

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

In the Matter of)	
)	
AT&T CORP.)	
)	
MCI INTERNATIONAL, INC.)	
)	
PACIFIC GATEWAY EXCHANGE)	
(BERMUDA) LIMITED)	
)	
THE ST. THOMAS AND SAN JUAN)	
TELEPHONE COMPANY, INC.)	
)	
STAR TELECOMMUNICATIONS, INC.)	
)	
STARTEC GLOBAL COMMUNICATIONS, INC.)	
)	
TELEFONICA LARGE DISTANCIA DE)	
PUERTO RICO, INC.)	
)	
TELEGLOBE USA, INC.)	
)	
IDB WORLDCOM SERVICES, INC.)	
)	
WORLDxCHANGE COMMUNICATIONS)	
)	
Joint application for authorization)	File No. ITC-98-437
pursuant to Section 214 of the)	
Communications Act of 1934, as amended,)	
to construct, acquire, and operate)	
capacity in a digital submarine cable)	
system, the COLUMBUS-III Cable System)	

MEMORANDUM OPINION, ORDER AND AUTHORIZATION

Adopted: August 13, 1999

Released: August 20, 1999

By the Chief, Telecommunications Division:

I. Introduction

1. In this Order, we grant the joint application of the participating parties¹ (collectively "Joint

¹ The Joint Applicants are AT&T Corp. (AT&T), MCI International Inc. (MCII), Pacific Gateway Exchange (Bermuda) Limited (PGE), the St. Thomas and San Juan Telephone Company, Inc. (STSJ), STAR Telecommunications, Inc. (STAR), Startec Global Communications, Inc. (Startec), Telefonica Larga Distancia de

Applicants") for authority, pursuant to Section 214 of the Communications Act of 1934, as amended, 47 U.S.C. § 214, to (1) construct, acquire, and operate capacity in a digital submarine cable system, the COLUMBUS-III Cable System (COLUMBUS-III), between the United States, Italy, Spain and Portugal; (2) acquire by lease or other comparable means extension facilities as may be required to extend the capacity of COLUMBUS-III; and (3) activate capacity in COLUMBUS-III and in the aforementioned facilities for the provision of the Joint Applicants' authorized services.²

II. Application

2. On May 27, 1998, the Joint Applicants simultaneously filed an application for a cable landing license and this application for Section 214 authorization. Their applications were placed on public notice on June 17, 1998. WorldxChange filed comments on July 15, 1998. The Joint Applicants filed Comments in Opposition to WorldxChange on August 6, 1998. WorldxChange filed a Reply on August 13, 1998. No other comments were received.

3. AT&T is a corporation organized under the laws of New York. MCII, Teleglobe, WorldCom and STAR are corporations organized under the laws of Delaware. PGE is a corporation organized and existing under the laws of Bermuda. STSJ is a corporation organized under the laws of the U.S. Virgin Islands. Startec is a corporation organized and existing under the laws of Maryland. TLDI is a corporation organized and existing under the laws of the Commonwealth of Puerto Rico. WorldxChange Communications is the doing-business name of Communication TeleSystems International, a corporation organized and existing under the laws of the state of California. Each of the Joint Applicants is a common carrier subject to the Communications Act of 1934, as amended.

4. The Joint Applicants propose to land and operate COLUMBUS-III as a common carrier system owned by the Joint Applicants and by entities authorized to land and operate an international submarine fiber optic cable system in Italy, Spain, and Portugal. The proposed COLUMBUS-III system will extend between landing points at cable stations in Hollywood, Florida; Mazara de Vallo, Italy; Conil, Spain; and Lisboa, Portugal, and will be connected with the domestic networks in those countries.³ The system will consist of two working optical fiber pairs, initially configured with two wavelengths per fiber pair, and operating at 2.5 Gbps per wavelength. Each fiber pair will be equipped at the outset with a capacity of 1008 Minimum Investment Units (MIUs). Shareholder voting interest in COLUMBUS-III will be divided among the Joint Applicants.⁴ The Joint Applicants expect to activate COLUMBUS-III by September 1999.

5. The Joint Applicants plan to use COLUMBUS-III in providing their already-authorized services. Applicants state that other carriers, including non-owners, may acquire capacity in

Puerto Rico, Inc. (TLDI), Teleglobe USA, Inc. (Teleglobe), IDB WorldCom Services, Inc. (WorldCom), and WorldxChange Communications (WorldxChange)

² In a companion order, we grant the Joint Applicants' application for a cable landing license (File No. SCL-98-005, DA 98-1636).

³ For a complete description of the system, see the cable landing license, DA 98-1636, ¶¶ 4-5.

⁴ See attachments for a table outlining the percentage of voting interests for each applicant.

COLUMBUS-III by lease, IRU, or other arrangements. The minimum investment unit (MIU) assignments for each segment and subsegment of COLUMBUS-III are included in the attachments to this Order.

6. The Joint Applicants state that the facilities covered by this application will be used to supplement their existing cable and satellite facilities in providing the services that they are currently furnishing or may subsequently furnish. These include satellite circuits between U.S. earth stations and the INTELSAT Atlantic Ocean Region satellites acquired by the Joint Applicants from the COMSAT Corporation pursuant to COMSAT's applicable tariffs and existing cable facilities used to provide service between the United States and those locations proposed to be served by COLUMBUS-III consisting of circuits in the COLUMBUS-II Cable System. In addition, the Joint Applicants state that not all of them may be certified to directly serve all territories that COLUMBUS-III facilities are capable of serving. The Joint Applicants state, however, that individual applicants proposing future extensions into such territories by means of COLUMBUS-III facilities will seek the required authorization as necessary.

III. Discussion

7. As required by the Commission's rules, the Joint Applicants have all certified that they have not agreed and will not agree to accept special concessions from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses sufficient market power on the foreign end of the route to affect competition adversely in the U.S. market.⁵ The Joint Applicants, with the exception to TLDI, further certify that any affiliated foreign carriers do not have market power or the ability to discriminate against unaffiliated carriers through control of bottleneck services and facilities.⁶ The only applicant with an affiliated carrier served by this cable is TLDI, which is affiliated with Telefonica de Espana, S.A. (TdeE). We have previously found that TdeE has market power in Spain, one of the landing points of COLUMBUS-III. However, since Spain is a member of the World Trade Organization (WTO), we do not apply our ECO analysis, and we presume that there is no competition-based reason to deny TLDI's participation in ownership of COLUMBUS-III.⁷ Further, TLDI has agreed to be regulated as dominant in its provision of service on the U.S.–Spain route. The other applicants' affiliations are not on routes served by this cable system. Therefore, they do not have the ability to discriminate against unaffiliated U.S. carriers.

8. Section 214 of the Communications Act requires the Commission to determine that the authorization of the COLUMBUS-III facilities will serve the public interest, convenience and necessity. The proposed Section 214 authorization will improve the telecommunications infrastructure and enhance services on the routes served by COLUMBUS-III. The Joint Applicants have argued that the pro-competitive goals of the Commission are met by granting the Section 214 authorization because other carriers, including non-owners, may acquire capacity in COLUMBUS-III.

⁵ 47 C.F.R. § 63.18(i) (1997).

⁶ 47 C.F.R. § 63.18(h)(6)(ii) (1997); *see* Application Attachment for certifications.

⁷ *See* Telefónica Larga Distancia de Puerto Rico, Inc., *Modification of Cable Landing License*, DA 98-910, File No. SCL-93-001(M) (rel. May 15, 1998), ¶ 9.

9. WorldxChange filed comments arguing that the COLUMBUS-III volume-discount pricing schedule is discriminatory and anticompetitive and violates a Commission policy of equal access and equal basic unit pricing on common carrier submarine cables. WorldxChange argues that the pricing of COLUMBUS-III offers substantial preferences to large carrier-purchasers and commensurate harm to small carrier-purchasers. WorldxChange argues that the pricing scheme is not cost-based, and that it forces small carrier-purchasers to subsidize their larger competitors by paying higher prices for the same MIU.⁸ WorldxChange requests that the Commission grant the applications subject to conditions requiring that each MIU have the same price without regard to the volume of MIUs purchased by each individual carrier; that each carrier be accorded equal access, equal MIU prices, and nondiscriminatory treatment; and that the Commission retain jurisdiction over the administration of the cable.⁹

10. We are not persuaded by WorldxChange's argument that the pricing of capacity in COLUMBUS-III is categorically "contrary to the Commission's common carrier cable policy"¹⁰ merely because the price per MIU varies depending upon a carrier's total investment. In recent years, the traditional consortium model has faced growing competition from private cable systems that typically offer substantial volume discounts to encourage carriers to acquire capacity. Today, decisions by carriers to finance the construction of new submarine cables may be constrained by the need to match capacity prices in alternative cable systems. The offer of a discount based on the amount of a carrier's investment can be a reasonable means of attracting sufficient investment commitments by carriers to make construction of a consortium cable financially justifiable. We therefore do not find unreasonable per se the offer of a discount to carriers making large commitments to invest in a common carrier cable system.¹¹

11. Furthermore, we are not persuaded by WorldxChange's allegation that the offer of volume discounts for large investments in consortium cable systems will necessarily harm competition by enabling a handful of large carriers to control undersea cable facilities. In this case, it does not appear that transatlantic cable capacity will be dominated by any one carrier or group of carriers.¹² Rather, the transatlantic route is served by a number of cable systems (including COLUMBUS-II, TAT-8, -9,

⁸ WorldxChange Comments at 5–6.

⁹ *See id.* at 6.

¹⁰ *See id.* at 2.

¹¹ *Cf.* Expanded Interconnection with Local Telephone Company Facilities, *Report and Order and Notice of Proposed Rulemaking*, 7 FCC Rcd 7369, 7463 ¶ 199 (1992) (concluding that "reasonable volume and term discounts can be a useful and legitimate means of pricing special access services to recognize the efficiencies associated with larger volumes of traffic and the certainty of longer term deals"); Expanded Interconnection with Local Telephone Company Facilities, *Second Report and Order and Third Notice of Proposed Rulemaking*, 8 FCC Rcd 7374, 7432–36 ¶¶ 115–120 (1993) (allowing local exchange carriers to offer reasonable volume and term discounts on entrance facilities and interoffice facilities after certain conditions are met).

¹² *See generally* Application of WorldCom, Inc. and MCI Communications Corporation for Transfer of Control of MCI Communications Corporation to WorldCom, Inc., CC Docket No. 97-211, *Memorandum Opinion and Order*, FCC 98-225, ¶¶ 102–107 (rel. Sept. 14, 1998).

-11, -12/13, PTAT, CANTAT-3, Gemini, and Atlantic Crossing (AC-1)), and a significant amount of new capacity, owned by a wide array of carriers, is becoming available.¹³

12. Although a volume discount may, in certain circumstances, be unreasonable, we find insufficient evidence to conclude here that such circumstances pertain to the volume discounts offered for investment in COLUMBUS-III. The record includes evidence that the volume discounts offered for investment in COLUMBUS-III may have been justified based on the need to ensure acceptably competitive pricing of cable capacity,¹⁴ and WorldxChange has not demonstrated otherwise.

13. We emphasize, moreover, that there is nothing in the COLUMBUS-III Construction and Maintenance Agreement¹⁵ that prevented smaller carriers from combining their requirements for the purpose of obtaining the volume discounts offered for large investments. The record persuades us that WorldxChange had the opportunity to combine its requirements with those of other carriers and thereby qualify for discounted capacity, but did not take advantage of this opportunity.¹⁶ There is evidence that, by encouraging carriers to make larger financial commitments for investment in COLUMBUS-III than they would have made in the absence of volume discounts, the investment incentive scheme lowered the unit cost of cable capacity in COLUMBUS-III for smaller carriers as well as larger carriers.¹⁷ Indeed, there is reason to doubt whether construction of the COLUMBUS-III cable system would have gone forward in the absence of volume discounts for large investments.¹⁸ We therefore conclude that authorizing the construction and operation of COLUMBUS-III will promote competition in the transatlantic transport market, and consequently in the market for international telecommunications services, by facilitating the financing and construction of COLUMBUS-III as an alternative to existing and planned transatlantic cables.

14. In addition, because this cable system will be subject to common carrier regulation under Title II of the Communications Act of 1934, the Commission will be able to ensure that "[a]ll charges,

¹³ See, e.g., Application of FLAG Atlantic Ltd. for Authority to Land and Operate in the United States a Private Fiber Optic Submarine Network Extending to the United Kingdom and France, File No. SCL-LIC-19990301-00005; Joint Application of AT&T et al. for a License to Land and Operate a Submarine Cable Network Between the United States, Denmark, Germany, the Netherlands, France, and the United Kingdom, the TAT-14 Cable System, File No. SCL-LIC-19990303-00004.

¹⁴ See Letter from Kenneth A. Schagrin, Associate Counsel, MCI WorldCom Inc., and David T. Matsushima, Senior Attorney, AT&T Corp., to Magalie Roman Salas, Secretary, FCC (Sept. 22, 1998).

¹⁵ See Application Attachment A, *Columbus-III Cable System Construction and Maintenance Agreement* (Feb. 11, 1998) (available in the FCC Reference Center, File No. ITC-98-437).

¹⁶ See *id.* para. 5.

¹⁷ See *id.* paras. 3-4.

¹⁸ See *id.* para. 6.

practices, classifications, and regulations . . . [are] just and reasonable,"¹⁹ and that other common carrier obligations are fulfilled.²⁰ Should WorldxChange or any other party have sufficient evidence to demonstrate that these obligations are not being fulfilled, it may file a complaint with the Commission pursuant to Section 208.²¹ Any such complaint should state the particular facts upon which the allegations are based.

15. In its Reply Comments, WorldxChange raised for the first time its argument that the volume discount pricing violates the Robinson-Patman Anti-Discrimination Act.²² The Robinson-Patman Act, which amended Section 2 of the Clayton Act, is an antitrust statute directed at price discrimination. Its purpose is to limit the forcing of price concessions by large-volume buyers. In response, the other Joint Applicants point out that the Robinson-Patman Act applies only to "commodities of like grade and quality,"²³ and they argue that none of the interests at issue here are covered by that term. We recently found that the Robinson-Patman Act does not apply to interests in a submarine cable system.²⁴ It is well established that the Robinson-Patman Act does not apply to "intangibles" or to "services,"²⁵ and, as we said recently, the rights obtained by individual participants in a cable system are not tangible commodities. Even if individual units of capacity in the cable system were deemed "commodities of like grade and quality" for the purpose of this analysis, the applicability of the Robinson-Patman Act would turn on the "dominant nature of the transaction."²⁶ If a sale of commodities is incidental to the provision of services, it is outside the scope of the Act. We find that the services and intangibles involved in this transaction clearly outweigh any commodities, and therefore the Robinson-Patman Act does not apply.

¹⁹ 47 U.S.C. § 201 (1994).

²⁰ See, e.g., 47 U.S.C. § 202 (1994) (providing that "[i]t shall be unlawful for any common carrier to make any unjust or unreasonable discrimination in charges, practices, classifications, regulations, facilities, or services for or in connection with like communication service").

²¹ While we are not persuaded that the offer of volume discounts is unreasonable or anticompetitive in every case or in the particular case of COLUMBUS-III, we are concerned that volume discounts may have the potential to be unreasonably discriminatory or anticompetitive in certain circumstances. Accordingly, we maintain the authority to review volume discounts and other forms of pricing flexibility and, if necessary, to grant future submarine cable authorizations subject to conditions requiring that such pricing practices be modified.

²² 15 U.S.C. §§ 13–13b, 21a (1994).

²³ See Reply Comments of the Joint Applicants at 13 (quoting 15 U.S.C. § 13(a)).

²⁴ See AT&T Corp. et al., *Cable Landing License*, 14 FCC Rcd 1923, DA 98-2550, File No. SCL-AMD-19980902-00018 (rel. Dec. 15, 1998) (*Guam-Philippines Cable Landing License*).

²⁵ See ABA Section of Antitrust Law, *Antitrust Law Developments (Fourth)*, vol. I, at 441–42, and cases cited therein; e.g., *National Communications Ass'n v. American Tel. & Tel. Co.*, 808 F. Supp. 1131, 1135–36 (S.D.N.Y. 1992) (holding that long-distance voice telecommunications services do not constitute commodities under the Robinson-Patman Act).

²⁶ See *Antitrust Law Developments (Fourth)*, vol. I, at 441.

16. We note, moreover, that we retain jurisdiction pursuant to Title II of the Communications Act over all matters relating to the ownership, management, maintenance, and operation of this cable system. This includes the authority to impose conditions addressed to the concern that the volume discounts are, in practice, having unreasonably discriminatory effects. Our ability to detect and address any anticompetitive effects that might subsequently occur is further reason that we find it unnecessary to impose any such conditions now.

17. Accordingly, we conclude that the public interest will be served by granting the Joint Applicants authority to construct, acquire and operate capacity in COLUMBUS-III. Therefore, we find that the present and future public convenience and necessity require a grant of the application, as conditioned below.

IV. Ordering Clauses

18. IT IS ORDERED that application File No. ITC-98-437 IS GRANTED and the Joint Applicants, AT&T, MCII, PGE, STSJ, STAR, Startec, TLDI, Teleglobe, WorldCom and WorldxChange are authorized, pursuant to Section 214 of the Communications Act, to (1) construct, acquire, and operate capacity in a digital submarine cable system known as the COLUMBUS-III Cable System between Florida, Italy, Spain and Portugal, in accordance with the interests indicated in the Attachments; (2) acquire by lease or other comparable means such extension facilities as may be required to extend the capacity of COLUMBUS-III; and (3) activate capacity in COLUMBUS-III and in the aforementioned facilities for the provision of their authorized services.

19. IT IS FURTHER ORDERED that Joint Applicants' tariffs must state that their customers may not resell international private lines or connect them to the public switched network for the provision of international basic telecommunications services unless authorized to do so by the Commission upon a country-specific finding that the Commission will permit the provision of switched services over private lines between the United States and that country. *See Market Entry and Regulation of Foreign-Affiliated Entities, Report and Order*, 11 FCC Rcd 3873 (1995); *Rules and Policies on Foreign Participation in the U.S. Telecommunications Market, Report and Order and Order on Reconsideration*, 12 FCC Rcd 23,890 (1997), *recon. pending*. The limitations in this paragraph are subject to the exceptions contained in Section 63.18(e)(4)(ii) of the Commission's rules, 47 C.F.R. 63.18(e)(4)(ii) (1997).

20. IT IS FURTHER ORDERED that the Joint Applicants shall make available half-interests in COLUMBUS-III capacity to such present and future U.S. carriers as may be authorized by the Commission to acquire such capacity.

21. IT IS FURTHER ORDERED that TLDI shall be regulated as dominant for the provision of all services on the U.S.-Spain route, pursuant to Section 214 of the Act, 47 U.S.C. § 214, and Section 63.10 of the Commission's rules, 47 C.F.R. § 63.10, and shall comply with the requirements of paragraph (c) of that section.

22. IT IS FURTHER ORDERED that the Commission retains jurisdiction to reallocate U.S. carriers' interests in capacity herein authorized, as the public interest may require and with any requisite concurrence of the foreign administration or carriers concerned, in order to accommodate additional carriers or for other reasons.

23. IT IS FURTHER ORDERED that the Commission retains jurisdiction over all matters relating to the Joint Applicants' ownership, management, maintenance, and operation of the cable system as authorized herein to ensure the most efficient use not only of this cable system but of all means of communications between the United States and the Atlantic Ocean Region.

24. IT IS FURTHER ORDERED that the Joint Applicants shall include COLUMBUS-III facility use in all circuit reports that may be required by the Commission's rules.

25. This Order is issued under Section 0.261 of the Commission's rules, 47 C.F.R. § 0.261, and is effective upon release. Petitions for reconsideration under Section 1.106 or applications for review under Section 1.115 of the Commission's rules, 47 C.F.R. §§ 1.106, 1.115, may be filed within 30 days of the date of public notice of this order (see 47 C.F.R. § 1.4(b)(2)).

FEDERAL COMMUNICATIONS COMMISSION

Rebecca Arbogast
Chief, Telecommunications Division
International Bureau

APPENDIX

Schedule B
4/17/98

COLUMBUS III CABLE SYSTEM VOTING INTERESTS

PARTIES	%
ALESTRA	0.06519%
ANGOLA TELECOM	0.27092%
ANTELECOM	0.10436%
AT&T	23.83456%
BARAK	0.17975%
BATELCO	0.04494%
BELL SOUTH-CHILE	0.04494%
BTC BULGARIA	0.08987%
C & W (PANAMA)	0.03260%
CANTV	0.46519%
CYTA	0.13481%
EMBRATEL	1.50698%
GOLDEN LINES	0.40443%
ICE	0.04494%
INDOSAT	0.04494%
MARCONI	7.64906%
MCI	15.43154%
PGE	0.08987%
SONATEL	0.03588%
STA	0.06519%
STAR	0.44936%
STGC	0.68047%
SWISSCOM	0.33586%
TELEGLOBE	2.99263%
TELESUR	0.23340%
TELINTAR	0.24599%
TELKOM SA	2.21649%
TELMEX	0.04494%
TI	23.72244%
TLDI	0.09779%
TLFN	14.15643%
TLFN-PERU	0.35064%
TRESCOM	0.25942%
TRICOM	0.07753%
TURK TELEKOM	0.17975%
UKRTEC	0.22468%
WCOM	2.49833%
WORLDXCHANGE	0.69393%
TOTAL	100.00000%

Note(s):

- 1) For each Party, the voting interest percentage is calculated by dividing the financial investment of that Party by the sum of the total financial investment of all the Parties.

**COLUMBUS III CABLE SYSTEM
OWNERSHIP AND ALLOCATION OF CAPITAL COSTS OF SEGMENT S
(AS FIXED AT C&MA SIGNING)**

PARTIES	S5	S4	S3	S2	S1
	%	%	%	%	%
ALESTRA	0.08150%	0.00000%	0.09259%	0.21413%	0.00000%
ANGOLA TELECOM	0.24450%	1.50376%	0.09259%	0.00000%	0.15083%
ANTELECOM	0.12225%	0.37594%	0.04630%	0.10707%	0.00000%
AT&T	24.00163%	7.51880%	25.41667%	19.70021%	27.52640%
BARAK	0.16300%	0.00000%	0.18519%	0.00000%	0.30166%
BATELCO	0.04075%	0.00000%	0.04630%	0.00000%	0.07541%
BELL SOUTH-CHILE	0.04075%	0.00000%	0.04630%	0.00000%	0.07541%
BTC BULGARIA	0.08150%	0.00000%	0.09259%	0.00000%	0.15083%
C & W (PANAMA)	0.04075%	0.00000%	0.04630%	0.10707%	0.00000%
CANTV	0.48900%	0.00000%	0.55556%	0.64240%	0.45249%
CYTA	0.12225%	0.00000%	0.13889%	0.00000%	0.22624%
EMBRATEL	1.71149%	7.89474%	0.00000%	0.00000%	0.00000%
GOLDEN LINES	0.36675%	0.00000%	0.41667%	0.00000%	0.67873%
ICE	0.04075%	0.00000%	0.04630%	0.00000%	0.07541%
INDOSAT	0.04075%	0.00000%	0.04630%	0.00000%	0.07541%
MARCONI	6.19397%	72.55639%	0.00000%	0.00000%	0.00000%
MCII	16.05542%	6.20301%	16.71296%	17.13062%	15.15837%
PGE	0.08150%	0.00000%	0.09259%	0.00000%	0.15083%
SONATEL	0.04075%	0.18797%	0.00000%	0.00000%	0.00000%
STA	0.08150%	0.00000%	0.09259%	0.21413%	0.00000%
STAR	0.40750%	0.00000%	0.46296%	0.00000%	0.75415%
STGC	0.73350%	1.12782%	0.55556%	0.64240%	0.45249%
SWISSCOM	0.28525%	0.00000%	0.32407%	0.10707%	0.60332%
TELEGLOBE	2.73024%	0.37594%	3.00926%	0.00000%	4.90196%
TELESUR	0.24450%	0.75188%	0.09259%	0.00000%	0.15083%
TELINTAR	0.20375%	0.00000%	0.23148%	0.10707%	0.45249%
TELKOM SA	2.77099%	0.00000%	3.14815%	7.28051%	0.00000%
TELMEX	0.04075%	0.00000%	0.04630%	0.00000%	0.07541%
TI	20.70090%	0.00000%	23.51852%	4.49679%	41.47813%
TLDI	0.12225%	0.00000%	0.13889%	0.32120%	0.00000%
TLFN	17.64466%	0.00000%	20.04630%	46.57388%	0.15083%
TLFN-PERU	0.40750%	0.00000%	0.46296%	0.85653%	0.15083%
TRESCOM	0.28525%	0.37594%	0.23148%	0.32120%	0.15083%
TRICOM	0.08150%	0.00000%	0.09259%	0.10707%	0.07541%
TURK TELEKOM	0.16300%	0.00000%	0.18519%	0.00000%	0.30166%
UKRTEC	0.20375%	0.00000%	0.23148%	0.00000%	0.37707%
WCOM	2.28199%	0.37594%	2.50000%	0.00000%	4.07240%
WORLDXCHANGE	0.65200%	0.75188%	0.55556%	1.07066%	0.75415%
TOTAL	100.00000%	100.00000%	100.00000%	100.00000%	100.00000%

Note(s):

- 1) For each Party, the percentage in each Subsegment is derived from Schedule K-1 (Notional Capacity as reflected at C&MA signing) and calculated as follows:

$$\frac{\text{Total MIUs of that Party in that Subsegment}}{\text{The sum of the total MIUs of all Parties in that Subsegment}} \times 100$$

- 2) For purpose of this Agreement, TOCI shall own and be responsible for the percentage of capital, operation and maintenance costs listed against AT&T for that portion of Segment S of COLUMBUS III: (i) within Portugal including its territorial waters and Segment C; (ii) within Spain including its territorial waters and Segment B; (iii) within Italy including its territorial waters and Segment A. AT&T shall be responsible for the capital, operation and maintenance costs for the percentages listed against AT&T for the remainder of Segment S.

COLUMBUS III CABLE SYSTEM
ALLOCATION OF CAPITAL COSTS OF THE CABLE STATIONS

PARTIES AND STANDARD IRU HOLDERS	CABLE STATIONS							
	AT&T SEGMENT D HOLLYWOOD		MARCONI SEGMENT C LISBOA		TELEFONICA SEGMENT B CONIL		TELECOM ITALIA SEGMENT A MAZARA	
	1/2MIUS	%	1/2MIUS	%	1/2MIUS	%	1/2MIUS	%
	PARTIES							
ALESTRA	2	0.16300%	0	0.00000%	0	0.00000%	0	0.00000%
ANGOLA TELECOM	3	0.24450%	4	2.68458%	0	0.00000%	1	0.15083%
ANTELECOM	2	0.16300%	1	0.67114%	0	0.00000%	0	0.00000%
AT&T	392	31.94784%	7	4.69798%	62	13.27623%	128	19.30618%
BARAK	0	0.00000%	0	0.00000%	0	0.00000%	4	0.60332%
BATEL CO	1	0.08150%	0	0.00000%	0	0.00000%	0	0.00000%
BELL SOUTH-CHILE	1	0.08150%	0	0.00000%	0	0.00000%	0	0.00000%
BTC BULGARIA	0	0.00000%	0	0.00000%	0	0.00000%	2	0.30166%
C & W (PANAMA)	1	0.08150%	0	0.00000%	0	0.00000%	0	0.00000%
ICANTV	12	0.97800%	0	0.00000%	0	0.00000%	0	0.00000%
CYTA	1	0.08150%	0	0.00000%	0	0.00000%	2	0.30166%
EMBRATEL	21	1.71149%	21	14.09398%	0	0.00000%	0	0.00000%
GOLDEN LINES	0	0.00000%	0	0.00000%	0	0.00000%	8	1.35747%
KCE	1	0.08150%	0	0.00000%	0	0.00000%	0	0.00000%
INDOSAT	0	0.00000%	0	0.00000%	0	0.00000%	1	0.15083%
MARCONI	49	3.99348%	103	89.12762%	0	0.00000%	0	0.00000%
MCII	248	20.21180%	3	2.01342%	63	13.49036%	80	12.06837%
PGE	1	0.08150%	0	0.00000%	0	0.00000%	1	0.15083%
SONATEL	0	0.00000%	1	0.67114%	0	0.00000%	0	0.00000%
STA	0	0.00000%	0	0.00000%	2	0.42827%	0	0.00000%
STAR	5	0.40760%	0	0.00000%	0	0.00000%	5	0.75415%
STGC	8	0.73350%	3	2.01342%	3	0.64240%	3	0.46249%
SWISSCOM	0	0.00000%	0	0.00000%	0	0.00000%	8	1.20684%
TELEGLOBE	44	3.68688%	1	0.67114%	0	0.00000%	22	3.31825%
TELESUR	3	0.24450%	2	1.34228%	0	0.00000%	0	0.00000%
TELINTAR	5	0.40760%	0	0.00000%	1	0.21413%	0	0.00000%
TELECOM SA	22	1.79299%	0	0.00000%	46	9.85011%	0	0.00000%
TELMEX	1	0.08150%	0	0.00000%	0	0.00000%	0	0.00000%
TI	169	13.77343%	0	0.00000%	21	4.49679%	380	54.29864%
TLDI	3	0.24450%	0	0.00000%	0	0.00000%	0	0.00000%
TLFN	170	13.86493%	0	0.00000%	284	56.53105%	1	0.15083%
TLFN-PERU	10	0.81500%	0	0.00000%	0	0.00000%	0	0.00000%
TRESCOM	6	0.40760%	1	0.67114%	0	0.00000%	1	0.15083%
TRICOM	2	0.16300%	0	0.00000%	0	0.00000%	0	0.00000%
TURK TELEKOM	0	0.00000%	0	0.00000%	0	0.00000%	4	0.60332%
UKRTEC	1	0.08150%	0	0.00000%	0	0.00000%	4	0.60332%
WCOM	35	2.85249%	0	0.00000%	0	0.00000%	21	3.16742%
WORLDEXCHANGE	8	0.65200%	2	1.34228%	5	1.07066%	5	0.75415%
STANDARD IRU HOLDERS	0	0.00000%	0	0.00000%	0	0.00000%	0	0.00000%
TOTAL	1227	100.00000%	148	100.00000%	467	100.00000%	883	100.00000%

Note(s):

- 1) Per Paragraphs 16(E) and 17(C) of the C&MA, Capital Costs of Segments A,B,C and D shall be borne only by the Parties and Standard IRU Holders accessing Columbus III at such Cable Station. The percentage is derived using the following formula utilizing Schedules H (Jointly Owned MIUs), I (Wholly Owned MIUs), J (Wholly Owned MIUs Pool) and M (All Standard IRU Capacity Sold).

$$\frac{\text{Total MIUs of that Party or Standard IRU Holder accessing Columbus III at that Cable Station}}{\text{The sum of the total MIUs of all Parties and Standard IRU Holders accessing Columbus III at that Cable Station}} \times 100$$

COLUMBUS III CABLE SYSTEM

Columbus III Architecture

