



February 26, 2009

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554

Re: Notice of Ex Parte Presentation  
IB Docket No. 08-143, DA 08-1659

Dear Ms. Dortch:

On February 25, 2009, Andy Sukawaty, Chairman and CEO of Inmarsat, and Diane Cornell, Vice President, Government Affairs, Inmarsat, along with John Janka, outside counsel to Inmarsat, met with Commissioner Robert M. McDowell and Angela Giancarlo, Chief of Staff and Senior Legal Advisor to Commissioner McDowell. The Inmarsat representatives discussed issues presented in the above-captioned proceeding, as reflected in the attached presentation.

Sincerely yours,

/s/

Diane Cornell

cc: Commissioner Robert McDowell  
Angela Giancarlo

Attachment



# Transfer of Control of Stratos to Inmarsat

IB Docket No. 08-143, DA 08-1659

Andy Sukawaty  
Chairman and CEO, Inmarsat  
February 2009

# Inmarsat Distribution

- Historically, Inmarsat has been unable to use the same distribution structure as other satellite operators
  - Inmarsat has been contractually prohibited from
    - selling its services directly to end users
    - owning an Inmarsat distributor
  - Inmarsat has been required to wholesale to middlemen, who resell those same services to end users
- Those restrictions are a pre-privatization legacy
  - Once they sunset on April 14, 2009
    - Inmarsat may acquire control of Stratos
    - Inmarsat may distribute its services both directly and indirectly
- After April 14, 2009, Inmarsat will continue to use a wide variety of distributors to best meet the needs of end users

# Inmarsat/Stratos Transaction

- IB's January 2009 decision approved the second step of a two-step transaction by which Inmarsat will acquire Stratos
- Step One closed in December 2007, after full Commission approval of a transaction in which
  - Inmarsat provided the financing
  - a trust acquired control of Stratos
  - the trust's grantor/beneficiary provided Inmarsat an option to acquire control of Stratos
- Step One employed the trust for business, not regulatory, reasons
  - to ensure compliance with Inmarsat's contractual obligations

# Step One



# Full Commission's 2007 “Step One” Order

- Approved transfer of control to the trust
- Concluded that there was one relevant market: defined as “international mobile satellite services” (¶ 63)
- Found that both Inmarsat (at the satellite operator level) and Stratos (at the distributor level) faced significant competition
- Concluded that the transfer of control would not hurt competition

# Step Two

- The Step Two application sought consent
  - for Inmarsat to exercise its option to acquire control of Stratos from the trust
- The only commenter was Vizada
  - Stratos' chief competitor
  - a “middleman” distributor of ~ 40% of Inmarsat's services
  - who is seeking to renew its Inmarsat distribution contract
- HSR and CFIUS requirements were satisfied before FCC approval of the Step Two application

# Step Two

100%  
Direct Ownership

100%  
Direct Ownership

100%  
Direct Ownership

100%  
Direct Ownership

**Stratos Global  
Corp.**

# Competitive Analysis

- In approving Step Two, the IB Order recognized that:
  - There is a single market for international mobile satellite services, consistent with the full Commission decision in Step 1 and past IB decisions
  - Inmarsat's acquisition of Stratos is a vertical combination with
    - No increased concentration at any level
    - No resulting harm to other satellite operators
    - No resulting harm to consumers
  - Vertical integration should produce public interest benefits, *e.g.*,
    - a pro-competitive alternative to Inmarsat's legacy distribution structure
    - lower prices, improved quality, and more widespread availability of satellite services to consumers

# Competitive Analysis

- The Bureau also took into account that:
  - Inmarsat has offered Vizada distribution on the same arm's-length terms to which other third party distributors have agreed
  - The Commission has continuing oversight authority regarding satellite distribution arrangements
- Finding no competitive harm, the Bureau concluded that no basis exists for Vizada's proposed conditions (*e.g.*, structural separation)

# Conclusion

- The Step One order anticipated that Inmarsat would acquire control of Stratos
- The vertical integration of Stratos with Inmarsat in Step Two will result in
  - widely-recognized public interest benefits
  - no harms to competition
- The timely approval of Step Two was necessary to facilitate an April closing, and was more than 180 days from the PN
- Vizada's Application for Review raises the same competitive issues that were addressed by the full Commission in 2007, by DOJ, and by the record that IB analyzed extensively in its January order