



OFFICE OF
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

November 21, 2000

The Honorable Ernest F. Hollings
Ranking Member
Committee on Commerce, Science, and Transportation
United States Senate
508 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Hollings:

I received your October 26 letter in which you express concern over remarks made by Wireless Bureau Chief Thomas Sugrue regarding the Deutsche Telekom and VoiceStream Wireless merger. The attached letter from Mr. Sugrue fully explains what he said, and I trust that it will allay your concerns that prejudgments have been made at the Commission about the companies' pending applications.

As you know, I share your concern that purchase of a U.S. carrier by a foreign government-controlled company presents unique competition issues. Therefore, I want to reassure you once again that I will scrutinize very carefully any transaction in which a foreign government-controlled telecommunications carrier seeks to control a U.S. carrier. Any such application would have to meet both the statutory and regulatory requirements established by Congress and the Commission. In particular, the Commission's review of a merger involving a foreign government-controlled provider would determine whether the proposed acquisition poses a very high risk to competition in the United States, raises national security or law enforcement concerns, or is otherwise inconsistent with the Communications Act or the Commission's rules.

Thank you for sharing your concerns on this matter and for giving Mr. Sugrue and me the opportunity to explain his remarks. I look forward to speaking with you again in the near future.

Sincerely,

A handwritten signature in black ink that reads "William E. Kennard".

William E. Kennard
Chairman



Federal Communications Commission
Washington, D.C. 20554
November 21, 2000

The Honorable Ernest F. Hollings
Ranking Member
Committee on Commerce, Science, and Transportation
United States Senate
508 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Hollings:

Chairman Kennard asked me to respond to your October 26th letter in which you express concern with comments that I made at a recent press briefing about the pending merger application between Deutsche Telekom and VoiceStream Wireless. I have assured Chairman Kennard, and I want to assure you, that I have in no way prejudged the outcome on my Bureau's part of this pending transaction.

On October 24th, I had a wide-ranging roundtable discussion with various representatives from the media who report on the Wireless Bureau. I was asked about the status and processing of the applications filed in connection with the proposed acquisition of VoiceStream by Deutsche Telekom. As part of the ensuing discussion, I explained the different roles that the Wireless Bureau and the International Bureau will play in reviewing the applications. I noted that a principal focus of the Wireless Bureau's review will be the application of the Commission's domestic spectrum concentration rules. The International Bureau will be addressing the issues, competition and otherwise, raised by the foreign ownership, and specifically the foreign government ownership, of Deutsche Telekom. As Chairman Kennard testified, after you, at the House Telecommunications Subcommittee hearing on this matter in September, the Commission will closely scrutinize the extent to which such foreign government ownership would pose a risk to competition.

In this context, I said that because Deutsche Telekom does not currently hold wireless licenses in the U.S., it does not appear that the Commission's Commercial Mobile Radio Services spectrum aggregation limit, commonly referred to as the CMRS "spectrum cap," would be implicated. Thus, I want to assure you that when I said "usual competition rules," I was referring to the Commission's spectrum cap and cellular cross-ownership rules – the two rules that are always front and center when the Wireless Bureau reviews license transfer applications for these types of mobile telephony services. In no way did I mean to convey that judgment has already been passed on the critically important issues, including competitive issues, raised by foreign government ownership. I also said that if any domestic issues (*i.e.*, not related to foreign ownership) were also raised in the record, we would, of course, analyze those very carefully.

Finally, as I explained to the media representatives, the International Bureau, rather than the Wireless Bureau, is taking the lead in reviewing the applications precisely in light of the fact that the foreign ownership issues are likely to be the central issues in this proceeding. I then went on to explain that the conditions in the German market and the ownership structure of Deutsche Telekom will undoubtedly be debated in the record and that the Commission will be looking at these issues in that context.

I understand that, as a practical matter, the newswire story to which you referred could not report my remarks in their entirety. Nevertheless, I regret that my remarks, as reported, were confusing and raised these concerns in your mind. I would be happy to discuss this matter with you if you so desire.

Sincerely,

A handwritten signature in black ink that reads "Thomas J. Sugrue". The signature is written in a cursive style with a large, looping "S" and "u" in "Sugrue".

Thomas J. Sugrue
Chief

Wireless Telecommunications Bureau