

STEPTOE & JOHNSON LLP

ATTORNEYS AT LAW

Emily M. Hancock
202.429.8039
ehancock@steptoe.com

1330 Connecticut Avenue, NW
Washington, DC 20036-1795
Tel 202.429.3000
Fax 202.429.3902
steptoe.com

April 21, 2005

RECEIVED

APR 21 2005

Via HAND DELIVERY

Federal Communications Commission
Office of Secretary

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

Re: *In the Matters of Tyco Telecommunications (US) Inc., Assignor, VSNL Telecommunications (US) Inc., Assignee, and Tyco International Ltd. Transferor, VSNL Telecommunications (US) Inc., Transferee, and Tyco Networks (Guam) LLC., Licensee, Applications for Modification, Assignment and Transfer of Control of Cable Landing Licenses for the Tyco Atlantic and Tyco Pacific Submarine Cable Systems (File Nos. SCL-ASG-20050304-0003, SCL-MOD-20050304-0004, SCL-T/C-20050304-0005)*

Dear Ms. Dortch:

On April 20, 2005, Philip Malet, John Clopper, and Emily Hancock of Steptoe & Johnson LLP on behalf of Crest Communications Corporation ("Crest"), and Michael Pelcovits of Micra, also on behalf of Crest, met with James Ball, George Li, Kate Collins, Jerry Duvall, David Krech, and Mark Uretsky of the Commission's International Bureau. Crest President and CEO Donald Schroeder and Susan O'Connell of the International Bureau attended the meeting via telephone conference.

At this meeting, Crest discussed the arguments it set forth in its Petition to Deny the above-reference applications and in its Reply Brief to the Applicant's Joint Opposition to the Crest Petition to Deny. Specifically, Crest described how VSNL's proposed acquisition of the Tyco Global Network poses serious risks to competition and to U.S. commercial interest in the international private line market. Crest also believes that the Commission should remove the above-referenced applications from streamlined processing in order to give the issues raised by the proposed transaction the full attention they deserve. Copies of the attached slides illustrating these arguments were distributed to the meeting attendees.

Marlene H. Dortch
April 21, 2005
Page 2

Pursuant to Section 1.1206(b) of the Commission's Rules, an original and one copy of this letter are being submitted to the Secretary's office. Copies also are being provided via electronic mail to those at the Commission who participated in the meeting.

Respectfully submitted,



Emily Hancock
*Counsel for Crest Communications
Corporation*

Encl.

cc: Mr. James Ball
Mr. George Li
Ms. Susan O'Connell
Ms. Kate Collins
Mr. David Krech
Mr. Jerry Duvall
Mr. Mark Uretsky

VSNL's Acquisition of the Tyco Global Network

**The Proposed Acquisition Poses
Serious Risks to Competition
and U.S. Commercial Interests in
the International Private Line
Market**



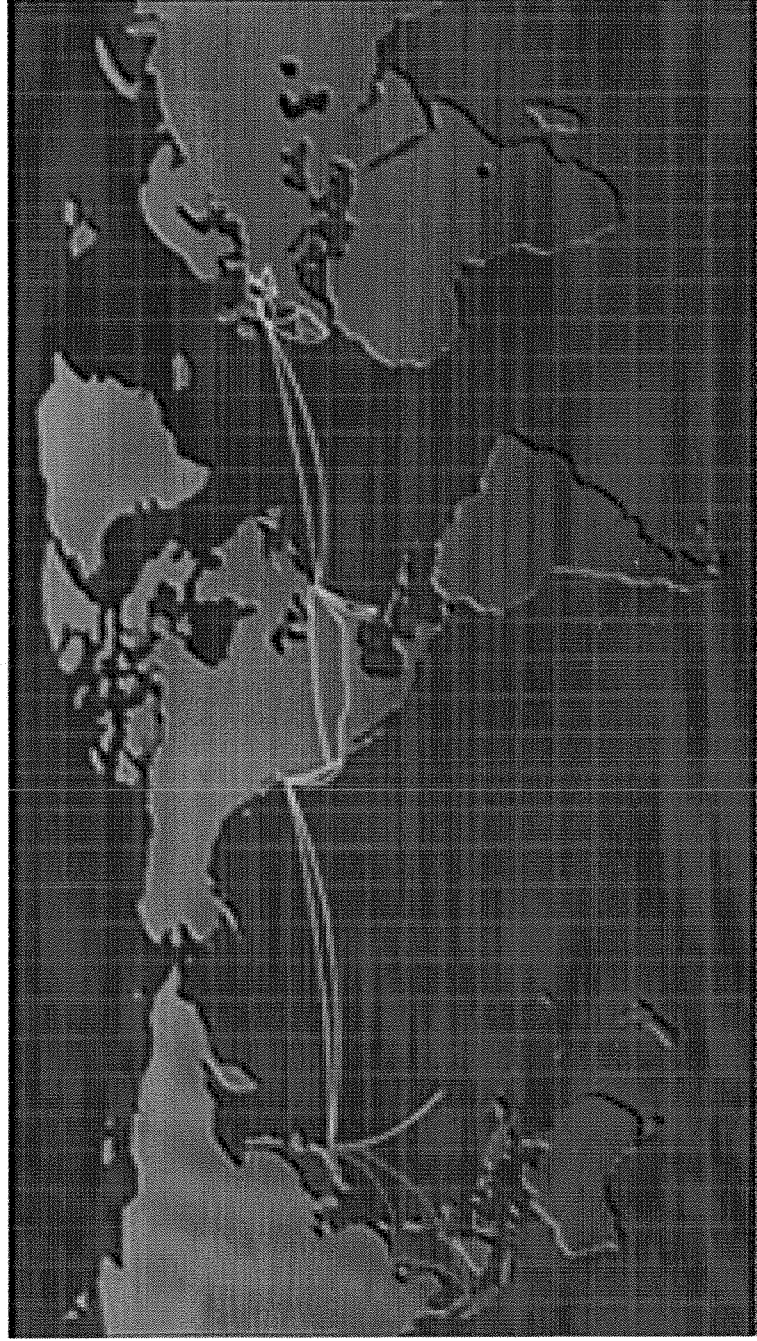
FCC Should Not Rush to Judgment and Should Remove Applications from Streamlined Processing

- The Tyco Global Network (TGN) has enormous strategic importance to U.S. economic security and commercial interests
 - Controls over 85% of available fiber capacity across Pacific Ocean
 - Controls 25% of available fiber capacity across Atlantic Ocean
- Physical destination points (U.K. and Japan) are irrelevant for purposes of analyzing appropriate market
 - India-U.S. market is relevant geographic market
 - High-capacity private line market is relevant product market
- VSNL is a threat to U.S. interests
 - Dominant international carrier in India with control over vital cable landing stations in India
 - Close ties to Indian government and military
 - Documented and continuing anti-competitive conduct

The Tyco Global Network

- Last remaining private global cable system under U.S. ownership and control
- Connects U.S. to Europe, Japan, and key points throughout Asia all the way to Singapore
- Most technologically advanced and highest capacity cable network in the world
- Built at a cost of \$3.4 billion and being sold to VSNL for \$130 million
- Large and sustainable competitive advantage due to reach and design capacity

The Tyco Global Network



- Lit Fiber on the TGN
- Dark Fiber on c2c owned by Tyco

VSNL Dominates the Indian Market

- Takes advantage of India's unique geographic location as landing point for nearly all major undersea cable systems connecting west and east
- Controls four of five cable landing stations in India
- Still controls a substantial portion of the traffic into and out of India
- Leverages control over critical bottleneck facilities in India by creating artificial capacity shortages and by increasing bandwidth costs for non-affiliated carriers

VSNL =
Contractors
S2M2W34

There Can Be No Question that VSNL Has Market Power on International Circuits Between U.S. and India

Monthly Price of International Private Line Half Circuit (in \$000s)

Route	E-1	DS-3	STM-1
Japan-USA	23	99	191
South Korea-USA	23	102	229
Hong Kong-USA	24	124	269
Singapore-USA	33	174	346
India-USA	39	656	1,931



Competitive Harms from Integration of TGN and VSNL Cable Networks

- Will enable VSNL to sustain its dominant position in India
 - Will decrease likelihood of competitive entry into the India market
- Will give VSNL power to control the only trans-Pacific network with substantial, available upgradeable capacity, thereby extending its anti-competitive reach
- Will enable VSNL to evade regulation

Harm from Foreclosure of Entry Into the India Market

- A firm with market power is likely to vertically integrate to increase barriers to entry in its “home” market
 - Barriers to entry are high in both the India and trans-Pacific markets
 - Competitors may be forced to enter both markets to overcome VSNL’s market power
- An independent owner of TGN would have a powerful incentive to make the necessary investments to attack VSNL’s bottleneck in the India market

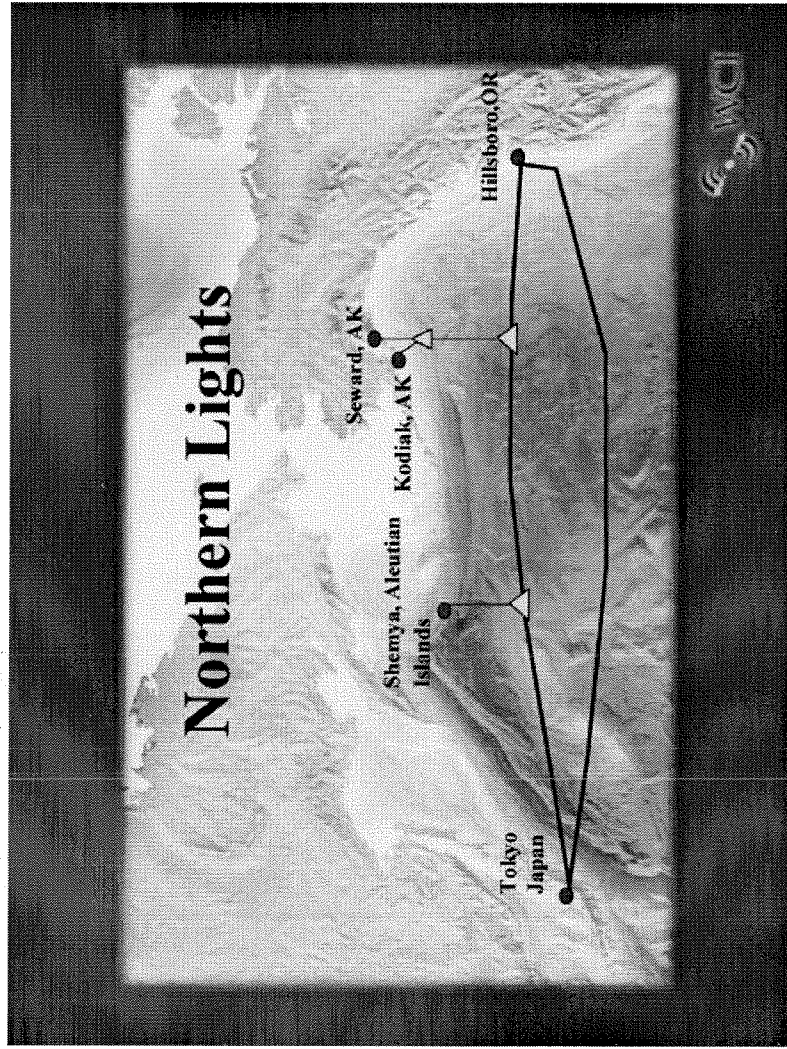
Harm from Regulatory Evasion

- Indian regulator (TRAI) recently established limited price controls on VSNL's international private line half-circuit rates
- VSNL will have a powerful incentive to evade regulation and collect monopoly rents by bundling services
- Ownership of TGN will give VSNL a unique ability to offer end-to-end services, which can evade regulation by Indian and U.S. regulators
- Undermines Commission's policy against discriminatory conduct favoring the affiliate of a foreign carrier

Strategic Value of the TGN to the U.S.

- National Missile Defense Program
 - Enhances early warning and interception capabilities
 - Crest branching units in TGN Pacific could better serve Alaskan radars and save U.S. Dept. of Defense \$500 million

Northern Lights Fiber Map

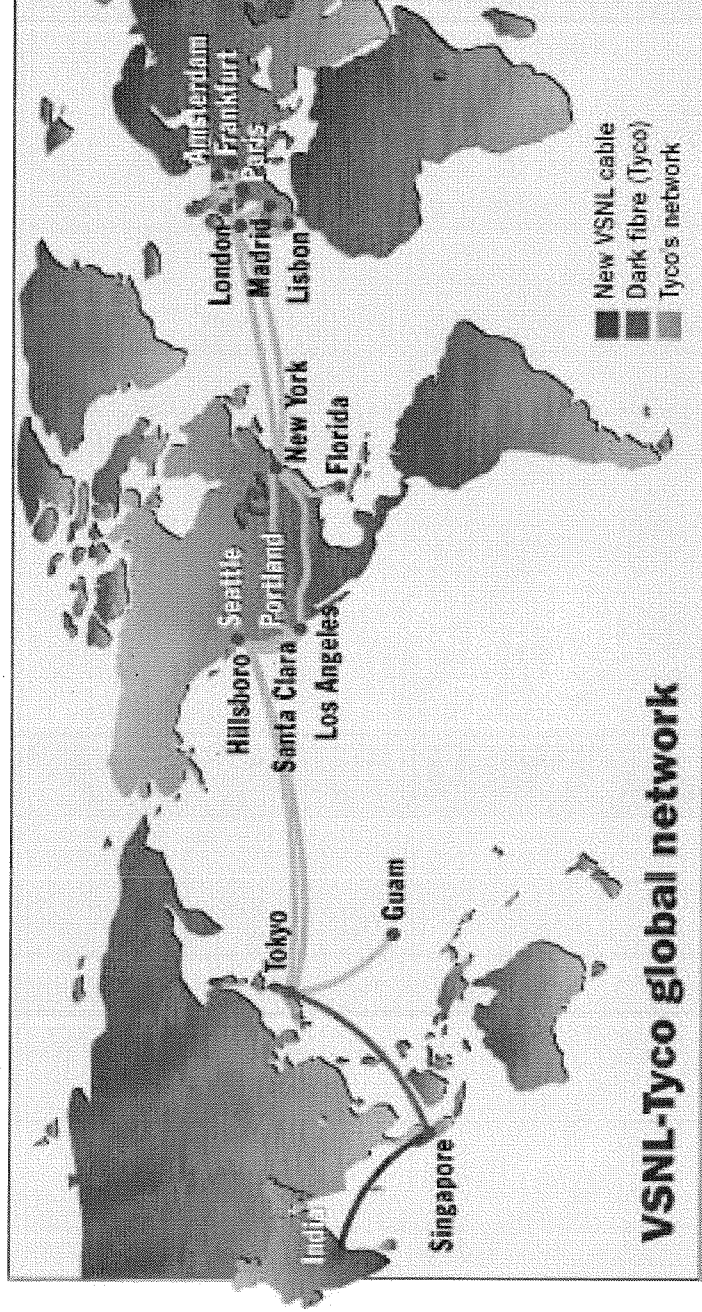


VSNL Poses Special Concerns

- Indian government ownership and control of VSNL
 - Government owned entire company until 2002
 - Government still owns 26% of VSNL, can appoint 4 of 12 VSNL Board Members and has special veto rights
- Acquisition provides VSNL with total network control of TGN; as compared to mere bandwidth purchase
- VSNL's anticompetitive activities in India are continuing as reflected in 2005 USTR Reports and Comments filed by TIA, USIBC and Comptel/Ascent
- VSNL has steadfastly limited the capacity and access of competitive submarine cable systems into India through control of cable landing stations



VSNL/Tata Will Be Able to Dominate U.S.-Japan-Singapore-India Route



Pacific Ocean Cable Capacity Constraints in Light of Demand

Cable	Max. Capacity	Lit Capacity	Available to Competitive Market?
Pacific Crossing-1	640 Gbps	80 Gbps	Yes, but extended operation in bankruptcy and uncertain financial future fundamentally limits network as an alternative.
TPC-5	20 Gbps	20 Gbps	No. Fully subscribed; cable may be retired.
China-U.S.	80 Gbps	80 Gbps	No. Fully subscribed.
Japan-U.S.	640 Gbps	400 Gbps	No. Fully subscribed.
North Pacific Cable	1 Gbps	1 Gbps	No. PT Cable Inc. entered Chapter 7 bankruptcy proceedings.
Tyco TransPacific	7,680 Gbps	460 Gbps	Yes.

Total Design Capacity:

9,061 Gbps

Total Lit Capacity:

1,040 Gbps

Total Available Unlit Capacity without Tyco Pacific

240-800 Gbps

Projected Demand by 2007

1,700 Gbps



Conclusion and Recommendation

- As the last global network controlled by a U.S. entity today, the TGN is a national strategic asset
- Access to robust and secure global submarine bandwidth is vital to U.S. commercial interests
- The VSNL acquisition of the TGN is anti-competitive and should be disapproved

Alternatives to Outright Denial

- Divestiture of two fiber pairs on Tyco Pacific
 - One of fiber pairs connected to Crest branching units which can be isolated from rest of network
- Common carrier regulation of Tyco Pacific cable
 - Ensures non-discriminatory treatment and access for U.S. carriers and customers