite characteristics resulting from the Frequency Coordination Process with Asiasat-4 is de minimis and would have no adverse effect on iPSTAR's business plan or ability to service the Ex-Im Bank guaranteed debt.

2. *Foreign Export Credit Competition* – With respect to your inquiry about Shin Sat's international invitation to bid and whether Shin Sat gave these bids serious consideration, Ex-Im Bank was not part of the bidding process, nor did we participate in the process of selection. The bidding process preceded the time when Ex-Im Bank received an application for financing. Under an international invitation, the selection of a potential seller to bid is, generally, solely at the discretion of the bid issuer (in this example, Shin Sat). It is not appropriate business practice for an export credit agency to interfere in an international bid or to be part of the selection process. Additionally, we had no reason to believe, nor did we receive any other information indicating to us, that Shin Sat did not take this bid seriously.

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Ex-Im Bank staff have, however, questioned Shin Sat about the process they followed during the bidding. We were informed that Shin Sat included technical specifications for the satellite construction in its bid. They received feedback and questions from the bidders and responded to all the bidders with clarifications. This indicated that Shin Sat followed appropriate procedures in responding to the competing bidders. Ex-Im Bank staff were also informed that the bids went out to several U.S. satellite manufactures and other internationally known French and Japanese satellite manufacturers. We have received confirmation from the Japanese Export Credit Agency that their supplier also participated in the bid. We are not aware of any concerns they had regarding the bidding process, although the potential Japanese satellite manufacturer was not awarded the contract.

After an application is received by Ex-Im Bank for a final commitment, as with the Shin Sat application, it is Bank policy to proceed with further due diligence to ensure that there was foreign competition for the contract. In this case, Bank staff contacted the Japanese and French export credit agencies and confirmed that there was competition for both the satellite and the launch services.

Shin Sat informed Bank staff that if Ex-ImBank financing for the satellite was not available for this transaction, it intended to shift its sourcing for both the satellite and the launch services to a combination of Japanese and French export credit financing. This move would have put the potential U.S. launch service providers, including Boeing and Lockheed Martin, in jeopardy of losing the U.S. sale. However, Bank staff did not rely solely on representations from Shin Sat; although, the Shin Sat statements are an important part of the due diligence record.

With respect to the terms of financing, Bank staff has had extensive discussions with the French Export Credit Agency to ensure that the foreign buyer is not receiving any preferential terms from any export credit agency. Furthermore, both U.S. exporters for the iPSTAR satellite informed us that foreign ECAs had expressed their willingness to support this transaction if all the sourcing were to move out of the United States. Bank staff does not contact foreign suppliers, as we would be equally concerned if a foreign export credit agency contacted U.S. exporters in order to support their own domestic exporters. This is not a general practice followed by any Export Credit Agency.

3. *Availability of Private Financing* – As a general matter, it is Ex-Im Bank policy to perform independent research on the availability of private financing. Bank staff members working on a transaction carefully review the availability of alternative private financing both as a matter of policy, and to ensure conformance with specific statutory direction. In the case of the iPSTAR Satellite Project, this review consisted not only of information based on Ex-Im Bank's general knowledge of the relevant financial markets and information obtained from Shin Sat, but it also involved specific staff research of publicly available information and significant

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discussions with experienced and knowledgeable participants in the private markets.

With respect to your questions about articles from *Space News*, we would like to clarify some initial chronological confusion with respect to news articles in several trade publications. Our previous responses to inquiries were in reference to an article in *Satellite Finance* that was published in October 2001 and was not in reference to the article in *Space News* that was published in November 2001.

With respect to the interview with *Space News* provided by Shin Sat's President, Dr. Nongluck Phinainitisart, we posed extensive inquiries about this interview to Shin Sat and received a written response from their Executive Chairman, a copy of which is attached. According to the information provided to us by Shin Sat's Executive Chairman, the Executive Chairman checked with Dr. Nongluck about her interview. She explained she was referring to only Shin Sat's ability to raise the funds in the private market for the remaining portion of the financing required for the project.

Shin Sat's financing plan has always contemplated raising remaining required financing through either the commercial bank market or the bond market. However, the need for Ex-Im Bank financing, or other ECA financing, was always considered a first step in the financing plan prior to the final private financing needed to complete the transaction. The options for such gap financing in the market for a borrower of this type are generally either a bond issue, or a loan to be arranged by a commercial bank. Shin Sat informed us that the remaining uncovered portion of the financing would be provided by means of a loan to be arranged by Citibank. Our understanding from Shin Sat, Citibank, and other commercial banks is that they have tied their arrangement of the uncovered portion to be conditioned upon whether Ex-Im Bank or another export credit agency is willing to provide financing for the satellite and the launch services.

With respect to the October 10, 2001 article in *Satellite Finance*, Shin Sat officials maintain, and have since confirmed, that they did not provide interviews to *Satellite Finance*. The Bank cannot speculate on the actual source of the article although commercial banking speculation is often a source for articles such as this.

To further our independent due diligence on the issue of Shin Sat's ability to raise funds in the private sector to finance the iPSTAR Satellite Project, we requested ING Barings to research this matter in consultation with their telecommunications team in Asia. (ING Barings is the corporate and investment banking arm of ING Group. The ING Group is originally Dutch and is headquartered in Amsterdam and London. ING Barings provides an extensive range of financial products and services in 49 countries. Note that ING Barings is not the loan arranger for this financing.)

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In ING Barings' letter to the Bank dated December 7, 2001, they confirm the same premises as had Citibank, Shin Sat, and independent market participants with respect to the non-availability in the private sector for financing of the entire project and for the tenor customarily required in a transaction of this nature. A copy of the ING Barings letter is attached. We have further researched the potential of the issuance of a bond by the Shin Corporation, Shin Sat's parent company, and have obtained confirmation from Standard Chartered and Barclays Bank in Bangkok, which also play major roles in following the bond and commercial banking market in addition to ING Barings. These additional contacts have provided confirmation that there is no indication in the market that the Shin Corporation had any intentions of issuing a bond of which the proceeds would assist Shin Sat in financing the iPSTAR Satellite Project.

Enclosures: Shin Sat article letter  
ING Barings letter

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