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

In re Application of


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

SUPPLEMENTAL ORDER

Adopted: October 26, 2001
Released: October 26, 2001

By the Chiefs, International Bureau and Wireless Telecommunications Bureau:

I. INTRODUCTION AND BACKGROUND

1. On October 2, 2001, the International and Wireless Telecommunications Bureaus issued an Order and Authorization granting the applications of General Electric Capital Corporation (GE Capital) and SES Global S.A. (SES Global) (collectively “Applicants”) for consent to transfer control of GE American Communications, Inc. (GE Americom) and Columbia Communications Corporation to SES Global. Subsequently, on October 10 and 12, 2001, the Applicants provided updated and additional information about the foreign ownership interests in SES Global. Based on this new information, the Applicants sought confirmation as to whether the proposed transfer of control could proceed under the Order and Authorization. We will treat the SES Global October 10 Letter and October 12 Letter as a

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1 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, Order and Authorization, DA 01-2100 (IB and WTB, rel. October 2, 2001) (Order and Authorization).


3 Letter from Phillip L. Spector and Laura B. Sherman, Attorneys for SES Global S.A., to Magalie Roman Salas, Secretary, Federal Communications Commission, October 10, 2001 (SES Global October 10 Letter); Letter from Laura B. Sherman, Attorney for SES Global S.A., to Magalie Roman Salas, Secretary, Federal Communications Commission, October 12, 2001 (SES Global October 12 Letter).

4 SES Global October 10 Letter, at 6.
request for declaratory ruling under Section 310(b)(4) of the Communications Act (the Act). We conclude that it will not serve the public interest to prohibit the additional indirect foreign ownership of GE Americom described in these filings.

2. Specifically, in addition to the foreign ownership interests we approved in the Order and Authorization, the Applicants represent that after closing of the transaction, certain Class A shares of SES Global will be held as follows:

<table>
<thead>
<tr>
<th>Class A Shareholder</th>
<th>Economic Interest (%)</th>
<th>Voting Interest (%)</th>
<th>Voting Power (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dresdner Bank Luxembourg S.A.</td>
<td>3.07</td>
<td>2.46</td>
<td>2.57</td>
</tr>
<tr>
<td>Deutsche Bank Luxembourg S.A.</td>
<td>2.68</td>
<td>2.14</td>
<td>2.24</td>
</tr>
<tr>
<td>Luxempart S.A.</td>
<td>2.27</td>
<td>1.81</td>
<td>1.90</td>
</tr>
<tr>
<td>TITA S.A.</td>
<td>2.03</td>
<td>1.62</td>
<td>1.70</td>
</tr>
<tr>
<td>Loran Telecommunications S.A.</td>
<td>1.78</td>
<td>1.42</td>
<td>1.49</td>
</tr>
<tr>
<td>Trufidee S.A.</td>
<td>1.70</td>
<td>1.36</td>
<td>1.42</td>
</tr>
<tr>
<td>Compagnie de Financement C.E.F.</td>
<td>1.70</td>
<td>1.36</td>
<td>1.42</td>
</tr>
<tr>
<td>Audiolux S.A.</td>
<td>1.34</td>
<td>1.07</td>
<td>1.12</td>
</tr>
<tr>
<td>Aachener &amp; Münchener BG AG</td>
<td>1.34</td>
<td>1.07</td>
<td>1.12</td>
</tr>
<tr>
<td>Banque Générale du Luxembourg S.A.</td>
<td>1.05</td>
<td>0.84</td>
<td>0.88</td>
</tr>
<tr>
<td>Space Equipment S.A.</td>
<td>0.74</td>
<td>0.59</td>
<td>0.62</td>
</tr>
<tr>
<td>BGL Investment Partners S.A.</td>
<td>0.59</td>
<td>0.47</td>
<td>0.50</td>
</tr>
<tr>
<td>Other A Shareholders (57 unnamed individuals and companies)</td>
<td>0.35</td>
<td>0.28</td>
<td>0.29</td>
</tr>
<tr>
<td>Fiduciary Depositary Receipts</td>
<td>18.83</td>
<td>15.06</td>
<td>15.77</td>
</tr>
</tbody>
</table>

3. The Applicants explain that the above listed Class A shareholders will receive SES Global shares as the result of an exchange offer, in which shareholders of Société Européenne des

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5 Id. at Exhibits 1 and 3.

6 We note that the Applicants characterize the rights of the shareholders to receive dividends and liquidation proceeds as “economic interests” rather than equity interests. Consistent with longstanding Commission precedent, we use the term “equity interests” broadly to encompass the economic realities of the proposed transaction. See, e.g., Application of Fox Television Stations, Inc., For Renewal of License of Station WNYW-TV, New York, New York, Second Memorandum Opinion and Order, 11 FCC Rcd 5714, 5719, para. 14 (1995), quoting Request for Declaratory Ruling Concerning the Citizenship Requirements of Sections 310(b)(3) and (4) of the Communications Act of 1934, as amended, 103 FCC 2d 511, 519 n.38 (1985).

7 The voting interest reflects the voting rights of SES Global shareholders. According to the Transfer Application, all three classes of shares will have one vote each. See Transfer Application, at 4.

8 The voting power reflects the adjustments to shareholders voting interest due to the Special Shares to be voted by GE Capital pursuant to a Voting Trust Agreement as described below. See infra para. 3. Our analysis in this decision uses these percentages as they represent the effective voting interest that each shareholder will hold.

9 In the Transfer Application, the Applicants did not specifically identify these shareholders, but rather provided a general statement about the exchange offer, stating that under the terms of the Business Combination Agreement “[s]hareholders holding a minimum of 80% of the voting interests of SES must exchange their shares in SES for equivalent shares in SES Global in order for the transaction to proceed.” See Transfer Application, at 10. As we
Satellites S.A. (SES) will exchange their SES shares for shares in SES Global. The Applicants further represent that SES Global will not proceed, as contemplated in the *Transfer Application*, with a public offering of 7.5-8 percent of its equity. Instead, GE Capital will purchase the equity that would have been offered to the public. Because there will be fewer shares outstanding in the absence of the public offering, the equity and voting interests of the Class A shareholders (including Deutsche Telekom A.G.) and the Class C shareholder (GE Capital) will increase from the levels described in the *Transfer Application* and approved in the *Order and Authorization*. The Applicants also state that GE Capital has entered into a Voting Trust Agreement that will further increase the voting power of the other SES Global shareholders. Pursuant to that Agreement, GE Capital will place Class C shares, representing 4.48 percent of its 24.58 percent voting interest into a voting trust. According to the Applicants, under this Agreement, a trustee will vote such shares at any meeting of SES Global shareholders in the same manner and proportion as all remaining SES Global shares are voted.

4. As a result of the additional equity purchase by GE Capital, the Applicants indicate that GE Capital will hold Class C shares that represent an equity interest of 30.72 percent and a voting interest of 21.04 percent in SES Global; the State of Luxembourg, the Banque et Caisse D’Epargne de L’Etat (BCEE) and Société Nationale de Crédit et d’Investissement (SNCI), will hold Class B shares that collectively represent an equity interest of 16.67 percent and a voting interest of 34.90 percent; and wholly-owned subsidiaries of Deutsche Telekom, A.G. (Deutsche Telekom) will hold Class A shares.

Discuss in Section II below, this does not constitute sufficient information for purposes of our review under Section 310(b)(4) of the Act.

10 SES Global October 10 Letter, at 4. The same type of instrument currently traded publicly with respect to SES, Fiduciary Deposit Receipts (FDRs), will be exchanged for FDRs representing Class A shares of SES Global. *Id.* at 2, n.7.

11 *Id.* at 2; see also *Transfer Application*, at 4, note 4.

12 SES Global October 10 Letter, at 2.

13 *Id.* at 2-3; see infra para. 4.

14 SES Global October 10 Letter, at 3 n.15.

15 *Id.*

16 *Id.*

17 *Id.* at 3, and Exhibits 1 and 3. This represents an increase from the equity interest stated in the *Transfer Application* of 25.1 percent equity. GE Capital’s voting interest increases to 24.58 percent; however, pursuant to the Voting Trust Agreement, GE Capital’s voting interest will effectively be 21.04 percent. *Id.* at Exhibit 3.

18 *Id.* at n.9, and Exhibits 1 and 3. This represents an increase from the voting interest stated in the *Transfer Application* of 33.33 percent.

19 The *Transfer Application* indicated that Deutsche Telekom would hold the SES Global shares directly. *Id.* at n. 18. The Applicants now represent that Deutsche Telekom subsequently transferred its interest in SES to wholly owned companies, and thus will hold the SES Global shares indirectly. *Id.*
that represent an equity interest of 13.15 percent and a voting interest of 11.02 percent. The remaining Class A shareholders will have the following equity and effective voting interests as outlined in the ownership chart in paragraph 2 above: the twelve named institutional investors (20.29 percent equity and 16.98 percent voting); the investors that hold their interest in SES Global as FDRs (18.83 percent equity and 15.77 percent voting); and the fifty-seven unnamed individuals and companies (0.53 percent equity and 0.29 percent voting). Finally, the Applicants note that the parent company of GE Capital, General Electric Company, has foreign ownership that represents an indirect equity and voting interest in SES Global of 0.65 percent and 0.42 percent, respectively.

II. DISCUSSION

5. The Order and Authorization was based on the information the Applicants provided in their initial Transfer Application and information added to the public record during the course of our review. The SES Global October 10 Letter contained information about the level of foreign ownership in SES Global beyond that approved in the Order and Authorization. We have examined the updated and additional information and amend the Order and Authorization as discussed below. Where appropriate, we rely on and retain the analysis and findings set forth in the Order and Authorization.

6. As a threshold matter, the Applicants claim that their original application adequately and unambiguously disclosed the foreign ownership interests in SES Global. We disagree. Specifically, we are unpersuaded that the Applicants’ statements in the record prior to the issuance of the Order and Authorization unambiguously reflected the level of foreign ownership that would result from the closing of the transaction, especially given that prior to issuing the Order and Authorization Commission staff sought further information about the German and Luxembourg shareholders that the Applicants had specifically identified. Such information is necessary to satisfy the requirements of the Foreign

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20 Id. at 4, and Exhibits 1 and 3. This represents an increase from the interests stated in the Transfer Application of 12.6 percent equity and 10.1 percent voting.

21 Id. at 3, n.16.

22 Because all the Class A shareholders were not specifically identified in the Transfer Application, the Order and Authorization did not specifically address the interests held by these shareholders. The Transfer Application contained a general statement concerning an exchange of SES shares for SES Global shares (see supra note 9); only referred to interests to be held by “certain institutions and by the public in the form of depositary receipts or shares (“International Depositary Shares”) traded on the Luxembourg and Frankfurt Stock Exchanges;” and noted that “[i]t is anticipated that Class A shares will also be offered to the public in the United States in the form of International Depositary Shares, which are expected to be traded on the New York Stock Exchange.” Transfer Application, at 4-5.

23 SES Global October 10 Letter, at 2 (arguing that it was clear that SES Global would have foreign ownership at the approximately 75 percent economic or 80 percent voting level).

24 See Letter from Phillip L. Spector and Laura B. Sherman, Attorneys for SES Global S.A., to Magalie Roman Salas, Secretary, Federal Communications Commission, September 12, 2001. We are also unpersuaded by the Applicants’ suggestion that the Transfer Application sufficiently disclosed the foreign ownership interests because information concerning non-U.S. shareholders of SES was available on the SES website. SES Global October 10 Letter, at 4, n.21. In addition, information concerning supermajority voting provisions and de facto control by a foreign government may not have been timely disclosed. The Applicants also claim that the information provided in their Transfer Application described all 5 percent or greater shareholders of the combined entity. Id. at 2 (referring to Letter of Donald Abelson, Chief, International Bureau, to Counsel for Deutsche Telekom, Voicestream, and Powertel, IB Docket No. 00-187, dated Feb. 2, 2001, Att., Question (19) which requested information regarding 5% or greater Deutsche Telekom shareholders). We point out that because of the factual distinctions among cases, information requests in one case are not necessarily applicable in other cases. Moreover, given the pre-decisional
Participation Order and our statutory obligation to review foreign ownership under Section 310(b)(4) of the Act.\textsuperscript{25} In this regard, we note that, when triggered, Section 310(b)(4) of the Act requires that we examine indirect foreign ownership—including the aggregate amount of voting and equity interests that will be held by non-U.S. individuals or entities—and necessitates the submission of information to allow us to conduct this analysis.\textsuperscript{26} Under the Foreign Participation Order, the Commission does not “disregard investments by non-carriers held as publicly traded securities.”\textsuperscript{27} The Foreign Participation Order explicitly acknowledges that “even small investments in publicly traded securities could, if aggregated, nevertheless create a degree of control or influence over a licensee that would be contrary to U.S. national security or law enforcement interests.”\textsuperscript{28} We further clarify that the Commission has not adopted a \textit{de minimis} five percent threshold below which foreign ownership interests need not be identified.\textsuperscript{29} Therefore, the new information relating to foreign ownership interests that the Applicants provided after release of the Order and Authorization is essential information for purposes of our review of the proposed transaction under Section 310(b)(4). We strongly caution the Applicants, and all parties seeking relief under Section 310(b)(4), to ensure that their filings include comprehensive and detailed information concerning the above-described types of voting and equity interests held by non-U.S. interest holders. Indeed, we are concerned that the Applicants may have violated one or more of the Commission's rules, including section 1.17. Accordingly, we are referring this matter to the Enforcement

date of such requests, we urge applicants not to rely on questions contained in information requests from other proceedings. Applicants who may wish further guidance should seek clarification of the requirements of Section 310(b)(4) as applied to the particular facts of their proposed transaction.

\textsuperscript{25} \textit{See Rules and Policies on Foreign Participation in the U.S. Telecommunications Market, Market Entry and Regulation of Foreign-Affiliated Entities, Report and Order and Order on Reconsideration, 12 FCC Rcd 23891, 23919-21 (1997) (Foreign Participation Order); Order on Reconsideration, 15 FCC Rcd 18158 (2000); 47 C.F.R. §310(b)(4).}

\textsuperscript{26} 47 U.S.C. § 310(b)(4). \textit{See, e.g., DiGiPH PCS, Inc. and Eliska Wireless Ventures License Subsidiary I, L.L.C., Memorandum Opinion and Order, 15 FCC Rcd 24501, 24505, para. 12 (aggregating foreign ownership interests by attributing to Eliska Wireless, the proposed assignee of common carrier PCS licenses, the following proposed indirect ownership interests to be acquired by Sonera Holdings, a foreign corporation: a 30.1 percent interest held indirectly through Sonera Holdings' interest in Eliska's indirect parent, EWV Holding; a 1.35 percent interest derived by multiplying Sonera Holdings' 2.7 percent interest in Powertel by Powertel's proposed 49.9 percent indirect interest in EWV Holding; and also attributing to the licensee the ownership interests of the government of Finland through its interest in Sonera Ltd.).}

\textsuperscript{27} \textit{Foreign Participation Order, 12 FCC Rcd at 23941, para. 115 (footnotes omitted)}

\textsuperscript{28} \textit{Id} (emphasis added).

\textsuperscript{29} \textit{SES October 10 Letter}, at 2 (noting that the “Application provided information regarding all 5% or greater shareholders of the combined entity”). In addition, the Foreign Participation Order requires the Commission to determine the home market of foreign investors, by applying the five-factor principal place of business test for corporate investors and ascertaining the nationality of individual investors. \textit{See Foreign Participation Order, 12 FCC Rcd at 2394, para. 116. The principal place of business test involves identifying and balancing the following factors: (1) the country of the foreign entity’s incorporation, organization or charter; (2) the nationality of all investment principals, officers, and directors; (3) the country in which its world headquarters is located; (4) the country in which the majority of its tangible property, including production, transmission, billing, information, and control facilities, is located; and (5) the country from which it derives the greatest sales and revenues from its operations. See Foreign Participation Order, 12 FCC Rcd at 23941, para. 116 (citing Market Entry and Regulation of Foreign-affiliated Entities, Report and Order, 11 FCC Rcd 3873, 3951, para. 207 (1995)).}
Based on our review of the new information, we amend the Order and Authorization to approve the additional foreign ownership interests that will be held directly by the twelve named institutional investors in SES Global (20.29 percent equity and 16.98 percent voting) as the result of the exchange of SES shares for SES Global Class A shares. We also approve the increased foreign ownership interests in SES Global that result from the decision not to proceed with a public offering. These interests will be held by Deutsche Telekom, the State of Luxembourg, BCEE, and SNCI along with the additional interest of GE Capital. Consistent with the Order and Authorization, GE Americom may accept, without additional Commission review, up to and including an additional, aggregate 25 percent indirect foreign ownership. This approach should provide GE Americom with considerable flexibility, sufficient to cover the non-U.S. ownership of General Electric, the non-U.S. ownership interests in SES Global held in the form of FDRs, the non-U.S. ownership interests in SES Global held directly by fifty-seven unnamed individuals and companies as well as small increases in foreign ownership due to market fluctuations.

8. Turning to the twelve named institutional investors, we find that based on the representations of the Applicants applying the five-factor principal place of business test, these named entities are from Luxembourg, Germany, Belgium, France, Italy, and the Netherlands—all WTO Member countries. As such, these investors are entitled to a rebuttable presumption that no competitive concerns are raised by their proposed indirect foreign ownership of GE Americom. Based on the information in the record at this time and as explained below, we see no reason to rebut the presumption in this case.

9. In the Order and Authorization, we undertook an in-depth review of potential anti-competitive effects associated with non-U.S. investment in SES Global, including investments by the governments of Luxembourg and Germany. We specifically considered the possibility of de facto control by the State of Luxembourg, and assuming arguendo that the State of Luxembourg could exercise de facto control, we determined that such control would not pose a high risk to competition in the U.S. market. We also evaluated the competitive effects of the proposed transaction in relevant satellite markets, as well as the need for dominant carrier safeguards where there may be affiliation with a foreign carrier with market power in that carrier’s foreign market. Therefore, we rely on our findings in the

See supra para. 2, identifying twelve Class A shareholders and their relative equity and effective voting interests.

See infra note 41 and accompanying text.

See Foreign Participation Order, 12 FCC Rcd at 23941, para. 116.

SES Global October 10 Letter, at Exhibit 2.

See Foreign Participation Order, 12 FCC Rcd at 23896, 23913, and 23940 (noting that the public interest would be served by permitting greater investment by entities from WTO Members in U.S. common carrier and aeronautical fixed and en route licensees and replacing its “effective competitive opportunities” test with a rebuttable presumption that such investment generally raises no competition concerns).

Order and Authorization, Sections III. C, D, and E.

Id. at paras. 30-40.

Id. at paras. 37, 38, 43-49 (concluding that, based on the certified statements of the Applicants, including information about their foreign carrier affiliations, the foreign carriers with which GE Americom will become
Order and Authorization that the proposed transfer of control to SES Global would not likely result in harm to competition in any relevant market and likely will yield tangible public interest benefits to U.S. consumers.38

10. The named institutional investors largely represent foreign investment from Luxembourg and Germany. After careful review of the investment by the named institutional investors from the other WTO countries, we find that there is no basis on which we can conclude that the indirect foreign ownership of GE Americom by these entities will pose a risk to competition that would warrant imposing conditions or prohibiting such investment. We note that the relevant ownership interests are widely dispersed and individually represent a small percentage of foreign ownership in SES Global. We also note that the Executive Branch did not object to the proposed transaction, based on the Applicants' representations to the Executive Branch, including the representations that they do not offer or plan to offer switched telecommunications services and that they will notify the Executive Branch before offering such services.39 Thus, based on the record in this proceeding, including the commitments made by the Applicants to the Executive Branch, the additional foreign ownership interests that are the subject of this decision do not appear to raise national security, law enforcement, foreign policy or trade concerns.40

11. Accordingly, we amend the October 2, 2001 Order and Authorization to revise Paragraph 42 as follows:

“Specifically, this ruling permits indirect foreign ownership of GE Americom by SES Global (100 percent); BCEE, SNCI, and the State of Luxembourg (16.67 percent of equity and 34.90 percent of voting shares, which aggregate shares may be held in any amount by any one or more of these named Luxembourg entities); Deutsche Telekom, its wholly-owned subsidiaries and their German shareholders (13.15 percent of equity and 11.02 percent of voting shares); and the twelve named institutional investors that will receive shares in SES Global pursuant to the exchange offer with SES (20.29 percent of equity and 16.98 percent of voting shares). GE Americom may also accept up to and including an additional, aggregate 25 percent indirect equity and/or voting interests from the above foreign investors or other non-U.S. investors and entities, without seeking further Commission approval under Section 310(b)(4).41 However, no single non-U.S. investor or entity—including Deutsche Telekom, its wholly-owned subsidiaries and their German shareholders; BCEE, SNCI, and the State of Luxembourg (as to equity interests); as well as any investor who holds SES Global shares as a result of the exchange offer with SES—may acquire affiliated do not possess sufficient market power in any relevant market to adversely affect competition in the United States).

38 Id. at para. 52.

39 Id. at para. 51.

40 Id.

41 For purposes of calculating this amount, we include non-German, foreign ownership of Deutsche Telekom, the interest in SES Global that will be held directly by fifty-seven unnamed individuals and companies (0.35 percent equity and 0.29 percent voting), the interest in SES Global that will be held indirectly in the form of FDRs (18.83 percent equity and 15.77 percent voting) as well as the non-U.S. ownership of General Electric (0.65 percent equity and 0.42 percent voting).
indirect ownership in excess of 25 percent without further Commission approval under Section 310(b)(4). Moreover, GE Americom shall seek approval under Section 310(b)(4) before it accepts any additional indirect interest by BCEE, SNCI and the State of Luxembourg in excess of the permitted 34.90 percent voting interest.”

III. ORDERING CLAUSES

12. Accordingly, IT IS ORDERED that, the October 2, 2001 Order and Authorization is amended as provided in this Supplemental Order, and that pursuant to Section 310(b)(4) of the Communications Act of 1934, as amended, 47 U.S.C. § 310(b)(4), GE Americom is authorized to accept indirect foreign ownership in excess of the 25 percent benchmark in Section 310(b)(4) of the Act only to the extent specified in this Supplemental Order.

13. IT IS FURTHER ORDERED that pursuant to Section 25.119(f) of the Commission’s Rules, 47 C.F.R. § 25.119(f), GE Capital and SES Global must complete this transaction within 60 days from the date of authorization, and within 30 days of consummation, notify the Commission by letter of the date of consummation.

14. IT IS FURTHER ORDERED that the requirement in paragraph 65 of the Order and Authorization that GE Capital and SES Global amend pending applications within 30 days of release of the Order and Authorization is removed AND that, pursuant to Section 1.65 of the Commission’s rules, 47 C.F.R. §1.65, GE Capital and SES Global must, within 30 days of consummation of the transfer of control of GE Capital’s holdings in GE Americom and Columbia Communications Corporation to SES Global, amend all pending applications to reflect the new ownership structure approved in this Supplemental Order.

15. IT IS FURTHER ORDERED that with respect to all other ordering provisions, the October 2, 2001 Order and Authorization remains effective.

16. This action is taken under delegated authority pursuant to Sections 0.51, 0.261, 0.131, 0.331 of the Commission’s Rules, 47 C.F.R. §§ 0.51, 0.261, 0.131, 0.331, and SHALL BE EFFECTIVE upon release.

FEDERAL COMMUNICATIONS COMMISSION

Donald Abelson
Chief, International Bureau

Thomas J. Sugrue
Chief, Wireless Telecommunications Bureau