Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of Amendment of the Commission's Space Station Licensing Rules and Policies	IB Docket No. 02-34

REPLY COMMENTS OF INTELSAT LLC

Intelsat LLC ("Intelsat"), by its attorneys, hereby replies to comments in the Commission's Further Notice of Proposed Rulemaking on bond issues ("*Bond FNPRM*") in the above-captioned proceeding.[1] In its opening comments, Intelsat supported the Commission's proposed $5 million bond as an appropriate mechanism to serve the dual purposes of deterring warehousing of orbital spectrum and encouraging milestone performance.[2] Intelsat submits these reply comments to clarify the expected costs of obtaining such bonds, which, contrary to the assertions of SES Americom, Inc. ("SES"),[3] are reasonable and comparable to other incidental expenses incurred by applicants in the licensing process.[4]

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[1] *In the Matter of Amendment of the Commission's Space Station Licensing Rules and Policies*, FCC 03-102, IB Docket No. 02-34 (May 19, 2003) (First Report and Order and Further Notice of Proposed Rulemaking) ("*First Report and Order/Bond FNPRM*").

[2] Comments of Intelsat LLC, IB Docket No. 02-34, at 3-5 (filed Sept. 26, 2003).

[3] *See* Petition for Reconsideration and Comments of SES Americom, Inc., IB Docket No. 02-34 (filed Sept. 26, 2003) ("SES Comments").

[4] Intelsat notes that various other issues pertaining to the FCC's new bond requirement have been raised in petitions for reconsideration. *See Petitions for Reconsideration and Clarification of Action in Rulemaking Proceedings*, Report No. 2635 (Oct. 9, 2003) (Public Notice) (Corrected Report No. 2635 released on Oct. 23, 2003). Intelsat does not address those issues herein, as they

SES asserts that a $5 million bond poses an "extremely burdensome" obstacle for prospective applicants, because the annual cost of obtaining such a bond "could easily be $200,000" for licensees with good credit.[5] In fact, current industry rates for such bonds are one to two percent per annum, not the three to four percent that SES suggests. Thus, a more reasonable estimate of the *maximum* annual cost per bond is $50,000 to $100,000 – a relatively small expenditure comparable to the application filing fee and other preparation costs.[6] Indeed, when set against the expected value of a satellite license – the comparison most relevant to deterring license speculation – the $5 million bond is quite reasonable.[7]

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are subject to a different pleading schedule. 68 Fed. Reg. 60391 (Oct. 22, 2003) (Petitions for Reconsideration and Clarification of Action in Rulemaking Proceedings) (requiring oppositions to petitions for reconsideration to be filed by November 6, 2003).

[5] SES Comments at 5-8.

[6] Even assuming the unlikely scenario that a licensee receives authorizations for five new slots in a single frequency band in a single year, the total maximum cost to the licensee in the first year would be $250,000 to $500,000, not the $1 million that SES suggests. *See* SES Comments at 7.

[7] A $5 million amount is reasonable when compared to the price paid by entities that recently purchased the assets and on-going businesses of satellite licensees. For example, Intelsat recently agreed to acquire five U.S. satellite licenses and one non-U.S. satellite license, four operational satellites and related business from Loral for $1.1 billion. *See* Loral Space & Communication, News Release, Loral Accepts Intelsat Bid For Sale of North American Satellites (dated Oct. 20, 2003), *available at* http://www.loral.com/inthenews/031020.html (last visited Oct. 23, 2003). In 2001, SES acquired twenty-five satellite licenses and additional other related licenses and business from GE Americom for an aggregate $5 billion. *General Electric Capital Corporation, Transferors, and SES Global, S.A., Transferees, for Consent to Transfer Control of Licenses and Authorizations Pursuant to Sections 214(a) and 310(d) of the Communications Act and Petition for Declaratory Ruling Pursuant to Section 310(b)(4) of the Communications Act*, 16 FCC Rcd 17575, 17581, 17600 (2001) (Order and Authorization). Most relevantly, the few satellite licenses awarded by auction have proved worth millions. Thus, Sirius Satellite Radio Inc. and XM Radio Inc. each made auction payments of more than $80 million for license rights to operate a satellite digital audio radio service constellation of two to three satellites. *FCC Announces Auction Winners For Digital Audio Radio Service*, 12 FCC Rcd 18727 (1997) (Public Notice). Similarly, in the DBS context, MCI Telecommunications Corporation paid $682.5 million for a single authorization to provide nationwide Direct Broadcast Satellite (DBS) service. *See Policies and Rules for Direct Broadcast Satellite Service*, 17 FCC Rcd 11331, 11336-37, n.43 (2002) (Report and Order).

Furthermore, initial expenses of a bond are a ceiling that would apply only in the first year after authorization. Under the *First Report and Order/Bond FNPRM,* the requisite bond amount is reduced annually as licensees meet milestones. For GSO-like satellites, the bond amount would be $3.75 million after the first year of authorization; $2.5 million after the second year; and $1.25 million after the third year.[8] Since the surety industry issues bonds on an annual basis, the cost of obtaining the bond would decrease with the bond amount each year. At a one percent interest rate, the annual cost of a bond for a GSO-like satellite in the fourth year after authorization would be $12,500, or less than *one-tenth* of SES's estimated amount. Accordingly, the bond carrying costs alleged by SES are overstated and do not support SES' proposal to reduce the first year bond amount to $500,000 and reverse the order of the remaining bonds.[9]

For the reasons stated above and in its opening comments, Intelsat supports the Commission's decision to set the initial performance bond amount at $5 million.

Respectfully submitted,

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8 *First Report and Order/Bond FNPRM*, ¶¶ 172, 174.

9 These proposals perversely would impose the smallest speculative deterrent when the risk of speculation is greatest (*i.e.,* prior to and during the early stages of construction).