



CABLE AND WIRELESS PUBLIC LIMITED COMPANY

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Sir Eric Sharp C.B.E.
Chairman & Chief Executive

4th June 1986

The Rt. Hon. Sir Geoffrey Howe, QC., MP.,
Secretary of State for Foreign and Commonwealth Affairs,
Foreign and Commonwealth Office,
LONDON. SW1A 2AH

Den Geoffrey

In view of your most helpful intervention on Cable and Wireless' behalf with Mr. Abe, you will be pleased to see from the attached press release simultaneously in the U.S. and London that the first piece of our global strategy is being put in place.

In the next few days and weeks, we shall be seeing further press announcements covering our positions in New York and Japan.

I am copying this also to the Prime Minister in view of her valuable assistance in discussion with Mr. Nakasone.

Yours ever
Eric

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The following statement was issued in Vancouver, Washington, today (Wednesday) by Pacific Telecom Inc.

FOR IMMEDIATE RELEASE

PACIFIC TELECOM CABLE FILES AT FCC FOR PRIVATE
TRANSPACIFIC FIBRE OPTIC CABLE

Pacific Telecom Cable Inc. filed today for an application with the Federal Communications Commission for a licence to land and operate in the United States a private submarine fibre optic cable (PPAC) extending between the U.S. and Japan. Pacific Telecom Cable is owned by Pacific Telecom Inc. (PTI) and Cable and Wireless plc (C&W).

Dennis W. Elliott, executive vice president of PTI, said: "This link will serve the important requirements between the U.S. and Japan. It will also comprise part of the privately-owned digital highway linking the Pacific and the Far East via the U.S. to the UK and Europe, the whole being targeted at providing customer choice in the main business areas of the world. We expect burgeoning demand."

Joe Crouch, director marketing, of Cable and Wireless, said: "The aspirations of our two organisations are mutually complementary and have characterised what promises to be an excellent working relationship to which we are looking forward."

Mr Elliott indicated that discussions are presently taking place with a group of Japanese entities with the intent of forming a joint venture between Pacific Telecom Cable and Japanese entities to install, maintain and operate the cable between Japan and the State of Washington. A connection with Alaska is also planned, principally for potential national security uses.

The capacity of PPAC will be sold or leased to private users on a non-tariffed, non-common carrier basis. It is expected that the \$500 million cable will go into service in the second half of 1989, subject to a timely grant of cable landing licences.

The main Japan/U.S. link will contain at least three working optical fibre pairs each operating at a minimum of 280 Mbps. With appropriate terminal equipment the cable could carry at least 60,000 simultaneous telephone channels. The configured connection of U.S. terminals in Washington and in Alaska to the main link and to each other has yet to be decided. The exact landing points of the cable have not yet been determined.

Pacific Telecom Cable, Inc. is 80 per cent owned by PTI and 20 per cent owned by Cable and Wireless.

Commenting on the statement by Pacific Telecom, Mr Crouch said: "This is a most exciting development because it opens up customer choice. We firmly believe that the new, high quality digital systems which will come into service towards the end of this decade will in themselves create massive fresh demand.

"This PPAC cable will complement the transatlantic PTAT system in which Cable and Wireless has a 50 per cent interest. A pattern of digital terrestrial systems linking the United Kingdom, the United States and Japan as well as the rest of the Far East is now emerging.

"It will benefit Cable and Wireless in a number of ways - not least in ensuring that our Mercury Communications system in the United Kingdom will be able to extend its digital services across the globe without any loss of quality in its standards.

"I believe that the correct combination of quality and cost will be the market imperative of the next decade. We intend to compete strongly on both criteria and our interest in PPAC is a key part of our plans."

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Date: June 4 1986

NOTE TO EDITORS

PTI, based in Vancouver, Washington, is a diversified telecommunications company, which operates one of the largest non-Bell telephone companies in the United States. Among the many varied telecommunications activities in which it is involved through its subsidiaries, PTI provides local and long distance telecommunications services in Alaska, and local telephone services and access to the long distance network in a number of western states. PTI subsidiaries have installed and operate a number of fibre optic transmission systems in the United States. PTI subsidiaries also provide domestic and international voice, data, and video connections on a private line basis.



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Cable and Wireless

Public Limited Company

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Rice Photo

Some good

news.

with compliments
Sir Eric Sharp C.B.E.
Chairman & Chief Executive

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Smellens

Press Release



CABLE AND WIRELESS

In April 1986, Cable and Wireless responded to an invitation to join C. Itoh and Company Ltd., a leading Japanese trading house and NITTI - the international arm of NTT, Japan's dominant domestic carrier - in carrying out a feasibility study for the establishment of an alternative international telecommunications system and service for Japan (commonly known as the 2nd KDD).

2. The study was positive and a new and unique Consortium has been established to process matters further to obtain a Category 1 licence from the Japanese Government. The Consortium is now setting up a formal Feasibility Study Company as a precursor to the Operating company - a necessary and normal course of action for projects of national significance in Japan.
3. The core members of the new company to be known as Kokusai Digital Tsushin Kikaku K.K. are ;

| | <u>Shareholding</u> |
|-------------------------------|---------------------|
| C. Itoh and Toyota Motors | about 30% |
| Fujitsu | 3% |
| NEC | 3% |
| IBJ | 3% |
| DKB | 3% |
| LTCB | 3% |
| Hitachi | 2% |
| Cable and Wireless | 20% |
| Pacific Telesis International | 10% |
| Merrill Lynch | 3% |
| Other Japanese Companies | 20% |

4. Directors will be appointed from C.Itoh, Toyota, Cable and Wireless, IBJ, Fujitsu, NEC, Pacific Telesis, and Merrill Lynch to undertake the management of the company. A Promoters' Meeting will take place on 24th October in Tokyo.
5. NTTI will provide technical assistance on a contract basis.
6. The broad business plan, worked out in the earlier C. Itoh and C&W study, is as follows :-

Phase I (End 1987 -)

Leased circuit service via Intelsat and existing Pacific cables

Phase II (beginning 1989 -)

Switched services

Phase III (beginning 1990 -)

Full range of digital leased and switched services via PPAC transPacific submarine optical fibre cable jointly owned by KDTK (Japan) and Pacific Telecom Cable of USA.

Phase IV

Connection of Japan with Hong Kong, and Korea, Taiwan, the Philippines, China, and other Pacific Basin countries by a further network of submarine cables or a private satellite. Japan to become a major international hub on the Global Digital Highway alongside USA and UK.

Notes to Editor

1. C.Itoh is the third largest trading house in Japan.

Toyota is Japan's leading motor company and is the largest private shareholder in Teleway - a new domestic common carrier in Japan.

Fujitsu is Japan's leading computer manufacturer.

NEC is the world's largest semi-conductor producer and satellite ground station supplier

IBJ- The Industrial Bank of Japan is Japan's leading long-term financier responsible for the promotion of Japanese industry and is the long term finance provider to both NTT and KDD.

DKB - The Daichi-Kangyo Bank is the world's largest bank and the provider of short-term credit to NTT.

LTCB - The long-term credit bank of Japan, a leading specialist in industrial and social development finance.

Hitachi - a world leader in high technology and heavy industries

Pacific Telesis International - the international arm of Pacific Telesis the Bell operating company for California and Nevada through whom 40% of all U.S./Japan traffic passes.

Merrill Lynch - the world's leading stockbroker.

2. General Motors were invited to join but declined the invitation. They already have close links with C.Itoh and Toyota and will continue to be associated with the project through these links.
3. As regards other Japanese companies, C.Itoh and Toyota are currently approaching key companies in the banking, securities, trading, arms, construction, manufacturing, transportation, energy and viti-culture sectors, including the leading members of the International Telecommunications of Japan Group - i.e. : Mitsubishi, Mitsui, Sumitomo and Matsushita.
4. The broadening of the base of the Consortium enhances the prospects of a licence from the Ministry of Posts and Telecommunications.
5. The Feasibility Study Company will conduct negotiations with the Ministry and will seek co-operation with KDD. It will also open negotiations with carriers in teh United States and key telecommunications centers elsewhere in the Pacific Basin for correspondent Agreements.

6. This unique Anglo-United States-Japanese Consortium provides powerful reinforcement,
 - a) for Cable and Wireless' plans for a global Digital Highway to provide the world with a choice of international communication facilities for the first time in history.
 - b) for the policies for liberalisation and privatisation pursued by the Governments of Britian, United States, and Japan.

7. Cable and Wireless' global digital highway at the present time consists of 4 key elements
 - (i) Mercury - the only all digital network in Europe
 - (ii) PTAT - the planned state of the art submarine fibre optic cable linking the United Kingdom to the United States owned jointly by Cable and Wireless and Nynex, the New England Bell operating company, will purchase Teleoptic subject to necessary judicial and regulatory approvals. RFS date 1989.
 - iii. Cable and Wireless' digital network in the USA.
 - iv PPAC - the planned state of the art submarine fibre optic cable linking the United states to Japan, owned jointly by Pacific Telecom Cable of the USA and the new Japanese consortium subject to acquiring licences from the Federal Communications Commision in the USA and the Ministry of Posts and Telecommunication in Japan. RFS date late 1989. This system is scheduled to link also to Hong Kong.

FURTHER ENQUIRIES

Further enquiries should be addressed to the office of the Chairman, Sir Eric Sharp - 242 4433 ext 4401 - or to Mr Solomon, Director of Corporate Strategy - 242 4433 ext 4231.

J H SOLOMON
Director, Corporate Strategy