

2. To ICAO, \$2,500 for the period from 7 November 1946 to 31 March 1947, plus an average of \$400 per month thereafter.

In consideration of the operation of the station as described herein, the Governments of Canada, France, Iceland, the Netherlands and the United Kingdom will contribute to the costs borne by Iceland and by ICAO as periodically determined within the maximum amounts previously stated, in the proportions:

	Percentage of Total cost
Canada .....	9
France .....	8
Iceland .....	5
Netherlands .....	4
United Kingdom .....	10

It is understood that the Government of the United States is undertaking through a communication (attached hereto), to the President of the Interim Council of PICAQ to bear a maximum of 70 per cent of the total cost until 30 June 1947, up to a maximum of \$40,000; and that the United States Government hopes shortly as indicated by the terms of another communication (also attached hereto), to be able to give assurance of its readiness to bear a similar proportion of the total cost for the period following 30 June 1947.\*

If on 1 November 1947 it appears probable that the present plan for financing the Loran station will remain in operation until 1 July 1948 or later before being superseded by a more permanent arrangement, we understand that the President of the Council will call a meeting of the contributing States and of any other States then appearing to be interested in the operation to discuss and agree upon a revision of the relative amounts of the contributions made by the several States, as may then appear appropriate and that it will be anticipated that any changes then agreed upon will come into effect from 1 January 1948.

In the event that the supply of spare parts or other material becomes necessary in the operation of the station, the contributing States will have the option of paying the cost of the open-market purchase of such material or of supplying the material directly. In the event that the latter course is adopted, States supplying material shall be credited for an amount of the contribution due from them equal to one-half the cost of manufacture of the material if in new condition, or one-half of the depreciated value if already used.

The contributions due from the several contributing States other than Iceland will be paid to ICAO and the appropriate amounts out of the total thus received will be promptly transferred by ICAO to the Government of Iceland.

Any amount due from the Government of Iceland will be directly offset against a like amount of the total sum due to Iceland, eliminating any transfer of those funds.

Our governments propose to make their first payments, in an amount estimated by ICAO to cover the total operating costs through 30 June 1947, but not in any event to exceed the amounts hereinabove provided for that period, on or before 15 May 1947. They propose thereafter to make payments for each quarterly period (the first quarter beginning 1 July 1947) in the amounts estimated by ICAO to be due, but not in any case such as to bring the cumulative average of all payments made during the interim period to exceed the figures

\* The percentages stated total 106 per cent. This is intended to provide a small margin; but insofar as the amounts actually received for any quarter exceed the actual amounts due for that quarter when finally determined, the excess will be refundable to the contributing States in proportion to the amounts of their contributions.