

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

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Federal Communications Commission
Office of Secretary

In re Application of)
)
Final Analysis Communication)
Services, Inc.)
)
)
For an Amendment to its)
Application for a Non-Voice)
Non-Geostationary Mobile-)
Satellite System)
_____)

File Nos. 75-SAT-Amend-96;
25-SAT-P/LA-95

Received

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Satellite Policy Branch
International Bureau

To: The Commission

REPLY TO OPPOSITION TO PETITION TO DENY

CTA Commercial Systems, Inc. ("CTA"), by its attorneys and pursuant to Section 25.154 of the Commission's Rules, 47 C.F.R. § 25.154, hereby replies to the Opposition of Final Analysis Communication Services, Inc. ("FACS") to CTA's Petition to Deny. CTA is seeking denial of FACS' effort to amend its application to construct, launch and operate a commercial Non-Voice, Non-Geostationary ("NVNG") Mobile Satellite System ("MSS"). As a second round NVNG MSS applicant, CTA has a direct interest in the Commission's consideration of the FACS amendment.

In its Petition to Deny, CTA argued that the FACS amendment should be denied as a violation of the processing rules applicable to the FCC's second round NVNG

licensing proceeding.^{1/} Specifically, CTA stated that, under the Commission's NVNG processing rules, FACS was required to be financially qualified as of the cut-off date for the second NVNG processing round, *i.e.*, by November 16, 1994, and could not two years later amend its application to demonstrate financial qualifications.^{2/}

On October 29, 1996, the Commission issued a Notice of Proposed Rulemaking ("NPRM") which, *inter alia*, (1) requests that each second round NVNG applicant amend its application to conform with new spectrum allocation and sharing proposals established by the Commission; and (2) imposes new financial qualifications standards for second round NVNG applicants.^{3/}

The Commission's NPRM appears to make moot the issue of the validity of the FACS amendment, inasmuch as all Little Leo applicants are now required to file amendments to their applications to meet the new financial qualification standards. Nonetheless, because the FACS amendment remains pending, CTA here responds briefly to some of the comments made in the FACS Opposition regarding its financial qualifications for an NVNG license.

^{1/} See CTA Petition to Deny at 2.

^{2/} Id.

^{3/} In the Matter of Amendment of Part 25 of the Commission's Rules to Establish Rules and Policies Pertaining to the Second Processing Round of the Non-Voice, Non-Geostationary Mobile Satellite Services, Notice of Proposed Rulemaking, FCC 96-426, IB Docket No. 96-220, released October 29, 1996. .

FACS claims that arguments made by CTA and Leo One regarding FACS' financial qualifications are "spurious," and argues that its newly submitted financial materials establish that the company is "fully capable of and committed to implementation of its proposed satellite system."^{4/} While FACS reiterates its assertions regarding the dramatic reduction in anticipated expenditures to develop its satellite system, once again it provides no documentation to substantiate its claims.

For example, although FACS asserts that it has appended details regarding the expenditures made toward construction of its first two spacecraft, no such details or documentation are provided. There is no documentation or explanation of how the satellite parts were financed or the dates of their procurement, and there is no explanation of the basis for FACS' valuation of these assets. Similarly, no documentation is provided to support the FACS cost reductions for terminal, ground station or office/personnel costs.

Moreover, CTA questions the inclusion of the item labeled "Spacecraft under Construction" as a current asset on the FACS balance sheet. Under Generally Accepted Accounting Principles ("GAAP"), items that are to be included in a balance sheet as "current assets" are only those that are reasonably expected to be realized in cash, sold or consumed within a year, or during a normal operating business cycle, i.e., liquid assets.^{5/} Satellites

^{4/} FACS Opposition at 6.

^{5/} See Jan R. Williams, 1996 Miller GAAP Guide at § 9.04..

under construction do not meet this standard and cannot be relied upon under the Commission's rules to demonstrate financial qualifications for an NVNG license.

CONCLUSION

CTA stands by its conclusion that FACS is not financially qualified for an NVNG license, either under the Commission's prior standard or under the new, more rigorous financial qualifications test proposed in the NVNG NPRM.

Respectfully submitted,

CTA COMMERCIAL SYSTEMS, INC.

By: /s/ Michael J. Ladino
 Michael J. Ladino
 General Counsel
 CTA INCORPORATED
 Suite 800
 6116 Executive Blvd.
 Rockville, MD 20852

/s/ Phillip L. Spector
 Phillip L. Spector
 Jeffrey H. Olson
 Susan E. Ryan
 PAUL, WEISS, RIFKIND,
 WHARTON & GARRISON
 1615 L Street, N.W.
 Washington, D.C. 20036
 (202) 223-7300

November 12, 1996

Its Attorneys

CERTIFICATE OF SERVICE

I, Yasmin Beckford, hereby certify that I have on this 12th day of November 1996, caused to be served a copy of CTA Commercial Systems, Inc.'s Reply to the Opposition of Final Analysis Communication Services to CTA's Petition to Deny the Final Analysis Communications Services Amendment, by hand or by first-class mail, postage prepaid, upon the following:

Donald H. Gips, Chief
International Bureau
Federal Communications Commission
2000 M Street, N.W., Room 830
Washington, D.C. 20554

Thomas S. Tycz, Chief
Satellite Radiocommunication Division
International Bureau
Federal Communications Commission
2000 M Street, N.W., Room 811
Washington, D.C. 20554

Cecily C. Holiday, Deputy Chief
Satellite & Radiocommunication Division
International Bureau
Federal Communications Commission
2000 M Street, N.W., Room 520
Washington, D.C. 20554

Joslyn Read, Assistant Chief
Satellite & Radiocommunication Division
International Bureau
Federal Communications Commission
2000 M Street, N.W., Room 818
Washington, D.C. 20554

Paula Ford
Satellite & Radiocommunication Division
International Bureau
Federal Communications Commission
2000 M Street, N.W., 5th Floor
Washington, D.C. 20554

Fern J. Jarmulnek, Chief
Satellite Policy Branch
International Bureau
Federal Communications Commission
2000 M Street, N.W., Room 518
Washington, D.C. 20554

Damon C. Ladson
Satellite & Radiocommunication Division
International Bureau
Federal Communications Commission
2000 M Street, N.W., 803
Washington, D.C. 20554

James M. Talens, Senior Advisor
Satellite & Radiocommunication Division
International Bureau
Federal Communications Commission
2000 M Street, N.W., Room 513
Washington, D.C. 20554

Karen Kornbluh
International Bureau
Federal Communications Commission
2000 M Street, N.W., Room 800
Washington, D.C. 20554

Leslie Taylor, Esq.
Leslie Taylor Associates
6800 Carlynn Court
Bethesda, MD 20817-4302
Counsel for E-Sat Inc.

Aileen Pisciotta, Esq.
Kelly Drye & Warren
1200 19th Street, N.W., Suite 500
Washington, D.C. 20036
Counsel for Final Analysis Communications
Services, Inc.

Robert A. Mazer, Esq.
Vinson & Elkins
1455 Pennsylvania Av., N.W.
Washington, D.C. 20004
Counsel for Leo One USA Corporation

Julie Barton, Esq.
Hogan & Hartson
555 13th Street, N.W.
Washington, D.C. 20004
Counsel for STARSYS

Philip V. Otero, Esq.
Vice President and General Counsel
GE American Communications, Inc.
Four Research Way
Princeton, NJ 08540

Albert Halprin, Esq.
Halprin, Temple & Goodman
Suite 650 East Tower
1100 New York Avenue, N.W.
Washington, D.C. 20005
Counsel for Orbcomm

Jonathan Wiener, Esq.
Goldberg, Godles, Wiener & Wright
1229 19th Street, N.W.
Washington, D.C. 20036
Counsel for Volunteers in Technical
Assistance

/s/ Yasmin Beckford
Yasmin Beckford