FINANCIAL ARRANGEMENTS

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It is really a pity that Ambassador Koh is not here at this late hour to present these intricate issues. We do need someone of the stature and expertise of Ambassador Koh, but unfortunately his services are needed elsewhere and we will try our best with the resources we have at our disposal. I just hope that you are getting your money's worth.

Speaking of money, that is exactly the topic that is dealt with in Negotiating Group Two. This group is dealing with financial arrangements between the contractor or the party which would be mining manganese nodules, and the International Seabed Authority. The contractor or party may be a state, state sponsored, or private party while the Authority is the representative of mankind, the common heritage of which are those manganese nodules.

To speak in simplistic terms the issues that are dealt with in the negotiating group fall into three groups: what kinds of payments would the contractor make to the Authority, when the payments would be made, and how much would be paid. So far there has been discussion centered around four kinds of payments. First, a relatively small amount of application fee would be paid at the time when the application for the contract is submitted. This fee is supposed to take care of the processing costs of the application. Second, another relatively small fee called the annual fixed fee would be paid between the time the contract comes into force and the time production starts from those seabed mine sites.

The third and major part of the revenues of the Authority would come from one of two alternative systems of payments. The concept of the single system composed of a production charge is similar to royalties in the conventional jargon. That production charge would be paid every year on the basis of the gross revenues of those mining operations irrespective of the costs of those mining operations. Finally, the alternative systems, the so-called mixed system whereby

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the contractor pays a relatively small production charge on the basis of the gross revenues and an amount which would be levied on the basis of the net revenues, that is, after you take out the cost of production from the gross sales of the output. The two systems are necessary to accomodate different socio-economic systems. There are economic systems in the world such as socialist countries which do not have the concept of net revenues or profits. The part of the Authority's income which comes from the net proceeds is comparable to or can be thought of as an income tax, a corporation tax, or profit tax. Those economic systems where there is no concept of profit would like to pay in an alternative way and that is why the single system of only a production charge was envisaged. In the final analysis there has to be some comparability between these two systems. The choice will lie with the contractor and once the choice is made there is some debate whether that choice will be revokable, or irreversible.

Negotiations dealing with the financial arrangements have required a tremendous effort on the part of all of the delegations to come to a consensus that there will be these four kinds of payments. No country is saying that it accepts the whole set of terms, but all countries indicate that they can live with the structure.

The real issue and problem area will come at the next stage which deals with the question of the amount of payment the contractors will make. This question really centers around two major issues. First, what is the profitability of these mining operations in the deep sea. If it is very profitable then the miners can afford to pay quite a large amount, if it is not profitable they cannot pay much. Integral to this issue is the question of the uncertainty of profitable operations and we have to establish a system that accommodates this uncertainty.

The second major issue is what is reasonable remuneration or reasonable return to the resource owner on one side, and to the resource exploiter on the other side. This issue may be recognized as an income distribution problem between land and capital compounded by political and technical issues. Even if we can think of a world that is free of political values, the scientists who are supposed to be politically value free do not have an answer to this kind of question.

On top of the technical complexity of the problem you have political factors. Consequently, two trends have developed to deal with the problem. One trend has been to look for some technical solutions under certain political assumptions and to pass those technical solutions as being value free solutions. The other trend has been to assume that there are no technically objective solutions to these problems. Instead, it should be regarded as an essentially political problem requiring a political solution. This problem comes up in the matter of the reasonable revenue issue. The determination must be made as to what rate of return should one aim for the contractors on one side and for the Authority on the other side.

Regardless of the fact that there are presently no definite technical solutions, there have been some attempts to solve the problem. The miners have introduced a concept called internal rate of return or discounted cash flow rate of return. This concept means that they will be receiving revenues from the mining operations, and they will be paying money out to receive those revenues. There are cash inflows and cash outflows. Those inflows and outflows are taking place at the present and also in the future. The future money is worth less at this moment because you have to discount to take into account uncertainty and waiting. If you do discount it, what is the rate which will make the present value of those future cash inflows equal to the present value of the future cash outflows? This is the concept of internal rate of return or the discounted cash flow rate of return. This seems like a nice concept, but what is that internal rate of return? Is it 1% or 15% or 30%? I do not think anybody has the answer. Once again, experts are trying to find out what the factors are on which the magnitude of the value of the internal rate of return depends. One obvious factor is general economic conditions. If general economic conditions are quite healthy, one would be willing to take a lesser amount per dollar investment. The second factor is general industrial outlook. If the industrial outlook seems to be quite rosy, for a dollar today an investor would be willing to receive a lesser rate of return than if the industry outlook is rather bleak. Finally, above all, we have the risks which fall into several categories. One is human beings incapability of seeing into the future, which itself is uncertain, and with that uncertainty there is risk. We also have the risk regarding the technology which has not been tried out. Consequently, we do not know how the technology would perform, what kind of incomes they would bring. Furthermore, we have the economic risk that the prices of raw materials may change, including prices of the metals mined by the contractors. Finally, we have political risks. The miner does not know what kind of political regime under which he would be working. This problem arises frequently in mining contracts in the developing countries where regimes are not as stable.

So we have these elements which determine internal rate of return although we do not know the value of the variable, the magnitude of the internal rate of return variable. Not only is it a variable, it changes from one contractor to another contractor, depending on several factors, e.g., that particular company's debt-equity ratio. M.I.T. has come out with a model that if you use more debt you get a higher internal rate of return from the project than if you use your equity capital. This debt-equity ratio varies from project to project, from company to company. Also cash position varies from company to company. A company which is in a better cash position can afford to spend that cash for a lesser return than a company which is hard up for cash. Finally, we have individual subjective evaluation of those risks mentioned. Some companies might think that those risks are worth taking, some other companies might think they are worth taking if the project returns 35% for their money. This issue of subjective evaluation comes up quite often. For example, the Group of 77, the developing countries, says that the political risks here are less because there is an international authority representing mankind, all the nations together, and it is more dependable as compared with an unstable nationalist regime. On the other hand, the miners point out that the Authority is an entirely new entity and although it is true that this is an international authority, it is not known how it will behave. They may perceive that the risks involved dealing with this International Seabed Authority are quite high, high even compared to an unstable national regime. This just points out the subjective evaluation of the risks involved.

All these factors point to the fact that the nice concept of internal rate of return does not really give a particular solution on the basis of which the Authority can formulate its general tax scheme, applicable under varying conditions, to different contractors. So what can one do? Should we go for one particular value, or should we go for a political solution of negotiation and bargaining, and thereby reach a particular solution? Ambassador Koh, who is the Chairman of the Negotiating Group which deals with the financial arrangements, seems to believe in the political negotiation school of thought where people dispense with arguing over what may be considered pseudo-objective solutions, and instead aim for a political solution to a political problem. As I have pointed out there have been other proponents, mostly industrialized countries and the miners, who do come up with some sort of objective measures like the internal rate of return as discussed above, the opportunity cost of capital, or even a general rate of profit in an economy.

There are the two complex issues the Negotiating Group is presently deliberating on. Hopefully, in the next session or in the process of negotiation, exchanges of ideas, and consultations, they will come to some kind of a solution.

PANEL DISCUSSION

MR. HULL: Thank you very much, Mr. Pal.

MR. HERMAN: I think that was a good exposé of the problems that we face at the conference, when in effect we are trying to draft an international system of taxation. We are talking about an income tax act or revenue act which we will apply in treaty form. You can imagine the difficulties in trying to come to grips with these various problems. It strikes me that this is a perfect example of trying to balance interests in the Law of the Sea Conference because on the one hand we want to provide for a system of financial arrangements or "tax" that would not discourage seabed mining but that would in fact encourage seabed mining. The one thing that I think industrialized countries insist on is a system of financial arrangements or payments which will not inhibit seabed mining. If it does, I do not see any way that the industrialized countries would buy it. That is what rate of return is all about. We are trying to find a system which, on the basis of the figures as we know them today, will provide companies with a decent rate of return, and I think that is the bottom line for industrialized countries. I am not saying that is necessarily the Canadian view. I am just saying that based on what I have heard in negotiations and as a participant, the industrialized countries as a whole, are saying that they are not going to go home with a treaty that cannot guarantee a decent rate of return to their companies.

The second value that has to be balanced against this is the need to insure that there is a flow of capital to the Authority. Whatever the mining companies may say about the common heritage of mankind, whether we agree with it as a legal principle or not, it is a political fact that we are talking about common, or shared resources, and to strike a deal with developing countries we have to insure that there is a return of monies to the Authority. We have got to balance these two things.

I think that one point which Mr. Pal did not mention and which is a very difficult point at the negotiations, is that whatever system of financial payments is devised, it has to insure, at least from the point of view of most of the industrialized countries, that the Authority does not have any possibility of reaching into national jurisdiction to tax the companies. That is a real problem. There is a great fear among many of the industrialized countries that if you are not careful the Authority is going to start looking at downstream operations and start taxing mining companies as they refine nickel on land, which is something I do not think any country is prepared to give up. Certainly I can say that Canada is not prepared to see the International Authority tax any companies that produce nickel from the seabed and refine it in Canada. So you have to separate out the mining sector. That is a real problem. You have to isolate the amount of net proceeds that a total operation produces, and within that you have to isolate the amount that is attributable to the mining sector, and that is a great problem. Ambassador Koh has suggested that 40% of total net proceeds would be attributable to the mining sector. These things all have to be negotiated and are just an illustration of the problems we face.

MR. PAL: What Mr. Herman pointed out is an illustration of what I was talking about. It is true that if you look at it in terms of jurisdiction there is a debate whether an international authority should be able to levy charges on the activity which is taking place within a national jurisdiction. But there again the problem comes up concerning what part of the income of the total integrated operation is attributable to the mining sector and to the national jurisdiction. Again there exists this baffling question of lack of objective criteria. We have pointed out that only Ambassador Koh has emphasized the fact that this division is again a political issue requiring a bargaining decision and there are no objective criteria.

MR. HULL: It has been a long time since I have worn a U.S. hat and since we have able representatives of the United States Government here they should probably speak to the issue or raise the question, but why talk in terms of front end-loads of payments before the question of profits arises? Why not talk simply in terms of profits and a royalty on those profits as opposed to a set fee?

MR. PAL: Okay. We can think of the so-called front-end payments, or front-end loading, as the annual fixed fee which I have mentioned. That is a fee paid by the contractor before any production takes place, and before he makes a profit of any kind. Then we have the production charge or the royalty which is also independent of the profit he makes. So the question Mr. Hull has raised is: why add to his costs, why not depend on the so-called back-end which depends on whether he is making profits or not and what his profits are, and then take a share out of that.

There are two problems involved here. First, there is a need for funds for an International Authority for several reasons. These are the resources, benefits from which would be shared by mankind, in the sense of benefits or assistance to developing countries, or compensation to the countries whose economy has been affected due to the seabed mining. There is a need for funds for the Authority in the beginning and so the Authority has to depend on some kind of system to get those funds. Also, if we think about the International Authority as some kind of guardian of the resources and private or state contractors as exploiters of the resources then those resources are going away from mankind. The so-called common heritage of mankind now becomes the private source of income for somebody. So in order to make this transition you must think of some payments which compensate for this transition.

MR. HULL: The last group that I would want to represent today, for various reasons, is industry. It seems to me that what we are doing with industry is potentially presenting it with a pig in a poke, asking industry in effect to pay for something which may result in some profit to it or which may not. Although it is fair to say that the common heritage of mankind should result, in any case, in a certain profit to mankind, it would seem that profit should come out of profits as opposed to something simply put up for potential profits which may turn out to be a loser.

MR. PAL: As Mr. Hull has pointed out again there are two conflicting objectives we are trying to achieve. One is that some reasonable profit should go to the miner and the other is that some funds should go to the Authority. And there again a balancing act has been going on and I can assure you in an optimistic tone, that in this area there seems to be some consensus in the sense that the balancing act has finally come to a resolution in that the front-end loading will be quite minor compared to the so-called back-end loading. And at this point at least we can say that this seems to be a solution compared even to a year back or two years back. Once again, the kind of balancing act that we have been depending on has worked and hopefully will continue to work in other areas too.

MR. HERMAN: I might just make a couple of comments. I think it is important to realize that one of the reasons, or perhaps the reason, that the conference is attempting to draft a series of provisions which approximate an international agreement for taxing mining companies is because of the very problem of front-end loading. It would have been fairly simple to provide for a royalty system which would be levied against gross proceeds from seabed operations or against a rate of recovery of seabed nodules that would be a fixed rate applied very simply against the reasonably ascertainable figure. But the industrialized countries, or many of the industrialized countries said that it would be very difficult for them to accept a royalty system which would be applied irrespective of profits, and that if this is going to be a workable or equitable proposition and politically salable from their point of view, then the Authority has to share in the risks. What that means is that if there are profits, the Authority gets a share of the profits; if there are no profits, the Authority does not get a share of the profits. This is an alternative to a royalty system which, I think, would have been a most simple solution. Because of a need to provide for some element of risk sharing, we are now drafting a system of "taxation." And I say taxation in quotes. But that is what it amounts to. The only countries that accepted a royalty type system, which want a royalty type system, are the socialist countries simply because they do not know the notion of profits and so for their purposes we have as an option a royalty type system for those countries that wish to use that type of approach.

DR. MCKELVEY: Roger, first, in answer to your comment or question as to why permit or have a front-end loading system or a system that adds to the front-end load, I might just point out for the record that this is not uncommon on the part of the landlord, whether private or public, to try to get some advance payment. In a sense he wants to sell hunting licenses and the U.S. Government does this with respect to the offshore oil leases where, for the right to do exploratory drilling, the companies bid on a cash bonus which, as you know, may be as much as many scores of millions of dollars, and that is paid whether or not there is any profitable discovery or not. I would like to point out that the companies are not just bidding on a pig in a poke but on a poke which may or may not contain a pig. And I think it is true that, as Mati indicated that not only is Ambassador Koh tending to think along the line of political negotiations as the route to the answers to some of these difficult questions, but that, in fact, that really is what the process involves. There is always that uncertain amount of negotiation between the resource owner and the would-be producer. But to put some of these things in relatively simple terms, there are realities or facts of life that have to be taken into account. First of all, there has got to be a reasonable rate of additional return on that investment. In an operation of this kind where there is high risk, it is reasonable that there be an objective in sight. Whether it can be realized or not is another thing, but there is at least a chance of a relatively high rate of return. You know you can buy a treasury bill now and expect to get 10%, and all it takes is a phone call and the capital. There is no effort on your part, no risk whatsoever, and you are assured a 10% rate of return. So you are not going to do something very risky that you know is not going to bring you back a lot more than 10%, and 25% or 30% is often what is hoped for, but generally what is realized is a good deal less than that, and of course that is why the target is high. There must also be remuneration for the costs of operations, and there must also be a profit to management on those operations. Not only must management get its money back in the form of the actual expenditures and operating costs, but it, as a manager, is entitled to some profit. Otherwise why be engaged in the activity; why not spend your time on something that you are going to get paid for? Profit to management is often thought of as 15% of the investment. If you remember, the concept of economic rent is the amount left over from the revenue after all of the costs, risks, and the reasonable profits have been taken by the producers. Whatever gravy is above these costs and reasonable profits, that is the target for the resource owner. That is where typically the negotiation actually takes place. The landlord wants to get as much as he can and the producer wants to get as much of that as he can. So even though negotiation is involved, and there are these uncertainties that Mati spoke about in knowing just what these costs and so on are with an industry that has yet even to begin a commercial operation, nevertheless those realities do have to be kept in mind in the negotiating process, and cannot be divorced from those considerations and kept apart very far.

MR. PAL: I do agree with Dr. McKelvey and it is true that there has to be some return to the capital and then to management. What I was trying to point out is that it is difficult to pinpoint the percentage. The more important factor, at least in my mind, arises in relation to your example of picking up the phone and getting 10%. This represents a private pecuniary return. In my mind there are three kinds of considerations that may come into the calculation of the rate of return. One is the private nonpecuniary considerations. There is an assurance of supply of raw materials for a parent company and the parent company may think there is a trade off between this assurance and the percentage return it is taking. There is a trade off there between private pecuniary and private nonpecuniary considerations. There is again a trade off between the social costs and benefits and the private costs and benefits. A society as a whole, if it goes into deep seabed mining, may have costs, benefits, and a social rate of return which are quite different from the private costs, benefits, and the private rate of return. I can think of several reasons why it would be different. The assurance of access to metals is one. In view of all the talk about the exhaustion of land-based minerals, we now have a new source of minerals. From the social and global point of view that is a positive factor for which one may trade off a part of one's pecuniary or financial return. We also have to think about the sea as a new frontier. Society as a whole, the global community as a whole, can think of a new frontier being opened and for that consideration it may be willing to take a lower dollar return.

Generally, in my mind, it seems not only that the pecuniary return is a variable that is difficult to pinpoint, but there are all kinds of nonpecuniary considerations both from the private point of view and the social point of view. However, in no way am I saying that there will not be a return for those dollars; it is simply a problem to pin down the rate of pecuniary return so that the tax revenues can be calculated assuring that elusive part to the contractor.

Mr. Lee: I think this afternoon's discussion is particularly useful in singling out some of the technically difficult tasks that the conference has been asked to perform. Earlier we heard that the Conference has been asked to produce a detailed mining code and then Larry presented the difficulty in determining the production mining limits. Now we have heard about the difficulty in presenting a tax system. If you put all these together they illustrate how difficult it is to achieve all this within the time period available when you have to negotiate simultaneously over 150 states using six languages and at the same time producing documents also in six languages. If the Congress appreciated the time that is required to negotiate these instruments, perhaps it would be more patient in waiting for the results to be achieved. Secondly, I think the panelists have brought out the difficulty in obtaining objective data, particularly in establishing financial arrangements. The lack of such objective data prevented a really successful exercise to determine all the detailed figures that are required. Yet all of this is in fact asked by the industries. They would like to see this in black and white and embodied in the treaties.

I would like to ask two questions in this connection. After all we must not forget the two basic objectives of the financial arrangement. One is that the financial arrangement will bring in some income for the Authority, and hopefully this income will be shared by mankind. I was wondering if I may ask Mati whether, in his personal view, he sees that there will be much income coming from these financial arrangements, taking into account the number of mine sites that will be available.

Secondly, in Ambassador Aldrich's statement he mentioned that one of the most important things on the reverse side is to insure that the Enterprise will be able to finance its operations. That means that we will need quite a substantial fund to finance the Enterprise. Now one way of getting this fund is from these unreserved sites through the contractor and use these funds to finance the Enterprise. I would like to ask Mati whether, in his personal view, this financial income obtained can be used to finance the Enterprise. I think it is very important to look at it from the financial point of view because that really determines or highlights the objective of the whole exercise of the seabed mining.

MR. PAL: This is definitely my personal view and has nothing to do with Ambassador Koh, the United Nations, Bangladesh, Yale University, or any affiliation which I have. Also do not ask me to back it up with research because that way I will spend the rest of my life in researching the two statements I am going to make.

First of all, I do not think that there is a big pool of resources coming out of payments from the deep seabed taxation or whatever you call it. Surely there is not enough to solve or ameliorate all the problems of the poverty or the lack of development in all the developing countries.

Secondly, I do not think that there will be enough funds coming from these payments to make a going enterprise. There can be enough funds, but again, the taxation may be so high that it may choke off the source of tax itself, meaning that you will kill the goose itself in the process.

DR. MCKELVEY: Roger, I would like your permission to return to a subject that was discussed earlier during the day on which I did not have an opportunity to speak. I am referring first, to the commercial interest in the manganese nodules. Dick, I believe, indicated in his talk there was not commercial interest in the recovery of the manganese and generally that has been true with one exception. Deepsea Ventures was taken over a few years ago by U.S. Steel. U.S. Steel's main interest, they say, is in manganese. Their interest in it is out of their concern that there may be a manganese shortage developing in the mid 1980's. As you may know, manganese is absolutely essential in the manufacture of steel and there is no known substitute for it. Reference was made to the Assistant Secretary of Defense's remark that in essence there were unlimited resources of manganese. However, I think it is important to point out that he is not usually considered an authority on mineral resources. I do not know where he got his information, but I think he may not have understood the information. Published estimates of the United States Geological Survey and the Bureau of Mines are made of resources, referring to deposits that are either undiscovered but presumed to exist on the basis of geologic evidence, or that are not presently economically usuable or available. The published estimates are also of reserves, referring to deposits that are known and that can be produced at present prices. Both industry and the survey of the Bureau of Mines further subdivided reserves into categories such as crude, possible, or probable and possible, or in the case of the survey of the Bureau of Mines similar but not exactly comparable measures are employed. Proved reserves are known with a good deal of certainty, as estimates of this kind go, but they are not like other stock that can be counted on a shelf so there is a fair amount of uncertainty even with respect to proved or measured reserves. The estimates published by the Geological Survey and the Bureau of Mines of world manganese resources are of undifferentiated reserves and resources. Consequently, in the survey, the Bureau of Mines people have no way of knowing the deductions with respect to the estimates of other countries which involve piecing together all sorts of pieces of information and speculations. This leads to a good deal of uncertainty. Although these estimates are fairly high, keep in mind the great uncertainty attached to them. Estimates furnished to the Congress a year ago by United States Steel are proved reserves, and at projected rates of consumption for manganese, would have a life of somewhat less than thirty years. So that unless additional exploration is not only pressed but is successful there could be a shortage of manganese with respect to supply developing before that period. I think of more concern to United States Steel are two other things. One is the fact that they do not see the present production capacity developing enough to keep pace with demand beyond some time in the early 1980's. The other concern is that while nickel is produced in a great many different countries, although mainly produced in Canada, three countries, the U.S.S.R., South Africa, and Gabon, are the prime sources of manganese. Therefore, there is some concern about the stability of the supply of manganese in the future.

Some of these concerns that I mentioned are those of United States Steel, and they depend on production and other factors. I am merely reporting them rather than defending them. I can say that it is certainly true that production capacity has got to develop if there is going to be continued growth in demand and that additional exploration has got to be successful if proved reserves are going to be extended much beyond what I have indicated. I think Larry asked this morning, what is the urgency in the seabed mining? Well, I doubt that even if seabed mining were given a "full speed ahead" as of this afternoon, it would have much of a chance of producing much of an impact on manganese supplies by 1985. However, there is concern in some areas that there may be a growing need for resources from this area.

MR. YOUNG: Those of us who have been around in this show for a while know that the last word on the matter is that of Vince McKelvey. I certainly appreciate his comments, and I hold no grief with the Assistant Secretary of Defense whom I also was criticising this morning. We have heard a number of remarks somewhat critical about the industry this afternoon, and I would be last to say that the industry is restricted to purely refined cobalt, copper, and manganese. A number of people have been anxious to dissassociate themselves from any connections with industry; since I do not have one I do not have to. But I would like to remind ourselves before we adjourn, that none of us would be sitting here, concerned with this problem of sea mining or all the economic, social, technological, and environmental issues that go with it, if it had not been for the technological innovation and advance which was developed primarily in the private sector in the United States.

MR. LOSCH: If I might just respond very quickly to Roy's point about the congressional impatience. I think it stems from three factors. First in 1975, and perhaps earlier, administration officials continually came to Congress and said that if you did not pass the 200 mile limit bill it would destroy the Conference, whose conclusion is around the corner. They continued to come up with that line for several sessions of Congress. Mañana, mañana, mañana was something that the Congress got tired of hearing and they finally decided that they would not heed the administration's warnings anymore. The present administration is no longer using that line.

The second factor is one that Ambassador Aldrich raised and that is the danger of frittering away technological leads. The United States may in some cases be resource poor but certainly technology is one of our key resources if we might want to call it a resource. We should continue to develop technology and export it wherever possible. If mining is somehow discouraged by a lack of a legal regime through domestic legislation or internationally through a treaty, we could be hurting ourselves in terms of technological exports.

The third point is the one that Mr. McCloskey raised, and that is the congressional attitude now in foreign policy. It has been demonstrated several times and I will not belabor the point. But Congress, I think, is understandably impatient with the pace of the Conference and will seek to pass legislation this next Congress, perhaps this summer, definitely by 1980, and I think rightly so. Hopefully, it will be carefully drafted, avoiding adverse precedence and helping industry continue their technological development, while not undermining the conference.

MR. LEE: I certainly appreciate Dick's point. The reason I asked for the floor is that I do think that Larry earlier mentioned a very important point in connection with the attributable portions that may be taxed. I understand that one of the problems is that the amount a miner could pay to the Authority depends on whether he will have to also pay tax to his own country. If he has to pay his home country and also where it was processed, then of course, the amount he can pay the International Authority will be reduced. In this connection I would like to take advantage of Dr. McKelvey's knowledge. I understand that in presenting what the industry, the miners, can pay to the Authority, they have automatically deducted 28% that will be paid to their government. I do not know if this information is correct, but in comparison with what they state as the maximum they could pay, this is double the amount that they will be paying to the International Authority.

MR. HERMAN: I cannot respond to that.