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Contel Corporation
Columbia Square
555 Thirteenth Street, NW/Suite 480 West
Washington, DC 20004-1109
202 383 8700 Office, 202 383 8710 FAX

CONTEL

August 30, 1990

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, NW
Washington, D.C. 20554

Re: American Satellite Company d/b/a
Contel ASC
Authorization to Construct, Launch, and
Operate Contelsat-1
File Nos. 1801/1802/1803-DSS-MP/ML-89

Attn: Cecily Holiday
2025 M Street, NW
Suite 6324

Dear Ms. Searcy:

American Satellite Company d/b/a Contel ASC ("Contel ASC"), by its attorney, hereby requests that the Commission modify the construction permit granted to Contel ASC for the satellite known as Contelsat-1. In particular, Contel ASC asks that the Commission delay the date by which Contel ASC must commence construction of this satellite from August 31, 1990 until August 31, 1991. This request is necessitated by the proposed merger of Contel ASC's parent company, Contel Corporation ("Contel"), and GTE Corporation ("GTE"). As shown below, grant of this request will serve the public interest.

Contel ASC was authorized to construct, launch, and operate Contelsat-1 in late 1988.¹ Contelsat-1 is a hybrid satellite that is presently assigned to the orbital location at 83° W. L.² By the terms of Contel ASC's original authorization for the satellite, Contel ASC must commence construction of Contelsat-1 by August, 1990 and must place the satellite into service by May, 1993.

¹ Contel ASC, 3 FCC Rcd 6982 (1988).

² American Satellite Company, 5 FCC Rcd 1186 (1990).

Contel ASC has not yet signed a contract with a spacecraft manufacturer for the construction of Contelsat-1 and thus has not commenced construction of this satellite.

³ Contel ASC seeks to delay the date by which it must commence construction of Contelsat-1 because of the proposed merger of Contel and GTE. As the Commission knows, Contel and GTE recently entered into a definitive agreement pursuant to which the parties will merge. The agreement provides that consummation of the merger is subject to the approval of the Commission. ⁴ One of GTE's subsidiaries, GTE Spacenet, operates satellites and provides satellite services as does Contel ASC. Both Contel ASC and GTE Spacenet have satellites constructed and scheduled for launch. Further, both companies hold authorizations for replacement or expansion satellites. To the best of Contel ASC's knowledge, the merger is unique in terms of the number of satellites and related authorizations to be transferred.

Considering the size of the companies involved and the varied nature of the businesses conducted, Contel and GTE have only begun to consider how the resulting company will operate after the merger. Transition teams are now being formed to address the plethora of issues presented by the transaction. Among other things, the transition teams will determine how the resulting corporation will address the market for satellite services. More importantly, the parties will be analyzing the requirements of the resulting

³ Since receiving its authorization for Contelsat-1, Contel ASC has made progress towards the commencement of construction. For example, Contel ASC has had numerous discussions with various satellite manufacturers about spacecraft design and contract terms and conditions. As a result of these discussions, Contel ASC has further refined its satellite design, and is currently considering the advantages and costs of special features such as cross-strapping. In addition, Contel ASC has explored possible joint venture arrangements with other communications companies whereby the risks and costs associated with Contelsat-1 would be shared in some manner. Work with one particular company has advanced to the point where the parties have discussed and negotiated the structure of the joint venture, have drafted and discussed a memorandum of understanding, and are researching the regulatory implications of their proposed agreement.

⁴ An application for approval of the transaction will be filed with the Commission in the very near future.

entity for satellite capacity through the 1990's and will decide how those requirements can be best satisfied. Until these basic decisions are made, Contel ASC cannot, consistent with sound business practices, enter into a contract for the construction of Contelsat-1.⁵ A delay of one year in the start of construction will give the parties the time needed to assess their forthcoming satellite requirements and enter into a contract with a spacecraft manufacturer.⁶

Of particular importance to the Commission, Contel ASC further emphasizes that executing a contract for the construction of Contelsat-1 at this time would not serve the public interest. The company that results from the merger of GTE and Contel will not be in the satellite business merely to construct and launch satellites, but rather to provide cost-effective, quality satellite services that best address the needs of the user market. Since Contel ASC is not vertically integrated with a satellite manufacturer, it is not possible for Contel ASC to enter into a satellite construction contract without incurring a substantial financial obligation and making irrevocable decisions on spacecraft design. In light of the uncertainty regarding the satellite requirements of the resulting company, making such financial and technical commitments at this time could hinder the resulting entity in its ability to provide high quality, cost-efficient services to the public.

Contel ASC realizes that the Commission in the past has not looked with favor on requests for construction delays in the fixed-satellite service that were prompted by economic considerations or other reasons arguably within the control

⁵ Since the resulting corporation will be heavily involved in the satellite business, Contel ASC expects that the resulting entity will require additional satellite capacity in the 1990's and that the sound design and orbital location of Contelsat-1 will make this satellite the logical candidate for fulfilling those requirements. However, as the merger agreement was only just recently signed on August 7, 1990, firm decisions concerning the space segment requirements of the resulting entity cannot be made by August 31.

⁶ Contel ASC would expect that the satellite requirements of the resulting entity in the mid 1990's will necessitate execution of a contract for Contelsat-1 in considerably less than a year; however, Contel ASC is seeking a year's extension out of an abundance of caution.

of the permittee. As the Commission recently noted, requiring licensees to adhere to implementation milestones that are based upon the schedules proposed in their applications prevents orbital locations from being held by licensees who have not decided whether to proceed with their plans at the⁷ exclusion of others who would use the locations. Nonetheless, Contel ASC respectfully submits that the particular facts of this case, viewed in the perspective of the current state of the satellite industry, warrant the Commission's favorable consideration.

Contel ASC is not a new entrant; it has an established track record of constructing and launching satellites. Contelsat-1, as Contel ASC's only expansion satellite, will occupy the third orbital location assigned to Contel ASC. The timely use of that orbital location is not at issue in this case, since Contel ASC is seeking only a delay in the commencement of construction at this time and not a launch delay. Thus, Contel ASC's request for an extension of its construction start date does not evidence any attempt on Contel ASC's part to "warehouse" an orbital location.

Further, Contel ASC believes that no one will be hurt if the Commission grants Contel ASC's request. To the best of Contel ASC's knowledge, there are no applications pending before the Commission as of this date for satellites in the

⁷ But see Hughes Communications Galaxy, Order and Authorization (Mimeo No. DA 90-780), released June 6, 1990. In this case, Hughes Communications Galaxy ("HCG") sought and received authority from the Commission to delay its construction completion and launch dates for its C-band Galaxy 4-R satellite. HCG's request was based on reasons entirely within the control of HCG, namely HCG's desire to launch a single hybrid satellite rather than two separate C-band and Ku-band spacecraft. Thus, Contel ASC submits that the HCG decision provides precedence for granting Contel ASC's request.

⁸ ASC-1 was launched on schedule in August, 1985. ASC-2 is presently on track for launch in April, 1991, well in advance of its Commission-required launch date of June, 1991. Contelsat-1 is Contel ASC's only other authorized expansion satellite (Contelsat-2 is the replacement for ASC-1 and Contelsat-3 is a ground spare).

⁹ Of course, Contel ASC would reserve the right to request a launch delay for this satellite at a later date, if the circumstances so require at that time.

fixed-satellite service that would require new orbital locations. Even if such an application were to be filed in the near future, suitable orbital locations are available for the satellites requested. As demonstrated above, requiring Contel ASC to commence construction of Contelsat-1 at this time would not serve the public interest. In this context, there would appear to be no substantive interests to be served by a strict application of the Commission's policy on construction delays to Contel ASC's instant request.

For these reasons, Contel ASC believes that grant of its request for modification of its construction permit for Contelsat-1 is warranted. The required filing fee of \$500.00 is enclosed. Please direct all questions and correspondence regarding this request to the undersigned (direct dial: 383-8704).

Very truly yours,


Joan M. Griffin
Its Attorney