

obligations under the Code, SkyTerra and Harbinger did not approach any of the relevant regulatory authorities on a named basis prior to the public announcement of their intention to make an offer for Inmarsat, SkyTerra and Harbinger believed that use of the Commission's trustee mechanism might complicate the approval process in a number of these jurisdictions.

Another option under the Code would have been for Harbinger and SkyTerra to make a Rule 2.5 announcement of a 'pre-conditional offer'. This is an offer the making of which (as contrasted with the closing of which) is expressly conditioned upon (i) achieving approval (on acceptable terms) from the FCC; and (ii) (with the consent of the Panel) obtaining financing. As such, under this structure, the firm offer would only formally be made once such pre-conditions had been satisfied (when the normal 109 day timetable would commence).

However, with such a 'pre-conditional offer' Harbinger and SkyTerra would be committed on announcement to the offer price stated in their offer announcement and to proceeding at that offer price in the event that the stated conditions were satisfied.

In the United States, the right of the offeror to withdraw from an offer on the basis of a material adverse change affecting the offeree company is a matter of contractual negotiation. In contrast, in the U.K., for an offeror to be permitted to withdraw from an offer under the Code on the grounds of a material adverse change affecting the offeree company "...requires an adverse change of very considerable significance striking to the heart of the transaction in question, analogous...to something that would justify frustration of a legal contract..." (Panel Statement 2001/15). Having a pre-conditional offer open for an extended period to allow for regulatory approval processes to be undertaken can therefore be particularly problematic in the U.K.

As to financing commitments, Harbinger, SkyTerra and their financial advisers would have had to confirm in writing to the Panel at the time of announcement that they were not aware of any reason why financing should not be available within 21 days of receiving FCC approval on satisfactory terms. Given that the announcement of a 'pre-conditional offer' would be made immediately prior to the initiation of the FCC consent process, such a confirmation could have been very difficult to obtain; moreover, the Panel might not have permitted Harbinger and SkyTerra to later invoke the financing condition should the finance market deteriorate and financing terms become less attractive, or should Inmarsat have suffered a material adverse change, during the period of the FCC approval process. Accordingly, under this option Harbinger and SkyTerra would have been tied both to an offer price (in the face of highly uncertain equity markets) and to the potential requirement to proceed with such an offer in spite of a material worsening in available financing terms or in the financial position of Inmarsat. Notwithstanding their current intention to acquire Inmarsat, Harbinger and SkyTerra believe that the risk involved in announcing an immediate offer, even pre-conditioned on FCC consents being obtained, is too great, given the length of time that will likely be required for the FCC review.

For this reason, although Harbinger and SkyTerra ultimately intend to seek the recommendation of the Board of Inmarsat for a firm offer following receipt of FCC clearances, they have yet to propose a firm offer to the Board.

Another approach under the provisions of the Code is for an offeror to make a Rule 2.4 announcement of a "possible offer" for the target company. Such announcements are relatively commonplace in U.K. takeover practice, for example during deal discussions between offeror and offeree (particularly following leaks), and generally serve to update the market as to

the progress of these discussions. Such announcements do not compel a potential offeror to proceed with a firm offer; however, a Rule 2.4 announcement will set a price "floor" for any subsequent firm offer if the Rule 2.4 announcement alludes to a price (at the option of the offeror).

During Harbinger and SkyTerra's discussions with the Panel seeking to reconcile the time required for the U.S. regulatory process with the requirements of the Code, the Panel suggested the possible offer approach that was used in the case of the announcement of a possible offer by Lyonnaise des Eaux for the Northumbrian Water Group, which is set forth in Attachment C. In this approach, the possible offer (for which no potential offer price is stated) is made explicitly subject to the obtaining of specified regulatory clearances, enabling the relevant regulatory approval process to be completed satisfactorily prior to an offer being made (in the case of the Northumbrian Water offer, this was a lengthy U.K. Water Act reference process: anti-trust clearances were in fact requested and obtained after the firm offer was made, within the normal Code timetable). Harbinger and SkyTerra have followed that suggestion, as reflected in the public announcement regarding Harbinger and SkyTerra's possible offer for Inmarsat which was released on July 25, 2008.

The attraction to Harbinger and SkyTerra of this approach is that (a) no offer price needs to be either agreed with Inmarsat or unilaterally proposed to its shareholders in the immediate term and (b) no financing commitment needs to be kept in place and no letters expressing confidence in obtaining financing need to be provided to the Panel, meaning that Harbinger and SkyTerra are not exposed to volatile equity and financing markets, or any potential material adverse change affecting Inmarsat, during the lengthy FCC review process. If

the FCC review process is completed successfully, Harbinger and SkyTerra will then be able to launch a firm offer that will need to complete by the usual 109-day Code deadline.

In the absence of receiving a firm offer at a price that can be recommended by the Board of the offeree and agreement on other key offer terms, it would not be usual U.K. practice for a company to pro-actively facilitate a possible offer. Accordingly, Inmarsat has indicated that it is not prepared to sign the applications seeking the Commission's consent to transfer control of FCC authorizations held by subsidiaries of Inmarsat, nor to collaborate in any way with Harbinger and SkyTerra regarding pre-offer regulatory clearances. However, Inmarsat has stated in its announcement of July 25, 2008 that it intends to maintain a constructive relationship with Harbinger and SkyTerra throughout the regulatory review process and will consider carefully any future offer that may maximise value for Inmarsat's shareholders as a whole. Given the decision of Harbinger and SkyTerra to utilise the Northumbrian Water Group-style announcement to initiate regulatory clearances, for the reasons provided above, such an offer will not be forthcoming from Harbinger and SkyTerra unless the FCC (and HSR) approval process can first be completed satisfactorily.

To facilitate the process described above, Harbinger and SkyTerra request, pursuant to Section 1.3 of the Commission's rules,¹⁸ that the Commission grant the two waivers described below. Waiver of the Commission's rules is warranted when good cause is shown.¹⁹ A waiver may be granted if the grant "would not undermine the underlying policy objectives of the rule in question" and would serve the public interest.²⁰ All of these conditions are satisfied in connection with the two waivers requested below because the waivers are consistent with the

¹⁸ 47 C.F.R. § 1.3.

¹⁹ 47 C.F.R. § 1.3; see also *WAIT Radio v. FCC*, 418 F.2d 1153, 1157 (D.C. Cir. 1969).

²⁰ *GE American*, 15 FCC Rcd 3385, 3391 (1999).

purposes of the underlying rules and absent waivers Harbinger and SkyTerra would be unable to obtain approval for and consummate transactions that are in the public interest.

(1) Waiver of the Commission's Signature Requirement

Inmarsat has informed the parties that it is not prepared to sign the applications seeking the Commission's consent to transfer control of FCC authorizations held by subsidiaries of Inmarsat. For similar reasons, it is not possible at this time to secure any signature on the applications on behalf of the current shareholders of Inmarsat. The parties, therefore, seek a waiver of Section 1.743,²¹ which requires that applications filed by corporations be signed by an officer or duly authorized employee of that corporation, and a waiver, to the extent necessary, of any requirement that the applications be signed on behalf of the current shareholders of Inmarsat.

The Commission has allowed the filing of applications without signature in similar circumstances.¹ In its *Tender Offers Notice of Inquiry*, the Commission cited with approval previous cases in which the signature requirement had been waived, stating that it "cannot reasonably allow the technical requirements of the application to make it impossible for an outside party seeking control to file for and obtain prior approval."²² This principle applies here. If Harbinger/SkyTerra were unable to file applications for transfer of control of Inmarsat's subsidiaries because Inmarsat's signature is lacking, then the "technical requirements of the application" will have made it "impossible" for them "to file for and obtain prior approval."

²¹ 47 C.F.R. § 1.743.

²² *In Re Tender Offers and Proxy Contests*, Notice of Inquiry, 1985 FCC LEXIS 2759, FCC 85-349 at ¶ 12 (rel. Aug. 20, 1985) (quoting *Continental Telephone Corporation*, 41 F.C.C.2d 957, 959 (1973)). See also *Continental Telephone*, 41 F.C.C.2d at 959 ("[W]e must act on such contingent applications so that a qualified buyer can legally assume control in the event the tender offer is successful.")

Accordingly, and in keeping with its precedents, the Commission should waive the signature requirement in connection with these applications.

(2) *Waiver of the Time by Which the Transaction Must be Consummated*

In addition, the Commission requires notification of the consummation of a transfer of control within a specified number of days after the FCC consents to the transfer of control.²³ For reasons that are discussed above, however, it is not feasible for Harbinger/SkyTerra to commence a tender offer for Inmarsat in the U.K. until after FCC consent has been obtained, and it is likely that the tender offer process will take significantly longer than the amount of time parties typically are given by the Commission to consummate transfers of control. Harbinger and SkyTerra, therefore, request that the FCC's consent to a transfer of control of Inmarsat's subsidiaries run through the end of the period needed to complete the tender offer process in the U.K. (or to complete the court-approved cancellation scheme of arrangement if the offer is implemented by way of scheme).

III. STANDARD FOR REVIEW

The Commission will grant an application for transfer of control when, after considering the benefits and harms to the public interest, on balance grant of the application will serve the public interest, convenience and necessity.²⁴ The Commission first must assess whether the proposed transaction complies with the applicable parts of the Communications Act of 1934 and

²³ See, e.g., FCC Form 312, Schedule A, certification page ("The undersigned represents ... that control will not be transferred until the Commission's consent has been received, but that transfer of control or assignment of license will be completed within 60 days of Commission consent.").

²⁴ See 47 U.S.C. § 310(d) (requiring that transfer of control applications demonstrate that the transaction will serve the public interest, convenience and necessity).

with any other applicable statutes, and with the Commission's rules.²⁵ If so, then the Commission considers whether the transaction would result in any public interest harms "by substantially frustrating or impairing the objectives or implementation of the Act or related statutes."²⁶ Finally, the Commission engages in a balancing test that weighs the potential public interest benefits against the potential public interest harms of the proposed transaction.²⁷

Notably, in conducting its public interest review, the Commission considers "the broad aims of the Communications Act," including such matters as "enhancing competition in the relevant markets, accelerating private sector deployment of advanced services, ensuring a diversity of information sources and services to the public, and generally managing the spectrum in the public interest."²⁸ As the Commission has recognized, today's telecommunications marketplace is extraordinarily dynamic,²⁹ as is the satellite industry.³⁰ The Commission has

²⁵ See *In the Matter of Application of News Corporation and The DirectTV Group, Inc., Transferors, and Liberty Media Corporation, Transferee, for Authority to Transfer Control*, Memorandum Opinion and Order, 23 FCC Rcd 3265, 3276 (2008) ("Liberty Media/Direct TV Order"); see also *SBC Communications Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, 20 FCC Rcd 18290, 18300 (2005) ("SBC-AT&T Order"); *Verizon Communications, Inc. and MCI, Inc. Applications for Approval of Transfer of Control*, 20 FCC Rcd 18433, 18442-43 (2005) ("Verizon-MCI Order"); *Applications for Consent to the Assignment of Licenses Pursuant to Section 310(d) of the Communications Act from NextWave Personal Communications, Inc., Debtor-in-Possession, and NextWave Power Partners, Inc., Debtor-in-Possession, to Subsidiaries of Cingular Wireless LLC*, 19 FCC Rcd 2570, 2580-81 (2004); *EchoStar Communications Corp., General Motors Corp. and Hughes Electronics Corp., and EchoStar Communications Corp., Hearing Designation Order*, 17 FCC Rcd 20559, 20574 (2002) ("EchoStar-DIRECTV HDO").

²⁶ *Liberty Media/Direct TV Order*, 23 FCC Rcd at 3277.

²⁷ *Id.* If the Commission determines that it cannot find that the transaction would serve the public interest, or if substantial and material facts remain that must be resolved, the Commission will designate the application for a hearing pursuant to Section 309(e) of the Act. 47 U.S.C. § 309(e).

²⁸ See *Liberty Media/Direct TV Order*, 23 FCC Rcd at 3277-3278.

²⁹ *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, 18 FCC Rcd 16978, 17372 (2003) (noting the "continually evolving and dynamic nature of telecommunications networks").

³⁰ See generally *The Satellite Industry Association, 2008 State of the Satellite Industry Report* (June 2008) (providing comprehensive satellite industry statistics), available at www.sia.org; *In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of the Competitive Market Conditions with Respect to Commercial Mobile Services*, Twelfth Report, 23 FCC Rcd 2341, 2350 and 2345-2347 (2008) (summarizing use of mobile satellite services in the United States); and *FCC Report and Analysis of Competitive Market Conditions with Respect to Domestic and International Satellite Communications Services*, First Report, FCC 07-34, IB Docket No. 06-67 at ¶ 2 (rel. March 26, 2007) (concluding that "the market for commercial communications satellite services is effectively competitive.").

found that it should proceed cautiously prior to imposing regulatory burdens during periods of technological change.³¹

IV. COMPLIANCE WITH THE COMMUNICATIONS ACT AND THE COMMISSION'S RULES

SkyTerra already holds a controlling interest in MSV, which has been approved by the Commission.³² The FCC qualifications of SkyTerra as presently owned, therefore, are a matter of public record. The qualifications of Harbinger are set forth in the applications with which this Narrative is associated, which are listed in Attachment A hereto, and in the Declaratory Ruling Petition discussed below.

Certain FCC authorizations held by MSV Sub are common carrier radio licenses that are subject to the foreign ownership limits of Section 310(b)(4) of the Communications Act. In connection with these common carrier licenses, the Commission has granted Harbinger interim authority pursuant to Section 310(b)(4) to hold a non-controlling interest of up to 49.99 percent equity and voting interests in SkyTerra.³³ This interim authority is subject to Commission action upon a pending petition for a declaratory ruling seeking the same authority on a permanent

³¹ See, e.g., *Implementation of Section 17 of the Cable Television Consumer Protection and Competition Act of 1992; Compatibility Between Cable Systems and Consumer Electronics Equipment*, First Report and Order, 9 FCC Rcd 1981, 1987 (1994) (“[T]he potential for [regulation to result in] a constraining effect is substantially greater...where there is rapid development of new communications technologies and services”); *IP-Enabled Services*, Notice of Proposed Rulemaking, 19 FCC Rcd 4863, 4867 (2004) (noting that in competitive, evolving markets, the Commission should rely “wherever possible on competition and apply [] discrete regulatory requirements only where such requirements are necessary to fulfill important policy objectives.”).

³² *In the Matter of Motient Corporation and Subsidiaries, Transferors, and SkyTerra Communications, Inc., Transferee, Application for Authority to Transfer Control of Mobile Satellite Ventures Subsidiary LLC*, Memorandum Opinion and Order and Declaratory Ruling, 21 FCC Rcd 10198 (2006).

³³ *In the Matter of Mobile Satellite Ventures Subsidiary LLC and SkyTerra Communications, Inc.; Petition for Declaratory Ruling under Section 310(b) of the Communications Act of 1934, as Amended; Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P.; Petition for Expedited Action for Declaratory Ruling under Section 310(b) of the Communications Act, as Amended*, Order and Declaratory Ruling, 2008 FCC Lexis 2181 (rel. March 7, 2008).

basis.³⁴ Attachment B hereto is a new petition for declaratory ruling (the “Declaratory Ruling Petition”) seeking authority pursuant to Section 310(b)(4) for Harbinger to hold interests in SkyTerra in excess of the 49.99 percent equity and voting interests that are presently authorized on an interim basis.³⁵

Subject to a favorable Commission ruling on the Declaratory Ruling Petition and on the waiver requests set forth in Section II.C herein, the proposed transfers of control will be in conformity with all applicable provisions of the Communications Act and the Commission’s rules. We note in this regard that the L-band spectrum authorized to Inmarsat is and will remain coordinated by the U.K. The proposed transaction does not add to the amount of U.S. coordinated or licensed spectrum. Accordingly, no issue with regard to how much U.S. coordinated L-band spectrum might be licensed to a single entity is raised.

The proposed transactions raise no national security or law enforcement concerns. Inmarsat and MSV (and SkyTerra) have a long history of cooperating with the United States government on issues of national security, and under Harbinger and Sky Terra’s control, the parties will continue to do so. The parties understand the importance of Executive Branch concurrence that matters of national security and law enforcement will not be compromised by the proposed transactions and the deference the Commission gives to such agencies relative to the same.³⁶ The parties intend forthwith to initiate discussions with Executive Branch agencies with respect to the proposed transactions and have every expectation that they will be able to satisfy any concerns that these agencies may raise.

³⁴ *Id.* at 2008 FCC Lexis *28.

³⁵ No Section 310(b)(4) is sought in connection with the proposed transfer of control of Inmarsat, because Inmarsat holds no FCC licenses or authorizations that are subject to Section 310(b)(4).

³⁶ *See Rules and Policies on Foreign Participation in the U.S. Telecommunications Market*, Report and Order and Order on Reconsideration, 12 FCC Rcd 23891, 23919-21 (1997).

That leaves then a more general public interest analysis of the transactions which the Commission must undertake. As demonstrated below, the proposed transactions will yield substantial public interest benefits, allowing the parties to increase the efficient use of L-band spectrum and to achieve otherwise unattainable savings and efficiencies in the provision of integrated MSS and ATC services, operational efficiencies in satellite fleet operation, a ubiquitous high-speed mobile telecommunication resource for national defense agencies, public safety entities, and rural areas, and a strong foundation for continued development of new technologies. These benefits would be achieved, moreover, as demonstrated below, without competitive harm, because MSV and Inmarsat focus on substantially different applications and, where there is apparent overlap, they face thriving competition.

V. THE PROPOSED TRANSACTION WILL YIELD SUBSTANTIAL PUBLIC INTEREST BENEFITS

The combination of MSV and Inmarsat will generate significant public interest benefits that flow first and foremost from their ability to achieve more efficient use of L-band spectrum and other assets. As the Commission previously has found, mergers of satellite operators can and do promote the "broad aims of the Communications Act" by generating public interests such as more efficient spectrum use,³⁷ fleet optimization and management³⁸ and the deployment of an essential communication system for public safety, first responders and emergency preparedness

³⁷ See *Constellation, LLC, Carlyle PanAmSat I, LLC, Carlyle PanAmSat II, LLC, PEP PAS, LLC, and PEOP PAS, LLC, Transferors, and Intelsat Holdings, Ltd., Transferee, Consolidated Application for Authority to Transfer Control of PanAmSat Licensee Corp. and PanAmSat H-2 Licensee Corp.*, Memorandum Opinion and Order, 21 FCC Rcd 7368, 7391 (2006) ("*PanAmSat/Intelsat Merger Order*").

³⁸ *Id.* at 7390-7391; *BCE Inc. and Loral Skynet Corp., Transferors/Assignors, and 4363205 Canada Inc., 4363213 Canada Inc., and Skynet Satellite Corp., Transferees/ Assignees, Application to Transfer Control or Assignment of Licenses and Authorizations held by Telesat Canada, Able Infosat Communications, Inc., Loral Skynet Corp., and Loral Skynet Network Servs., Inc. and Petition for Declaratory Ruling*, Order, 22 FCC Rcd 18049, 18055-18056 (2007) ("*BCE/Loral Skynet Merger Order*").

agencies.³⁹ The Commission has approved satellite transactions because they enable the merging firms to realize economies of scale and scope,⁴⁰ increase innovation⁴¹ and generate significant cost savings.⁴² Moreover, the Commission has concluded that such mergers can enable satellite companies to achieve the scale, expertise, and resources required to provide new and enhanced services at competitive prices.⁴³ As detailed below, the consolidated operation of MSV and Inmarsat will result in all of these pro-competitive benefits and then some.

A. The Proposed Merger Will Unlock the Full Promise of L-Band Spectrum for MSS-ATC Services to Benefit Public Safety Entities, People in Rural Areas, and the Public at Large

The L-band spectrum in which each of MSV and Inmarsat currently operate holds extraordinary promise, but full development of this valuable resource has yet to be realized. Not the least of the new developments resulting from this transaction will be to enhance and accelerate the creation of an integrated MSS-ATC network that will provide new seamless and cost-effective wireless communications services. As the Commission has recognized, such an integrated network would “enhance the ability of national and global telecommunications systems to protect the public by offering ubiquitous service to law

³⁹ *PanAmSat/Intelsat Merger Order*, 21 FCC Rcd at 7391 and 7394.

⁴⁰ *General Electric Capital Corp. and SES Global S.A., Application for Consent to Transfer Control of Licenses and Authorizations Pursuant to Sections 214(a) and 310(d) of the Communications Act and Petition for Declaratory Ruling Pursuant to Section 310(b)(4) of the Communications Act*, Order, 16 FCC Rcd 18878, (2001) (“*GE/SES Merger Order*”); *BCE/Loral Skynet Merger Order*, at 18055; *In the Matter of SBC Communications Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, 20 FCC Rcd 18290, (2005) (“*SBC/AT&T Merger Order*”).

⁴¹ *PanAmSat/Intelsat Merger Order*, 21 FCC Rcd at 7386; *SBC/AT&T Merger Order*, 20 FCC Rcd at 18389.

⁴² *Motient Corp. and Subsidiaries, Transferors, and Skyterra Communications, Inc., Transferee, Application for Authority to Transfer Control of Mobile Satellite Ventures Subsidiary LLC*, Order, 21 FCC Rcd 10198 (2006) (“*Motient/SkyTerra Order*”).

⁴³ *E.g., PanAmSat/Intelsat Merger Order*, 21 FCC Rcd at 7375 (The merger would create a satellite company “with the scale, expertise, and resources needed to pursue development of broadband by satellite at affordable prices that are competitive with today’s cable model and DSL services.”); *BCE/Loral Skynet Merger Order*, 22 FCC Rcd at 18156 (determining that the merger would have a positive effect in terms of the quality of services or the provision of new or additional services to consumers); *see generally New Skies Satellites Holdings Ltd., Transferor, and SES Global S.A., Transferee, Application to Transfer Control of Authorizations and Notification of Change to Permitted Space Station List*, Public Notice, 21 FCC Rcd 3194 (Int’l Bureau 2006) (“*New Skies/SES Merger Order*”).

enforcement, public aid agencies, and the public. . . .”⁴⁴ Such a service would be ideal for public safety and homeland security organizations, as well as first responders, because it can allow for communications to and from the public switched telephone network while also providing Internet connections anywhere on the continent. By allowing seamless switching between terrestrial and satellite components, the integrated network will work in times of disaster when single-method networks are incapacitated. Such integrated satellite and terrestrial service would be uniquely positioned to address the needs of public safety and homeland security, while at the same time providing affordable, broadband communications to the public from the largest cities to the most remote areas of the nation. Such hybrid satellite and terrestrial service will further, as the Commission has recognized, result in “more efficient use of spectrum and benefits not only MSS licensees but also consumers.”⁴⁵

Achieving such promise is, however, made more difficult and costly by the fact that MSV and Inmarsat today share use of the L-band spectrum with each other and with other operators. Such sharing means that each company’s use of the spectrum is subject to coordination, through their respective national administrations, which, in turn, as the Commission has recognized, can result in “substantial cost measured in terms of inefficient operations, large administrative expenses and constant friction between the forced joint venturers.”⁴⁶

Separately run operations naturally would be expected to protect not only the core spectrum each uses for particular applications, but also to maintain a cushion of additional

⁴⁴ *In the Matter of Flexibility for Delivery of Communications by Mobile Satellite Service Providers in the 2 GHz Band, the L-band, and the 1.6/2.4 GHz Bands*, Memorandum Opinion and Order and Second Order on Reconsideration, 20 FCC Rcd 4616, 4619 (2005) (“*MSS Flexibility Order 2005*”).

⁴⁵ *In the Matter of Flexibility for Delivery of Communications by Mobile Satellite Service Providers in the 2 GHz Band, the L-band, and the 1.6/2.4 GHz Bands*, Report and Order and Notice of Proposed Rulemaking, 18 FCC Rcd 1962, 1977 (2003) (“*MSS Flexibility R&O 2003*”).

⁴⁶ *MSS Flexibility R&O 2003*, 18 FCC Rcd at 1979-1990 (discussing the particular costs and difficulties of providing terrestrial and satellite services within the same MSS band).

spectrum as a margin of error. Coordination agreements address these kind of issues, but are imperfect mechanisms for doing so.

The impending introduction of MSS-ATC services obviously makes the complexity and cost of coordination issues even more acute. Among other things, the successful introduction of efficient, cost-effective MSS-ATC services that will give first responders and rural residents access to high speed voice and data services requires large contiguous blocks of spectrum, unlike the numerous small "slices" that resulted from prior coordination efforts. More efficient use of the L-band will put MSV and Inmarsat in a position to preserve and improve traditional MSS services, as the net effect will be more usable spectrum.

While MSV and Inmarsat certainly made progress in achieving a new Cooperation Agreement to alleviate some of the contention that has existed between the companies in the past over the use of the L-band spectrum,⁴⁷ that Agreement cannot compare in time, cost or necessarily the outcome to the efficiency that can be achieved by a combined enterprise with unified objectives. For example, while the Cooperation Agreement seeks to address coordination issues in a forward-looking manner, technological advances, innovation, and public safety and consumer requirements are constantly changing in ways that cannot possibly be entirely foreseen.

The Commission recognized this problem in adjusting its rules in 2005 to facilitate the development of ATC in the band.⁴⁸ In explaining the limitations as to what it could accomplish by specific rules to foster ATC while protecting existing MSS services, the Commission stated, "[w]e cannot predict what techniques may be invented or where such techniques will prove most

⁴⁷ *Cooperation Agreement* at 29.

⁴⁸ *MSS Flexibility Order 2005*, 20 FCC Rcd 4616.

effective, in the MSS component or the ATC component of an MSS-ATC system.”⁴⁹ The Commission therefore encouraged further private negotiations among the operators in an effort to produce more “efficient interference levels than regulations based on largely hypothetical cases.”⁵⁰

The parties have achieved much from the negotiations fostered by the Commission, including agreement to use their best commercial efforts to negotiate revised satellite coordination agreements as necessary to address changing technology and operational requirements.⁵¹ But as the experience of the Mexico City Memorandum of Understanding demonstrates,⁵² such ongoing arrangements among parties sharing use of spectrum with divergent commercial interests are difficult to successfully implement long term and do not necessarily ensure the most efficient outcome will result. Moreover, they do not lend themselves to prompt resolution of pressing needs, as when emergency responders require an immediate adjustment in spectrum assignments within the L-band or even when new technology creates a window of opportunity.

While the parties have attempted to address the rebanding that will be necessary to support ATC in their Cooperation Agreement, the complex mechanisms in that Agreement, the associated financial and other conditions, and the multiple phased options and deadlines⁵³ reflect at once the progress that has been made by such negotiations and the limitations that are inherent to such agreements. As noted above, it is almost impossible to map out today the most efficient

⁴⁹ *Id.* at 4633.

⁵⁰ *Id.*

⁵¹ *Cooperation Agreement* at p. 29.

⁵² Under the Mexico City Memorandum of Understanding, the L-band operators are supposed to meet annually to adjust spectrum assignments to meet changing requirements, but such negotiations have not occurred since 1999. *MSS Flexibility Order 2005*, at 4629 and n. 90.

⁵³ *Cooperation Agreement* at pgs. 6-15.

path for transition to meet each party's requirements, and even more so the public need, as those requirements and needs, and technologies themselves are constantly and rapidly evolving.

In contrast, the proposed transaction will enable a combined enterprise, working in concert with the respective administrations, to quickly make more efficient use of the L-band, including as necessary for the rapid, cost-effective and price competitive deployment of MSS-ATC and other future broadband solutions. Rather than trying to negotiate the path and pace of that technology, the combined entity will have a unified incentive and ability to optimize the use of all spectrum and orbital resources, along with the flexibility to manage spectrum and resources most effectively. As such, the proposed transaction will enable the parties to achieve far greater efficiencies than those achievable by the Cooperation Agreement or any other means.

B. The Proposed Transaction Will Create More Rapid, Lower Cost Deployment of ATC to the Benefit of Rural and Public Safety Users as well as Traditional Terrestrial Wireless Consumers

The successful introduction of MSS-ATC requires the development of integrated satellite and terrestrial technologies on standard wireless handsets and other consumer devices that are substantially similar to current PCS/cellular handsets in terms of aesthetics, cost, form factor and functionality. To develop and bring the costs of such units down to the level enjoyed by existing terrestrial wireless network operators and their customers, achieving economies of scale in chipset and device manufacturing is a must.

The proposed transaction creates a unique ability to achieve scale economies necessary to be price competitive with terrestrial wireless service. In particular, the consolidation of the operations of MSV and Inmarsat will provide instant credibility with chip and handset manufacturers. The point is that, as a combined operation, MSV and Inmarsat can dedicate spectrum for particular purposes, without the uncertainty that can exist when spectrum is shared

among entities and without being subject to future shifts in assigned spectrum depending upon the implementation of existing agreements, option exercises, and future coordination, etc. Further, like other satellite transactions approved by the Commission, the proposed transaction will result in an entity with a sufficiently large anticipated customer base to better attract chipset, handset, and other equipment vendors interested in negotiating reasonable contracts as a result of the creation of efficiencies in production costs.⁵⁴ Combined, the parties will be able to secure larger volume discounts from suppliers, and pass those lower costs through to consumers in the form of lower end-user prices. As the Commission has recognized, large buyers typically are able to negotiate significant discounts from hardware and software vendors.⁵⁵ In this way, the transaction holds the potential to bring costs down for public safety users and speed the deployment of MSS-ATC in rural areas across the nation.

MSS services will also benefit by creating a sufficient market to support the development of more consumer friendly handsets at reduced cost. The Commission has acknowledged that this expansion of satellite phone service into the mass market will “lead [] to economies of scale and lower prices for consumers”⁵⁶ and also will “eliminate operational and transactional difficulties and costs for MSS operators in negotiating separate terrestrial roaming agreements.”⁵⁷ As a result of the anticipated “[u]rban penetration capability, lower-priced

⁵⁴ *PanAmSat/Intelsat Merger Order*, 21 FCC Rcd at 7391; see generally *SBC/AT&T Merger Order*, 20 FCC Rcd at 18388; see generally *BCE/Loral Skynet Merger Order*, at 18055; *MSS Flexibility R&O 2003*, 18 FCC Rcd at 1975 (recognizing that a handset that combines MSS and ATC functionality results in a “larger consumer market [which] would, in turn allow providers to order larger production volumes, which further reduce the costs of producing phones”).

⁵⁵ See generally *MSS Flexibility R&O 2003*, 18 FCC Rcd at 1976.

⁵⁶ *MSS Flexibility Order 2005*, 20 FCC Rcd at 4619.

⁵⁷ *Id.*

phones, unified numbering, unified billing, and reduced transaction costs could reasonably be expected to result in lower retail prices and greater consumer demand for MSS.”⁵⁸

C. The Transaction Will Generate Additional Operating Efficiencies

(1) *More Efficient Use of Satellites and Orbital Resources*

MSV's and Inmarsat's anticipated fleet management activities would create the opportunity to generate substantial efficiencies by transferring services to newer satellites, optimizing usage of satellite network assets, and deploying higher-powered, ATC-enhanced new satellites. Such efficiencies will, as the Commission has recognized in other recent transactions involving the merger of satellite operators, allow for “greater redundancy” and permit MSV and Inmarsat to “maximize back-up capabilities” by repositioning their fleets.⁵⁹ In addition to providing such enhanced back-up capabilities, unified management of the parties' satellites would eliminate unnecessary investment in duplicative infrastructure and ensure that their future satellite launches will support both parties' most innovative technologies, including an integrated MSS-ATC network.

(2) *Administrative, R&D, and Other Cost Savings*

The Commission has recognized that mergers can facilitate an increased ability to conduct research and development (“R&D”), and this will be true here.⁶⁰ Because the returns on investment in telecommunications innovations have positive economies of scale, the merged firm will be able to justify R&D that would not have been profitable for a smaller entity, for the same reasons recently found by the Commission to hold for the SBC/AT&T merger.⁶¹ Here, the proposed transaction will enhance R&D activities and innovation, allowing the parties

⁵⁸ *MSS Flexibility R&O 2003*, 18 FCC Rcd at 1977.

⁵⁹ See generally *PanAmSat/Intelsat Merger Order*, 21 FCC Rcd at 7390.

⁶⁰ E.g., *SBC/AT&T Merger Order*, 20 FCC Rcd at 18388-18389.

to expand and improve their current product offering. The public benefits associated with MSV and Inmarsat's enhanced R&D will be particularly significant given the importance of deploying ATC and other new mobile satellite high speed data and other advanced technologies.

The Commission also has recognized that the "elimination of duplicative or redundant administrative functions" is cognizable as a merger-specific efficiency.⁶² Although difficult to quantify with precision at this early stage, significant savings should result through the consolidation and elimination of unnecessary administrative duplication, in areas such as customer service and billing, IT services, sales and marketing, and other administrative functions.

D. Existing Services

As much as new advances in services and technology are emphasized, it should also be made clear that, should the transfer of control of Inmarsat to SkyTerra occur, the applicants plan to maintain Inmarsat's commitments to Global Maritime Distress Safety System ("GMDSS") services as currently specified in the Public Services Agreement between IMSO and Inmarsat and the continued evolution and enhancement of these services. The parties make a similar commitment as to Ship Security Alert System ("SSAS"), Long Range Identification and Tracking ("LRIT"), as well as Aeronautical Mobile Satellite Route Service ("AMS(R)S") and other aeronautical safety services.⁶³ Further, they commit to continuing to provide reliable quality mobile satellite services to the U.S. government and the public at large.

⁶¹ *Id.*

⁶² *In re Application of Ameritech Corp., Transferee and SBC Communications Inc., Transferor, for the Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission's Rules*, Memorandum Opinion and Order, 14 FCC Rcd 14712, 17850 (1999).

⁶³ MSV will also continue to abide by the protections it committed to in its ATC license application for Radio Navigation Satellite Service ("RNSS") protection.

More generally, the more efficient use of the L-band will make the combined MSV and Inmarsat better able to offer and make technologically more advanced traditional MSS business and governmental communications products, while at the same time introducing MSS-ATC services. That is because, by optimizing the use of the total spectrum and orbital resources that MSV and Inmarsat together would have available to their combined operation, they would have greater resources, effectively more usable spectrum, than the two would have as separately operated entities.

VI. THIS TRANSACTION WILL NOT HARM COMPETITION

A. The Commission's Method of Analysis: Identify Where the Parties Compete and Analyze Whether the Combination Would Adversely Affect That Competition

The Commission analyzes the competitive effects of mergers of satellite operators by examining the services provided by each and the markets in which they operate. The Commission then determines whether the merger would adversely affect competition in the provision of those services in markets served by both parties.⁶⁴ As the Commission has explained in previous orders granting mergers, the relevant market concept is used to identify the product and geographic markets in which the competitive implications of the transaction must be assessed.⁶⁵

The Commission begins its analysis by identifying the services sold by each of the merging parties to various types of consumers.⁶⁶ It considers the capability or functionality of

⁶⁴ *PanAmSat/Intelsat Merger Order*, 21 FCC Rcd at 7383 (competitive effects analysis "begin[s] by defining the relevant markets"); see generally *Motient/SkyTerra Application*, 21 FCC Rcd at 10209; *In the Matter of Annual Report and Analysis of Competitive Market Conditions with Respect to Domestic and International Satellite Communications Services*, 22 FCC Rcd 5954 (2007) ("FSS Annual Report").

⁶⁵ *PanAmSat/Intelsat Merger Order*, 21 FCC Rcd at 7383 and n.83.

⁶⁶ See generally *PanAmSat/Intelsat Merger Order*, 21 FCC Rcd at 7382-7386 (citing the Merger Guidelines, §§ 1.11 and 1.12).

those services, and seeks to identify other services viewed by customers as being close substitutes or “reasonably interchangeable, even if not identical, for the same purposes.”⁶⁷ The goal is to identify “the smallest group of competing products for which a hypothetical monopoly provider would profitably impose at least a ‘small but significant and non-transitory’ increase in price.”⁶⁸

With respect to markets for satellite communications services, the Commission has concluded that customers take a broad view of what applications are close substitutes or reasonably interchangeable.⁶⁹ Intermodal competition is “consistent with customary descriptions of relevant markets” because market definition turns on the question of substitutability.⁷⁰ As the Commission explained in the FSS Annual Report, “[i]t is not uncommon for the same service . . . to be provided by differing platforms . . . [that] afford consumers substantially the same capability.”⁷¹ Indeed, in evaluating that transaction, the Commission concluded that the merging providers competed not only across spectrum bands (*i.e.*, including Ku-, C- and other satellite bands) but also across technology platforms.⁷²

More recently, in the *Stratos-Trust Order*, the Commission confirmed that Inmarsat operates in a vibrantly competitive environment.⁷³ Viewing the competitive landscape broadly to encompass providers of capacity for international mobile satellite services, the Commission

⁶⁷ FSS Annual Report, 22 FCC Rcd at 5964; see generally *PanAmSat/Intelsat Merger Order*, 21 FCC Rcd at 7385-7389.

⁶⁸ *PanAmSat/Intelsat Merger Order*, 21 FCC Rcd at n. 83 (citing the Merger Guidelines §§ 1.11 and 1.12).

⁶⁹ FSS Annual Report, 22 FCC Rcd at 5964-5965.

⁷⁰ *Id.* at 5966.

⁷¹ *Id.*

⁷² See *PanAmSat/Intelsat Merger Order*, 21 FCC Rcd at 7384-7389; see also FSS Annual Report, 22 FCC Rcd at 5966-5972 (identifying relevant markets by particular service or application, and identifying market participants including competitors using FSS, MSS or terrestrial wireless technologies).

⁷³ *In the Matter of Stratos Global Corporation, transferor, Robert M. Franklin, transferee; Consolidated Application for Consent to Transfer of Control*, Memorandum Order and Declaratory Ruling, 22 FCC Rcd 21328, 21355-56 (2007) (“*Stratos-Trust Order*”) (quoting *Annual Report and Analysis of Competitive Market Conditions* (footnote cont’d on next page))

emphasized the extensive competition faced by Inmarsat specifically and, more generally, concluded that “commercial communications satellite services are subject to effective competition.”⁷⁴

B. Current MSS Services: The Few Areas of Overlap Are Characterized By Thriving Competition That Will Not Be Adversely Affected By the Proposed Transaction

Applying that analysis here demonstrates that the combination of MSV and Inmarsat will not adversely affect competition for any mobile satellite services, whether analyzed broadly per the *Stratos-Trust Order* as “international mobile satellite services” or more narrowly based on specific applications. The following discussion demonstrates that MSV and Inmarsat in significant part offer different services targeted at different customer segments. And where there is apparent overlap, it is clear that they are not close competitors but are relatively small players facing vibrant competition from numerous other providers.

Turning first to the big picture, it is indisputable that not only are mobile satellite services “subject to effective competition,”⁷⁵ but that that marketplace is an extremely dynamic one in which competitive intensity is increasing. As the Commission is well aware, new players are entering, including ICO and TerreStar as well as additional VSAT providers. Not only did ICO and Inmarsat just complete successful launches of new spacecraft, but three other firms are building and set to launch new satellites within the next two years. New products and services are being introduced, such as Iridium’s Open Port maritime service. And then of course there is new technology at various levels, ranging from smaller, more portable VSAT antennae to the game-changer of multiple players introducing MSS-ATC. Taken together, and recognizing that

with Respect to Domestic and International Satellite Communications Services, 22 FCC Rcd 5954 (2007) (“*Satellite Competition Report*”).

significant capital and technical development still is required, the Commission easily can find that this transaction will have no adverse effect on such vibrant competition.

Then delving more specifically into the parties' offerings, Inmarsat is a global provider of MSS with a majority of its reported 2007 revenue from maritime and aeronautical services. Inmarsat also provides bulk capacity, with much of its bulk capacity revenue generated by the U.S. Navy, again for maritime communications. In addition, Inmarsat provides significant global service in aeronautical and land mobile high-speed data applications.

By contrast, MSV operates primarily in North America,⁷⁶ including surrounding coastal waters, where it currently provides only narrowband land mobile services, including voice, packet data and private network services. MSV does not provide trans-oceanic maritime services, nor do its services include comparable aeronautical⁷⁷ or high-speed data services. Thus, in primary segments served by Inmarsat, MSV is not even a participant.

While MSV and Inmarsat both support land-mobile services in North America, they generally focus on different applications and operate in a highly competitive marketplace. For example, MSV's voice service is enhanced by a push-to-talk feature for dispatch communications among multiple users, which Inmarsat does not offer. As noted, MSV terminals support only low data speeds of 4.8 Kbps, suitable for faxes and text messages.

Inmarsat's principal current-generation land-mobile service in North America is "Broadband Global Area Network," or "BGAN," a high speed data service offering speeds up to 492 Kbps. BGAN is designed for internet access, multimedia file sharing, video broadcasting,

⁷⁴ *Stratos-Trust Order*, 22 FCC Rcd at n.197 (quoting *Satellite Competition Report*, 22 FCC Rcd at 6011, ¶ 188).

⁷⁵ *Id.*

⁷⁶ MSV also provides limited service in northern South America, Central America, the Caribbean and Hawaii.

⁷⁷ MSV understands that a very few aeronautical units in North America may be served by its private network service customers.

and high speed private network access in remote locations. While BGAN also supports voice service, such voice service is ancillary to the high speed data applications.

With respect to satellite high speed data services for this application, Inmarsat competes, not with MSV which has no comparable offering, but with VSAT providers, like ViaSat, Gilat, and Hughes, which provide users with over 1 Mbps on a mobile or transportable platform. VSAT terminals have become small enough and portable enough to be substitutes for many customers, including for media coverage customers. That competition is increasing as the size of VSAT antennas continues to shrink, and as VSAT providers bundle capacity from multiple FSS operators to provide multi-regional service.⁷⁸

MSV and Inmarsat both serve land-mobile fleet management/asset tracking services, but here too their competitive presence in North America is relatively modest in a highly competitive segment that includes Qualcomm, Orbcomm, Iridium and Globalstar. Qualcomm, which provides its OmniTracs asset tracking/fleet management service over leased Ku-band transponders, and Orbcomm, which provides asset tracking/fleet management services on a wholesale basis over its LEO satellite constellation, are the two leading firms. Together, Orbcomm and FSS providers account for well more than half of the wholesale revenues from these services and asset tracking/fleet management terminals currently in use in North America. In addition, both Iridium and Globalstar have been aggressively pursuing MSV's customers. For example, Iridium recently signed an agreement with EMS Satcom, one of MSV's service

⁷⁸ Most transportable VSAT systems feature Ku-band antennas as small as .75 meters in diameter that are capable of being either transported in or mounted to the roof of a light truck or van for rapid deployment. A more advanced antenna system, the Raysat StealthRay 2000, is a low-profile, vehicle roof-mounted Ku-band antenna that measures only 5.9 inches high, 45.3 inches long, and 35.4 wide, allowing for mobile VSAT systems to be mounted on smaller vehicles such as SUVs. See Raysat Antenna Systems, Product Overview of the StealthRay 2000 (December 2006), available at <http://www.raasys.com/webdata/SupportDocuments/61/StealthRay%202000%20Specs.pdf>. The Commission recently authorized Raysat Antenna Systems to operate a network providing broadband data (footnote cont'd on next page)

providers, to develop a new asset tracking/fleet management terminal over Iridium's network.

Consequently, this transaction will not adversely impact the vigorous competition for satellite-based voice, fleet management/asset tracking and other data services among numerous service providers and satellite operators. The companies identified above, as well as terrestrial wireless providers, will continue to provide consumers with a wide range of options for such services.⁷⁹ Similarly as to private network capacity, there is a wide range of providers including Iridium, Globalstar, Orbcomm and FSS operators.

In sum, with respect to those applications where MSV and Inmarsat offer similar services, comparable and substitutable services are offered by numerous other operators in either MSS or other spectrum bands (*i.e.*, Ku-, C- and VHF and UHF bands). In this regard, MSS providers are facing increasing competition from FSS operators. As noted above, smaller antennas and advanced technology are increasingly used by FSS/VSAT services to support vehicle mounted services. Announcements of new services, based upon the use of other MSS and FSS satellites, are reported almost weekly.⁸⁰ Existing and new services coming on line will

communications over the Ku-band to approximately 400 vehicle-mounted antennas. *See In the Matter of Raysat Antenna Systems, LLC*, Order and Authorization, 23 FCC Rcd 1985 (2008).

⁷⁹ For example, companies like Numerex, Jasper Wireless and Aeris Communications all provide asset tracking services similar to those provided by Qualcomm, Orbcomm, and others by using GSM and CDMA wireless networks together with GPS. *See* Product information on the Numerex Network, *available at* <http://www.numerex.com/M2M-Solutions/Numerex-Network.aspx>; product information sheet on the Jasper Wireless Network, *available at* <http://www.jasperwireless.com/services.php>; and product information on the Aeris network system, *available at* http://www.aeris.net/m2m_services.html. Numerex offers asset tracking over both terrestrial wireless and satellite networks, using Globalstar's Simplex service for the satellite component. *See* <http://www.numerex.com/M2M-Solutions/Numerex-Network.aspx> (describing satellite services through Orbit-One division); <http://www.orbit-one.com/PDF/GSP-Simplex%20Coverage.pdf> (showing coverage map for services offered by Numerex's Orbit-One division).

⁸⁰ *See, e.g., VT iDirect Helps with Panasonic's Fly High Broadband*, *Satnews Daily* (Jul. 9, 2008) (representing a nexgen in-flight broadband solution over Intelsat's global Ku-band system); *Insight... The Times, They Are A Changin'... FAST!* *SatMagazine.com* (Jul. 2008) (covering mobile solutions offered by Thuraya, Intelsat, and SES Global); *Alaska Airlines and Southwest Airlines Support Row 44's Application*, *Communications Daily* at 12 (Jul. 2, 2008) (proposing use of Ku-band capacity from Horizons I, AMC 2 and AMC 9 to provide in-flight broadband service); *SingTel Signs SES New Skies Capacity Deal*, *Satellite Today* (Jun. 18, 2008) (extending suite of maritime VSAT solutions over New Skies' NSS-7, NSS-703, and NSS-5 satellites); *Transforming Satellite Broadband*, *SatMagazine.com* (Jun. 2008) (discussing significant increases in satellite broadband capacity); *Iridium and Vizada* (footnote cont'd on next page)

only increase competition with the North American asset tracking and other land mobile services offered by MSV and Inmarsat. Their existence, coupled with the limited presence of MSV and Inmarsat in these applications, makes it clear that the combination of MSV and Inmarsat will have no adverse effect on competition or pricing for these products.

C. Future Directions

Beyond current service offerings, as described above, MSV's next generation business plan is to develop a voice and broadband data service over its planned integrated MSS-ATC network, focused on a handheld phone comparable in size to a cell phone or PDA and other devices attractive to mass market consumers. By contrast, Inmarsat's announced business plan is to continue to provide traditional and advanced satellite-based services, of the sort targeted primarily to serve commercial customers.⁸¹ Its stated focus remains on maritime, aeronautical, and land mobile applications with features that would not make them close substitutes for MSV's integrated satellite-ATC network. More specifically, neither Inmarsat's BGAN nor its satellite phone service would be a close substitute for MSV's planned mass-market MSS-ATC service: BGAN is not a handheld service, and the Inmarsat satellite phone service requires a larger handset and will not work nearly as effectively as an MSS-ATC offering, if at all, in dense urban areas.

Supply a Boat Load of Solutions, Satnews Daily (Jun. 5, 2008) (describing different OpenPort applications over Iridium's network for shipping and fishing fleets around the world); *Iridium Sees Strong Growth in Maritime Business*, Satellite Today (Jun. 4, 2008) (citing double-digit growth in subscriptions and usage in the active maritime sector); *Satlynx Launches New Set of Maritime Services*, Satellite Today (Jun. 2, 2008) (representing a new set of maritime VSAT services across its Ku-, extended Ku-, and C-band platforms); *Land Comm Mobility Aided by Explorer 727*, Satnews Daily (May 22, 2008) (featuring new mobile high speed data terminals over Inmarsat system with data speeds approaching 432 kbps); *Intelsat, Panasonic Partner for Airline Broadband Service*, Satellite Today (May 6, 2008) (leveraging Intelsat's GlobalConnex Network Broadband Service for on-demand mobile communications); *SpeedCast CEO Confident of Strong Early Take-up for Maritime Service*, Satellite News (Apr. 7, 2008) (expanding service to 100 ships with new global maritime broadband service over AsiaSat and Eutelsat); *Thuraya Expands Maritime Product Distribution*, Satellite Today (Mar. 24, 2008) (initiating ThurayaMarine solution for small- and medium-sized sea vessels to boost revenues in maritime arena over Thuraya-3 satellite).