

United States Senate

WASHINGTON, DC 20510

COMMITTEES:
BANKING
DEMOCRATIC POLICY & COMMUNICATIONS
FINANCE
JUDICIARY
RULES

May 23, 2013

Jack Lew
Secretary
US Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 202220

0529

Mignon Clyburn
Acting Chairwoman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Dear Secretary Lew and Chairwoman Clyburn:

As a member of the Senate Judiciary Committee, as well as its Subcommittees on Antitrust, Competition Policy and Consumer Rights, and on Privacy, Technology, and the Law, I write to urge careful consideration of the proposed acquisition by SoftBank Corporation of a controlling interest in Sprint Nextel Corporation, in light of the serious national security concerns that this deal raises. The deal is subject to review by both the Committee on Foreign Investment in the United States (CFIUS) and the Federal Communications Commission (FCC) because control of Sprint and the substantial spectrum and common carrier licenses it holds would be transferred to a foreign entity.

There are several reasons this deal requires careful scrutiny. First, the transfer of Sprint's substantial U.S. telecommunications infrastructure to a foreign company raises national security questions. Sprint, together with its affiliate Clearwire Corporation, controls more broadband spectrum than any other company. It also controls a fiber optic network across the continental United States and contracts with numerous federal agencies. Specifically, Sprint controls approximately 40,000 miles of a high-capacity optical fiber network that carries a significant portion of the country's Internet traffic—both public and private. In addition, Sprint has significant and sensitive government contracts, including with the Department of Defense and the General Services Administration. Sprint also operates special, secure networks—called Peerless IP or PIP—used by the federal government. PIP networks provide the government with an IP network that is completely isolated from the public Internet; these networks are important for high security government communications, but that also means that any risk of their breach is worthy of scrutiny.

SoftBank, which proposes to acquire Sprint as well as its spectrum, is a Japanese company with alleged ties to China, the country that is currently the leading source of cyber breaches. SoftBank's Japanese wireless network reportedly relies heavily on Chinese equipment manufacturers with ties to the Chinese government; the House Select Committee on Intelligence recently found the use of such equipment "could undermine core U.S. national-security

interests.” In addition, SoftBank was apparently affiliated with a company that admitted to bribing Chinese officials in order to procure telecommunications contracts. As the New York Times reported just this week, hacking from China appears to be on the rise. In light of these facts, I am concerned that critical parts of Sprint’s future network may also become dependent on unsecure Chinese equipment and vulnerable to interference. With Sprint’s ultimate control in foreign hands, there are significant questions as to whether the United States would have sufficient influence and oversight to mitigate these concerns.

The protection of our critical infrastructure is a topic of intense legislative scrutiny; indeed Congress is actively debating various proposals to improve our cybersecurity. In these circumstances, I urge you to take a very careful look at SoftBank’s proposed acquisition of Sprint, a key provider of U.S. communications networks and services, to ensure that our nation’s security is not placed at risk. Of course, I hope and expect that your respective agencies will take whatever action you deem appropriate and consistent with existing rules, regulations, ethical guidelines, and the public interest.

Sincerely,



Charles E. Schumer
United States Senator

cc: The Honorable Neal S. Wolin
The Honorable Ashton B. Carter
The Honorable Rand Beers
The Honorable James Cole