

**Before the
Federal Communications Commission
Washington, D.C. 20554**

| | | |
|---|---|------------------------|
| In the Matter of |) | |
| |) | |
| BCE Inc. and Loral Skynet Corporation |) | IB Docket No. 07-44 |
| Transferors/Assignors |) | |
| |) | File Nos.: |
| and |) | ITC-T/C-20070130-00044 |
| |) | ISP-PDR-20070119-00007 |
| 4363205 Canada Inc., 4363213 Canada Inc., and |) | ISP-PDR-20070130-00002 |
| Skynet Satellite Corporation |) | SAT-ASG-20070130-00025 |
| Transferees/Assignees |) | SES-ASG-20070130-00166 |
| |) | SES-T/C-20070130-00167 |
| For Consent to Transfer of Control or Assignment |) | SES-T/C-20070130-00168 |
| of Licenses and Authorizations held by Telesat |) | SES-T/C-20070130-00169 |
| Canada, Able Infosat Communications, Inc., Loral |) | SES-T/C-20070130-00170 |
| Skynet Corporation, and Loral Skynet Network |) | SES-LIC-20070420-00492 |
| Services, Inc. |) | 0002865620 |
| |) | 0002888879 |
| and |) | 0002883230 |
| |) | |
| Petitions for Declaratory Ruling that the |) | |
| Transaction Is Consistent with Section 310(b)(4) of |) | |
| the Communications Act |) | |

MEMORANDUM OPINION AND ORDER AND DECLARATORY RULING

Adopted: October 3, 2007

Released: October 4, 2007

By the Commission:

I. INTRODUCTION

1. In this Memorandum Opinion and Order and Declaratory Ruling, we consider a series of applications filed to allow 4363205 Canada Inc. (“Holdco”) to acquire control of a variety of U.S. space station, earth station and wireless licenses and international section 214 authorizations currently held by Telesat Canada (“Telesat”), Able Infosat Communications, Inc. (“Able Infosat”), Loral Skynet Corporation (“Loral Skynet”), and Loral Skynet Network Services, Inc. (“LSNSI”). Holdco is owned by the Public Sector Pension Investment Board (“PSP”), Loral Space and Communications Inc. (“Loral”), and two independent third party investors. As we discuss below, we find that the public interest, convenience and necessity will be served by granting these applications and the associated petitions for declaratory ruling under section 310(b)(4) of the Communications Act of 1934, as amended (the “Act”),¹ subject to the conditions set forth herein.

¹ 47 U.S.C. § 310(b)(4).

II. BACKGROUND

A. The Applications

2. On January 30, 2007, Holdco, 4363213 Canada Inc. (“Acquireco”), 4363230 Canada Inc. (“Interco”), BCE Inc. (“BCE”), Telesat, Loral, LSNSI, Loral Skynet, Able Infosat (collectively with Holdco, Acquireco, Interco, BCE, Telesat, Loral, LSNSI, and Loral Skynet, the “Applicants”) filed a series of applications pursuant to sections 214 and 310(d) of the Act, and a petition for declaratory ruling under section 310(b)(4) of the Act.² In these applications, the Applicants seek Commission approval for a two-step transaction to, first, transfer control of Commission licenses and authorizations held by Telesat and its subsidiaries from BCE to Holdco, and, second, to assign certain Commission licenses and transfer control of certain Commission licenses held by Loral Skynet and LSNSI to Holdco and subsidiaries of Holdco. These applications pertain to space station licenses, earth station licenses, wireless licenses in the Industrial/Business Pool, and an international section 214 authorization. Holdco also filed a petition for a declaratory ruling that the proposed foreign ownership of Able Infosat in excess of the 25 percent benchmark set forth in section 310(b)(4) of the Act is in the public interest.³ In addition, Able Infosat filed a *pro forma* transfer of control application for its wireless licenses and a corresponding section 310(b)(4) petition in order to bring Able Infosat into compliance with sections 310(b)(4) and 310(d) of the Act,⁴ prior to action on the substantive transfer of control applications in this proceeding.

B. Description of the Applicants

3. BCE, Inc. BCE, a Canadian corporation, is the ultimate parent of Telesat, a Canadian corporation, and Able Infosat, a U.S. corporation. Telesat holds three U.S. earth station authorizations and operates four satellites licensed by Industry Canada that are on the current U.S. Permitted Space Station List.⁵ Telesat is the direct 100% parent of Infosat Communications, Inc. (“Infosat”), a Canadian corporation that holds 100% ownership interest in Able Infosat through Infosat Able Holdings Inc. (“Infosat Able Holdings”), a U.S. corporation. Able Infosat holds two international section 214 authorizations and fifteen Part 90 wireless radio licenses, including one common carrier wireless license.

4. Loral Space and Communications Inc. Loral, a publicly-traded U.S. corporation, provides satellite services through its wholly-owned subsidiary, Loral Skynet, which has two FCC-licensed satellites in geosynchronous orbit. Loral Skynet and its wholly-owned direct subsidiary LSNSI also hold numerous earth station licenses, including VSAT licenses, and a Part 90 wireless radio license. Loral Skynet has created two new wholly-owned direct subsidiaries, Skynet Satellite Holdings Corporation (“Skynet Holdings”) and Skynet Satellite Corporation (“Skynet Satellite”), for purposes of the instant transaction.

5. Public Sector Pension Investment Board (“PSP”). The PSP is a Canadian Crown corporation established by the Canadian Parliament pursuant to the Public Sector Pension Investment Board Act. PSP is a pension fund manager, operating at arms length from the Government of Canada,

² 47 U.S.C. §§ 214, 310(b)(4), 310(d).

³ A list of the applications and petitions filed in this proceeding is set forth in Appendix A. Grant of these applications and petition is subject to the conditions set forth in this Memorandum Opinion and Order and Declaratory Ruling and is without prejudice to Commission action on any related pending applications.

⁴ 47 U.S.C. §§ 310(b)(4), 310(d).

⁵ The U.S. Permitted Space Station List is a list of space stations, including foreign-licensed space stations, that may be accessed by U.S.-licensed earth stations. For more information *see* <http://www.fcc.gov/ib/sd/se/permitted.html>.

with a mandate to invest funds held for the benefit of the contributors and beneficiaries of the Canadian federal Public Service, the Canadian Forces, and the Royal Canadian Mounted Police pension funds.

6. 4363205 Canada Inc. (“Holdco”). Holdco is a newly formed Canadian company established to acquire control of various licenses, authorizations and assets currently held by Telesat, Able Infosat, Loral Skynet, and LSNSI. Loral, through its wholly-owned subsidiaries Loral Holdings Corporation and Loral Space and Communications Holdings Corporation, will hold 64% of the equity of Holdco, and PSP, through its wholly-owned subsidiary Red Isle Private Investments Inc. (“Red Isle”), will hold 36% of the equity of Holdco. Loral will hold a 33 $\frac{2}{3}$ % voting interest for all matters, while PSP will hold a 66 $\frac{2}{3}$ % voting interest for all matters except the election of the board of directors, and a 30% voting interest for the election of the board of directors. A third-party investor (“TPI”), John P. Cashman, a citizen of Canada and Ireland, will hold a 30% voting interest solely for the election of the board of directors of Holdco. Likewise, a second TPI, Colin D. Watson, who is also a Canadian citizen, will hold a 6 $\frac{2}{3}$ % voting interest solely for the election of the board of directors of Holdco.

| Shareholder | Participating Equity | Shares with voting rights for directors | Shares with voting rights on all other matters |
|------------------|----------------------|---|--|
| PSP | 36% | 30% | 66 $\frac{2}{3}$ % |
| Loral | 64% | 33 $\frac{1}{3}$ % | 33 $\frac{1}{3}$ % |
| TPIs (aggregate) | -- | 36 $\frac{2}{3}$ % | -- |
| Total Shares | 100% | 100% | 100% |

C. Description of Transaction⁶

7. In the first part of a two-part transaction, Holdco will acquire indirect control of Telesat and Able Infosat. Specifically, Acquireco, a wholly-owned subsidiary of Holdco, will purchase all of the issued and outstanding shares of Telesat from BCE, and then transfer the shares of Telesat to Interco, a wholly-owned indirect subsidiary of Holdco. Interco then will amalgamate with Telesat under Canadian law. Upon consummation, the amalgamated entity will be known as Telesat Canada Inc. (“New Telesat”) and will become a wholly-owned subsidiary of Acquireco. Telesat’s current direct subsidiary Infosat Communications Inc., and its indirect subsidiaries Infosat Able Holdings Inc., and Able Infosat, will remain direct and indirect subsidiaries of New Telesat after closing. This transaction will result in the substitution of ultimate ownership and control of the following licenses and authorizations held by Telesat and its indirect subsidiary Able Infosat from BCE to Holdco: two transmit/receive earth stations and one VSAT license, Able Infosat’s two international section 214 authorizations and fifteen Part 90 wireless licenses in the Industrial/Business Pool, fourteen of which are private land mobile radio licenses and one of which is a commercial mobile radio service (“CMRS”), i.e., common carrier, license.

8. In the second transaction, which is expected to occur contemporaneously with or after Holdco’s acquisition of Telesat, Holdco will acquire indirect control over certain U.S. assets of Loral Skynet. Applicants contemplate the following six chronological steps to execute and achieve this transaction: (1) Loral Skynet will transfer the shares of its subsidiaries, Skynet Holdings, Skynet Satellite, and LSNSI to Holdco; (2) Holdco will transfer the shares of Skynet Holdings, Skynet Satellite, and LSNSI to Acquireco; (3) Acquireco will transfer the shares of Skynet Holdings, Skynet Satellite, and LSNSI to New Telesat; (4) New Telesat will retain the shares of Skynet Holdings, and will transfer the shares of

⁶ Appendix B contains organizational charts showing (1) the current Telesat ownership structure, (2) the current Loral Skynet ownership structure, (3) the ownership structure after the first transaction (Holdco Pre-Loral Skynet Acquisition), and (4) the ownership structure after both transactions (Holdco Final Ownership structure).

Skynet Satellite and LSNSI to Skynet Holdings; (5) Skynet Holdings will transfer the shares of LSNSI to Skynet Satellite; and (6) Loral Skynet will assign its FCC licenses, consisting of Part 90 private land mobile, space station and earth station licenses and related assets, to Skynet Satellite.

9. Upon closing, New Telesat will be the direct 100% parent of Skynet Holdings, and the indirect 100% parent of Skynet Satellite and its wholly-owned direct subsidiary LSNSI. This will result in the integration of the existing Telesat and Able Infosat assets with those of Loral Skynet under common ownership and control of Holdco.

D. Application Review Process

10. On March 9, 2007, the Commission placed the applications on public notice as acceptable for filing.⁷ No comments were filed on the applications. On June 25, 2007, the Department of Homeland Security, with the concurrence of the Department of Justice and the Federal Bureau of Investigation (the “Executive Branch Agencies”), filed a Petition to Adopt Conditions to Authorizations and Licenses.⁸

III. PUBLIC INTEREST ANALYSIS

A. Standard of Review

11. Pursuant to sections 214(a) and 310(d) of the Act,⁹ the Commission must determine whether the proposed transfer of control to Holdco of licenses and authorizations held by Able Infosat, Loral Skynet and LSNSI will serve the public interest, convenience, and necessity.¹⁰ In making this determination, we first assess whether the proposed transaction complies with the specific provisions of the Act, other applicable statutes, and the Commission’s rules. If the proposed transaction would not violate a statute or rule, the Commission considers whether it could result in public interest harms by

⁷ *International Bureau Seeks Comment on Applications Filed by 4363205 Canada Inc., et al. Seeking FCC Consent to Acquire Control of Space Station, Earth Station, and Wireless Licenses, and International Section 214 Authorizations and Requesting Declaratory Ruling on Foreign Ownership*, IB Docket No. 07-44, Public Notice, DA 07-1122, 22 FCC Rcd 4695 (IB 2007).

⁸ *See infra* at Section III.E.

⁹ 47 U.S.C. §§ 214(a), 310(d).

¹⁰ 47 U.S.C. § 310(d) requires that we consider the applications for transfer of Title III licenses under the same standard as if the proposed transferee were applying for the licenses directly under section 308 of the Act, 47 U.S.C. § 308. *See Verizon Communications, Inc., Transferor and America Movil, S.A. de C.V., Transferee, Application for Authority to Transfer Control of Telcomunicaciones de Puerto Rico, Inc. (TELPRI)*, Memorandum Opinion and Order and Declaratory Ruling, WT Docket No. 06-113, 22 FCC Rcd 6195, 6202-3, ¶ 17 (2007) (*TELPRI Order*); *Applications of Guam Cellular and Paging, Inc. and DoCoMo Guam Holdings, Inc.*, WT Docket No. 06-96, Memorandum Opinion and Order and Declaratory Ruling, 21 FCC Rcd 13580, 13588, ¶ 13 (2006) (*DoCoMo-Guam Cellular Order*); *Applications of Midwest Wireless Holdings, L.L.C. and ALLTEL Communications, Inc.*, WT Docket No. 05-339, Memorandum Opinion and Order, 21 FCC Rcd 11526, 11535, ¶ 16 (2006) (*ALLTEL-Midwest Wireless Order*); *SBC Communications, Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, WC Docket No. 05-65, Memorandum Opinion and Order, FCC 05-183, 20 FCC Rcd 18290, 18300 n.60 (2005) (*SBC/AT&T Order*); *Verizon Communications Inc. and MCI, Inc. Applications for Approval of Transfer of Control*, WC Docket No. 05-75, Memorandum Opinion and Order, FCC 05-184, 20 FCC Rcd 18433, 18443 n.59 (2005) (*Verizon/MCI Order*); *Applications of Western Wireless Corporation and Alltel Corporation for Consent to Transfer Control of Licenses and Authorizations*, WT Docket No. 05-50, Memorandum Opinion and Order, FCC 05-138, 20 FCC Rcd 13053, 13062-63 ¶ 17 (2005) (*Alltel/Western Wireless Order*). Thus, we must examine the Applicants’ qualifications to hold licenses.

substantially frustrating or impairing the objectives or implementation of the Act or related statutes. The Commission then employs a balancing test weighing any potential public interest harms of the proposed transaction against the potential public interest benefits.¹¹ The Applicants bear the burden of proving, by a preponderance of the evidence, that the proposed transaction, on balance, serves the public interest.¹² If we are unable to find that the proposed transaction serves the public interest for any reason, or if the record presents a substantial and material question of fact, we may designate the application for hearing.¹³

12. Our public interest evaluation necessarily encompasses the “broad aims of the Communications Act,”¹⁴ which include, among other things, a deeply rooted preference for preserving and enhancing competition in relevant markets, accelerating private sector deployment of advanced services, ensuring a diversity of license holdings, and generally managing the spectrum in the public interest.¹⁵ Our public interest analysis may also entail assessing whether the proposed transaction will affect the quality of communications services or will result in the provision of new or additional services to consumers.¹⁶ In conducting this analysis, the Commission may consider technological and market changes, and the nature, complexity, and speed of change of, as well as trends within, the communications industry.¹⁷

¹¹ See, e.g., *TELPRI Order*, 22 FCC Rcd at 6202-3, ¶ 17; *DoCoMo-Guam Cellular Order*, 21 FCC Rcd at 13589, ¶ 13; *ALLTEL-Midwest Wireless Order*, 21 FCC Rcd at 11535, ¶ 16; *SBC/AT&T Order*, 20 FCC Rcd at 18300 ¶ 16; *Verizon/MCI Order*, 20 FCC Rcd at 18443 ¶ 16; *Applications of Nextel Communications, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorizations*, WT Docket No. 05-63, Memorandum Opinion and Order, FCC 05-148, 20 FCC Rcd 13967, 13976 ¶ 20 (2005); *Alltel/Western Wireless Order*, 20 FCC Rcd at 13062-63 ¶ 17.

¹² See, e.g., *TELPRI Order*, 22 FCC Rcd at 6202-3, ¶ 17; *DoCoMo-Guam Cellular Order*, 21 FCC Rcd at 13589, ¶ 13; *ALLTEL-Midwest Wireless Order*, 21 FCC Rcd at 11535, ¶ 16; *SBC/AT&T Order*, 20 FCC Rcd at 18300 ¶ 16; *Verizon/MCI Order*, 20 FCC Rcd at 18443 ¶ 16.

¹³ We are not required to designate for hearing applications for the transfer or assignment of Title II authorizations when we are unable to find that the public interest would be served by granting the applications. See *ITT World Communications, Inc. v. FCC*, 595 F.2d 897, 901 (2d Cir. 1979). We may, however, do so if we find that a hearing would be in the public interest. However, with respect to the applications to transfer licenses subject to Title III of the Act, if we are unable to find that the proposed transaction serves the public interest, or if the record presents a substantial and material question of fact, section 309(e) of the Act requires that we designate the application for hearing. 47 U.S.C. § 309(e); see *TELPRI Order*, 22 FCC Rcd 6202-3, ¶ 17; *DoCoMo-Guam Cellular Order*, 21 FCC Rcd at 13589, ¶ 13; *ALLTEL-Midwest Wireless Order*, 21 FCC Rcd at 11535, ¶ 16.

¹⁴ See *TELPRI Order*, 22 FCC Rcd at 6203, ¶ 18; *DoCoMo-Guam Cellular Order*, 21 FCC Rcd at 13591, ¶ 15; *ALLTEL-Midwest Wireless Order*, 21 FCC Rcd at 11537, ¶ 18; *SBC/AT&T Order*, 20 FCC Rcd at 18301 ¶ 17; *Verizon/MCI Order*, 20 FCC Rcd at 18443 ¶ 17.

¹⁵ See 47 U.S.C. §§ 157 nt. (incorporating section 706 of the Telecommunications Act of 1996, Pub. Law No. 104-104, 110 Stat. 56 (1996) (1996 Act), 254, 332(c)(7)); 1996 Act, Preamble; *TELPRI Order*, 22 FCC Rcd 6203, ¶ 18; *DoCoMo-Guam Cellular Order*, 21 FCC Rcd at 13591, ¶ 15; *SBC/AT&T Order*, 20 FCC Rcd at 18301 ¶ 17; *Verizon/MCI Order*, 20 FCC Rcd at 18443-44 ¶ 17.

¹⁶ See *TELPRI Order*, 22 FCC Rcd at 6204, ¶ 18; *DoCoMo-Guam Cellular Order*, 21 FCC Rcd at 13591, ¶ 15; *ALLTEL-Midwest Wireless Order*, 21 FCC Rcd at 11537, ¶ 18; *SBC/AT&T Order*, 20 FCC Rcd at 18301 ¶ 17; *Verizon/MCI Order*, 20 FCC Rcd at 18443-44 ¶ 17.

¹⁷ See *TELPRI Order*, 22 FCC Rcd at 6204, ¶ 18; *DoCoMo-Guam Cellular Order*, 21 FCC Rcd at 13591, ¶ 15; *ALLTEL-Midwest Wireless Order*, 21 FCC Rcd at 11537, ¶ 18; *SBC/AT&T Order*, 20 FCC Rcd at 18301-02 ¶ 17; *Verizon/MCI Order*, 20 FCC Rcd at 18444 ¶ 17.

13. Our analysis starts with an examination of whether the Applicants are qualified to hold authorizations and licenses pursuant to sections 214(a) and 310(d) of the Act.¹⁸ Next, we consider any effects of the transactions on competition. Then we consider foreign ownership issues. Finally, we consider issues related to national security, law enforcement, foreign policy, and trade policy.

B. Qualifications of the Applicants

14. As a threshold matter, we must determine whether the Applicants meet the requisite qualifications to hold and transfer or assign licenses under section 310(d) of the Act and the Commission's rules. In general, when evaluating transfers of control and assignments under section 310(d), we do not re-evaluate the qualifications of the transferor or assignor.¹⁹ The exception to this rule occurs where issues related to basic qualifications have been designated for hearing by the Commission or have been sufficiently raised in petitions to warrant the designation of a hearing.²⁰ This is not the case here, so we need not re-evaluate BCE's basic qualifications.

15. Section 310(d) also requires that the Commission consider the qualifications of the proposed assignee/transferee as if the assignee/transferee were applying for the license directly under section 308 of the Act.²¹ We note that no party has challenged the basic qualifications of Loral, PSP or Holdco, and nothing has come to our attention that would disqualify the Applicants on the grounds that they lack the technical, legal or other basic qualifications necessary to be a Commission licensee or authorization holder. Thus, we find that Holdco possesses the requisite basic qualifications to be the transferee or assignee of the licenses and authorizations currently held by Telesat, Able Infosat, Loral Skynet, and LSNSI.

C. Effect on Competition

16. Our public interest analysis under Section 214(a) and 310(d) includes an evaluation of the competitive effects of the proposed transaction in both the relevant product markets and the relevant geographic markets. For telecommunications service providers, the Commission has determined that the relevant product markets can include both service to U.S. domestic telecommunications markets and service between the United States and foreign telecommunications markets.

17. Telesat is a Canadian company authorized to operate a fleet of fixed satellite service ("FSS") and direct broadcast service ("DBS") satellites. Four of Telesat's satellites are on the current U.S. Permitted Space Station list: Anik F1 and Anik F1-R at 107.3° W.L., Anik F2 at 111.1° W.L., and Anik F3, which began commercial service in May 2007, at 118.7° W.L. Anik F3's Ku-band capacity has been presold to Echostar for direct-to-home ("DTH") distribution in the U.S.²² Telesat also has four DBS

¹⁸ 47 U.S.C. §§ 214(a), 310(d).

¹⁹ See *TELPRI Order*, 22 FCC Rcd at 6204, ¶ 20; *DoCoMo-Guam Cellular Order*, 21 FCC Rcd at 13590, ¶ 14; *ALLTEL-Midwest Wireless Order*, 21 FCC Rcd at 11536, ¶ 17; *SBC/AT&T Order*, 20 FCC Rcd at 18379, ¶ 171; *Verizon/MCI Order*, 20 FCC Rcd at 18526, ¶ 183.

²⁰ See *TELPRI Order*, 22 FCC Rcd at 6204, ¶ 20; *DoCoMo-Guam Cellular Order*, 21 FCC Rcd at 13590, ¶ 14; *ALLTEL-Midwest Wireless Order*, 21 FCC Rcd at 11536, ¶ 17; *SBC/AT&T Order*, 20 FCC Rcd at 18379, ¶ 171; *Verizon/MCI Order*, 20 FCC Rcd at 18526, ¶ 183.

²¹ Section 308 requires that applicants for Commission licenses set forth such facts as the Commission may require as to citizenship, character, and financial, technical, and other qualifications. See 47 U.S.C. § 308. Our rules implementing the provisions of section 308 regarding an applicant's qualifications to hold the Commission licenses involved in this transfer are set forth in Parts 5, 25 and 63 of the Commission's rules. See 47 C.F.R. Parts 5, 25, 63.

²² Telesat Press Release, May 1, 2007, <http://www.telesat.ca/news/releases/2007/07-09-e.asp>.

satellites, Nimiq 1 and Nimiq 4i at 91° W.L., and Nimiq 2 and Nimiq 3 at 82° W.L., which are dedicated to the provision of DTH services to Canada for Bell ExpressVu.²³ Telesat's satellite operations provide service in North America, South America, and between North and South America. In 2006, 24% of Telesat's revenue was attributable to the U.S. and 68% of its revenue was attributable to Canada.²⁴

18. Loral Skynet owns and operates a fleet of five geosynchronous satellites: Telstar 10 at 76.5° E.L., Telstar 11 at 37.55° W.L., Telstar 12 at 15° W.L., Telstar 14 at 63° W.L., and Telstar 18 at 138° E.L.²⁵ Loral Skynet's customers lease transponder capacity for distribution of video and data for television programming, DTH services, business communications, Internet connectivity, and telephony.²⁶ These satellites allow Loral Skynet to cover much of the land mass of Europe, Africa, Asia, and Australia, as well as portions of North and South America. As a result of the sale of its North American Fleet to Intelsat in 2004, Loral Skynet has only a limited presence in the U.S.²⁷

19. While Telesat serves the U.S. market, its emphasis is on the Canadian market, and Loral Skynet has a limited presence in the United States, with most of its revenue attributable to services to Canada. Thus, this transaction is unlikely to result in a significant increase in market power in the provision of communication services within the United States.

20. With respect to U.S. international telecommunications markets, the Commission generally evaluates the competitive effects on a country-by-country basis, for service between the United States and specific foreign countries, where U.S.-billed service between the United States and each foreign country from the United States represents a separate geographic market. In those analyses, we considered whether the proposed transaction would lessen or enhance competition in the provision of international services to or from the United States. We need not analyze the impact of the proposed transaction on competition in the provision of satellite services to foreign countries that do not involve service to or from the United States.

21. No market data on traffic volumes or revenue are provided by the Applicants with respect to country-specific routes for U.S. billed satellite communications services between the United States and foreign destinations for either Loral Skynet or Telesat. Moreover, such data are not found in publicly-available sources. We cannot, therefore, evaluate the competitive effects of the transaction on a route-specific basis. Such route-specific analysis, even if data were available is not essential, however, to our assessment of the competitive effects of the merger. The Applicants state that “. . . both Loral Skynet and Telesat provide limited satellite space segment services within the U.S. or *to/from the U.S. and foreign points.*”²⁸ Given this representation, it appears unlikely that the post-merger New Telesat will achieve dominance in any route-specific market as a result of the merger or otherwise exercise market

²³ Telesat Satellite Coverage, Interactive Coverage Map, at <http://www.telesat.ca>.

²⁴ “Telesat Canada, Auditors' Report, Consolidated Financial Statements, December 31, 2006 and 2005,” <http://www.telesat.ca/investorRelations/pdf/annualReport/2006/entirereport-e.pdf>.

²⁵ Application, Public Interest Statement, at 11.

²⁶ See <http://www.loral.com/business-units/loral-skynet/>.

²⁷ Application, Public Interest Statement, at 14. See also *Annual Report and Analysis of Competitive Market Conditions with Respect to Domestic and International Satellite Communications Services, First Report*, FCC 07-34, 22 FCC Rcd 5954 (2007), Table 3, Shares of Utilized Transponder Capacity by Types of Domestic Wholesale Service, at ¶ 75, page 28, showing that for 2006, Loral Skynet had a share of 3% of sales of domestic video contribution and distribution and 3% of sales of network services.

²⁸ Application, Public Interest Statement at 14. (Emphasis supplied.)

power and lessen competition on any satellite communications route originating or terminating in the United States.²⁹ This finding is broadly consistent with New Telesat's ranking as the third largest fleet with a global satellite footprint following the merger.³⁰ Both Intelsat (inclusive of PanAmSat) and SES (inclusive of New Skies) consist of much larger satellite systems with a global reach that will offer end-users alternative sources for satellite-based video, data, and network communications services. While such alternative sources of global satellite-based communications services may not be available to every New Telesat customer for every satellite service,³¹ the competition offered by significantly larger satellite rivals will, in general, tend to attenuate the possible exercise of market power by the post-merger New Telesat as it attempts to increase its market presence and market share in both the U.S. domestic market and U.S. international telecommunications markets.

22. In evaluating the public interest benefits, we reviewed the Applicants' claims of public interest benefits related to combining geographically complementary satellite assets, and thereby providing customers with access to a new global satellite service provider, as well as the Applicants' claim that increased scale will allow the new company to have increased redundancy, improved reliability and more options for service restoration. The Applicants claim that the increase in scale will make the combined company a more vital competitor in satellite services.³² Given the limited overlap in the geographic area served by Loral Skynet and Telesat, we find that the proposed transaction would be in the public interest.

D. Foreign Ownership

23. We find, subject to certain conditions, that the public interest would be served by allowing the proposed indirect foreign ownership of Able Infosat in excess of the 25 percent benchmark under section 310(b)(4) of the Act. Able Infosat holds one common carrier radio license in the Industrial/Business Pool used in the provision of commercial mobile radio service.³³ We therefore review its foreign ownership under section 310(b) of the Act and Commission rules and policies established in the *Foreign Participation Order*.³⁴ Consistent with that Order, we find that Able Infosat is entitled to a rebuttable presumption that its proposed indirect foreign ownership by named citizens of, and entities organized in, Canada and Ireland, World Trade Organization ("WTO") Member countries, would not pose a risk to competition in the U.S. market.³⁵ We find no credible evidence in the record to rebut this presumption. Further, we find that the Petition to Adopt Conditions to Authorizations and Licenses filed by

²⁹ From a conceptual point of view, new Telesat will be a fringe competitor relative to Intelsat and SES and by definition will lack the potential market power of much larger firms.

³⁰ Application, Public Interest Statement at 15.

³¹ Intelsat, having acquired Loral spacecraft providing a substantial domestic U.S. footprint, together with the SES fleet of spacecraft and the fiber optic terrestrial and submarine cable telecommunications facilities between the U.S., Canada, and other foreign destinations will provide New Telesat customers with numerous alternative telecommunications options.

³² Application, Public Interest Statement at 15-17.

³³ Able Infosat also holds fourteen private radio licenses in the Industrial/Business Pool for internal communications purposes. See ULS File No. 0002865620, Public Interest Statement.

³⁴ See *Rules and Policies on Foreign Participation in the U.S. Telecommunications Market*, Report and Order and Order on Reconsideration, IB Docket Nos. 97-142 and 95-22, 12 FCC Rcd 23891 (1997) (*Foreign Participation Order*), recon. denied, 15 FCC Rcd 18158 (2000).

³⁵ *Id.* at 23896, 23913 ¶¶ 9, 50, 111-112.

the Executive Branch Agencies addresses any national security or law enforcement concerns.³⁶ We therefore conclude, pursuant to section 310(b)(4), that it would not serve the public interest to prohibit the proposed indirect foreign ownership of Able Infosat, subject to the conditions set forth below.

24. Based on our review of the record, we find that, as represented by the Applicants,³⁷ Canada is the principal place of business of all of the foreign-organized holding companies that will be situated above Able Infosat and its U.S. parent, Infosat Able Holdings, upon consummation of the proposed transaction: specifically, Infosat, a Canadian corporation that wholly owns Infosat Able Holdings; the post-consummation New Telesat, which will be organized under the laws of Canada and will wholly own Infosat; Acquireco, a Canadian corporation that will wholly own the post-consummation New Telesat; and Holdco, a Canadian corporation that wholly owns Acquireco and is the transferee of the common carrier radio license held by Able Infosat.

25. We also find that Canada is the principal place of business of PSP and its wholly-owned subsidiary Red Isle.³⁸ As discussed above,³⁹ Red Isle will hold a 36% equity interest in Holdco, a 66% voting interest for all matters except the election of Holdco's board of directors, and a 30% voting interest for the election of the board of directors. The two third-party investors in Holdco, Messrs. Cashman and Watson, are both citizens of Canada, with Mr. Cashman having dual Canadian and Irish citizenship. Mr. Cashman and Mr. Watson will hold approximately 30% and 6% of the voting rights, respectively, for the election of Holdco's board of directors.

26. Loral's indirect, wholly-owned subsidiary, Loral Holdings, will hold the remaining 64% equity interest and 33% voting interest in Holdco. Loral and its subsidiary holding companies are organized in the United States and have their principal places of business in the United States.⁴⁰ Loral states that "because Loral is publicly traded, Loral is unable to determine with certainty which individuals and entities hold beneficial ownership interests in Loral."⁴¹ Although Loral did not conduct a survey of its shareholders, it did provide publicly available information as to its largest shareholders.⁴² Loral's voting interest in Holdco will be limited to a non-controlling 33% voting interest.⁴³ The largest block of Loral's common stock – 35.9% of its equity and voting interests – is held by seven private equity funds (the

³⁶ *Id.* at 23918, ¶ 59 and 23919, ¶ 61-66. *See also infra* Section III.E.

³⁷ *See* Letter from Michael G. Jones and Angie Kronenberg, Counsel for Loral Space & Communications Inc., to Marlene H. Dortch, Secretary, FCC, dated June 22, 2007 ("June 22 Letter"), Attachment B.

³⁸ *See id.*; *see also* ULS File No. 0002865620, Attachment 1 at 7-9.

³⁹ *See* Section II.B *supra*.

⁴⁰ June 22 Letter, Attachment B.

⁴¹ *Id.* at 2.

⁴² We find that the public interest would not be served by requiring further information in the circumstances of this particular case. The transaction involves only one common carrier radio license with a limited service area; the license for WPDG659 authorizes common carrier mobile service operations in a 121 kilometer radius (approximately 75 miles) with a centerpoint in the vicinity of Pearland, Texas.

⁴³ Consistent with our foreign ownership case precedent, foreign equity interests held in Loral do not flow through in their entirety to Infosat Able Holdings, the U.S. parent of Able Infosat, but instead are diluted by (*i.e.*, multiplied by) Loral's 64% equity interest in Holdco, which will indirectly own 100% of Infosat Able Holdings. Foreign voting interests held in Loral also do not flow through in their entirety to Infosat Able Holdings because Loral will not have a controlling interest in Holdco. Foreign voting interests in Loral are diluted by (*i.e.*, multiplied by) Loral's 33% voting interest in Holdco. *See Foreign Ownership Guidelines*, Public Notice, 19 FCC Rcd 22612, 22627-28 (IB 2004).

“MHR Funds”) ultimately controlled by Mark Rachesky, a U.S. citizen and member of Loral’s board of directors. All but one of the MHR Funds is organized in the United States. The remaining fund is organized in Anguilla, a Member of the WTO. According to Loral, each MHR Fund has its principal place of business in the United States.⁴⁴ Loral’s next largest reported shareholders, based on publicly available information submitted for the record, are EchoStar Communications Corporation and its majority shareholder, Charles W. Ergen (6.98%); various investment management subsidiaries of BlackRock, Inc. (6.43%); various investment funds affiliated with Highland Capital Management, L.P., which is ultimately controlled by Mr. James Dondero (5.78%), a U.S. citizen; MacKay Shields LLC (3.72%), a wholly-owned subsidiary of New York Life Insurance Company and investment advisor to various clients; and Stanfield Capital Partners LLC (3.84%), a U.S.-organized institutional investment manager.⁴⁵

27. Pursuant to section 310(b)(4) of the Act and Commission rules and policies established in the *Foreign Participation Order*, we authorize the indirect foreign ownership of Able Infosat by: Infosat Communications Inc., the post-consummation Acquireco, and Holdco (individually and collectively, up to and including 100% of the equity and voting interests); Red Isle and the PSP (individually and collectively, up to and including a 36% equity interest, a 66% voting interest for all matters except the election of Holdco’s board of directors, and a 30% voting interest for the election of Holdco’s board of directors); and Mr. John P. Cashman and Mr. Colin D. Watson (individually and collectively, up to and including 36% of the voting rights for the election of Holdco’s board of directors). Able Infosat may accept up to an additional aggregate 25% indirect foreign equity and/or voting interests from other foreign investors without seeking prior Commission approval under section 310(b)(4) subject to the condition that any additional foreign ownership shall not cause the equity or voting interests attributable to a single foreign individual or entity from a WTO Member country, or cumulatively to individuals or entities from non-WTO Member countries, to exceed 25% of Able Infosat’s total equity or voting interests.

28. This ruling shall also permit other individuals who are citizens of Canada to acquire all or part of the voting interests held in Holdco by Messrs. Cashman and Watson. We deny in all other respects Able Infosat’s request that we permit its indirect foreign ownership by “entities from Canada” to increase up to 100% without requesting new public interest rulings in the future.⁴⁶ The fact that a company may be organized in Canada is not determinative of whether it has its principal place of business in Canada or another foreign country, which is an issue relevant to the Commission’s public interest inquiry under the *Foreign Participation Order*.⁴⁷

29. We caution Holdco that the Commission recently confirmed that common carrier licensees have an obligation to ascertain and periodically survey the citizenship of their direct and indirect shareholders, and that this obligation applies to all direct and indirect shareholders of the licensee, not simply the controlling block.⁴⁸ Given the limited foreign ownership information in the record for Loral,

⁴⁴ Letter from Michael G. Jones and Angie Kronenberg, Counsel for Loral Space & Communications Inc., to Marlene H. Dortch, Secretary, FCC, dated July 25, 2007 (“July 25 Letter”).

⁴⁵ See June 22 Letter, Attachment A. The SEC filings on which Loral relies do not provide information as to the citizenship of investors that hold pecuniary interests in Loral through the investments reported by Highland, BlackRock, MacKay Shields, or Stanfield Capital. These companies report holding sole or shared voting power over the securities covered by the SEC filings. As discussed above, we will not inquire further into Loral’s ownership by or through these companies given the limited scope of Able Infosat’s common carrier radio-based operations and the conditions of our foreign ownership ruling.

⁴⁶ See Petition for Declaratory Ruling, IBFS File No. ISP-PDR-20070130-00002, at 1.

⁴⁷ See *Foreign Participation Order*, 12 FCC Rcd at 23941-42, ¶ 116.

⁴⁸ See *TELPRI Order*, 22 FCC Rcd at 6222 ¶ 58.

neither Loral nor Holdco shall rely on the foreign ownership ruling granted here for purposes of acquiring any other common carrier radio license(s) or an equity or voting interest in any other common carrier radio licensee(s). We grant the foreign ownership ruling in the context of this particular transaction because it involves the transfer of only one common carrier radio license with a limited service area.⁴⁹

E. National Security, Law Enforcement, Foreign Policy, and Trade Concerns

30. On June 25, 2007, the Executive Branch Agencies filed a Petition to Adopt Conditions to Authorizations and Licenses (“Petition”). The Petition states that the Executive Branch Agencies have no objection to the grant of the applications provided that the Commission condition the grant on Holdco, Acquireco and Skynet Satellite Corporation abiding by the commitments and undertakings contained in its June 21, 2007 letter to the Executive Branch Agencies.⁵⁰ The Petition also states that the parties to the above-referenced applications do not object to the grant of the Petition. The Commission considers national security, law enforcement, foreign policy, and trade policy concerns when analyzing a transfer of control or assignment application in which foreign ownership is involved. Under Commission precedent, we defer to the Executive Branch’s expertise on national security and law enforcement issues.⁵¹ In accordance with the request of the Executive Branch Agencies, and in the absence of objection from the Applicants, we condition the grant of the applications and petition on Holdco’s, Acquireco’s, and Skynet Satellite Corporation’s compliance with the commitments and undertakings in the June 21, 2007 Letter.

IV. PRO FORMA TRANSFER OF CONTROL APPLICATION AND RELATED SECTION 310(B)(4) PETITION

31. In addition to the applications and petition docketed in this proceeding, Able Infosat belatedly filed, on January 19, 2007, an application under section 310(d) of the Act for consent to the *pro forma* transfer of control of its wireless licenses to its current direct U.S. parent, Infosat Able Holdings, a transaction previously consummated without Commission authorization.⁵² Able Infosat also filed, for the first time since the Commission initially approved its ownership structure on February 11, 2006,⁵³ a petition for declaratory ruling under section 310(b)(4) of the Act to approve its existing 100% indirect foreign ownership by Infosat Canada, Telesat Canada, and BCE, all of which are organized in Canada.⁵⁴

⁴⁹ See *supra* note 42.

⁵⁰ Letter from Holdco to Kenneth L. Wainstein, Sigal P. Mandelker, Stewart A. Baker, and Elaine N. Lammert dated June 21, 2007 (“June 21, 2007 Letter”). The Petition and the June 21, 2007 Letter are publicly available on the FCC web site by searching the record for this proceeding, IB Docket 07-44, through the Electronic Comment Filing System (“ECFS”).

⁵¹ See *Foreign Participation Order*, 12 FCC Rcd at 23918 ¶ 59, 23919-21 ¶¶ 61-66; *Amendment of the Commission’s Regulatory Policies to Allow Non-U.S. Licensed Space Stations to Provide Domestic and International Satellite Service in the United States*, Report and Order, 12 FCC Rcd 24094, 24170, ¶ 178 (1997).

⁵² ULS File No. 0002865620 (Able Infosat Pro Forma Transfer Application).

⁵³ See *Wireless Telecommunications Bureau Assignment of License Authorization Applications, Transfer of Control of License Applications, De Facto Transfer Lease Applications and Spectrum Manager Lease Notifications Action*, File No. 0002477896, Report No. 2404 (rel. Feb. 15, 2006).

⁵⁴ IBFS File No. ISP-PDR-20070119-00007. The International Bureau placed the petition for declaratory ruling on public notice as accepted for filing on April 27, 2007. See *Non Streamlined International Applications Accepted for Filing*, Public Notice, Report No. TEL-01141NS (rel. April 27, 2007).

32. The parties explain that, in the last quarter of 2006, Able Infosat's indirect parent, Infosat Canada, acquired directly all of Able Infosat's stock and dissolved Able Infosat's then-direct U.S. parent, Infosat Communications, Inc.⁵⁵ Infosat Canada's personnel and corporate counsel were unaware that this reorganization constituted a *pro forma* transfer of control requiring Commission approval.⁵⁶ In December 2006, while conducting due diligence for the possible sale of Telesat Canada, counsel for Infosat Canada learned of the unauthorized *pro forma* transfer of control. Counsel also advised that, because Able Infosat holds a common carrier radio license, it is necessary to have a U.S. holding company between Able Infosat and Infosat Canada.⁵⁷ Accordingly, Infosat Canada established a new U.S. subsidiary, Infosat Able Holdings, and transferred the stock of Able Infosat to this new subsidiary.⁵⁸ Able Infosat subsequently filed the application for consent to the unauthorized *pro forma* transfer(s) of control and the section 310(b)(4) petition for declaratory ruling.

33. We find that the public interest would be served by granting Able Infosat's January 19, 2007 *pro forma* transfer application and petition for declaratory ruling for the limited purpose of bringing Able Infosat into compliance with section 310(b) and (d) of the Act and with Commission rules. Grant of the *pro forma* application and petition is without prejudice to any enforcement action by the Commission for non-compliance with the Communications Act of 1934, as amended, or the Commission's rules. Grant of the petition for declaratory ruling is also conditioned on Holdco acquiring control of Able Infosat's wireless licenses within 60 days from the date of this Order. In addition, Able Infosat, Infosat Canada, Telesat Canada, and BCE shall not rely on grant of the January 19, 2007 petition for purposes of acquiring any other common carrier radio license or an equity or voting interest in any other common carrier radio licensee.

V. CONCLUSION

34. Upon consideration of the record, we find that the Applicants have met their burden and that grant of the applications and the petition for declaratory ruling, as conditioned herein, will serve the public interest, convenience, and necessity.⁵⁹ There is no evidence in the record to suggest that Holdco, PSP or Loral lack the basic qualifications to be the transferee or assignee of the licenses and authorizations currently held by Telesat, Able Infosat, Loral Skynet, and LSNSI. We also find that it would not serve the public interest to prohibit the indirect foreign ownership of Able Infosat in excess of the 25 percent benchmark as set forth in section 310(b)(4).⁶⁰

VI. ORDERING CLAUSES

35. Accordingly, having reviewed the applications, the petitions, and the record in this matter, IT IS ORDERED that, pursuant to sections 4(i) and (j), 309, 310 (b), 214(a), 310(b) and (d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), (j), 214(a), 309, 310(b), 310(d), the applications for the transfer of control and assignment of licenses and authorizations and the petitions set

⁵⁵ See Able Infosat Pro Forma Transfer Application, Exhibit 1 at 1.

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ 47 U.S.C. §§ 214(a), 310(b)(4), 310(d).

⁶⁰ 47 U.S.C. § 310(b)(4).

forth in Appendix A ARE GRANTED, to the extent specified in this Memorandum Opinion and Order and Declaratory Ruling.

36. IT IS FURTHER ORDERED that, pursuant to sections 4(i) and (j), 214, 309, and 310(b) and (d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 214, 309, 310(b), 310(d), the Petition to Adopt Conditions to Authorizations and Licenses filed jointly by the U.S. Department of Justice, the Federal Bureau of Investigation, and the U.S. Department of Homeland Security on June 25, 2007 IS GRANTED. Grant of the applications and the declaratory rulings IS CONDITIONED UPON compliance with the commitments and undertaking set forth in the June 21, 2007 letter from Holdco, Acquireco and Skynet Satellite Corporation, attached to this Memorandum Opinion and Order and Declaratory Ruling in Appendix C.

37. IT IS FURTHER ORDERED that, pursuant to section 25.119(f) of the Commission's rules, 47 C.F.R. § 25.119(f), consummation of this transaction shall be completed within 60 days from the release of this Memorandum Opinion and Order and Declaratory Ruling. Pursuant to sections 1.948(d) and 25.119(f) of the Commission's rules, 47 C.F.R. §§ 1.948(d), 25.119(f), within 30 days of consummation, the Commission shall be notified by letter and by the filing of FCC Form 603, Schedule D, of the date of consummation and the file numbers of the applications involved in the transaction.

38. IT IS FURTHER ORDERED that this Memorandum Opinion and Order SHALL BE EFFECTIVE upon release. Petitions for reconsideration under section 1.106 of the Commission's rules, 47 C.F.R. § 1.106, may be filed within thirty days of the date of this Memorandum Opinion and Order and Declaratory Ruling.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch
Secretary

APPENDIX A

SECTION 214 APPLICATIONS

Part 63 – International Section 214 Authorizations

| <u>File No.</u> | <u>Authorization Holder</u> | <u>Authorization Number</u> |
|------------------------|----------------------------------|--|
| ITC-T/C-20070130-00044 | Able Infosat Communications Inc. | ITC-214-19990128-00050 ITC-214-20000113-00025 |

SECTION 310(b)(4) PETITIONS FOR DECLARATORY RULING

| <u>File No.</u> | <u>Applicant</u> |
|------------------------|-----------------------------------|
| ISP-PDR-20070119-00007 | Able Infosat Communications, Inc. |
| ISP-PDR-20070130-00002 | 4363205 Canada Inc. |

SECTION 310(d) APPLICATIONS

(a) Part 25- Satellite Earth Station, VSAT, and Space Station Authorization Applications

| <u>File No.</u> | <u>Licensee</u> | <u>Call Sign(s)</u> |
|--------------------------------------|-------------------------------------|--|
| SAT-ASG-20070130-00025 | Loral Skynet Corp. | S2462, S2357, S2670 |
| SES-ASG-20070130-00166 | Loral Skynet Corp. | E000706, E950053, E940376, E940375, E910218, E861065, E030040, E010128, E000707, E990216, E990194, E990165, E990125, E980196, E980195, E980154, E950056, E950055, E950054, WB30 |
| SES-T/C-20070130-00167 | Loral Skynet Network Services, Inc. | KA355, E980450, E980149, E990082, E980156, E060085, E980175, E990183, KA358, E950407, E980176, E990277, KA359, E990278, E980205, E990292, E990541, E980206, KA399, E980207, E980208, E980250, E000127, E000128, E000189, E990081, KA360, KA356, KA357 |
| SES-T/C-20070130-00168 | Loral Skynet Network Services, Inc. | E020101, E030029 |
| SES-T/C-20070130-00169 | Telesat Canada | E0400285, E040419 |
| SES-T/C-20070130-00170 | Telesat Canada | E050321 |
| SES-LIC-20070420-00491 ⁶¹ | Able Infosat Communications, Inc. | E070072 |

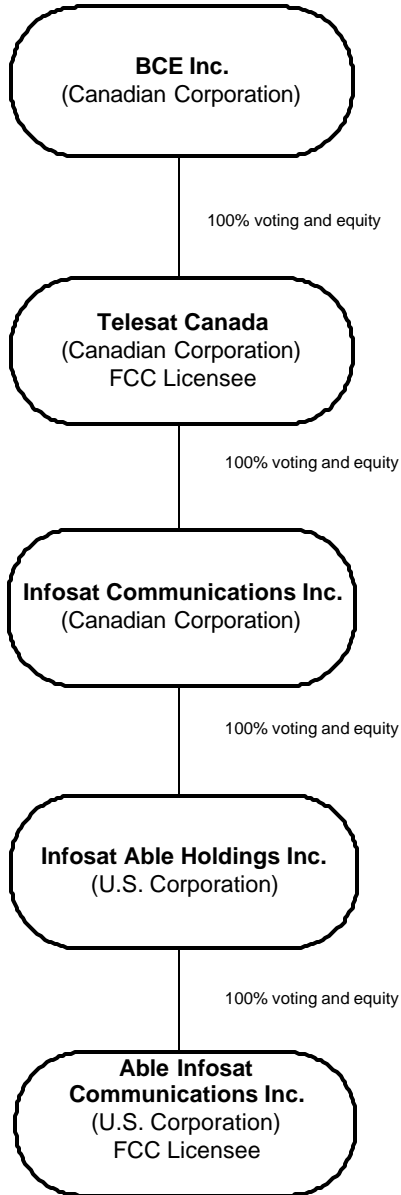
⁶¹ This license was granted during the pendency of this proceeding. See Joint Letter from Counsel for the Applicants, dated June 27, 2007.

(b) Part 90- Wireless Licenses

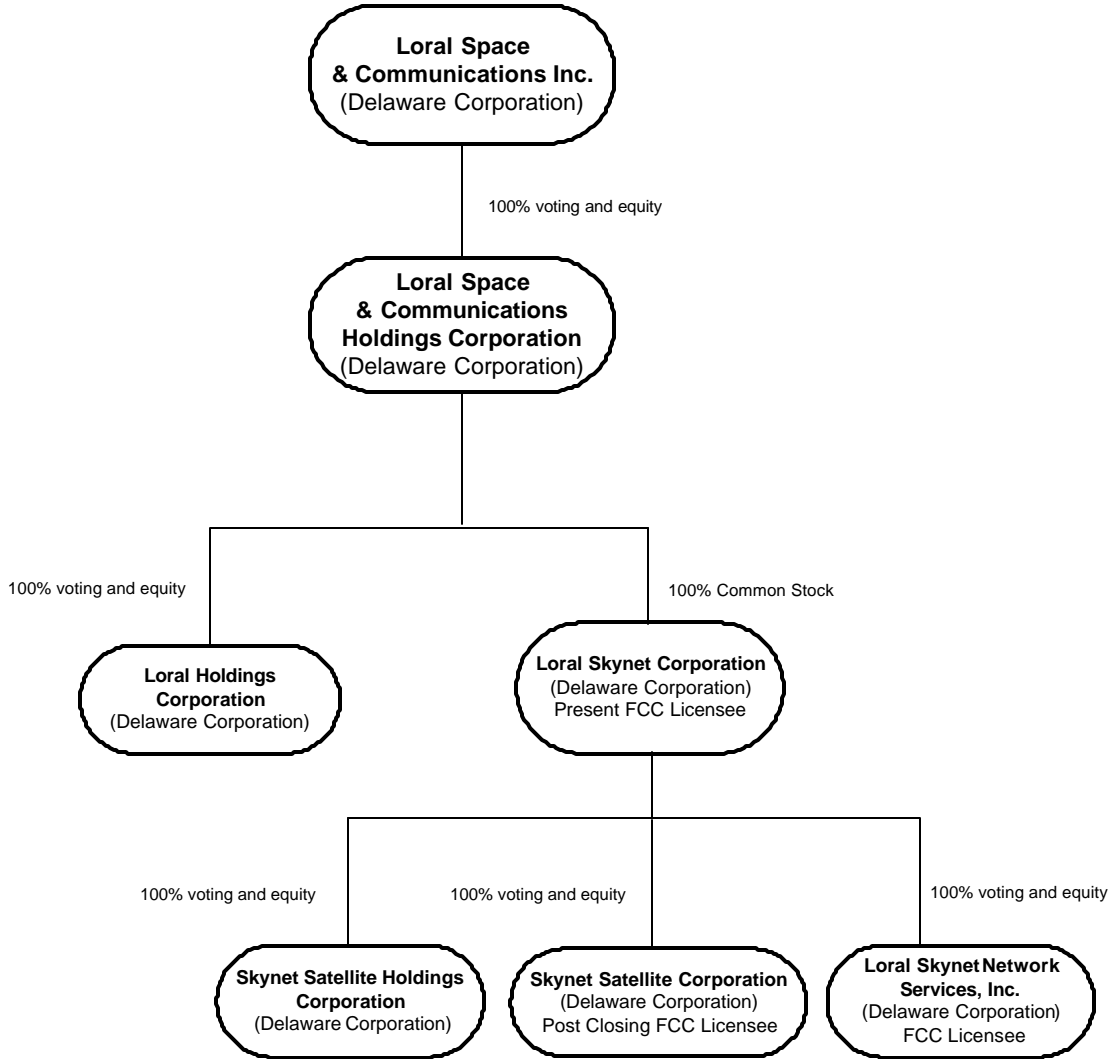
| <u>File No.</u> | <u>Licensee</u> | <u>Lead Call Sign</u> |
|------------------------|-------------------------------------|------------------------------|
| 0002865620 | Able Infosat Communications, Inc. | WIK991 |
| 0002888879 | Able Infosat Communications, Inc. | WIK991 |
| 0002883230 | Loral Skynet Network Services, Inc. | WPRF209 |

APPENDIX B

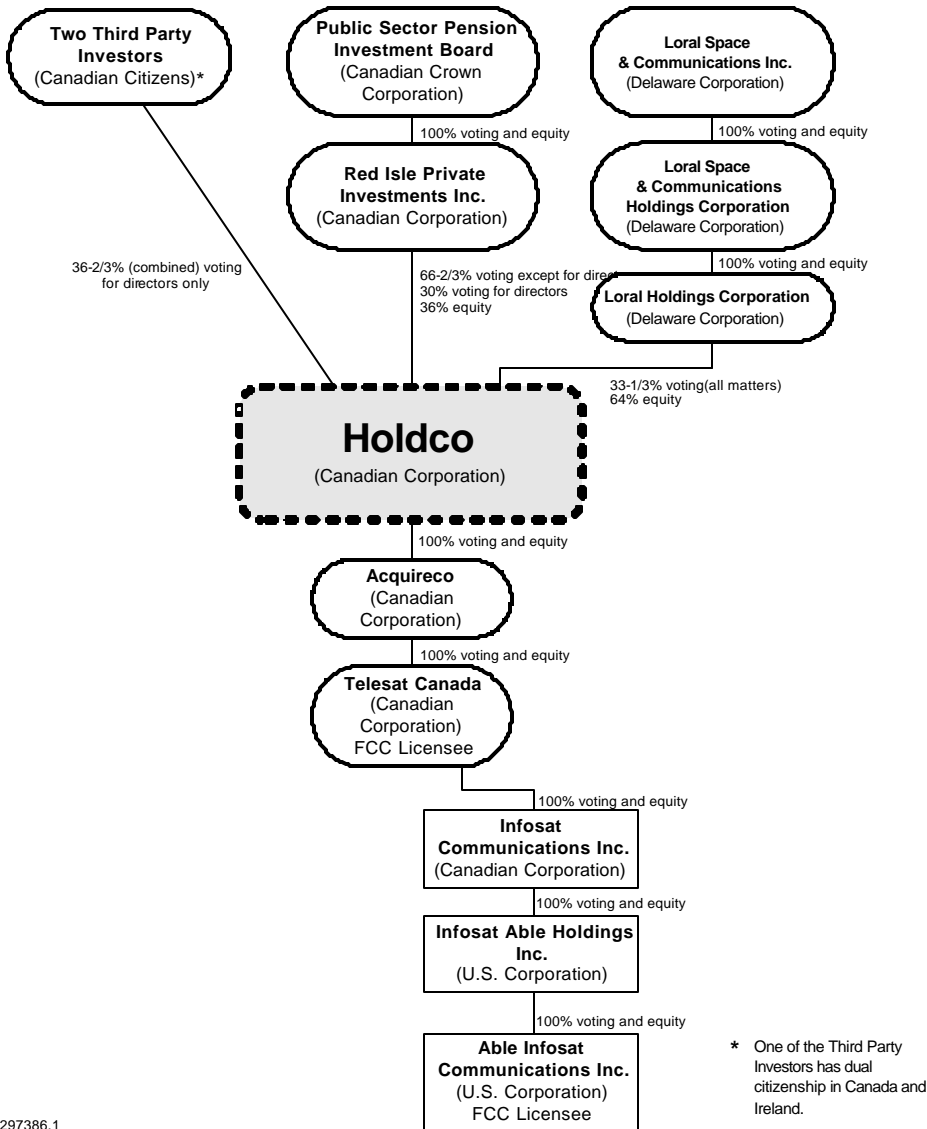
Telesat Current Ownership Structure



Loral Skynet Current Ownership Structure

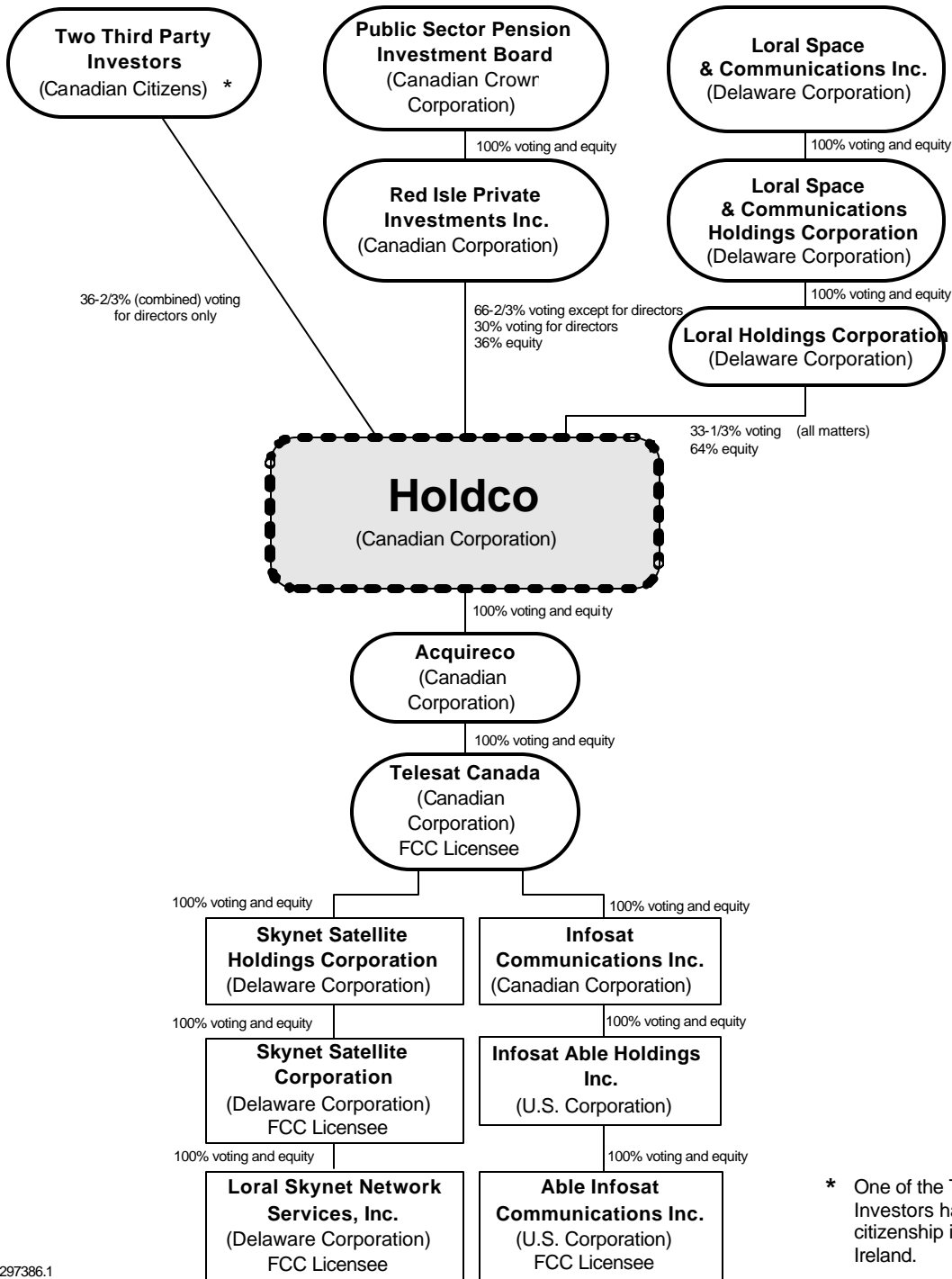


**Holdco Pre-Loral Skynet Acquisition
(After First Transaction)**



1297386.1

Holdco Final Ownership Structure (After Both Transactions)



* One of the Third Party Investors has dual citizenship in Canada and Ireland.

APPENDIX C

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

| | | |
|--|---|-----------------------------------|
| In the Matter of |) | File Nos: ITC-T/C-20070130-00044, |
| |) | ITC-214-19990128-00050, |
| BCE Inc. and Loral Skynet Corporation |) | ITC-214-20000113-00025, |
| Transferors/Assignors |) | SAT-ASG-20070130-00025, |
| |) | SES-ASG-20070130-00166, |
| And |) | SES-T/C-20070130-00167, |
| |) | SES-T/C-20070130-00168, |
| 4363205 Canada Inc. (Holdco), 4363213 |) | SES-T/C-20070130-00169, |
| Canada Inc. (Acquireco) and Skynet Satellite |) | SES-T/C-20070130-00170 |
| Corporation (collectively, "Holdco") |) | |
| Transferees/Assignees |) | IB Docket No. 07-44 |
| |) | |
| Applications for Consent |) | |
| to Transfer of Control or Assignment of | | |
| Licenses of Telesat Canada ("Old Telesat"), | | |
| and Old Telesat's subsidiary, Able Infosat | | |
| Communications Inc. ("Able Infosat") and Loral | | |
| Skynet Corporation ("Loral Skynet") | | |

**PETITION TO ADOPT CONDITIONS TO
AUTHORIZATIONS AND LICENSES**

The Department of Homeland Security ("DHS"), with the Department of Justice ("DOJ") and the Federal Bureau of Investigation ("FBI") (collectively, the "Agencies"), respectfully submit this Petition to Adopt Conditions to Authorizations and Licenses ("Petition"), pursuant to Section 1.41 of the Federal Communications Commission ("FCC" or "Commission") rules.¹ Through this Petition, the Agencies advise the Commission that they have no objection to the Commission granting its consent in the above-referenced proceeding, provided that the Commission conditions the grant on 4363205 Canada Inc. (Holdco), 4363213 Canada Inc. (Acquireco) and Skynet Satellite Corporation (collectively, "Holdco"), abiding by the commitments and undertakings contained in its June 21, 2007

letter to Kenneth L. Wainstein, Sigal P. Mandelker, Stewart A. Baker, and Elaine N. Lammert (the “Letter”) attached hereto as Exhibit 1.

In the above-captioned proceedings, Holdco’s applications to the Federal Communications Commission (“FCC”) seek consent for two separate transactions. Pursuant to the first proposed transaction, Holdco will acquire control of Telesat Canada (“Old Telesat”), and Old Telesat’s subsidiary, Able Infosat Communications Inc. (“Able Infosat”). In the second transaction, Holdco will acquire certain of the businesses and subsidiaries of Loral Skynet Corporation (collectively, “Loral Skynet”). Pursuant to these transactions, Holdco will acquire indirect control of a variety of U.S. space station, earth station, and wireless licenses and international Section 214 authorizations currently held by Old Telesat, Able Infosat, or Loral Skynet..

As the Commission is aware, the Agencies have taken the position that their ability to satisfy their obligations to protect the national security, enforce the laws, and preserve the safety of the public could be impaired by transactions in which foreign entities will own or operate a part of the U.S. telecommunications system, or in which foreign-located facilities will be used to provide domestic telecommunications services to U.S. customers. After discussions with representatives of Holdco in connection with the proposed transfer of control of Old Telesat, Able Infosat and Loral Skynet, the Agencies have concluded that the commitments set forth in the Letter will help ensure that the Agencies and other entities with responsibility for enforcing the law, protecting the national security, and preserving public safety can proceed in a legal, secure, and confidential manner to satisfy these responsibilities. Accordingly, the Agencies hereby advise the Commission that they have no objection to the Commission granting the above-referenced applications, provided that the Commission conditions its consent on compliance by Holdco with the commitments set forth in the Letter.

(Continued from previous page) _____

¹ 47 C.F.R. § 1.41.

The Agencies are authorized to state that the parties to the above-referenced applications do not object to the grant of this Petition.

Respectfully submitted,

/s/ CHARLES STEELE

Charles Steele
Chief of Staff
Office of the Assistant Attorney General
National Security Division
United States Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, DC 20530
(202) 514-1057

/s/ STEWART A. BAKER

Stewart A. Baker
Assistant Secretary for Policy
U.S. Department of Homeland Security
3801 Nebraska Avenue, N.W.
Washington, DC 20528

/s/ ELAINE N. LAMMERT

Elaine N. Lammert
Deputy General Counsel
Federal Bureau of Investigation
923 Pennsylvania Avenue, N.W.
Washington, DC 20532
(202) 324-1530

June 25, 2007

June 21, 2007

Mr. Kenneth L. Wainstein
Assistant Attorney General
National Security Division
United States Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, D.C. 20530

Ms. Sigal P. Mandelker
Deputy Assistant Attorney General
Criminal Division
United States Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, D.C. 20530

Ms. Elaine N. Lammert
Deputy General Counsel
Federal Bureau of Investigation
935 Pennsylvania Avenue, N.W.
Washington, D.C. 20530

Mr. Stewart A. Baker
Assistant Secretary for Policy
U.S. Department of Homeland Security
Washington, D.C. 20528

Re: Application for Transfer of Control, BCE (Telesat)-Loral, IB Docket No. 07-44

Dear Mr. Wainstein, Ms. Mandelker, Ms. Lammert and Mr. Baker:

This letter outlines the commitments made by 4363205 Canada Inc. (Holdco), 4363213 Canada Inc. (Acquireco) and Skynet Satellite Corporation (collectively, "Holdco"), to the U.S. Department of Justice ("DOJ"), including the Federal Bureau of Investigation ("FBI"), and to the U.S. Department of Homeland Security ("DHS"), in order to address national security, law enforcement, and public safety concerns raised with regard to Holdco's applications to the Federal Communications Commission ("FCC") for consent to two separate transactions. Pursuant to the first proposed transaction, Holdco will acquire control of Telesat Canada ("Old Telesat"), and Old Telesat's subsidiary, Able Infosat Communications Inc. ("Able Infosat"). In the second transaction, Holdco will acquire the businesses and subsidiaries of Loral Skynet Corporation (collectively, "Loral Skynet"). Pursuant to these transactions, Holdco will acquire indirect control of a variety of U.S. space station, earth station, and wireless licenses and

international Section 214 authorizations currently held by Old Telesat, Able Infosat, or Loral Skynet.

Description of the Transactions.

In the first transaction, Holdco will acquire indirectly from BCE, parent of Old Telesat, all of the issued and outstanding shares of Old Telesat. This transaction is simply a substitution of ultimate ownership and control of the FCC licenses and assets held by Old Telesat and its indirect subsidiary Able Infosat.

In the second transaction, which likely will occur simultaneously with the first transaction, Loral Skynet will indirectly assign to Holdco certain wireless, space station and earth station licenses and related assets. Loral Skynet also will transfer indirect control of certain Loral Skynet subsidiaries to Holdco. Thus, the two transactions will combine under the common ownership and control of Holdco, the existing Old Telesat and Able Infosat assets with those of Loral Skynet.

Description of Ownership of Holdco.

Holdco's ultimate owners will be the Public Sector Pension Investment Board ("PSP"), Loral Space & Communications Inc. ("Loral"), and two independent third party Canadian investors, John P. Cashman and Colin D. Watson (together, the "TPIs").

PSP. PSP is a Canadian Crown corporation established by the Canadian Parliament pursuant to the Public Sector Pension Investment Board Act to manage employer and employee contributions of certain Canadian government employees.

Loral. Loral, a Delaware corporation, is a publicly traded company in the U.S. Through its subsidiary Loral Skynet, Loral owns and operates a fleet of geosynchronous satellites around the globe. Loral Skynet provides a variety of satellite services to television and cable networks, communications service providers, resellers, and corporate and government customers.

TPIs. The TPIs are two Canadian investors, John P. Cashman and Colin D. Watson, both of whom are prominent businessmen in Canada.

Assurances

Availability of Records. Holdco agrees that, for all customer billing records, subscriber information, and any other related information used, processed, or maintained in the ordinary course of business relating to (i) communications services offered by Holdco provided from one U.S. location to another U.S. location or (ii) the U.S. portion of communication services offered by Holdco that originate or terminate in the U.S. ("U.S. Records"), Holdco will make such U.S. Records available in the U.S. in response to lawful U.S. process. For these purposes, U.S. Records shall include information subject to disclosure to a U.S. Federal or state governmental

entity under the procedures specified in Sections 2703(c) and (d) and Section 2709 of Title 18 of the United States Code. Holdco agrees to ensure that U.S. Records are not made subject to mandatory destruction under any foreign laws. Holdco agrees to take all practicable measures to prevent unauthorized access to, or disclosure of the content of, communications or U.S. Records, in violation of any U.S. Federal, state, or local laws or of the commitments set forth in this letter. If Holdco learns of any unauthorized disclosure with respect to U.S. Records, it will deliver a written notification containing all the known details concerning each such incident to the FBI, DOJ and DHS within five (5) business days.

Nondisclosure of U.S. Law Enforcement Requests. Holdco agrees that it will not, directly or indirectly, disclose, or permit disclosure of or access to, U.S. Records, domestic communications, or to any information (including the content of communications) pertaining to a wiretap order, pen/trap order, subpoena or other lawful demand by a U.S. law enforcement agency for U.S. Records, to any person if the purpose of such disclosure or access is to respond to the legal process or request on behalf of a non-U.S. government without first satisfying all pertinent requirements of U.S. law and obtaining the express written consent of the FBI, DOJ and DHS or the authorization of a court of competent jurisdiction in the United States. The term "non-U.S. government" means any government, including an identified representative, agent, component or subdivision thereof, that is not a local, state or Federal government in the United States. Any such requests or legal process submitted by a non-U.S. government to Holdco requesting such disclosure shall be referred to the FBI, DOJ and DHS as soon as possible, and in no event later than five (5) business days after such request or legal process is received by or known to Holdco, unless the disclosure of the request or legal process would be in violation of U.S. law or an order of a court in the United States. If upon seven (7) business days following the FBI's, DOJ's and DHS' receipt of Holdco's referral, the FBI, DOJ and DHS have not acted, then Holdco may respond to such request or legal process as it deems appropriate, and Holdco thereafter shall promptly advise the FBI, DOJ and DHS in writing of its actions. Notwithstanding the foregoing, in the event of exigent circumstances or if Holdco's response to the non-U.S. government request or legal process is due less than ten (10) business days from the date Holdco receives the request or legal process, these time periods shall not apply, but Holdco shall use its best efforts under the circumstances to consult with the FBI, DOJ and DHS before responding, and will in any event notify the FBI, DOJ and DHS: 1) relative to Holdco's receipt of the request or legal process, not later than one (1) business day following such receipt; and 2) relative to Holdco's response to such request or legal process, not later than one (1) business day from the date Holdco submits its response.

Law Enforcement Point of Contact. Holdco also agrees that it will maintain one or more points of contact within the United States with the authority and responsibility for accepting and overseeing compliance with a wiretap order, pen/trap order, subpoena or other lawful demand by U.S. law enforcement authorities for the content of communications or U.S. Records. Holdco will notify the FBI, DOJ and DHS in writing at the addresses listed above of the point(s) of contact within ten (10) days of this letter, and shall promptly notify the FBI, DOJ and DHS of any change in its designated point(s) of contact. Any new point of contact shall be a resident U.S. citizen, and Holdco shall cooperate with any request by a U.S. government authority that a background check or security clearance process be completed for a designated point of contact.

Notification. Holdco agrees that it will notify the FBI, DOJ and DHS before it seeks to commence the sale (or resale) of any common carrier switched services that are interconnected with the public switched network, other than through Able Infosat. Similarly, Holdco will notify the FBI, DOJ and DHS if there are any material changes in any of the facts as represented in this letter. All notices to be provided to the FBI, DOJ, or DHS shall be directed to the named addressees of this letter or their successors.

Remedies. Holdco acknowledges that, in the event the commitments set forth in this letter are breached, in addition to any other remedy available at law or equity, the DOJ, FBI, or DHS may request that the FCC modify, condition, revoke, cancel, or render null and void any relevant license, permit, or other authorization granted by the FCC to Holdco or any successor-in-interest to Holdco.


Nothing in this letter is intended to excuse Holdco or its subsidiaries from any obligation they may have to comply with applicable U.S. legal requirements for the retention, preservation, or production of information, records or data, or from any applicable requirements of the Communications Assistance for Law Enforcement Act, 47 U.S.C. 1001, et seq., nor shall it constitute a waiver of: (a) any obligation imposed by any applicable U.S. Federal, state or local laws on Holdco or its subsidiaries; (b) any enforcement authority available under any applicable U.S. or state laws; (c) the sovereign immunity of the United States; or (d) any authority the U.S. government may possess (including without limitation authority pursuant to International Emergency Economic Powers Act) over the activities of Holdco or its subsidiaries located within or outside the United States. Nothing in this letter is intended to or is to be interpreted to require the parties to violate any applicable U.S. law. Likewise, nothing in this letter limits the right of the United States Government to pursue criminal sanctions or charges against Holdco or its subsidiaries, and nothing in this letter provides Holdco or its subsidiaries with any relief from civil liability.

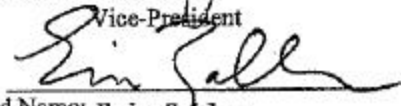
Except for the obligation to notify the FBI, DOJ and DHS of the point(s) of contact within ten (10) days of this letter, the commitments in this letter will take effect upon the closing of the transactions described herein. The parties will promptly notify the DOJ, FBI, and DHS when they close the transactions.

Holdco understands that, upon execution of this letter by an authorized representative or attorney for Holdco, the DOJ, FBI, and DHS shall notify the FCC that the DOJ, FBI, and DHS have no objection to the FCC's grant of the above-referenced applications.

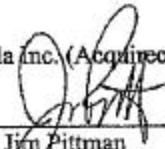
Sincerely,

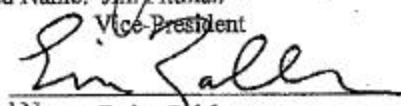
4363205 Canada Inc. (Holdco)

By: 
Printed Name: Jim Pittman
Title: Vice-President

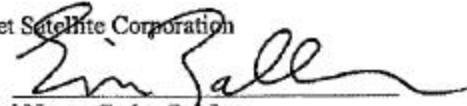
By: 
Printed Name: Eric Zahler
Title: Vice President

4363213 Canada Inc. (Acquireco)

By: 
Printed Name: Jim Pittman
Title: Vice-President

By: 
Printed Name: Eric Zahler
Title: Vice President

Skynet Satellite Corporation

By: 
Printed Name: Eric Zahler
Title: President