

ORIGINAL

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CHAIRMAN

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November 17, 2000

Chairman William E. Kennard  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

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Dear Mr. Kennard:

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

This letter regards the proposed acquisition of Voicestream by Deutsche Telekom and the issuing of a telecommunications license to Deutsche Telekom.

I oppose the granting of a telecommunications license to Deutsche Telekom. Deutsche Telekom is owned by the German government and thus is an alien company. My interpretation of the Telecommunications Act is that aliens or their representatives are not to be granted licenses.

In the United States, we would not allow our own government to provide telecommunication service. Why then would we allow a foreign government to do so?

Germany, like many other countries, has not privatized telecommunication completely. Until they do so, such countries should not be granted telecommunication licenses in the United States. Government ownership of the stock of "privatized" companies is a ruse. As I have stated publicly, privatize means to make private—totally private. Globalization has become the politically acceptable term for information age imperialism—and we should not be deceived in the name of global competition.

I urge the FCC to refuse this application by Deutsche Telekom for a license.

Enclosed are copies of my various op-eds and articles dealing with this topic. I testified at the House Subcommittee hearing on this topic in September and my testimony is posted at the House web site.

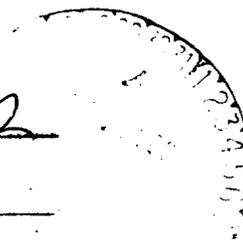
I do not receive any personal funding from the telecommunications industry, and my opinions are mine alone.

Yours truly,



A. Michael Noll, Ph. D.

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## SELLING OUT

by A. Michael Noll



**T**elecommunications—like everything else, it seems—is afflicted with a global fever of mergermania. Such globalization seems to have become Information Age imperialism, as foreign countries increase market domination outside their borders through companies they own and control. “The provision of telecommunications in many foreign countries is no longer operated by a department of the government. That’s good. Telecom has been privatized. However, in many countries, substantial amounts of the stock of the allegedly privatized company are owned by the government. This is partial privatization, which is not good, since the government still has a considerable involvement and financial interest.”

Partial privatization opens the possibilities for abuse and conflicts of interest, both within the foreign country and internationally. Government ownership skews the marketplace because governments—ours and others—do not operate to maximize economic efficiency, unlike markets. Also, governments are motivated to protect the government-owned company—particularly when telecommunications is still regulated by the government, as it is in most countries. Government will not regulate itself fairly.

“The business of government is government,” not owning the stock of telecom companies. Privatization means no government operation or ownership of telecommunications. Privatize means to make private—totally private! Given the high value that the United States places on private industry, it is inconceivable that we would ever condone partial privatization. Countries that have only partially privatized their domestic telecom market have not met their commitments to competition and to open markets.

Recent legislation introduced by Sen. Ernest “Fritz” Hollings (D-S.C.) restricts foreign government ownership to no more than 25 percent and also eliminates the possibility of any FCC waiver of this restriction. This is a step in the right direction, although I clearly would prefer absolutely no foreign government ownership. But with my tougher standard, I would also want to give

the FCC the discretion to waive the restriction on those rare occasions when the FCC deems it’s not a serious problem.

In only one period, during World War I, was telecommunications nationalized by the U.S. government. Now it is owned and provided by private industry, and we do not want government competing with private industry. Any foreign government ownership, direct or indirect and no matter how small, of U.S. telecom companies would be inconsistent with these policies. Foreign government ownership is even more unacceptable since U.S. citizens would have no voice in the foreign government.



*Congress needs to keep government—ours or any other one—out of private industry.*

ism, nor is it against open trade. It is simply keeping government—ours or any foreign one—out of private industry.

In the end, it must be a “nein” to Deutsche Telekom’s proposed acquisition of VoiceStream Wireless. ☐

A. MICHAEL NOLL is a professor and former dean at the Annenberg School for Communication at the University of Southern California. This article is based on testimony he gave on Sept. 7 before an Oversight Hearing of the House Subcommittee on Telecommunications, Trade, and Consumer Protection.

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# Commentary

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## A Big 'Nein' to Deutsche Telekom

■ **Telecommunications:**  
Germany still doesn't have a completely open market.

By A. MICHAEL NOLL

Deutsche Telekom has become crazed over spending the loose change in its pockets. A few weeks ago, the company was reported to be considering an acquisition of Sprint. This week, Deutsche Telekom announced that it was buying VoiceStream Wireless for a deal valued at \$50.5 billion.

This deal makes no sense financially: VoiceStream had a net loss last year of \$455 million on revenue of \$475 million. To acquire VoiceStream's 2.3 million wireless subscribers, Deutsche Telekom will pay more than \$20,000 per subscriber. A return of 10% on this investment over 10 years would require a yearly profit of more than \$3,200 per wireless customer. This is impossible, particularly for VoiceStream, which has losses nearly as large as its revenues. Wishful thinking, hopes for the future and faith are fine for religion, but are no way to run a business, as Deutsche Telekom soon will learn if this deal goes through. But if the Germans want to throw away their money, let them.

There are policy reasons, however, to oppose this acquisition because Deutsche Telekom is, in effect, a subsidiary of the German government and is actively ex-

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**'More than half of the stock of Deutsche Telekom is owned by the government.'**

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panding and acquiring other telecommunications firms in Germany and around the globe. These acquisitions are being done in the name of globalization, but that is simply a politically correct term for the colonialism and imperialism of the past.

Many countries have claimed to privatize the former government monopolization of telecommunications. Yet much of the stock of the "privatized" telecommunication firms is owned by the government. In the case of Germany, more than half of the stock of Deutsche Telekom is owned by the government. This is partial privatization.

One problem with partial privatization is that it is in the best interests of the government to maximize the value of the stock of the partially owned telecommunications company. This means that the partially privatized company is treated favorably by the government. Another problem is that governments are reluctant to sell their remaining ownership and totally privatize, since such a massive sale would decrease the value of all the shares on the open market. Thus, governments are motivated to manipulate the value of such stocks. The stock of Deutsche Telekom thus is overvalued, since much of it is held by the German government and is not on the open market. It is this overvalued stock that will fund the proposed acquisition of VoiceStream.

Even partial privatization is to be preferred to the old system of complete government ownership and control of telecommunications. Yet the solution to the evils of partial privatization is total privatization, such as what happened with British Telecom. But France, Germany, Japan and Sweden are dragging their feet in achieving complete privatization of their former government monopolies of telecommunications. In the meantime, they should not be allowed market entry into countries that are completely privatized.

Partial privatization is not consistent with open markets and competition. Until Germany completely privatizes Deutsche Telekom, the company should not be allowed to have dominant ownership of any telecommunications firm in the United States—even if it about to lose its *Jederhosen* in this deal.

*A. Michael Noll is a professor and former dean at USC's Annenberg School for Communication.*