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January 13, 2005

Ms. Gloria Blue
Executive Secretary, Trade Policy Staff Committee
Attn: Section 1377 Comments
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

*Re: Review Under Section 1377 Regarding
WTO Agreement on Trade in Services*

Dear Ms. Blue,

On behalf of Deutsche Telekom, I would like to respond briefly to the comments submitted by the Competitive Telecommunications Association (CompTel/ASCENT) and by the European Competitive Telecommunications Association (ECTA) regarding this year's review being undertaken by the Office of the United States Trade Representative ("USTR") pursuant to Section 1377 of the Omnibus Trade and Competitiveness Act of 1988.

It should be noted that the arguments raised by CompTel/ASCENT and ECTA are largely identical including in parts the wording used. In addition, these arguments -- specifically on mobile termination rates and provisioning of local access lines -- largely only repeat what had been claimed by CompTel/ASCENT in last year's 1377 proceeding.

Deutsche Telekom in the following paragraphs would therefore like to address only some of the allegations raised by CompTel/ASCENT and ECTA.

1. Ownership

First I would like to respectfully point out that both CompTel/ASCENT and ECTA seem to believe that the German government holds a direct and indirect ownership interest in Deutsche Telekom of 43%. This is not correct. As was widely reported in the international

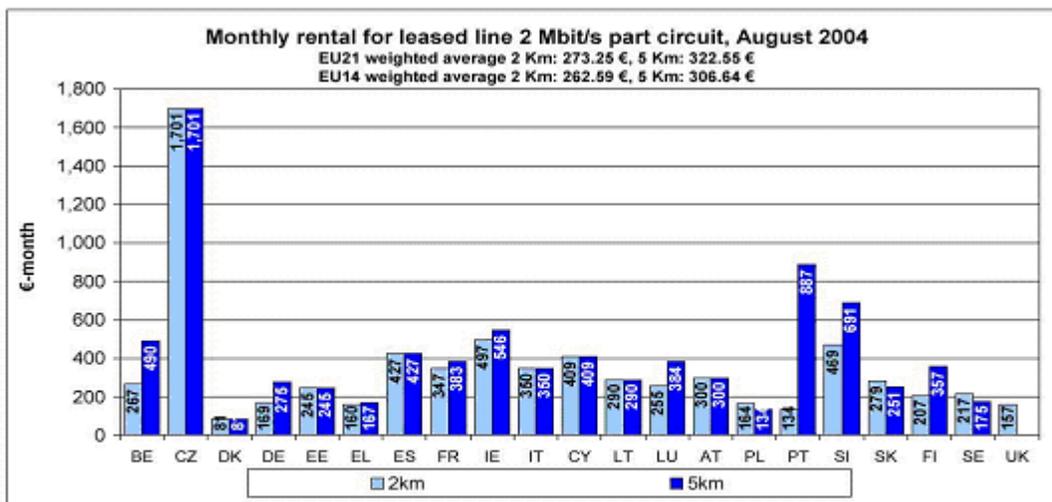
media during October and December of 2004, the Federal Republic of Germany has decreased its ownership interest to approximately 22,7 %. The Kreditanstalt für Wiederaufbau (or KfW), a public bank which is jointly owned by the German government and the German states, now holds approximately 15,3 %. Additional steps to reduce the government share as soon as market conditions permit have been announced by the German government.

2. Local Access Leased Lines

CompTel/ASCENT and ECTA claim that prices for local leased lines in Germany are among the highest in Europe. This is not true.

Deutsche Telekom respectfully submits the following charts and figures taken from the Annex 3 to the 10th Implementation Report on Electronic Communications Regulation and Markets (10th Implementation Report) published by the European Commission in December 2004.

Figure 38



Hungary, Malta: Data not available

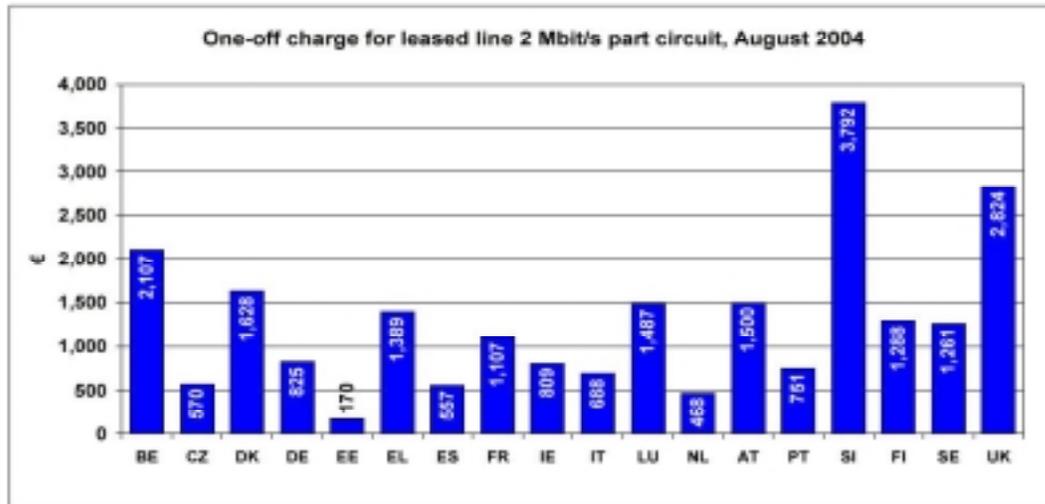
Latvia: IC circuits not offered

Lithuania: The price does not depend on the length of the line

The Netherlands: Price per local access (not per Km)

Source: European Commission, *European Electronic Communications Regulation and Markets 2004 (10th report) Annex 3*

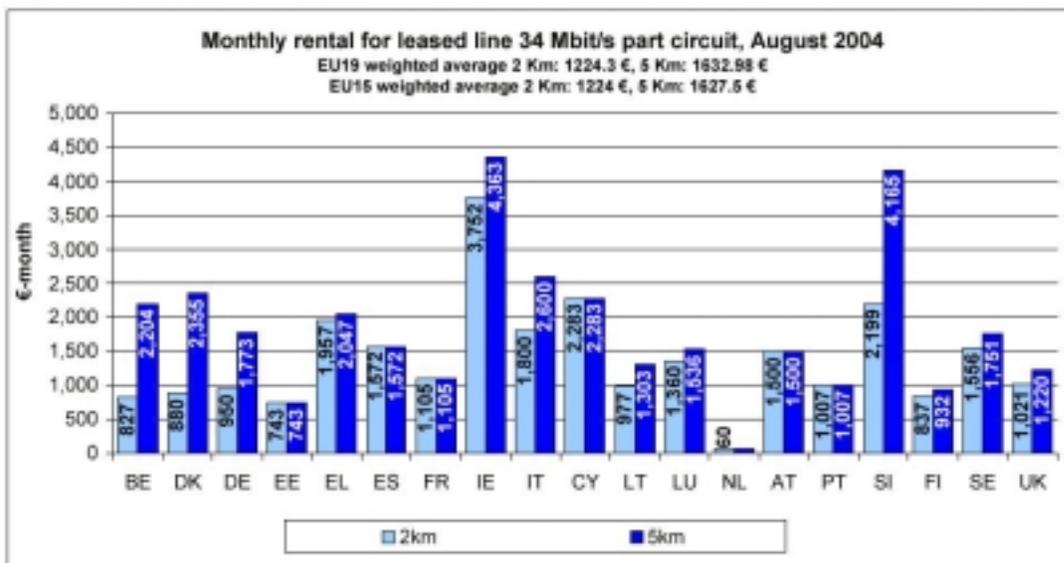
Figure 39



Denmark: Weighted average of the one-off connection costs
 Latvia: IC circuits not offered
 Cyprus, Lithuania, Hungary, Malta, Poland, Slovakia: Data not available

Source: European Commission, European Electronic Communications Regulation and Markets 2004 (10th report) Annex 3.

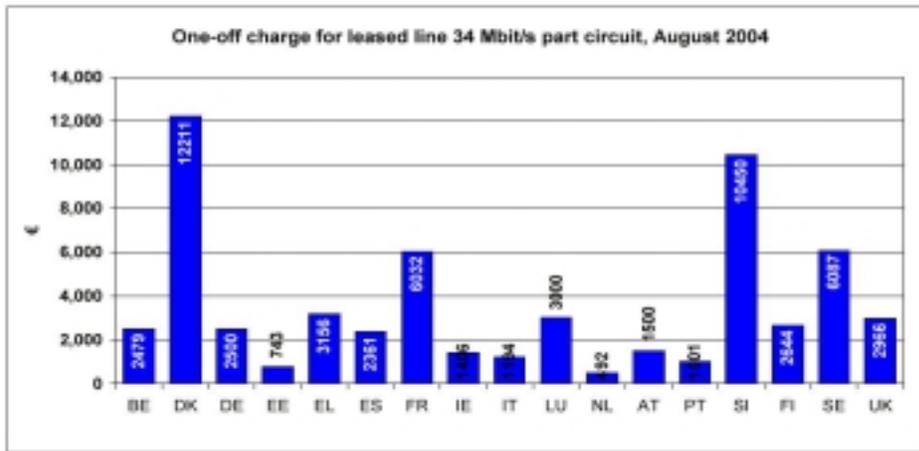
Figure 40



Czech Republic: Individual price
 Latvia: IC circuits not offered
 The Netherlands: Price excluding (local) fibre access. Fibre access charge is not regulated. Price in the Netherlands is an average of 2 times 34 Mbit/s in a 155 Mbit/s fibre access service and a 155 Mbit/s broadband access group.
 Hungary, Malta, Poland: Data not available
 Slovakia: 34 Mb/s IC circuits not available
 There is no 34 Mbit/s standard price offer in France

Source: European Commission, European Electronic Communications Regulation and Markets 2004 (10th report) Annex 3.

Figure 41



Denmark: Weighted average of the one-off connection costs
 There is no 34 Mbit/s standard price offer in France
 Price in the Netherlands is an average of 2 times 34 Mbit/s in a 155 Mbit/s fibre access service and a 155 Mbit/s broadband access group
 Czech Republic, Cyprus, Lithuania, Hungary, Malta, Poland: Data not available

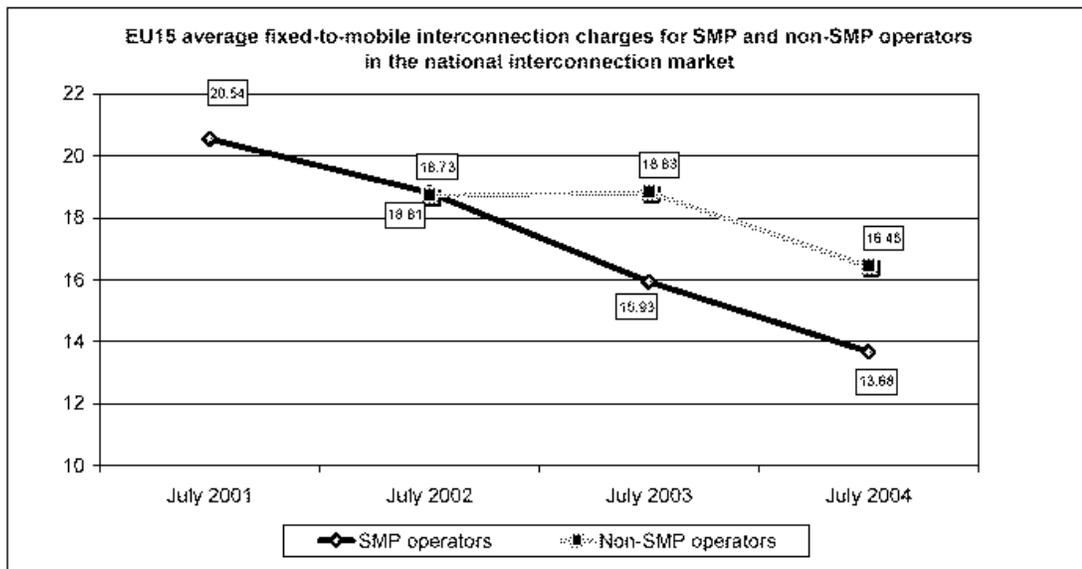
Source: European Commission, *European Electronic Communications Regulation and Markets 2004 (10th report) Annex 3.*

The numbers clearly show that prices for leased lines in Germany are nowhere near the highest in Europe. In fact, depending on the type of line, between 7 and 14 of the 17 measured countries have rates higher than those in Germany.

In this context, CompTel/ASCENT also raises concerns about an increased number of outages during working hours, likely due to maintenance work. Deutsche Telekom would like to point out that outages can happen for a number of different reasons not all of which are within the range of human control.

3. Fixed-to-Mobile Termination Rates

Deutsche Telekom would like to point out that mobile termination rates across the EU have continuously fallen over the past few years, due to effective competition in the wireless sector in Europe. This has been positively acknowledged in the 10th Implementation Report on Electronic Communications Regulation and Markets (10th Implementation Report) published by the European Commission in December 2004. For the period of one year only, the explicit decrease in price for mobile termination is true for both SMP operators (14%) but also for non-SMP operators (13%). They have on average fallen by 33% from 2001 to 2004 for operators assessed as having Significant Market Power and are continuing to fall. Average prices are expected to continue to decrease over the next few years.



Source: Commission services based on NRA data

Source: European Commission, *European Electronic Communications Regulation and Markets 2004 (10th report) Annex 3*.

Fixed to mobile termination rates in Germany are not “excessive” by any means. I would like to point out that German operators have agreed to an additional reduction of termination rates in December 2004, and that the weighted average termination charges in Germany are below the European average.

I hope this letter has fully addressed any concerns that you may have regarding Deutsche Telekom. If you wish to discuss any of the issues raised in this proceeding further, or if we at Deutsche Telekom can be of assistance in any way, please do not hesitate to call me.

Best regards,

Wolfgang Jakubek
 Managing Director
 Deutsche Telekom Inc., Washington Office

cc: Jonathan McHale
 Kenneth Schagrin