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November 17, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

By Hand

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Subject: IB Docket No. 00-187 - Ex Parte Presentation

Dear Secretary Salas:

Pursuant to Section 1.1206(6)(1), enclosed for filing in the above-referenced docket is a letter (and attachment) delivered today to Ari Fitzgerald, Deputy Chief, International Bureau.

Sincerely,

John H. Harwood II
Counsel for Deutsche Telekom AG

Enclosure

cc(w/encl.): Thomas J. Sugrue
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Managing Director

November 17, 2000

By Hand

Ari Fitzgerald, Esquire
Deputy Chief, International Bureau
Federal Communications Commission
The Portals
445 12th Street, S.W., Room 8-C750
Washington, D.C. 20554

Dear Ari:

On October 25, 2000, the Precursor Group distributed a report captioned *Deutsche Telekom: "Germany Online" Goes Global*, discussing Deutsche Telekom's position in telecommunications markets in Germany. We believe Deutsche Telekom's market position in Germany is irrelevant to the Commission's consideration of the applications in IB Docket No. 00-187, because that position presents no risk, much less the requisite "very high risk," to competition in the United States. But key elements in the Precursor Report are factually incorrect. The enclosed document identifies the main misstatements and presents the accurate facts for the benefit of parties in the IB proceeding.

Please call us if you have any questions.

Sincerely,

Andreas Tegge

Enclosure

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November 17, 2000

German Telecommunications: Precursor Group's Errors

The Precursor Group's piece on Deutsche Telekom (*Deutsche Telekom: "Germany Online" Goes Global*, Oct. 25, 2000) contains major factual errors, and its conclusions are wrong.

Assertion: "DT continues to dominate all sectors (voice, data, wireless, Internet) of the largest European telecommunications market through control of the local access bottleneck in Germany" (emphasis omitted).

Fact: **Wireless.** DT is not the largest provider of mobile service in Germany. Vodafone AirTouch is the largest competitor, with approximately 41% of the market as of June 2000. DT's T-Mobile ranks second with 39% of the market, and E-Plus, now owned by BellSouth and KPN, ranks third. The recent 3G auction will introduce additional competition; T-Mobile's competitors (many of which are largely foreign-owned) won the majority of the licenses.

Long distance. Competitive carriers have captured 40% of the German long distance market. Rates for domestic long distance have dropped by as much as 85% and for international long distance by as much as 93%. Other liberalized markets such as the US and the UK have taken far longer to reach these levels of competition.

Internet. AOL is the second largest ISP in Germany, and CompuServe is also active in the market. Competition has brought sharp price reductions. A number of ISPs now offer flat rate pricing plans. And in the first half of 2000 alone, monthly rates for ISP service dropped by about 45%.

Local. Germany's progress on local competition is comparable to, and in some respects farther along than, the US experience. There clearly are alternatives to DT's local loop.

- Many business customers already have a choice of providers, and consumers in more than half of the 83 largest German cities do as well. Germany is the only large European country that requires unbundled access to local loops, and loops are available at prices comparable to or below the price of loops in the United States. As of November 1999, 147 carriers were authorized to provide local service.
- Since 1998, Germany has awarded *wireless local loop* frequencies to 18 carriers, at no charge in order to facilitate new entry. Most of these carriers have already begun significant deployment throughout Germany.
- DT is in the process of divesting its *cable* holdings on a regional basis, and has already sold off two regions.

Assertion: "Competitors are dependent on DT's local network to access customers because competitive alternatives such as Wireless Local Loop (WLL) are simply not available and cable coax is owned by DT."

Fact: As noted, there are substantial alternatives to DT's local loop, including wireless local loop and cable coax.

Assertion: "T-Mobil has almost as many subscribers as the other three German licensees combined."

Fact: As noted, DT is not the largest provider of mobile service in Germany, and its competitors have the majority of the wireless market -- 61%. T-Mobile has only 39%.

Assertion: "DT's T-Online has nearly 82% (4.5 million of 5.5 million) of German Internet subscribers and is already Europe's largest pan-regional ISP" (emphasis omitted).

Fact: According to Pyramid Alert, as of May 2000 T-Online served 56% of German Internet subscribers, while AOL served 26%. Dresdner Kleinwort Benson Research reported on October 30, 2000 that T-Online's share was 51%.

Assertion: ". . . Germany's nominally independent regulatory agency (RegTP) has not supported competitive carriers with pricing, collocation, unbundling, and interconnection on heavily favorable terms."

Fact: Many of RegTP's decisions have come down in favor of competitors and against DT. For example, RegTP lowered interconnection rates by 25% last year, and last month announced a further 23% reduction effective June 1, 2001; the new rates -- at fractions of a penny per minute -- are among the lowest in the world. And on November 15, 2000, RegTP ordered DT to provide all ISPs wholesale Internet access at a flat rate rate as of February 1, 2001. In addition, Germany was one of the first countries to unbundle the local loop; it did so at the same time the market was opened, January 1, 1998. Germany also provides number portability -- a key building block for local competition.

Assertion: "[T]he German Federal Republic also provides on-going financial support by serving as guarantor of almost EUR 32 billion of DT's liabilities."

Fact: Since DT became a private corporation on January 2, 1995, the government has not provided -- and by law may not provide -- any guarantee of the debts or liabilities of DT. Any debt incurred before DT was privatized is guaranteed by the German government, because at that time DT was a government entity. To remove that guarantee would require the consent of the holders of the debt instruments. In the five years since privatization, DT already has paid off about half of the debt that was outstanding at the time it was privatized; the remaining debt will be almost entirely paid off by 2004 under DT's scheduled payments.