

U.S. plans to ease foreign firms' entry into telecom market

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WASHINGTON (AP) Federal regulators unveiled a plan Tuesday that could make it easier for foreign companies to invest in U.S. telephone companies, broadcast stations and other telecommunications businesses.

The Federal Communications Commission's plan comes as the agency considers two high-profile cases: Whether ownership of Fox Inc. complies with federal foreign-ownership restrictions, and whether French and German telecommunications companies should be allowed a 20 percent stake in Sprint Corp., a long-distance phone company.

Scott Harris, chief of the FCC's International Bureau, said any changes will apply only to future deals. They could apply to the Sprint transaction, because the new rules are to be released in June and a decision on that deal is expected later.

Current rules prohibit foreign companies from taking more than a 25 percent stake in any U.S. telecommunications business. The FCC said it would solicit public comment on whether that level should be increased.

The proposal "liberalizes rules for foreign access to our market," Harris said.

Such a liberalization could prove a boon to NBC, which has been talking to several foreign investors including Sony. NBC is in a battle with Fox over the legality of Fox's ownership.

Congress, meanwhile, is considering repealing the foreign-ownership restriction. Opponents contend the rule is outdated and retards legitimate foreign investment.

In the Sprint deal, France Telecom and Deutsche Telekom are seeking FCC permission to take a 20 percent stake in the United States' third-largest long-distance phone company.

Rivals AT&T and MCI have objected, contending the deal shouldn't be approved until the French and Germans open their markets to U.S. companies.

Harris said the FCC's review of the foreign-ownership restriction was prompted by a dramatic increase in the number of global alliances in the telecommunications business, particularly in telephone and wireless communications markets.

Under the FCC proposal, the agency would add a two-part test to its procedures for reviewing foreign-ownership applications — something that could affect regulatory approval of the Sprint deal, telecommunications attorneys said.

If a foreign company wanted to invest in a U.S. phone company, the FCC would determine whether a U.S. company could do the same in the foreign investor's country. Then the FCC would determine whether other telecommunications markets like broadcast and wireless were

open in the same country.

The FCC said the test should provide an incentive to other countries to open their telecommunications and media markets to U.S. companies.

Fox's memo

On the Fox case, an internal memo released Tuesday showed that the company backed off a plan to restructure in 1990 because of worries that federal regulators might re-examine the company's compliance with foreign ownership restrictions.

The memo was included in thousands of pages of depositions and documents Fox has supplied to the Federal Communications Commission, which is investigating the company's ownership. In many markets, Fox is the fourth major TV network competing with long-dominant ABC, CBS and NBC.

Fox has maintained the legality of its ownership, saying all but 1 percent of the \$600 million used to purchase six key stations was put up by News Corp., which is based in Australia but controlled by Rupert Murdoch, a naturalized U.S. citizen.

Murdoch, who is Fox Inc. chairman, said he became a U.S. citizen in order to acquire the six stations.

According to the June 5, 1990, memo, Fox had been discussing changes to its corporate structure for tax purposes.

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14 Feb 1995

Dear Mr. Scott

Please listen to AT&T and MCI before you give away the store. We shouldn't allow any foreign company into our communications market until they equally open their markets to US competitors. It would be a complete give away if we allowed foreign companies in without an equal share of their market.

Joseph Melillo

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