

## PART X

### ADMINISTRATION DOCUMENTS, 1959 - 1965

#### A. Introduction

The documents created by the Civil and Military Budget Committees and by nine committees and working groups dealing with various administrative matters are brought together in this Part. The records created by the committees and working groups have been grouped under five broad headings rather than in numerical or chronological order to facilitate their review.

The documents of the Civil Budget Committee and the documents created by the High Level Working Group on Complaints and Appeals Procedures (AC/249) have been downgraded to NATO UNCLASSIFIED. The remaining records described in this part have not been subjected to any previous systematic review for downgrading. Recommendations concerning the downgrading and disclosure to the public of the documents described are provided at the end of each section of this Report.

## BUDGET

#### B. Civil Budget Committee

A description of the founding of the Civil Budget Committee can be found in Subpart B of Part X of DES(94)2 (volume 7 of 8), pages 1-4.

The primary mission of the Civil Budget Committee (CBC) was to consider and submit the budget for NATO Headquarters operations and any supplements to those budget submissions. It also reviewed and commented upon the auditors reports on the NATO civilian agencies. The CBC was also asked to report on a great variety of other matters with budgetary implications which were of interest to the top administration of the Organization and matters raised by various committees and working groups.

The Civil Budget Committee and the Military Budget Committee (MBC) frequently prepared joint documents and memoranda and also held joint meetings. These documents bear both Committees' reference serial numbers assigned in accordance with the sequence of each Committee.

The rolls of microfilm containing the 338 documents, 82 summary records of meetings, 77 working papers and 33 agenda and records of meetings of the CBC's Working Group created by the Civil Budget Committee between 1959 and 1965 are listed in Annex X. 1 to this Report. You will notice that the principle series (BC-D, BC-R and BC-WP) were refilmed on just five rolls of microfilm.

The Secretary of the Civil Budget Committee circulated a proposal on 21st May 1977 calling for the immediate downgrading to NATO UNCLASSIFIED of all the documents published in the BC-A, BC-D, BC-R, and BC-WP series through 31st December 1974 (OCB/77/122). The Civil Budget Committee agreed at its meeting on 12th September 1977 (BC-R(77)11, Item II; this decision was annexed to OCB/77/212). At that meeting the Civil Budget Committee agreed to,

record its understanding that the grading NATO UNCLASSIFIED would still protect the information in documents from release to unauthorized persons outside the organization and thereby not enable or promote dissemination of the information more extensively than that permitted by the current grading of NATO RESTRICTED.

A Declassification Notice was issued on 28th February 1979 calling attention to the regrading decision of the originating authority (DN(79)6).

The Civil Budget Committee should review the records described in Annex X, 1 to this Report for disclosure to the public. The Committee should inform the Council of its determination. The Consultants recommend that the 530 documents, records of meetings (with any associated agenda), and working papers issued by the Civil Budget Committee between 1959 and 1965 be disclosed without reservation.

#### C. Military Budget Committee

An account of the establishment of the Military Budget Committee (MBC) in 1951 and of its relationship with the Civil Budget Committee through 1958 will be found in subpart C of Part X of DES(94)2 (volume 7 of 8), pages 4-7.

The Military Budget Committee was primarily concerned with the operation and maintenance costs of military headquarters and agencies. It depended on receiving information from member countries and the NATO military authorities, agencies and commands in order to perform its assigned responsibilities. It also worked closely with NATO civilian offices, agencies, committees and working groups. Many of the documents provided to the MBC were extracted or copied or the information provided was incorporated into MBC documents. Source documents usually are identified in the MBC documents.

The Military Budget Committee issued 4,338 documents, memoranda, records of meetings, and working papers between 1959 and 1965. The following table indicates the serials issued by the MBC during this seven year period. (The MBC's Working Group of National Communications Experts issued an additional 56 items during this same period for a total of 4394 record items.)

MBC Papers Issued -- 1959 through 1965  
(Reference: MBC- )

<u>Year</u>	<u>Documents</u>	<u>Memoranda</u>	<u>Records of Meetings</u>	<u>Working Papers</u>
1959	D(59)1-50	M(59)1-291	R(59)1-20	WP(59)1-52
1960	D(60)1-76	M(60)1-285	R(60)1-23	WP(60)1-91
1961	D(61)1-62	M(61)1-372	R(61)1-24	WP(61)1-92
1962	D(62)1-81	M(62)1-448	R(62)1-26	WP(62)1-102
1963	D(63)1-99	M(63)1-543	R(63)1-34	WP(63)1-101
1964	D(64)1-94	M(64)1-508	R(64)1-38	WP(64)1-81
1965	D(65)1-87	M(65)1-559	R(65)1-34	WP(65)1-65

The International Staff identified the principle subjects of each of the MBC Documents, Memoranda and Working Papers and presented them for downgrading in 1982 (EXS(82)36). This 60 page listing provides the reviewer with a subject index to the documents issued by the MBC between 1951 and 1965. An extract from that listing is presented as Annex X, 2 to this Report. It lists 75 subject headings under which MBC documents for the 1959-1965 time frame have been categorized. It should be used by reviewers concerned with particular topics which might have been the subject of one or more of the 4139 documents issued and considered or discussed at one or several of the MBC's 199 meetings held during this period.

The proposed downgrading to NATO UNCLASSIFIED of the 1951-1965 documents issued by the MBC (i.e., listed in EXS(82)36) was suspended in 1982. Only the 1951 and 1952 documents issued by the MBC were declassified (DN(86)17).

The Military Budget Committee should review the 4394 MBC and MBC Working Group of National Communications Experts' 1959-1965 documents for downgrading to NATO UNCLASSIFIED. At the same time all of these record items should also be considered for public disclosure. The MBC should notify the Council of its determination. The Consultants recommend that they all be declassified and made available for public research.

#### AUDIT

##### D. Working Group on the Reorganization of the Audit System in NATO (AC/166)

The German Delegation submitted a note to the Secretary General on 12th February 1960 calling for reorganization of the audit system in NATO. It was

circulated to the Council in C-M(60)11 on 18th February 1960. In that note the German Delegation reminded the readers that the Council had previously considered the problem of reorganization of the audit system in NATO and referred the problem to a Working Group. That Working Group submitted its recommendations with document C-M(56)111 of 1st October 1956. In the light of that report the Council had felt that it was not in a position to decide in favor of a reorganization (C-R(56)54, Item I).

The German Delegation considered that in the ensuing years new circumstances had arisen which it felt would justify the reorganization of the audit system and, in particular, believed that the International Board of Auditors for Infrastructure Accounts and the Board of Auditors for NATO Budgets should be merged. In support of this proposition, the German Delegation pointed out:

1. The installations of the Forward Scatter System were financed from common infrastructure funds with SHAPE acting as host country. Although the construction works were financed from infrastructure funds, auditing was confided to both of the NATO Boards of Auditors. This amounted to a degree of overlapping of functions.
2. Maintenance costs for installations financed from common infrastructure funds (such as war headquarters and the Forward Scatter System) were being financed from military budget funds. Consequently the auditing of those expenditures were being carried out by the auditors for NATO budgets. This necessitated close coordination between the two boards of auditors.
3. The increased activities of NATO in the fields of joint production, spare parts supply, and the pipeline system, rendered it necessary to ensure that the accounts of the agencies concerned be audited. It appeared advisable that this be done by one single board of NATO auditors in accordance with agreed procedures since it would be very costly to have a new board of auditors set up for each new activity.

The German Delegations' Note included the observation that the development and widening of NATO activities called for the formation of one single board of NATO auditors, similar to the national audit offices existing in the various member countries. The difficulty of merging the existing Boards due to their different functions would require examination of many questions.

The German Note concluded by suggesting that the Council review again the problem of reorganization of the audit system in NATO and suggest that a working group be set up to submit a report to the Council. In his covering note submitting the German Delegation's proposal the Secretary General stated that he intended to put it on the agenda of a forthcoming Council meeting.

When the proposal was introduced at the Council meeting on 2nd March 1960, it became intermixed with consideration of the need for the appointment of an additional auditor (a need which was recognized and approved) and a discussion of the fact that accounts of certain NATO agencies required auditing and there was a need for the Secretary General to propose procedures for the

auditing of such accounts--an issue which was described by the Chairman (Secretary General) as a fairly complex matter concerning the status of NATO agencies. In conclusion the Council invited the Secretary General to prepare a document containing recommendations for the membership and terms of reference of a working group to consider the German proposal on the reorganization of the audit system in NATO (C-R(60)7, Item I and II).

On 11th March 1960 the Secretary General informed the Council of the composition of the proposed working group (C-M(60)25). It was to be chaired by the Deputy Secretary General. He would be assisted by the chairmen of the two boards of auditors, the Financial Controller, the International Staff Secretariat, and the SHAPE Financial Controller. The members of the working group would be made up of representatives of Belgium, Canada (Addendum to C-M(60)25), France, Germany, Italy, Netherlands, Turkey, United Kingdom and the United States. In the same note, the Secretary General proposed the terms of reference of the group.

When the terms of reference were discussed by the Council, the Canadian and Netherlands Representatives agreed that amendment of one portion was required (C-R(60)16, Item III, mtg. 20.4.60). The two delegations agreed on the language of the change they desired (circulated in PO/60/480, 22.4.60) and it was accepted as modified by the Council at the meeting on 27th April 1960 (C-R(60)17, Item IV and Addendum 2, thereto of 2.6.60). A first meeting of the "Working Group on the Re-organization of the Audit System in NATO" (AC/166), was called for 20th June 1960 (AC/166-A/1, 13.6.60), postponed (AC/166-N/1, 20.6.60) and rescheduled for 29th June 1960 (AC/166-N/1(Revised)).

At the Working Group's first meeting it considered the advantages of establishment of a single Board of Auditors. It considered how it might organize its work under the terms of reference which required the Group "to examine all aspects of the present system of auditing the NATO and infrastructure expenditures" and not confine itself to determining whether there was any particular advantage in merging the boards of auditors into a single board. It concluded by inviting the chairmen of the two boards of auditors to submit as soon as possible reports reflecting the general views of the auditors on each board (AC/166-R/1, Item III).

The Danish Delegation submitted a note to the Working Group containing a number of suggestions. These were placed on the agenda of the second meeting (AC/166-D/1, 16.8.60). On 5th October 1960 a report submitted by the Chairman of the International Board of Auditors for Infrastructure Accounts was circulated to the Working Group members (AC/166-D/2, 5.10.60). A few days later a similar report by the Board of Auditors for NATO Accounts was circulated (AC/166-D/3, 17.10.60).

At its second meeting on 21st October 1960, the AC/166 Working Group decided to examine the three points which were broadly common to the two reports: unification of regulations governing the status of auditors, unification of regulations governing the status of assistants, and creation of a coordinating

audit group. This latter point was shown to be of particular interest to a number of delegations. They concluded that the description of this coordinating group given in paragraph 11 of AC/166-D/2 was too general for agreement to be reached. They invited an ad hoc group to prepare, within the general framework of a draft report to the Council, a document setting out the composition and terms of reference of the proposed coordinating audit group. They particularly were concerned as to how far the coordinating group would be responsible for allocating the work between the auditors (AC/166-R/2, Item I). At the same meeting, the Group noted the interest expressed by Denmark to the reorganization of the audit system and invited Denmark to take part in the work at the next meeting.

A first draft of a report to the Council by the Working Group was circulated on 13th January 1961 (AC/166-D/4). When it was considered by the AC/166 Working Group at the third meeting on 21st February 1961, the Group noted the statement by the Chairman of the Board of Auditors for Infrastructure Accounts which briefly recapitulated the reasons underlying the proposal to set up the coordinating group. It also noted the statement by the Danish Representative to the effect that the proposed creation of a coordinating group should be considered only as a temporary reform to pave the way for an early merger of the two existing Boards. The Group concluded by noting that the setting up of the coordinating group represented the best possible compromise at that time and accepted the ad hoc groups draft report on this topic subject to certain modifications (AC/166-R/3, Item II).

A revised draft report to the Council was circulated on 9th March 1961 (AC/166-D/4(Revised)) and considered by the Group at its fourth meeting on 24th March 1961. At that meeting a number of proposals were made to amend the drafted text and to make certain deletions of details determined to be extraneous. The Group also agreed to recommend to the Council that the proposed reforms be reviewed two years after their effective entry into force. The International Staff was invited to prepared a revised version of the document in the light of the decisions taken (AC/166-R/4).

The second revised draft was circulated on 11th April 1961 (AC/166-D/4(2nd Revise)) and was considered by the Working Group at its fifth meeting on 18th May 1961 (AC/166-R/5). It concluded by requesting the International Staff to circulate the report in sufficient time for perusal by delegations before its submission to the Council and agreed to terminate its activities (Item III).

The report of the Working Group was presented to the Council in C-M(61)51 on 9th June 1961. It presented the arguments pro and con the merger of the two Boards and concluded that the Working Group was unable to recommend at that time the complete merger of the two Boards. It considered that certain changes in the prevailing system were feasible and desirable. The Group proposed the establishment of a "Co-ordinating Group of the NATO Audit Boards" whose functions would be to keep under review the main features of the work assigned to both Boards and, more generally, to suggest appropriate measures for safeguarding the financial interest of NATO (Report, para 7). Annexed, and

proposed for approval by the Council, were revisions to the status of auditors and assistants and terms of reference of the coordinating group.

The Chairman of the Working Group noted during the discussion of the report by the Council on 29th June 1961, that it represented a compromise and that it was proposed that the system should be examined after it had been in operation for two years. He expressed the hope that the proposed coordinating group, far from creating a duplication of functions, might eventually develop into the nucleus of a single board. The Council approved the reorganization of the audit system proposed in C-M(61)51 and, in particular, in the Annexes to it (C-R(61)28, Item I).

In approving the reorganization of the audit system in NATO, the Council “invited the appropriate committees to study the changes to be made to the financial regulations” (C-R(61)28, para 7 (3)). The Civil Budget Committee and the Military Budget Committee carried out a joint study of the questions in consultation with the Chairman of the Board of Auditors and the Financial Controllers of the International Staff/Secretariat and of SHAPE and submitted a recommendation to the Council (draft circulated in BC-WP(62)3//MBC-WP(62)8 on 19.2.62). The recommendation called for approval of replacement texts of Articles 28 and 30 and of the Annex concerning “Terms of Reference of the Auditors” in the NATO Financial Regulations (C-M(62)22). The proposal was considered by the Council on 28th March 1962 and approved (C-R(62)13, Item III).

When the Council approved the reorganization of the NATO audit system in June 1961 it specified that it was to be subject to review after it had been in operation for two years. The review was to begin in July 1963. However, the Council had also decided in June 1961 that the mandate of all the auditors then in office would expire on 31st October 1963. The Secretary General submitted a memorandum to the Permanent Representatives on 12th March 1963 (PO/63/118), suggesting that it would be desirable to effect any modifications on the audit system to take effect at that same date. The Secretary further suggested that it might be well to immediately set up a working group to study the matter so that its findings could be submitted to the Council in good time. He added that the “Co-ordinating Group of the NATO Audit Boards” (AC/204, described below), had considered certain changes and was prepared to submit them as a basis for discussion by the proposed working group.

This proposal was discussed by the Council at its meeting on 27th March 1963 (C-R(63)16, Item III). The Council approved the proposal that the Deputy Secretary General be invited to reconvene the same Working Group as had drawn up the previous reorganization of the audit system and to report to the Council on any changes which they might consider necessary. They were to take as a basis the scheme prepared by the Co-ordinating Group.

The draft proposed by the Co-ordinating Group of the Audit Boards was circulated on 9th May 1963 (AC/166-D/5). The Working Group on the Re-organization of the Audit System in NATO called its meeting on 10th June 1963

(postponed until 24th June by AC/166-N/7, 7/6/63) for an exchange of views and to make a preliminary study of the draft. Delegations were invited in a Notice circulated on 15th May 1963 (AC/166-N/5) to inform the Secretariat of the name and qualifications of their representative on the Working Group.

The Co-ordinating Group of the NATO Audit Boards (AC/204) held a meeting on 15th May 1963 at which the paper circulated to the AC/166 Working Group (AC/166-D/5) was discussed at some length (AC/204-R/10, Item II). The Chairman of the Co-ordinating Group explained that the document had been referred to the Secretary General in order to save as much time as possible and that it had been marked as “subject to revision.” Consequently the Co-ordinating Group considered the draft at its May meeting to determine what changes should be suggested before an “official” version was considered by the Working Group. Following the discussion the Co-ordinating Group agreed to add nothing to the text but suggested a corrigendum referring to an international “independent” board of auditors would be prepared. This summary record of the meeting of the AC/204 Co-ordinating Group was circulated to the AC/166 Working Group on 26th June 1963 under its reference serial as “AC/166-D/5.”

When the Working Group met on 24th June, the Chairman asked the members to make known their position with regard to the merger of the two Boards as proposed in the document (AC/166-D/5) in order to determine whether this could be taken as a basis for the Group’s activities (AC/166-R/6).

Most of the Working Group had a favorable opinion of the proposal. However the French and Italian Representatives had reservations based on their view of the different nature of the tasks assigned to each Board. The majority were unconvinced by the arguments presented as their interpretation of the terms of reference and functions of each of the two Boards. The Chairmen of the two Boards were asked to prepare a document setting out the terms of reference and prevailing functions of their respective Boards. The Working Group concluded that at its next meeting it would consider whether there was any need to amend the terms of reference and functions of the two Boards, or whether the draft terms of reference of auditors and assistants set out in the annex to AC/166-D/5, could be taken as a basis for the Working Group’s report to the Council.

On 14th August 1963 the Chairman of the International Board of Auditors for Infrastructure Accounts submitted a statement of the mission and functions of that Board (AC/166-D/8). A few days later the Chairman of the Board of Auditors for the NATO Budget submitted extracts from C-M(62)18 and the NATO Financial Regulations (Articles 29, 30 and 31) with a covering note pointing out that “no more detailed explanation of these texts resulted from the discussions preceding their adoption” (AC/166-D/7, 20.8.63). A week later, “In order to facilitate the work of the Group,” the Secretary of the AC/166 Working Group compiled a document in which all of the texts relating to the terms of reference of the Board of Auditors for the Infrastructure Accounts were provided (AC/166-D/9, 28.8.63).

When the Working Group met again on 20th September 1963, it was clear that unanimity was not possible. Anxious to submit a report, the Working Group felt obliged to recommend that the Council retain, for a further three-year period, the system in force since 1961. They invited the International Staff to prepare a draft report along these lines for submission to the Council inviting the Council to ask the Working Group to continue its work and to decide whether it was appropriate for it to carry out another review of the tasks assigned to each of the two Boards so that official terms of reference specifying these tasks could be drawn up (AC/166-D/7, Item I). The Group also decided that another meeting would be held only if the Council instructed the Working Group to continue its work (Item II).

The Acting Chairman of the Working Group circulated a draft report to the Council on 24th September 1963 (AC/166-WP/1) and a revised draft was circulated by the Chairman on 15th October based on comments received (AC/166-WP/1 (Revised)). (Neither of these papers were microfilmed, they are, however, in a file created by NISCA as NATO Audit System, Vol. 5, in the IS Registry.) This revised draft report was promulgated to the Council on 23rd October 1963 as C-M(63)77. In his covering note the Chairman reminded the Council of its decision to invite the governments concerned to continue to keep the auditors then assigned at the disposal of NATO for an additional 30 days subsequent to 31st October 1963, in order to facilitate the making of new appointments.

At the Council's meeting on 30th October 1963 the Council agreed that the prevailing NATO audit system should continue for an additional three years (C-R(63)62, Item II). The AC/166 Working Group next met and issued documents in 1966. The continuation of the account of the effort to merge the two Boards of Auditors should be taken up in the next study of the administrative records of NATO.

The nine documents and the records of the first seven meetings of the Working Group on the Re-organization of the Audit System in NATO (AC/166) are listed in Annex X, 3. Most of the AC/166 Working Group documents were classified NATO CONFIDENTIAL. Several were issued as NATO UNCLASSIFIED. No consistent classification standard seems to have been applied. The Consultants recommend that all of the AC/166 records issued between 1960 and 1965 be regraded NATO UNCLASSIFIED and be released to the public.

Originally microfilmed on the chronological rolls, the early AC/166 record items were refilmed on Roll 1388 and again on Roll 2855.

Roll 1388 contains:

AC/166-D/1 to D/19	1960-1967
AC/166-N/1 to N/16	1960-1970
AC/166-R/1 to R/15	1960-1970

Also on Roll 1388 are copies of:

AC/204-R/2 to R/33 1961-1967

Roll 2855 contains:

AC/166-A/1 to A/15	1960-1967
AC/166-D/1 to D/19 (Rev.)	1960-1967
AC/166-N/1 to N/39	1960-1988
AC/166-R/1 to R/17	1960-1973

E. Co-ordinating Group of the NATO Audit Boards, AC/204

When the Council approved the recommendation of the Working Group on the Reorganization of the Audit System in NATO in June 1961 to extend the life of the two boards responsible for auditing NATO accounts for an additional two years, it also approved the establishment of a "Co-ordinating Group of the NATO Audit Boards" (Annex to C-M(61)51, approved at C-R(61)28, Item I, para. 7 (1) and (2)). The primary purpose of the new coordinating group was to consider on general lines the audits of both Boards, to coordinate audit programs, to provide a forum for the discussion of audit problems of mutual interest, to arrange for the best use of audit personnel and experience, and generally to suggest any modification of NATO audit procedures which would safeguard NATO financial interests (Part B of Annex II to C-M(61)51).

The Co-ordinating Group of the NATO Audit Boards (AC/204) was set up as a body distinct from the International Board of Auditors for Infrastructure Accounts and the Board of Auditors for NATO Budgets. It was composed of all members of these two Boards. The Chairman of each Board presided in turn at alternate sessions (Part A of C-M(61)51). The Co-ordinating Group was authorized to establish its own rules of procedure. The Group was to convene not less than once every three months. A quorum was to be two-thirds of the total number of full-time members. Finally, in the event of any difference of opinion in the Co-ordinating Group in regard to action to be taken on any audit question, a decision was to be taken by majority vote. The minority's views, however, were to be brought forward in any report (Part C).

The Co-Ordinating Group held its first meeting on 7th July 1961. No formal record of that session was published. According to a note on the Summary Record of the second meeting (AC/204-R/2, Item I, footnote), the summary record of the first meeting was distributed without a serial number to the members of the Group present at the meeting.

The Summary Record of a meeting held at the Permanent Headquarters, Paris on Tuesday, 19th September 1961, constitutes the first record item in the AC/204 serial (AC/204-R/2). To the summary report was appended a report by a team of assistant auditors from the Board of Auditors for Infrastructure Accounts arising from a decision at the first meeting. The task of this team was a study of the accounting system in use at SHAPE Headquarters. The team was to determine if the accounts were presented in such a form that the necessary control could be exercised and the financial statements examined in order for it to be certified by the external auditors.

At the Co-ordination Group's third meeting on 31st October 1961, the Chairman (Chairman of the Board of Auditors for NATO Budgets, Mr. de Grandsaignes)

described orally to the group certain difficulties he had encountered in preparing the audit of the accounts of the contracts let for the Forward Scatter System (AC/204-R/3, Item IV).

At its fourth meeting, the Chairman of the Board of Auditors for NATO Budgets commented on three reports he had submitted to the Co-ordinating Group: SACLANT/WESTLANT, Central European Oil Agency (CEOA), and the NATO Maintenance Supply Service Agency (NMSSA) (AC/204-R/4, mtg. 17.1.62, Item II). At its fifth meeting on 7th March 1962, the Group agreed on the procedures for selection of assistants to the Auditors (AC/204-R/5, Item I).

When the Co-ordinating Group met for the sixth time on 17th October 1962, it reviewed the report of the NMSSA, and discussed the system proposed for examination and audit of the BULLPUP Agency. The situation at that time was that the status of the Agency had not yet been defined and the Board of Auditors for the NATO Budget was awaiting the decisions to be taken by the Management Office of the BULLPUP Agency. At this same meeting the Group agreed to its audit program for November 1962 through February 1963 (AC/204-R/6).

The file contains a note that the summary records of the seventh meeting of the Co-ordination Group was "not issued." The first item in the summary record of the eighth meeting held on 13th February 1963 (AC/204-R/8), however, shows that the Group "adopted the summary record of the previous meeting (AC/204-R/7)."

It was at this eighth meeting that the Co-ordinating Group began its discussion of the merger of the two NATO audit boards and the revision of their terms of reference. This effort was in response to the receipt of two notes from the Private Office of the Secretary General. The first proposed that a working group be set up to frame recommendations concerning the future terms of reference of the auditors and mentioning that the two Boards had prepared a draft which could serve as a basis for discussion. The second was a draft note from the Secretary General to the Council in which approval was sought for setting up of the working group to discuss the proposed merger. The Group examined these two documents and agreed on several amendments and invited the Chairman to bring them to the attention of the Secretary General. A paper setting out in detail the arguments for and against this reorganization was to be prepared. It was to be discussed at the next meeting. The Group concluded by examining a draft of the terms of reference and approved it following agreement on a revision of the article concerning the basis for selection of auditors (AC/204-R/8, Item II).

On 3rd April 1963 the Co-ordinating Board met again and devoted the entire session to the discussion of the reorganization of the NATO audit system. They reexamined (again) the arguments against the merger proposal made in 1961 (C-M(61)51, discussed in the section on AC/166, above), and concluded that these arguments had been refuted. The members could agree as independent experts, but left to the Working Group (AC/166) the national positions which

might be taken. A draft report was to be quickly prepared and forwarded to all members for comment (AC/204-R/9, Item II).

It was in the summary record of the tenth meeting of the Co-ordinating Group of the NATO Audit Boards held on 15th May 1963 (which was issued to the AC/166 Working Group as AC/166-D/6; see also Corrigendum to AC/166-D/6, 3.7.63), where the discussion of the draft report to the Council was developed. In the end the Co-ordinating Group agreed to the text submitted with only a small corrigendum referring to the international and independent character of the board of auditors (AC/204-R/10//AC/166-D/6, Item II). The Co-ordinating Group also examined and approved the audit program for June through August 1963 (AC/204-R/10, Item III).

When the Co-ordinating Group met again on 26th June 1963, it returned to discussion of the audit problems it faced. This meeting's discussion centered on the difficulties encountered by the Board of Auditors for the NATO Budget in examining the variety of procedures adopted in the different countries (particularly in the area of cost accounting) which made it extremely difficult to centralise accounts for the national divisions. This was particularly difficult of resolution as the financial regulations did not precisely define the extent of this audit (AC/204-R/11, Item II).

At this eleventh meeting, the Group also heard a brief characterization of the sort of report the two Board chairmen were preparing in response to the request by the Working Group on the Reorganization of the Audit System in NATO (Item III). (These two reports were circulated as AC/166-D/7 and D/8, 20th and 14th August 1963.)

No summary report of the Group's twelfth meeting was issued.

When the Co-ordinating Group met on 27th November 1963, it returned to its normal practices of reviewing reports. Included in the discussion were reports prepared by the Board of Auditors for the NATO Budgets covering SHAPE, the Provident Fund, NMSSA, CEOA, STARFIGHTER, SIDEWINDER and HAWK, and the SHAPE Air Defence Technical Center (SADTC) (AC/204-R/13).

The fourteenth meeting of the Group was held on 27th January 1964. A report on the SACLANT 1961-1962 audit was discussed briefly--with a divergence to discuss the time limits set in the financial regulations for submission of audit reports (viewed as unrealistic and earlier attempts to change the time limits had failed). Most of the time was spent discussing the third report on the Forward Scatter System audit report. As the construction work had been completed, it remained only to prepare a final audit. To do this the cost of surplus equipment needed to be taken into account in the event of sale or transfer (AC/204-R/14).

The discussion of the Co-ordinating Group at its fifteenth meeting on 29th July 1964 was devoted exclusively to the report prepared by the Board of Auditors for NATO Budgets on the accounts of the International Staff (AC/204-R/15).

Reports by the same Board were the subject of the sixteenth meeting on 13th October 1964. The first report concerned the financial operations of the Central European Oil Agency (CEOA). The discussion focused on the taxes levied by the French authorities on the basis that the commercial activities which utilized the pipeline were properly taxable. The divergence of views led to the Group submitting the problem to the competent authorities as provided for in the report submitted. This led to a further discussion of this and the previous report on the CEOA which had been referred to the Management Committee and had not yet been discussed (AC/204-R/16, Item I). The second report discussed at this meeting dealt with the financial operations of SHAPE for 1963. In conclusion this report was forwarded to the Budget Committee (Item II).

When the Co-ordinating Group met again on 16th November 1964 it considered the report on the NMSSA financial accounts. Following discussion and agreement of amendment, the Group took note of the report on the NMSSA. A brief discussion followed on Article 24, Audit of Accounts, in the draft charter for the NADGE Organization. The Co-ordinating Group agreed to notify its approval of this article to the Legal Adviser (AC/204-R/17).

At its final meeting for 1964, held on December 21st and 22nd, the Co-ordinating Group examined the report of the accounts of the HAWK Management Office for 1963. Following discussion the Group agreed to strengthen the report further by noting that the Board of Auditors for the NATO Budget should simply state that it considered it had a right to audit the accounts of the Chatellerault common depot and that this right had been refused. The Group then proceeded to examine the report on the accounts of the NATO BULLPUP Production Organization for 1962 and 1963 and several changes and amendments were proposed and adopted (AC/204-R/18, Items II and III).

At this meeting the Group also began a discussion of the language proposed by the Legal Adviser of the section dealing with reports by the Board of Auditors for Infrastructure Accounts on the NADGE Organization. There was some objection to the proposal and further discussion was deferred pending an opportunity to study the texts being submitted by the Legal Adviser (AC/204-R/18, Item IV).

Finally, the Co-ordinating Group discussed the discrepancy between the Financial Regulations and the NATO Personnel Regulations. Under the former, assistants to both Boards could be given contracts of indefinite duration, whereas the latter only provided for non-renewable contracts for a period not exceeding 5 years. The Board of Auditors for Infrastructure Accounts was faced with the prospect of having to work for almost a year with a staff of assistants of whom half would be inexperienced if their contracts could not be renewed. The Group was divided between those who favored non-renewable contracts of fixed duration and those who considered renewable contracts preferable. The Group agreed to acknowledge the situation in a note to the Head of Personnel with copies to the Legal Adviser and the Financial Controller and to await the results of talks in which they were engaged on the subject of contracts for assistants (AC/204-R/18, Item V).

The nineteenth meeting of the Co-ordinating Group of the NATO Audit Boards on 11th January 1965, was devoted exclusively to discussing the matter of the contracts for assistants to the Boards. The Chairman informed the Group of the communications received from the Financial Controller and from the Director of Administration and Personnel. The Group considered that it would have no difficulty in accepting the general rule if it was agreed that contracts for its assistants holding a contract of limited duration could be extended (AC/204-R/19).

At its meeting on 22nd February 1965, the Group agreed to several amendments to the summary record of its meeting in December 1964 (AC/204-R/18). It also noted the report on the accounts of the Provident Fund for 1963 (AC/204-R/20).

The only item on the agenda for the twenty-first meeting of the Co-ordinating Group (held on 24th March 1965) was the audit report for SACLANTCEN for 1963. In response to a question as to why all the consolidated statements of SACLANT and the subordinate agencies had been included in those of SACLANTCEN, the Chairman of the NATO Board of Auditors explained that the responsible U. S. Admiral, "being concerned to guard his prerogatives" preferred to submit the financial statements for the three agencies personally. He went on to explain that he had only recently succeeded in having the EASTLANT accounting transferred to Northwood in England and placed under the supervision of the CHANCOM Financial Controller. He concluded by expressing the hope that in response to his request, the financial statements would be submitted separately for each agency in 1965 (AC/204-R/21).

The next meeting of the Co-ordinating Group was held on 19th July 1965. The examination of the report on national divisions for pipelines covering 1962 and 1963 led to a number of questions and further discussion concerning the amount of criticism which was included in the annexes but which was not addressed in the brief report forwarded to the Council by the International Board of Auditors for Infrastructure Accounts (the annexes went forward separately to the Military Budget Committee and were not examined by the Council). The Chairman explained that there were always numerous critical observations in the report. The Chairman concluded by stating that to go deeper into the questions raised would demand complete redrafting of the report for which there was not enough time. In the end the Board accepted the report on national divisions for pipelines, 1962-1963 (AC/204-R/22).

At its meeting on 9th September 1965, the Co-ordinating Group examined the annual report of the Board of Auditors for Infrastructure Accounts. The reports on the Forward Scatter Program and the HAWK Program were briefly discussed and noted. The question of sharing the auditing of NATO Air Defence Ground Environment (NADGE) Program accounts was raised but deferred pending receipt of further information on the operation of NADGE (AC/204-R/23).

The Summary Record of the 24th meeting of the Co-ordinating Group held on 11th October 1965, merely records that the Group considered the report on the

SHAPE accounts for 1964, the STARFIGHTER Agency accounts for 1964, the CHANCOM accounts for 1964 and the report on the CINCEASTLANT accounts for 1964. All of these reports were noted with little discussion recorded (AC/204-R/24).

The Co-ordinating Group met twice in December 1965. On 6th December it discussed the report on the accounts of SACLANTCEN for the year 1964. After a brief discussion of the high level of authorized expenditures over the amounts actually expended, this report was noted by the Group (AC/204-R/24(A), Item I). During the discussion of the report on the accounts of the SIDEWINDER Agency, the Group was informed that the liquidation had proceeded to the point where the contracts for a large proportion of the personnel had been terminated. Only a few were retained for winding-up operations. The Chairman of the Board of Auditors for NATO Budgets had pointed out to the Production and Logistics Board of Directors that the official best qualified to deal with contract matters had not been kept on the staff. He believed that it was due to this action that the decision had been made to include provisions of liquidation in the NPLO Charter. This report also was noted by the Group (AC/204-R/24(A), Item II).

At the meeting on 14th December 1965, the Co-ordinating Group was informed by the Chairman (Mr. Poons) that the report of the Board of Auditors to the Council on the financial operations effected in 1964 by the International Staff gave the gist of the observations made. The details had been communicated directly to the Financial Controller (AC/204-R/26, Item II [there is no R/25 in this serial]).

The report of the International Board of Auditors for Infrastructure Accounts for the year ending 31st December 1964 examined at this same meeting was criticized by several members. The first criticism arose over the insertion of certain criticisms concerning the consequences of the devaluation and other matters in certain paragraphs of the report. Mr. Poons stated that in the cases in question the majority had been unable to make its views prevail and the report presented was the outcome of a compromise to which most members had been forced to agree.

The discussion then turned to another paragraph of the same year-end report. Several of the Auditors felt that the Board's criticism of the Infrastructure Payments and Progress Committee decision concerning contract conflict resolution were unhelpful. But Mr. Poons noted that the Secretary General felt that the Payments and Progress Committee might have exceeded its authority in the matter in which they took a decision. He felt it was for this reason that the Council had agreed on the need for a high-level working group to study the procedure for settling claims by contractors. As the Chairman, Mr. Poons brought the discussion to an end by recalling that the text adopted was the result of a compromise achieved after long and arduous negotiations. "The majority of Board members had agreed to it only in order to end an awkward situation and to avert further difficulties, in accordance with the request of the Secretary General." The Group concluded by taking note of the yearly report (AC/204-R/26, Item III).

The Co-Ordinating Group of the NATO Audit Boards met seven times in 1966 before the two Boards were merged (effective 1st January 1967). The Group was dissolved following its meeting on 7th December 1966, AC/204-R/33, Item VII). The matters discussed at the 1966 meetings and the basis for the dissolution should be examined in the next report.

The 23 summary records of meetings of the Co-ordinating Group of the NATO Audit Boards are listed in Annex X, 4 to this Report. When issued the summary records of the 5th, 10th, 22nd and 24th meetings were circulated as NATO UNCLASSIFIED documents. The remaining 19 summary records listed in the annex were issued as NATO RESTRICTED or NATO CONFIDENTIAL. The Consultants recommend that all of the Summary Records of Meetings of the Co-Ordinating Group of the NATO Audit Boards listed in Annex X, 4 should be regraded NATO UNCLASSIFIED and released to the public.

### FINANCING COMMON EXPENDITURES

#### F. Ad Hoc Working Group on Rental for Tails (AC/144)

The Council agreed at its meeting on 2nd April 1958 that the ad hoc working group on the imputation of certain communications costs should examine further the question of rentals for tails (C-R(58)18, para. 26(7)). The Chairman of the Budget Committee expressed the view at that meeting that he thought an early solution on the rentals for tails was possible as it seemed the difficulty arose from the confusion as to the meaning of tails. These were defined in a memorandum from the Executive Secretary to the Secretaries of Delegations concerning the establishment of an "Ad Hoc Working Group on Rentals of Tails" which proposed the establishment of this special Ad Hoc Working Group in response to the Council's request for resolution of the question of their rentals (RDC/58/431, 9.12.58).<sup>1</sup>

The Executive Secretary suggested the Ad Hoc Working Group would be chaired by Brigadier General C. M. Baer, Chairman of the EMCCC, with members drawn from each national postal, telephone and telegraph administration (PTT) and a representative of SHAPE. Several delegations were unhappy with the proposed composition and the terms of reference proposed by the Executive Secretary on 9th December 1958. His revised proposal on 5th January 1959 (EXS/58/447) called for the membership to be made up of representatives (preferably to include representatives of each national PTT), and representatives of SHAPE, SACLANT and CHANCOM. The terms of

<sup>1</sup> Definitions from the European Long Lines Agency Compendium 1 c: Tail - consists of both the tail circuit and the terminal equipment. Tail circuit - is the communication link provided by underground cable, overhead construction and/or radio/link connecting the military establishment with the nearest suitable point on the national long distance network at which the required communications facilities can be made available. The tail circuit may be equipped at both extremities with carrier or super-imposed equipment. Terminal equipment - is equipment installed or to be installed at the subscriber ends of the tail circuits for the operation of the entire circuit.

reference were to be based on the language in the Council meeting, “the Ad Hoc Working Group should examine further the question of rentals for tails.”

The first meeting of the Ad Hoc Working Group on Rental for Tails” (AC/144) was called for 29th - 30th January 1959 (AC/144-N/1). The Chairman circulated a working paper to the members of the Group on 17th December 1958 laying out the latest information available to ELLA on national policies for tails for reserve circuits. The Chairman noted that the different policies for tails and the number of tails located in the various nations demonstrated the need for the development of a Council agreed policy as quickly as possible. Such an agreed policy would provide to the nations furnishing a tail information necessary for requesting and receiving rental payments from International Budget funds. In this working paper the Chairman suggested a policy to govern such payments and how the distance to the point of entry onto the national PTT circuits would be computed (AC/144-WP1).

When the Council met on 14th January 1959 to consider the International Budget, the Council agreed to maintain the freezing of credits for charges for tail circuits and terminal equipment as indicated in paragraph 5 of C-M(58)152. The freeze would be maintained until 30th April 1959 pending the findings of the Ad Hoc Working Group. Such credits would be unblocked in the absence of firm recommendations by the Working Group by that date (C-R(59)2, paragraph 14).

On 12th February 1959 the Secretary of the Working Group submitted a summary of the main points discussed at the meeting on 29th and 30th January as an AC/144 Document (AC/144-D/1). No summary records of this meeting nor of the second meeting--described below--were prepared by the Group). There was considerable divergence of views over the basis for payment of the intermediate part of the circuit which connected the nearest point of entry to the PTT control point. In the end the Group agreed to submit to the International Staff a breakdown of the number and cost of tails from the military user to the nearest point of entry and of intermediate circuits from the nearest point of entry to the control point, using the month of December 1958 as the basis for the statistics. A notice reminding Delegations to submit this information was circulated on 7th February 1959 (AC/144-N/2).

The French Delegation submitted a note on its policies concerning the rental of tails in a note circulated to the Group on 20th February 1959 (AC/144-D/2). Presumably it was considered by the Group when it met on 23rd and 24th February 1959. At this second meeting the Group agreed to make a number of recommendations to the Council. This was to take the form of a report to the Council which would clearly state the position taken by each country. The draft report was circulated on 11th March 1959 with a request for comment by 1st April 1959 (AC/144-WP/2). No further meetings were scheduled, but a call would go out immediately if comments on the draft report necessitated another meeting (AC/144-N/4).

Numerous comments on the draft were forwarded to the Chairman for consideration in amending the report to the Council. No delegation called for a

meeting and the Chairman determined that the comments did not justify calling a third meeting of the Ad Hoc Working Group (AC/144-N/5, 8.4.59).

The revised report by the Ad Hoc Working Group on Rental for Tails was circulated on 15th April 1959 (C-M(59)41, and Addendum to this document issued on 16 April 1959). The Ad Hoc Working Group made six recommendations to the Council. But there was one major reservation which caused the question to be returned to the Council for action.

When the Working Group's report was presented to the Council on 22nd April 1959, the Chairman of the Group expressed his regret that the Group had not found it possible to agree on all aspects of the question of payment for rentals of tail circuits. He noted that all but one of the member countries were agreed in the best interest of the alliance to absorb the cost of the local part of the tail circuits. The United Kingdom had entered a reservation which ran counter to the agreement by other countries that either token charges only would be applied to the intermediate part of the tail circuits or that no charge would be made at all. The U. K. Representative responded that his country was not able to change its existing practice whereby tails were rented permanently in peacetime for high-priority reserve circuits. He went on to voice some hope that discussion then going on in ELLA might result in the elimination of high-priority reserve circuits thereby eliminating the question altogether.

The Council agreed to remit the report (C-M(59)41) to the Military Budget Committee for the purposes of examining the possibility of any financial compromise and that the Ad Hoc Working Group should remain in existence for the length of the MBC's study of this question (C-R(59)17, Item VI).

The Chairman of the Military Budget Committee informed the Committee of the assigned task at its meeting on 24th April 1959 (MBC-R(59)5, Item XXVII). The Chairman announced that it was his intention, after consulting with members, to submit a comprehensive document on the problem of rental for tails, for discussion by the Committee at a later meeting. This document was intended to clarify the financial implications of the problem.

The Chairman submitted a draft report to the Council concerning the "Financing of the Use of Reserve Circuits by NATO" (MBC-M(59)90, 6.5.59). Included as an annex were draft rules and procedures for the financing of the use of reserve circuits by NATO. This draft report was considered at two meetings of the MBC in May (MBC-R(59)7, Item II, 22.5.59) and June (MBC-R(59)8, Item I, 1.6.59). The MBC agreed that the question of the use by NATO of the United Kingdom Defense Teleprinter Network would be examined separately and would be the subject of a further report to the Council. The credits for the hire of circuits channeled through the U.K. network were to remain frozen pending the special examination and report. This decision required the Secretariat to amend the figures in the draft report. An amended draft report was then to be submitted to the Council-with a paragraph indicating the reservation made by the United Kingdom Representative if necessary (MBC-R(59)8, paragraph 6).

The revised report by the MBC to the Council was circulated on 10th June 1959 (MBC-M(59)90 (Revised)). The United Kingdom member of the MBC registered a reservation which was discussed at a further meeting of the MBC on 17th June 1959 (MBC-R(59)10, Item XV). Further amendments were discussed and agreed, subject to confirmation by national authorities. The final version was submitted to the Council on 25th June 1959 as C-M(59)65.

The Council discussed the report at its meeting on 15th July 1959 (C-R(59)27, Item I). Because two representatives were without instructions on the matter, final approval was deferred until its next meeting. The Council was informed that the additional report on the financial impact of the use by NATO of the United Kingdom's defence teleprinter network was unlikely to be ready by 31st July 1959 and it was proposed that the additional report should be presented to the Council along with the 1960 budget. The United Kingdom Representative used the opportunity to stress to his colleagues that there was no option for NATO but to participate in this teleprinter network with the UK service departments and the United States forces in the United Kingdom since the civilian system did not possess the capacity to meet NATO requirements.

The report and its recommendations were approved by the Council at its meeting on 22nd July 1959 after discussion and agreement on additional amendments submitted by the MBC (C-R(59)28, Item I). The mission of the Ad Hoc Working Group on Rentals for Tails having been completed it was considered dissolved.

The remaining business of the financing of NATO telegraph circuits in the United Kingdom was the subject of a note from the United Kingdom Delegation to the Military Budget Committee on 10th September 1959 (MBC-M(59)186). The note was discussed at the MBC meeting on 13th and 14th October 1959 (MBC-R(59)14, Item IX). The Committee agreed that it was only possible to meet the NATO requirements to reserve telegraph circuits in the United Kingdom by renting them in the Defence Teleprinter Network (DTN), and that it was not possible to apply the rules set out in C-M(59)65 for charging the circuits in the DTN.

The MBC also took note of the French and Italian Representatives' argument that the number of reserve telegraph circuits in the United Kingdom should be screened during the discussion of the 1960 long lines requirement. With the acceptance of this understanding the Committee concluded that the matter was ready for inclusion in the 1960 communications budget estimates.

The Consultants recommend that the 2 Documents, 6 Notices and 2 Working Papers issued by the Ad Hoc Working Group on Rental for Tails (AC/144) in 1958 and 1959, be regraded NATO UNCLASSIFIED and that they be agreed for disclosure to the public. These documents are listed in Annex X, 5 to this Report.

G. Ad Hoc Group on Reserved Circuits (AC/233)

C-M(59)65 (described in the preceding section on the Ad Hoc Working Group on Rental of Tails (AC/144)) was amended by the Council on 28th March 1962 (C-R(62)13) on the basis of a report by the Military Budget Committee (C-M(62)28). This document did not introduce any substantive changes in the rules laid down in document C-M(59)65, but did insert certain indications to take account of the experience acquired. These “Rules and Procedures for the Financing of Reserved Circuits by NATO” governed the tariff arrangements.

The Council’s decision in March 1962 disposed of the problem of the rental of tails, extended the scale of rental charges previously applicable only to international reserved circuits to all NATO reserved circuits, and specified that annual rentals would be computed on the basis of a charge amounting to the cost of twelve conversation units. With regard to this last point, the NATO Council had in effect confirmed the decision taken by the PTT Administrations in Brussels in 1951 on the cost of testing international reserved circuits. On the basis of these “Rules” in force from 1st January 1959, Allied Command Europe had obtained from the national PTT Administrations the necessary reserved circuits of all categories and had settled all the invoices relating to them

The PTT Administrations of Western Europe at a meeting in November 1962, introduced a substantial change in the tariff arrangements for reserved circuits. The NATO Council deemed that such radical changes should be the subject of joint examination with PTT Representatives with a view to formulating new Rules and Procedures for approval by the NATO Council after their agreement by the PTT Administrations concerned. As a first step, it was proposed (by the Secretary General in PO/63/451, 8.10.63) that the Governments concerned invite their PTT Administrations to defer any change in the prevailing system of charges for reserved international circuits until 1st July 1964 so that the matter could be considered by a group tasked to make appropriate recommendations. At the Council meeting on 30th October 1963 it was agreed that an early meeting of the PTT Administrations in each country, together with the members of the Military Budget Committee, the International Staff and the NATO military authorities would meet under the chairmanship of a member of the International Staff<sup>2</sup> to consider the matter and that this ad hoc group should report their finding to the Council as soon as possible (C-R(63)62, Item III and Corr. 15.11.63).

The first meeting of the “Ad Hoc Group on Reserved Circuits” (AC/233) was called for 22nd through 24th January 1964. In the Notice calling the meeting it was noted that the representatives of the PTT administrations attending should be in a position to speak with authority on behalf of their administrations (AC/233-N/1). To assist the attendees, the Chairman of the Ad Hoc Group circulated a paper on 6th January 1964, summarizing the problem of the tariff arrangements for reserved circuits and proposed a plan of work (AC/233-D/1). This was followed by four documents<sup>3</sup> on the Allied Command Europe’s long

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<sup>2</sup> On 27th November 1963 the Council agreed to the Secretary General’s proposal that Mr. G. Fabry, Chairman of the Military Budget Committee, rather than a member of the International Staff, should chair the Ad Hoc Group’s meetings (C-R(63)69, Item VII).

lines reserved circuits prepared by the Communications Systems Branch of SHAPE (AC/233-D/2, 17.1.64).

During their meeting in late January 1964, the PTT Administrations maintained the increase in charges for NATO reserved circuits (communicated to the Secretary General by letter of 7th February 1963, MBC-M(63)110). However, they agreed to defer implementation of the new tariffs to 1st July 1964 instead of 1st July 1963 and kept open the possibility of a revision of the tariffs in the course of the year if NATO substantially reduced its requirements for reserved circuits. The United States Representatives had made a strong reservation stating that the whole matter of the need for such circuits needed scrutiny and that a study aimed at reducing their number would be the most realistic approach of the problem. The Military Budget Committee was to initiate such a review by the military authorities supported by the Working Party of National Experts on Telecommunications. Finally, the NATO members of the Group would meet again to draw up a report to the Council outlining the situation resulting from the negotiations with the PTT Administrations and making recommendations relevant to the system of financing reserved circuits (AC/233-R/1). The draft conclusions from the meetings (circulated as AC/233-D/3, 31.1.64) noted that the effect would be that any new rate would be applied with effect from 1st July 1965.

In a document detailing the necessary followup to the first meeting, the Chairman called for a meeting of the NATO members on 20th February to draw their conclusions from the meeting held in January and to report to the Council (AC/233-D/4, 3.2.64 and AC/233-N/2, 11.2.64). A draft report was submitted for consideration on 14th February (AC/233-WP/1). It was revised as a result of the discussion at the meeting on 20th February (AC/233-WP/1 (Revised), 27.2.64). The revised draft and additional amendments (see AC/233-WP/2) were approved at the third meeting of the Group on 11th March 1964 (AC/233-R/3).

The report of the Ad Hoc Group on Reserved Circuits was circulated to the Council on 18th March 1964 (C-M(64)19). The recommendation inviting the military authorities and the Military Budget Committee to review by 1st July 1964 reserved circuits which at that time were used by NATO from a military, technical and financial point of view elicited considerable comment at the first meeting at which this report was discussed (C-R(64)18, Item VII, meeting on 17th April 1964). The Canadian Representative suggested that this proposal should be more specific while the United States Representative commented that his authorities expected very few reserved circuits to remain in the approved program after intensive screening by the NATO military and budget authorities (paragraphs 37 to 40 and 43). Final decision on the report would await the outcome of the studies. (With acceptance of this report, the work of the Ad Hoc

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<sup>3</sup> Annex A: NATO System of Reserved Circuit Categories - Definitions; Annex B: Total of ACE Long Line Reserved Circuits by category; Annex C: Total of ACE Long Line Reserved Circuits by Country; Annex D: Payments to each country for RCP-62 [1962 costs for tails and costs for tests].

Group on Reserved Circuits (AC/233) was completed (MBC-M(64)223, paragraph 2)).

The Military Committee and Standing Group agreed to assign the task of making the comprehensive study of the reserved circuits program requested by the Council to the EMCCC, supported by the Major NATO Commanders and ELLA. It was to assess their military value against future costs and other possible means of providing augmenting communications. The EMCCC was requested to suggest other possible means of providing communications bearing in mind new military systems or better utilization of existing ones. This study was to conclude and recommend what categories of circuits, if any, should be retained (SGM-198-64).<sup>4</sup>

Proposals for meeting the military requirements at significantly lower cost were presented in notes to the Military Budget Committee by the United Kingdom and the United States Delegations (MBC-M(64)139 (22.4.64) and 208 (20.5.64).

The Secretary General was notified on 15th June 1964 of the acceptance by the PTT administrations of NATO western Europe members (except the Netherlands) of the amendments to the report of the meeting in Paris on 6th and 8th November 1962 (MBC-M(63)110) as called for at the first meeting of the Ad Hoc Group on Reserved Circuits (AC/233-R/1). The Military Budget Committee attached a copy of the letter to a memorandum proposing that the Group of National Experts on Telecommunications be entrusted with the task of preparing necessary revisions of C-M(62)28 (MBC-M(64)282, 21.7.64).

The Working Group of National Communications Experts submitted its report and proposals on the "Rules and Procedures for the Financing of Reserved Circuits of NATO" to the Military Budget Committee on 10th May 1965 (MBC-M(65)225). The proposal was forwarded to the Council on 29th November 1965 (C-M(65)132) and approved by the Council at its meeting on 8th December 1965 (C-R(65)49, Item XI).

The Consultants recommend the downgrading to NATO UNCLASSIFIED of the 4 Documents, 2 Notices, 3 Records of Meetings, and 2 Working Papers issued by the Ad Hoc Group on Reserved Circuits (AC/233). These documents should also be agreed for disclosure to the public. The AC/233 documents are listed in Annex X, 6 to this Report.

H. Special Working Group on the Financing and Imputation of Common Military Expenditures (AC/245).

When the Military Budget Committee (MBC) reported to the Council on the "Financing of Common Military Expenditures as from 1st January 1962" (C-M(61)96) it noted that the MBC had held a number of meetings in an attempt to reach agreement on future cost-sharing arrangements. But it had proven

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<sup>4</sup> A copy was transmitted to the Secretary General by the Standing Group Representative on 19th June 1964 (SGLP 412/64).

impossible to attribute the so-called “intermediate” or “controversial” categories of expenditure to cost sharing under either the prevailing infrastructure formula or the military budget formula. The reasons were that the existence of different cost-sharing formulae created conflicts of financial interest between the contributing nations partly because the prevailing criteria did not provide a basis for an unanimous solution and partly because it had proven impracticable at that time to determine any different criteria.

The MBC recommended that a special working group be established by the Council to solve the problem. The working group would be tasked to determine whether the prevailing methods of financing NATO common expenditures should be reviewed and, in particular, to reexamine the existing criteria for the imputation of expenditures to the military budget or infrastructure program budget.

When presenting the report to the Council, the Chairman noted that the MBC report proposed a special working group be set up with a deadline of submission of recommendations for Council approval before 1st January 1965 (C-R(61)57, Item I). The Council agreed to the setting up of the special working group and invited the MBC to submit to the Council before 1st February 1962, precise proposals on the composition and terms of reference of the group.

The Military Budget Committee reported to the Council on 24th January 1962 that it seemed too early to appreciate all the elements of the situation which would present themselves in 1965, and asked for permission to defer submission of its proposals until 1st July 1963 (C-M(62)7). This delay was accepted by the Council at its meeting on 9th February 1962 (C-R(62)7, Item I).

The Military Budget Committee submitted the requested proposals to the Council on 11th July 1963 (C-M(63)58). The MBC recommended that the Special Working Group be placed under the chairmanship of the Deputy Secretary General assisted by the Chairman of the MBC and the Controller of Infrastructure with representation from member countries wishing to take part in the discussions. The recommended terms of reference called for the Group to determine whether the present methods of financing NATO common military expenditures should be reviewed, and in particular, to reexamine the existing criteria for the imputation of expenditures to the MBC or infrastructure programs and to make appropriate recommendations to the Council. The proposal called for the Special Working Group to submit its report to the Council by 1st July 1964. It also called for the Group to submit an interim report to the Council on any specific difficulties it might encounter in the course of its work.

When the recommendation of the MBC (which had been coordinated with the Infrastructure Committee) was discussed by the Council at its meeting on 24th July 1963, both the Greek and Portuguese Representatives expressed the view that they were not convinced of the necessity for establishing the Group as they viewed the prevailing method of financing satisfactory. After noting the statements of the Greek and Portuguese Representatives, the Council set up the Special Working Group as recommended by the MBC (C-R(63)39, Item IV).

The United States Delegation provided a statement on 21st May 1964, of its position on the revision of the cost sharing arrangements as they affected all military headquarters budgets (MBC-M(64)209). That statement noted that the prevailing cost-sharing formula for NATO military headquarters, contained in C-M(61)96, covered the period ending 31st December 1964. In 1955 the United States had accepted 24.2 percent as its share. A decade later, the U. S. Delegation pointed out, the increasing economic capabilities of the Western European nations and the force of other world-wide demands on United States resources suggested that the European nations should assume a larger share of the financial burden. The proposed percent change in the U.S Delegations statement would put Germany, France, the United Kingdom and the United States on an equal footing of 18 percent each. The remaining difference would be made up by increasing the percent paid by the remaining nations by about one-half of one percent (the eleven countries would pay 28 percent vs. the 23.10 percent they paid under the prevailing formula).

On 24th June 1964, the Chairman of the Special Working Group, sent a note to the Permanent Representatives, explaining why the Group had not been able to meet and to ask the Council to agree that the Group should postpone until a later date the presentation of any conclusions which it could only formulate on completion of certain studies (PO/64/282). The Chairman, Deputy Secretary General Colonna, reminded the Representatives that the terms of reference of the Special Working Group (C-M(61)96) called on the Group to reexamine the basic principles governing the methods of financing used at that time by NATO in the associated fields of infrastructure and the budget. They were to take account of the changing nature of the military requirements and to adapt the system of financing the expenditures borne by the NATO countries to definitions and criteria drawn up in the light of the current situation and foreseeable developments.

The Special Group's study could only be undertaken with some hope of success when they could work on known elements, that is, on the contents of an infrastructure program covering several annual slices beginning with 1965. But the Council had taken the decision on 22nd January 1964 (C-R(64)4, Item II), to consider only one infrastructure slice--that one to be completed in 1965. The Council had postponed any decision on a program covering several slices until certain essential questions had been settled--most notably, the work undertaken by the Defence Planning Committee. The Council took note of the situation and invited the Chairman of the Special Working Group to inform the Council when it was in a position to undertake the work allocated to it (C-R(64)32, Item III).

The statement which the United States Delegation had submitted to the Military Budget Committee in May was sent directly to all of the Permanent Representatives on 19th June 1964. With this statement the U.S. Delegation suggested the establishment of an ad hoc group to consider the proposal.

When the Council met on 1st July 1964 to discuss the proposal (C-R(64)32, Item IV), the U. S. Representative noted that the original thought had been to have

negotiations in the Military Budget Committee, and then to apply the results of those discussion to the civilian budget. They were advised that an ad hoc group would be the best way to handle the matter and that any new formula agreed would cover not only the expenditures of the NATO military headquarters, but would also cover the considerably smaller expenditures incurred for the civil headquarters.

It was evident from the discussion that some countries were troubled by the United States proposal (in MBC-M(64)209) and that it should not be taken as a paper for discussion or as indicating the terms of reference of the proposed ad hoc group. The United States Representative explained that the statement had been submitted for the purpose of eliciting proposals from other member nations and of provoking discussion. In the light of the concern expressed by several delegations which felt that the proposed ad hoc group's functions seemed to overlap those of the Special Working Group, the United States Representative suggested that the terms of reference of the Special Group might be expanded to cover the urgent study of the United States' problem. The Council agreed that the Special Working Group set up on 24th July 1963, should study the problem raised by the United States Delegation and report to the Council (C-R(64)32, paragraph 20).

The "Special Working Group on the Financing and Imputation of Common Military Expenditures" held its first meeting on 30th September 1964 (AC/245-R/1). In clarification of the situation, the United States Representative stated at the meeting (further to a note circulated to the Working Group as AC/245-D/1, 18.9.64) that the prevailing cost sharing formula for the NATO military and civilian budgets did not automatically come to an end on 31 December 1964. What did come to an end were the special financing arrangements (in particular the "double ceiling") adopted by the Council for use during the period of 1957 to 1960 which, on the recommendation of the Military Budget Committee, had been prolonged and used for the period 1962-1964 (MBC-R(64)19). He went on to state that the United States position was not meant as a threat to cut off the cost sharing formula on this date, but to exercise its right to request the review of the earlier agreements in the light of the new situation regarding the economies of the other members and the development in the United States of balance of payments problems and outflow of gold. The Special Working Group adjourned after agreeing to continue the discussion of this question at its next meeting.

The Special Committee met the second time on 24th May 1965 to discuss a statement submitted on short notice by the U.K. Delegation. Following some discussion of the statement and its relationship to the United States proposal referred to the Working Group by the Council, the Chairman explained to the Group the situation at that time. The United States Delegation had decided not to press for further consideration of its note in AC/245-D/1, thus agreeing tacitly to carry on with the prevailing formula. Now the United Kingdom had taken the initiative of reopening the debate by making a statement containing certain proposals (AC/245-R/2).

The Chairman concluded that the Working Group would have to resume its activities on the basis of these new proposals. The Chairman stated that he intended to examine all evidence pertaining to the U.K. contention that the 1955 single formula did not automatically replace the cost-sharing arrangements for the period 1961-1964 after their expiration the end of 1964. The Working Group instructed the Secretary to circulate the text of the United Kingdom statement together with all relevant data (including the OCDE budget cost-sharing formula). The Working Group agreed to continue discussion at the next meeting (AC/245-R/2, paragraphs 17-18).

The United Kingdom statement was circulated to the Working Group on 11th June 1965 (AC/245-D/2). In this statement, the U.K. Delegation argued that for reasons stated, they considered that a new formula should be worked out by the Group and that, when it had been worked out, the Council should be recommended to apply it from 1st January 1965. The statement went on to discuss various formula and their merits. The statement concluded that until a satisfactory new formula was negotiated problems of imputation between the Military Budget Committee and Infrastructure were going to get more difficult with the result that NATO's progress would be impeded.

The Secretary of the Working Group circulated the information requested at the Group's second meeting on 23rd June 1965 (AC/245-N/3). Annexed to the covering note were three tables updating to 1964 certain of the statistics referred to by the United Kingdom Representative at the meeting on 24th May (and circulated in AC/245-D/2). Also annexed to the Secretary's note was a copy of the 1965 OECD budget cost-sharing formula. The final table annexed (Annex V) compared the prevailing percentage shares with those suggested respectively by the United States and the United Kingdom, and with the OECD percentage shares of the NATO countries, suitably adjusted, but leaving the United States share at its original OECD level.

When introducing the matter at the third meeting of the Working Group on 28th June 1965 (AC/245-R/3), the Chairman (Deputy Secretary General J. A. Roberts) informed the Group that the NATO Legal Adviser had concluded that the United Kingdom was justified in its unwillingness to leave the matter as it stood, though he was not prepared to state that the 1965 formula had lapsed together with the double ceiling system. (The Legal Adviser's opinion was circulated after the meeting as AC/245-N/5 on 19.7.65.) The views expressed at this meeting demonstrated a considerable difference of opinion. The Group concluded that further progress would be possible only on the basis of clarification of the United Kingdom cost-sharing and imputation proposals, and the possible circulation of figures on the total national contributions to all commonly financed NATO expenditures over the last three or four years (AC/245-R/3, paragraph 23).

The United Kingdom submitted a detailed note on its position on 4th October 1965 (AC/245-D/3), concluding that pending agreement on a new formula to be effective from 1st January 1965, the United Kingdom would be prepared to

continue to contribute to NATO's military budget at the double formula rate approved by the Council in C-R(61)67.

The Special Working Group met again on 18th October 1965. It was clear that the United Kingdom position was unacceptable to several other members. Temporary suspension of the Group's study pending the outcome of discussions on the infrastructure budget reformulation was not possible so long as the U. K. declaration to unilaterally change its contribution to another percentage rate than that agreed in the 1955 formulation was on the table (the U.K Representative was asked to seek new instructions in the light of the discussion). A report to the Council in view of this difficulty was one alternative. In the end the Special Working Group agreed to consider at its next meeting whether an interim report should be submitted to Council and invited the Chairman to draft such an interim report in the form of a working paper for possible consideration at their next meeting.

The requested draft interim report to the Council was circulated as a working paper on 9th November 1965 (AC/245-WP/1). On 16th November 1965, a second working paper was circulated (AC/245-WP2). This paper consisted of a note summarizing the views expressed in AC/245-D/2 and D/3, described above, which the United Kingdom Delegation intended to propose as an annex to the Special Working Group's report to the Council, should it be decided to submit such a report.

When the Special Working Group met again on 22nd November 1965, the discussion on the draft interim report led to proposals from several delegations that because the final outcome was unclear a note of impass and referral to the Council for additional instruction was ill advised at this time. The Group finally resolved to invite the United Kingdom Representative to consult his authorities on a possible statement to Council of its position regarding the financing of the Military Budget for 1965 and 1966--advising the Chairman of the developments so that he could inform the members of the Group. At the same time the Group invited the Chairman to prepare a simple statement in his own capacity which would summarize the state of progress of the Working Group's discussions, to be circulated to the members and submitted verbally to the Council in the event that the United Kingdom's position remained unchanged (AC/245-R/5).

The United Kingdom Representative circulated directly to the Secretary General and his fellow Representatives, a copy of a statement he subsequently presented orally at the Council meeting on 8th December 1965. The U. K. statement was made in connection with the 1966 Budget Estimates of the NATO Military Headquarters and Agencies (C-R(65)49, Item X). Following discussion of the issues raised (particularly on the legal interpretations offered in the comments), the Chairman confirmed that approval of the budgets should be kept separate from the question of cost-sharing. Consequently the Council delegated to the Military Budget Committee the powers of decision to approve the 1966 budget estimates submitted for the Standing Group Communications Agencies in Paris and for the Early Warning System (in C-M(65)95), and merely noted the statements made in discussion.

The following day, 9th December 1965, Secretary General Manlio Brosio informed the Permanent Representatives that he was prepared to present the problem of the failure to find agreement on cost-sharing for the military budgets and for the infrastructure programs to Ministers meeting later that month. If solution could not be found he would insist on a further meeting in order that agreement in both fields could be reached before the end of January 1966 (PO/65/608).

On 11th December 1965 the Secretary General proposed a note for the Ministerial meeting agenda on the financing formula for the military budget and for infrastructure programs. His was a compromise formula for the military headquarters budget for 1966-1969 and a compromise proposed total cost for infrastructure programs covering slices XVI through XX (PO/65/610).

When the Secretary General's proposal (PO/65/610) came before the Ministerial meeting of the Council on 15th December 1965, it was evident that the compromise offered was not acceptable. Ultimately it was agreed that a meeting of ministers or senior government officials with plenipotentiary powers should be held at the NATO Permanent Headquarters Building on 20th January 1966 for the purpose of solving the problems connected with the financing of military budgets and infrastructure programs (C-M(65)53, paragraphs 42 - 82).

The report of the plenipotentiary meeting of 20th and 21st January 1966 was published as C-M(66)10 on 1st February 1966. It invited the Council to note the agreements reached between the Governments regarding the cost-sharing of Infrastructure Slices XVI to XX with a financial ceiling of £228 million, and on a new cost-sharing formula for the military budgets. The agreement was approved by the Council at its meeting on 9th February 1966 (C-R(66)6, Item V).

The Consultants recommend that the 4 Documents, 5 Notices, 5 Records of Meetings, and 2 Working Papers issued by the Special Working Group on the Financing and Imputation of Common Military Expenditures (AC/249) be downgraded to NATO UNCLASSIFIED. At the same time they should be agreed for public disclosure. The AC/245 documents are listed in Annex X, 7 to this Report.

### NATO AGENCIES, PRODUCTION & LOGISTIC ORGANIZATIONS

#### I Ad Hoc Working Group on the Status of the NATO Agencies (AC/195)

Secretary General P.-H. Spaak sent a note to the North Atlantic Council's Permanent Representatives on 7th November 1960 (PO(60)1139 (Revised)) on the subject of the "Status of Agencies." The issue he addressed was one of long standing. It was formally addressed by the Council at its meeting on 11th June 1959 (C-R(59)23, Item II) when the Council was considering the coordinated production of the HAWK Missile System (C-M(59)54). Several delegations at that meeting expressed concern with regard to the legal position

of the subsidiary bodies coming into being in support of NATO production and logistic support programs.

At that meeting the Secretary General promised that a study would be made of the problems involved and a document defining the status of these bodies would be placed before the Council. After that meeting in mid-1959, and the submission of the draft agreement submitted under the PO, the Council had had to take a number of decisions relating to similar bodies being created. The council in these instances had agreed that the rules adopted at the time of the establishment of these bodies would be treated as provisional (C-R(60)17, Item III).

The draft agreement submitted in November 1960 covered the status of the agencies set up by the Council as subsidiary bodies of the Organization. It attempted to lay down general principles with the understanding that implementary measures would have to be inserted in the charters of each of the bodies concerned. The draft agreement was placed on the agenda of the meeting of the NAC on 9th November 1960.

When the Council reached this item on the agenda of its meeting on 9th November 1960 (C-R(60)42, Item II), it developed that some delegations were not prepared on such short notice to take up this matter and postponement was discussed. All agreed that it was a matter of some urgency but the discussion demonstrated that there were very divergent views of the issues raised in the draft. Clearly the entire matter required clarification. The Danish Representative proposed that a working group be established to define what were the actual points of disagreement. The composition of the group was not agreed at that meeting, but the Council Representatives agreed to obtain instructions on the matter for discussion at its next meeting.

On 16th November 1960 (C-R(60)43, Item IV) the Council agreed to set up a working group under the chairmanship of the Deputy Secretary General, composed of "high-level" representatives from the delegations of Belgium, Germany, Italy, the Netherlands, Norway, the United Kingdom and the United States. These representatives were to be responsible to their Permanent Representatives, to study and propose to the Council "at the earliest possible date" a draft agreement on the status of the agencies. The working group was to take the draft agreement put forward in PO(60)1139 as a working basis for its deliberations.

When the Secretary of the "Ad Hoc Working Group on the Status of NATO Agencies" (AC/195) issued the agenda for the first meeting of the Group on 8th December 1960, he provided a list of the documents providing the terms of reference of the agencies in question or affected by the agreement they were to develop (AC/195-A/1):

NATO Central Europe Pipeline System	C-M(56)129 and C-M(57)204
NATO Maintenance Supply Services Agency	C-M(58)78

HAWK Missile Production Organization	C-M(59)54
NATO Co-ordinated Production Programme of the SIDEWINDER Missile System in Europe	C-M(59)99
Audit of NATO Agency Accounts	C-M(60)36

The first two documents issued under serial AC/195 were statements made by the United States and the Netherlands Representatives at the first meeting of the Group on 8th December 1960 (AC/195-D/1 and D/2). The third document was a study by the NATO Legal Adviser on the Legal Capacity of NATO Agencies.

The Ad Hoc Working Group held 17 formal and a great many informal meetings between December 1960 and April 1962 when it prepared its report and proposed regulations for NATO Production and Logistics Organizations (NPLOs) for consideration by the Council (AC/195-D/11, 9.4.62). (The Group agreed at its first meeting that no summary records of their meetings would be prepared. However, the Group's Secretary did prepare a report of the outcome of the meeting for use by the International Staff and to keep the Secretary General, Executive Secretary, Standing Group Representative and others informed of the progress of the work of the Group.)

The "Regulations for NATO Production and Logistics Organizations" was circulated to the Council on 28th April 1962 as C-M(62)18. While basing its work on PO(60)1139, the Working Group considerably expanded and amended the provisions of that document. The regulations submitted were the result of numerous compromises and were the fruit of protracted discussions. The particularly difficult points concerned: (a) the principle of the creation of NPLOs; (b) reaching agreement on the arrangements to be concluded between the member states of a NPLO and its prospective host state (article 9); (c) the interpretation of the term "international organization" as used in article 11; (d) the ownership and disposition of assets of a NPLO (paragraph 4 of the report and article 14); and (e) the status of NPLO personnel (paragraph 5 of the report and Section VII of the regulations).

The Council considered the Ad Hoc Working Group's report at its meeting on 17th May 1962 (C-R(62)26, Item I). The United States and Netherlands Representatives and the Standing Group Representative made statements "for the record" concerning certain clauses in the Regulation at that meeting (paragraphs 3 through 7). None of these statements required any change in the proposed Regulation and the Council approved them in the form submitted. The Regulations were to have effect from that date (17th May 1962). The Council agreed that these Regulations would apply to the existing NATO subsidiary bodies (described above and also the NATO F-104G STARFIGHTER Production Organization).

The Council also agreed to create an Ad Hoc Working Group to review the proposals for modification of the Charters of the existing NPLOs and to submit to the NAC, after consultation with the NATO Production and Logistic Organizations concerned, its recommendations on such proposed modifications

. (See the description of the Ad Hoc Working Group on the Revision of NPLO, AC/211, below.)

At the same time the NAC agreed that the NATO Board of Auditors should continue to carry out the audit of the accounts of the NPLOs under the conditions set out in Annex II of the Regulations--which superseded C-M(60)36. Its final decision in this matter was to disband the Ad Hoc Working Group on the Status of NATO Agencies.

The 11 documents and 20 working papers issued by the AC/195 Ad Hoc Working Group are listed in Annex X, 8 to this report. We recommend that all of these documents be downgraded to NATO UNCLASSIFIED and be agreed for disclosure to the public for research.

#### J. Ad Hoc Working Group on the Revision of NPLO Charters (AC/211)

The North Atlantic Council approved the report and draft “Regulations for NATO Production and Logistics Organizations “ (NPLO) at its meeting on 17th May 1962 (C-R(62)26, Item I). The report by the Ad Hoc Working Group on the Status of NATO Agencies (AC/195) was issued as C-M(62)18. In adopting this document the Council created a new Working Group, the “Ad Hoc Working Group on the Revision of NPLO Charters” (AC/211) with terms of reference set out in paragraph 7(6) of C-M(62)18, as follows:

- (a) review the proposals for modification of the charters of existing NPLO submitted in accordance with article 2(c) of the Regulations; and
- (b) submit to the NAC, after consultation with the NATO Production and Logistics Organizations concerned, its recommendations on such proposed modifications.

The Assistant Secretary General for Production, Logistics and Infrastructure was to serve as the chairman of the Group. Membership was to include representatives of delegations which wished to participate in the business. It would also include a member of the staff of the Standing Group Representative and the Legal Adviser. Permanent Representatives were invited to indicate their interest and nominate their delegate by PO(62)310 (25.5.62).

The first document issued under the serial of the Ad Hoc Group (AC/211-D/1) on 12th June 1962 set out the terms of reference and composition of the new Group. It also identified the charters which were to be revised by the boards of directors of these organizations and submitted to the Working Group for examination. The NPLOs were:

- Organization of the NATO Pipeline System in Central Europe Region
- NATO Maintenance Supply Services System (NMSSS)
- NATO HAWK Production Organization
- NATO F104G STARFIGHTER Production Organization
- NATO SIDEWINDER Production Organization

[and a sixth NPLO which had come into existence since the AC/195 Group had submitted its report, ]

NATO BULLPUP Production Organization (established by C-M(62)60).

It was proposed to hold the first meeting of the AC/211 Working Group soon after the first revised charter had been received and circulated to all concerned. The Secretary had written to each of the NPLOs in May 1962 informing them of the requirement to revise their charters to accord with the adopted regulations and submit them by 17th November.

It was 4 February 1963, however, before the first three revised charters were received and circulated--those of the NATO F104G STARFIGHTER Production Organization (AC/211-D/3), the NATO SIDEWINDER Production Organization (AC/211-D/4), and the NATO BULLPUP Production Organization (AC/211-D/5).

The Chairman of the Ad Hoc Group asked the Legal Adviser to examine the three revised charters and to determine the extent to which the proposed provisions diverged from the provisions of the Regulations for NATO NPLOs in C-M(62)18. The Legal Adviser's response, complete with a comparative table of the three proposals vs. the C-M(62)18 provisions, was circulated (as AC/211-D/6) on 16th February 1963. The Legal Adviser urged the Group at its first meeting to decide whether it would accept each of the drafts submitted in the form presented or whether it would like them all to be set within the same framework and, further, whether any standard charter would merely allude to C-M(62)18 or whether it should repeat its provisions.

Anticipating the outcome of that meeting, the International Staff assisted by the Legal Adviser prepared a model charter for use when drafting the charter of a new NPLO. This model charter derived directly from the C-M, took into account certain provisions contained in the charters of then existing NPLOs. When introducing the topic at that first meeting on 18th March 1963, the Chairman asked the Working Group whether it thought the three drafts submitted were acceptable in their presented form, or whether it would be better to draw up a standard plan applicable to all cases. After some discussion the Group agreed in principle on the preparation of a specimen standard charter. The Chairman then laid the draft charter before the Group with the suggestion that the Secretariat be instructed to redraft the three charters on the same lines as those in the model standard plan. This provision was to affect only the form and problems of substance would be studied at a later meeting.

In conclusion the Working Group accepted the Chairman's proposal and directed the Secretariat to proceed as proposed. In the following two weeks, the Secretariat produced revised versions of AC/211-D/3, 4, and 5 recast in accordance with the Working Group's instruction. At the same meeting the Chairman was asked to forward copies of the standard charter to the Boards of Directors of all of the NPLOs for information with a request that those who had not already submitted a draft revised charter should be guided by this proposal so far as possible in their efforts (AC/211-R/1, para. 13).

The Standing Group Representative put forward a SHAPE proposal for additional wording of paragraph 22 of the model charter for NATO production organizations (SGLP 261/63 of 25.4.63, circulated to Working Group as AC/211-D/2, 6.5.63). This paragraph dealt with liaison between the production organizations (it was not intended to apply to the logistics organizations) and the NATO military authorities. The proposal was discussed at the Working Group's second meeting on 13th and 14th May 1963 (AC/211-R/2, Item V). After some discussion the Working Group agreed to retain the text in the model charter. However, they agreed to send a copy of the proposal in AC/211-D/2 to the Boards of Directors of the four existing production organizations for their information and consideration. These Boards of Directors were informed that the Working Group did not consider it appropriate to include the text in the charters of their respective production organizations but acknowledged that it was the responsibility of the Boards of Directors to make arrangements with the NATO military authorities for the necessary detailed liaison to be established between them.

In November 1963 the Chairman of the Working Group submitted an interim report to the Council (C-M(63)86, 13.11.63, draft submitted to Working Group members in AC/211-N/6, 17.10.63). After noting the report, the Council invited the Boards of Directors of the NATO HAWK and NMSSS to submit their proposals to the Working Group before the end of 1963 at the latest and invited the Central Europe Pipeline Policy Committee and the Central Europe Pipeline Office to submit their proposals by 30th April 1964 (C-R(63)69, Item IV, mtg. on 27.11.63).

When finally forwarding its revised charter to the Ad Hoc Working Group in January 1964, the Board of Directors of the NMSSS called attention to the point that it was proposing a change of the title of the organization. They proposed for practical and psychological reasons that the title "NATO Maintenance Supply Services System" be replaced by "NATO Maintenance and Supply Organization" (NAMSO) and that of the Agency would become NAMSA (AC/211-D/11). The proposal was thoroughly examined by the International Staff and Legal Adviser who compiled their commentaries (AC/211-D/12, 10.2.64) which were considered by the Working Group at its fourth meeting on 27th-28th February 1964. This led through another revision and finally to a further draft revised NMSSS Charter (AC/211-D/15) on 28th August 1964.

The NATO HAWK Board of Directors continued to press ahead with consideration of their charter and were finally able on 19th February 1964 to forward its charter with only a few points still to be finalized (AC/211-D/13, 2.3.64). Commentary on the draft by France (AC/211-D/13), and discussion in meetings led to a further draft revised HAWK Charter (AC/211-D/17, 27.10.64). The Legal Adviser provided a note on this draft (AC/211-D/18) for consideration by the Ad Hoc Working Group at its fifth meeting.

Final approval of the draft charter for the HAWK Organization required further consideration as the proposal raised a number of points on certain texts which involved variations from the provisions of C-M(62)18. After discussion by the Ad

Hoc Working Group, these were referred back to the HAWK Board of Directors for clarification and justification. The justifications were provided and the Working Group accepted them as compatible with C-M(62)18 (AC/211-D/28, D/31, and D/32 and AC/211-R/10 and R/11).

Just as the Working Group was preparing its final approved text for submission to the Council, the HAWK Board of Directors introduced a proposal to the Working Group of a modified text which would allow the HAWK Production and Logistics Organization to provide logistic support for HAWK batallions to NATO countries not members of the NATO HAWK Organization. The text concerned article 3(a) of the Charter. The Working Group recognized that it was not within its competence to approve such a substantive extension of the scope of activity of an NPLO--a right which remained with the Council--but recognized also that this extension could be approved by the Council at the same time as the revised HAWK Charter. The Working Group, therefore, initially submitted the modified text for consideration by the Council on 6th December 1965 as C-M(65)133. It was further modified in the following month to cover the launching of improvements to the programs of the HAWK system (AC/211-D/33, C-M(65)133(Revised).

At the NAC meeting on 4th November 1964 the Chairman was able to announce that four of the six NPLO Charters had been revised and approved by the Council and the Board of Directors of the HAWK Production Organization hoped to finalize its work on the draft revised charter and would be forwarding it to the Ad Hoc Working Group for consideration. That left only the Central European Pipeline Organization charter outstanding. While acknowledging that the complex structure of the CEPS raised particularly complex problems, more than two-and-a-half years had elapsed since the Council had approved C-M(62)18. The Council agreed that the Chairman should urge the two CEPS directing bodies to submit proposals to the Ad Hoc Working Group at the earliest possible date (C-R(64)48, Item III).

The Chairman of the Central Europe Pipeline Planning Committee submitted proposed revisions of the Charter of the Organization of the NATO Pipeline System in the Central Europe Region. In a covering note the Chairman explained that it was found impossible to make one single document incorporating the substance of C-M(62)18 and of C-M(56)129 and C-M(57)104 since the provisions of these two latter documents (especially where they referred to the participation of the NATO Military Authorities) went far beyond those contemplated for the other NPLOs and had to be retained.

The draft Charter consisted of three parts: the unmodified text of both of the original charters of the Organization, C-M(56)129 and C-M(57)104; and the additional provisions based on elements of C-M(62)18. Those additional provisions were circulated to the Council on 23rd February 1965 as AC/211-D/21. The Ad Hoc Working Group considered them at its meeting on 26th March 1965 (AC/211-R/9) and approved the revised draft Charter circulated as AC/211-D/21 as amended by AC/211-D/23 and during the discussion. This revised version was initially circulated (as C-M(65)38) on 28th April 1965. The

three documents constituting the entire CEPS Charter was circulated in one single document as C-M(65)49 on 15th June 1965.

At its meeting on 13th January 1965 (C-R(65)1, Item II), the Council approved the report of the Ad Hoc Group on the Proposed Organization for the Implementation of the NADGE Plan (AC/247--The NATO Air Defence Ground Environment or NADGE, is described in Part IX, sections G through J of this Report). In doing so, the Council set up the NADGE Organization and agreed that the Ad Hoc Working Group on the Revision of the NPLO Charters would also be responsible for the preparing of the Charter of this Organization (the AC/247 report is C-M(64)132(Revised)).

The terms of reference of the Ad Hoc Working Group were enlarged by inserting appropriate language in paragraph 13(v) of C-M(64)132(Revised). The International Staff promptly prepared a draft charter drawn largely from documents C-R(64)48, C-M(64)80(Revised) and C-M(64)132(Revised) and also the appropriate provisions of C-M(62)18 and C-M(62)102 (which covers the relationships of subsidiary bodies on the one hand with the Council and the Secretary General on the other, as well as the coordination in the field of administration and personnel policy). This draft was circulated to the Ad Hoc Working Group on 14th January 1965 (AC/211-D/19).

Comments, drafts and revisions concerning the NADGE were issued as 11 of the 12 Working Papers of the Working Group (AC/211-WP/1 through WP/11) and several Documents (AC/211-D/20 [incorporating comments, questions and amendments proposed in AC/211-WP/1 through WP/7] and D/22 of 22.2.65 [considering the comments then in hand and the discussion at the 7th meeting of the Working Group on 11th and 15th February 1965, AC/211-R/7]). A revised draft (AC/211-D/22(Revised)) was prepared and circulated on 22nd March 1965 after detailed examination of the draft NADGE Charter at a meeting of the Working Group on 15th March (AC/211-R/8).

At its 12th and final meeting the Ad Hoc Working Group on the Revision of the NPLO Charters on 3rd December 1965 (AC/211-R/12), the Working Group asked the Council to approve the general rules it proposed governing the dissolution of NATO Production Organizations, as a general directive to be applied to each individual case by a special decision of the Council. The Council approved this proposal and the language of the model directive covering the dissolution of a NATO Production Organization (AC/211-D/30). These rules were first applied by the Board of Directors of the NATO SIDEWINDER Production and Logistics Organization in the preparation of its resolution on the dissolution of its Organization in December 1965 (C-M(65)146 and C-M(66)3).

The text of a final report to the Council was prepared by the International Staff during its 12th meeting. In that report the Council was informed that the Ad Hoc Working Group had submitted to the Council the following Charters:

- (a) the revised Charter for the NATO BULLPUP Production Organization, document C-M(63)83, approved in C-R(63)69, Item II;

- (b) the revised Charter for the NATO SIDEWINDER Production and Logistics Organization, document C-M(64)13, approved in C-R(64)14, Item V;
- (c) the revised Charter for the NATO F.104G STARFIGHTER Production Organization, document C-M(64)41, approved in C-R(64)29, Item II;
- (d) the revised Charter for the NATO Maintenance and Supply Organization, document C-M(64)77, approved in C-R(64)48, Item II;
- (e) the revised Charter for the Organization of the NATO Pipeline System in the Central Europe Region, document C-M(65)38, the consolidated version of which was subsequently circulated under reference C-M(65)49, approved in C-R(65)24, Item II;
- (f) the Charter for the NADGE Organization, document C-M(65)70, approved in C-R(65)42, Item II;
- (g) the revised Charter for the NATO HAWK Production and Logistics Organization, document C-M(65)133(Revised), approved in C-R(66)8, Item VI.

The final report of the AC/211 Ad Hoc Working Group also reminded the Council that it had also forwarded to the Armaments Committee a model Charter for use by the latter should a need arise to establish another NATO Production Organization (AC/211-D/29//AC/74-D/1109).

The Council took note of the final report of the Working Group at its meeting on 23rd February 1966 and also approved the report governing the dissolution of NATO Production Organizations (C-R(66)8, Item VI). The work being completed the Ad Hoc Working Group was disbanded.

Annex X, 9 contains a listing of the documents, notices and working papers issued by the Ad Hoc Working Group on the Revision of the NPLO (AC/211). They concern the development of the charters through various drafts and revisions to final document. Not included in that listing are the 12 meetings held between March 1963 and December 1965 by the Ad Hoc Working Group. The Consultants recommend that all of these documents be regraded NATO UNCLASSIFIED and that they be released to the public.

#### HEADQUARTERS AND PERSONNEL

##### K. Headquarters Administration and Security Committee (AC/184)

[A description of the security aspects of the work of this Committee is included in the narrative portion of Part XIII of this Report.]

At its first meeting on 25th July 1960, the Chairman of the newly established Headquarters Administration and Security Committee outlined the administrative considerations leading to the proposed merger of the Headquarters Administration Committee and the Committee on Specific Security Questions in

the NATO Permanent Headquarters (AC/154)<sup>5</sup>. The Committee agreed in principle to the drafted terms of reference (which were annexed to the record of the meeting) and agreed they should be submitted to the Council (AC/184-R/1, Item I). The proposed merger (and the disestablishment of the predecessor committees dealing with kindred problems) was presented to the Council for consideration on 1st February 1961 (C-M(61)12).

The setting up of a Headquarters Administration and Security Committee was discussed by the Council at its meeting on 15th February 1961 (C-R(61)5, Item II). The Council approved the proposal to create the new Committee. It was to be presided over by the Director of Administration and Personnel who would be assisted by a vice chairman responsible more particularly for security questions. The Committee was to be composed of representatives of delegations, of the International Staff and of the Office of Standing Group Representative.

The Council included a clause in the description of its responsibilities calling for the Committee to refer to the Civil Budget Committee all questions with financial or budgetary implications (C-R(61)5, para. 16).

Security matters were raised and discussed along with a great variety of administrative matters concerning the building and its use at nearly every one of the 20 meetings held by the AC/184 Committee between July 1960 and June 1965. The dates of the meetings and the microfilm rolls containing the records of meetings are indicated in Annex X, 10 to this Report.

The titles of the 27 Documents and 15 Notices issued by the Headquarters Administration and Security Committee (AC/184) are also provided in Annex X, 10 to this Report. The microfilm roll numbers where these AC/184 record items are copied is also indicated.

The Consultants recommend that all of the record items issued by the AC/184 Committee between 1960 and 1965 be downgraded to NATO UNCLASSIFIED and be agreed for disclosure to the public.

L. High Level Working Group on Complaints and Appeals Procedures  
(AC/249)

The Agreement on the Status of the North Atlantic Treaty Organization, National Representatives and International Staff signed in Ottawa on 20th September 1951, contained provisions for the settlement of disputes (Part V. Article 24). The Council was required to make provision for appropriate modes of settlement of disputes arising out of contracts or other disputes of a private character to which the Organization was a party. The same provision was to apply to any official or expert of the Organization who, by reason of his official position enjoyed immunity, if that immunity had not been waived.

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<sup>5</sup> Described in Part XIII of this Report.

The first issue of the Staff Manual (2nd February 1953, section 2900), provided for filing of staff complaints and for appeal to the Secretary General. The Secretary General could consider the appeal himself and dispose of it finally, or appoint a panel of three members of his staff to consider the appeal and advise on its disposal. The regulation called for the Secretary General's decision on an appeal to be final, but before the last order was passed, the appellant had the right to see the Secretary General.

In response to criticism by the Staff Association, the appeal procedures were amended on 26th June 1953 (Corrigendum 3 to Staff Manual, incorporated into the 2nd Revision of the Staff Manual, Chapter X, Articles 36-37), to provide for the consultation of a four-member panel to consider the complaint. This panel was to consist of a Chairman, appointed by the Secretary General; a representative of the administration, also appointed by the Secretary General, preferably from a division other than that of the appellant; a representative of the Staff Committee; and a member of the staff, chosen by the Staff Committee from among members of the same grade as the applicant. The Secretary General was to consult the panel, but the decision on an appeal rested with the Secretary General.

The provisions for handling complaints were revised a second time as the result of a study carried out by the Budget Committee (BC-D(54)25 and BC-D(55)20). The changes were designed to replace the Appeals Board by a new body with curtailed terms of reference and working under new provisions governing the cases they could take up. These provisions were adopted and incorporated (slightly amended) in Articles 58 and 59 of the Staff Rules published in 1955.<sup>6</sup>

Following the decision by the Council in 1962 concerning the personnel and administrative coordination with the NATO Production and Logistic Organizations (C-M(62)18, paragraphs 36 & 37, approved at C-R(62)26), an Advisory Panel on Administration was established in 1963. By agreement with the Supreme Allied Commanders, its terms of reference were extended to cover the civilian staffs under the command of SACEUR and SACLANC. This Advisory Panel on Administration studied the staff rules in use in the different NATO bodies and drew up regulations for application throughout the Organization. Following approval by the Supreme Allied Commanders the proposed "Civilian Personnel Regulations of the North Atlantic Treaty Organization" were submitted to the Council by the Secretary General on 22nd July 1964 (PO/64/379). The text of the prevailing rules governing appeals procedures were included in Chapter XIV of the proposal. The Secretary General noted that these procedures were to be the subject of new proposals.

On 16th December 1964 the Secretary General submitted to the Permanent Representatives a memorandum concerning "Complaints and Appeals Procedures" (PO/64/696). In his covering note he called attention to the fact that the prevailing staff regulations did not give the staff any right of judicial appeal

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<sup>6</sup> An analysis of the situation prevailing throughout the Organization appears in the "Second Report to the Advisory Panel on Administration" submitted by the Legal Working Group on 21st August 1963, AP-WP(63)11. This report was marked for Limited Distribution.

against decisions taken by the Organization. The draft regulations annexed to the memorandum embodied a judicial appeals procedures while at the same time maintaining the internal system for less serious differences between the administrations and staff members. The draft provided for complaints committees, advisory to the head of the NATO body, which could be called together either at the request of the staff member or on the initiative of the head of the NATO body before the latter takes his decision. It also provided, for the first time, for a judicial appeals procedure, giving the staff member the right of appeal against the decision of the head of the NATO body to an independent tribunal (PO/94/696, paragraph 4).

In forwarding the draft to the Representatives, the Secretary General noted that the establishment of a judicial appeals procedure was in conformity with the recommendations of the Consultative Committee of the European Civil Service, with the practices of other international organizations, and with the traditions of justice which it was the role of NATO to defend. At the same time, he noted that there were complex and difficult problems arising from the institution of a judicial appeals procedure partly as a result of the security requirements under which NATO operated. It called for careful reflection and for decisions of principle by the member governments. The Secretary General proposed the establishment of a high level working group of Deputy Permanent Representatives under the chairmanship of the Deputy Secretary General to consider the regulations in detail (PO/94/696, paragraphs 5-6).

Following discussion of the the Secretary General's proposal at the Council meeting on 21st December 1964, the Council agreed on the establishment, early in 1965, of a high-level working group. In a modification, it was agreed that it would be composed of such legal and other advisers as delegations might require and representatives of the NATO military authorities. It would be chaired by the Deputy Secretary General. It was to consider the report on the proposed complaints and appeals procedure (C-R(64)60, Item VIII). The new body was given the formal title of "High Level Working Group on Complaints and Appeals Procedures" and assigned reference AC/249.

The High Level Working Committee held its first meeting on 8th February 1965. It quickly agreed on the principle of the right of judicial appeal. The discussion of the security problems was deferred until the particulars of the draft language were considered. The Group agreed to resume the discussion of the outstanding points in the light of a revised version of PO/64/696. The Group also invited the Legal Adviser in consultation with the NATO Security Bureau, to prepare a paper on the problems which would be raised by the constitution of the proposed appeals board in cases where a staff member was dismissed as a result of the withdrawal of security clearance by his national authorities (AC/249-R/1, Item V, Conclusions).

On 23rd February 1965 the Secretary circulated a revised draft rules for the complaints and appeals procedures incorporating the decisions made in the discussion (AC/249-D/1). Appended was a draft list of the NATO bodies subject to the Ottawa Agreement and to the Paris Protocol. This draft also

included language on the financial arrangements under which the expenses incurred by the organization and the operation of the appeals board would be borne by the International Staff Budget. It also included provisions under which the members of the appeals board would be chosen to ensure a satisfactory balance within the Alliance with due regard taken of the different legal systems of NATO member countries.

The Legal Adviser submitted the requested note on the security problems arising out of the creation of the complaints and appeals procedures on 1st March 1965 (AC/249-D/2). In his note he recalled that it appeared to be agreed that the full and alternate members of the proposed board of appeal must hold the security clearance certificates to enable them to have access to NATO classified information. Notwithstanding this precaution, and in cases where it was in the interest of the Alliance to preserve the utmost secrecy on information of a particularly confidential character, the Secretary General might decide that certain documents should be withheld from the appeals board or order that a member of the Organization should not reply to certain questions. The bulk of this paper, however, was a discussion of the alternative approaches to the problem of requiring the revelation of the grounds for termination when the withdrawal of a clearance certificate was involved.

The United States Delegation suggested revision of certain portions of the draft proposal in a note circulated on 22nd March 1965 (AC/249-D/3). All three of these AC/249 Documents were in the hands of the High Level Working Group when it met on 5th April 1965. The session opened with a request by the Deputy Secretary General that the Group accept Mr. Guillaume, the Legal Adviser, as its Acting Chairman. This was approved. The bulk of the meeting was devoted to a detailed examination of the revised draft procedures. In concluding this part of the session, the Group approved the revised procedures (AC/249-D/1) as amended during the discussion. One article was reserved for consideration along with the security problems.

The Acting Chairman introduced the note that he had prepared in conjunction with the Head of NATO Security Bureau on security problems arising out of the creation of a complaints and appeals procedure (AC/249-D/2). As it was too late that day to fully discuss the issues raised, the matter was to be taken up at the next meeting. Before closing, however, the Acting Chairman asked for an expression of preference for one or the other of two alternatives proposed for handling disclosure of security grounds for dismissal. The views showed nearly even division on this topic. To bridge the gap, the United States Representative suggested the possibility of applying both courses concurrently depending on the nationality of the appellant.<sup>7</sup> This suggestion was to be referred to the NATO Security Bureau for opinion. The Group also agreed that the NATO Security

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<sup>7</sup> The result would be that in the case where it elected to follow one procedure (9(a) of AC/249-D/2) a member country would be responsible for reimbursement to NATO of any damages awarded to the appellant. In cases where the alternative procedure was elected (9(b)), the appeal would fail as the termination of appointment owing to withdrawal of security clearance would have been in accordance with the terms of service (Article 3(g) of Chapter I of Part I of the Staff Rules in effect). Redress would then be sought with the authorities of the parent country.

Bureau could consult the members of the NATO Security Committee on an informal basis (AC/249-R/2).

Security problems arising out of the complaints and appeals procedure was the sole topic discussed at the third meeting of the High Level Working Group on 7th May 1965 (AC/249-R/3). Agreement was reached on the question of obligatory clearance certificates for members of the board of appeal and to require an appellant wishing to be assisted by counsel, to choose the counsel from among persons holding security certificates. The Group also agreed to add a sentence stipulating that classified information originating from a member state should not be disclosed without the consent of the member state concerned.

In the matter of acknowledging dismissals based on withdrawal of security certification, the Group agreed that every time a security clearance certificate was withdrawn, the country of which the dismissed staff member was a national would either give or refuse NATO permission to inform the staff member that this was the reason for his dismissal. In those cases in which NATO was not authorized to inform the dismissed staff member of the reason, opinion remained divided on the question of who should finally bear the financial consequences of any compensation awarded. The delegations concerned were requested to get in touch with their authorities for the purpose of ascertaining whether or not they were able to support the majority opinion on this point (AC/249-R/3, paragraph 40).

The Secretary of the High Level Group circulated a revised version of the draft rules of the complaints and appeals procedures on 14th May 1965 (AC/249-D/5). It incorporated changes agreed at the first and second meetings of the Group. A further amendment was submitted by the German Representative on 25th May (AC/249-D/6).

Further amending of the draft procedures took place during the course of the fourth meeting of the High Level Working Group on 5th July 1965 (AC/249-R/4). At the end of the session, the delegations were requested to obtain concurrence from their authorities on the revisions of the provisions which had been discussed. Differences of opinion continued over the matter of clearance of appellant's counsel. A draft report to the Council was to be on the agenda for the next meeting.

The draft report to the Council together with the further revised rules for the complaints and appeals procedures (the latter having been adopted ad referendum at the fourth meeting except for two provisions regarding clearances of counsel and provision of classified information to counsel), were circulated on 22nd July 1965.

The NATO Legal Adviser met in London with the Attorney General and the Solicitor General. They agreed on revised language for the article in contention which the Legal Counsel felt could be found acceptable to the Group. A note containing the text was circulated on 6th August 1965 (AC/249-D/9). In the same note, the Acting Chairman asked the delegations to endeavor to obtain

final instruction on both the language proposed and the draft report and rules circulated in document AC/249-D/8.

The High Level Working Group held its final meeting on 20th September 1965 (AC/249-R/5). The Group approved the various drafting amendments made in the course of discussion and noted that the draft report and rules as amended by the accepted language submitted by the Legal Adviser and the various other amendments made in the course of discussion could now be considered as approved by all delegations. The Group then agreed that the full report should be submitted to the Council (AC/249-R/5, paragraph 37).

The report, "Complaints and Appeals Procedure" was circulated on 24th September 1965 (C-M(65)76). The High Level Working Group recommended that the Council: (1) approve the rules (annexed to the report); (2) approve the conclusions contained in the report; (3) invite governments to nominate a national as a member of the Appeals Board; (4) amend the NATO Civilian Personnel Regulations; and (5) disband the High Level Working Group. All of these recommendations were approved by the Council on 20th October 1965 (C-R(65)44, Item V).

The 9 Documents, 1 Notice, and 5 Records of Meetings issued by the High Level Working Group on Complaints and Appeals Procedures (AC/249) are listed in Annex X, 11. All of these documents have been regraded NATO UNCLASSIFIED, by authority of DN(85)8. The Consultants recommend that all of the AC/249 documents and records of meeting be approved for public disclosure.