

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)	
)	
KDD America, Inc.)	
)	SCL-T/C-20000727-00028
Application for Authority to Transfer Control of)	
Cable Landing License to DDI Corporation)	
)	

MEMORANDUM OPINION AND ORDER

Adopted: November 15, 2000

Released: November 16, 2000

By the Associate Chief, Telecommunications Division, International Bureau:

I. Introduction

1. In this Order, we grant the Application¹ of KDD America, Inc. (KDDA) and DDI Corporation (DDI) (collectively “Applicants”) seeking authority to transfer control of a cable landing license held by KDDA to DDI.

2. On September 30, 1999, the Commission authorized KDDA and numerous other carriers, pursuant to the Cable Landing License Act,² and Executive Order No. 10530,³ to land and operate a common carrier submarine fiber optic cable system, called the TAT-14 Cable Network (TAT-14), extending between the United States, Denmark, Germany, the Netherlands, France, and the United Kingdom.⁴ KDDA held a 0.23046 percent ownership interest in TAT-14.⁵

3. KDDA is a New York corporation that provides both facilities-based and resold international telecommunications services to customers in the United States. KDDA is a wholly-owned subsidiary of KDD Corporation (KDD), a Japanese corporation. KDD is a provider of international

¹ See KDD America, Inc., Application for Authority to Transfer Control of Cable Landing License, File No. SCL-T/C-20000727-00028, filed July 27, 2000 (Application).

² An Act Relating to the Landing and Operation of Submarine Cables in the United States, 47 U.S.C. §§ 34-39 (Cable Landing License Act).

³ Exec. Ord. No. 10530 *reprinted as amended in* 3 U.S.C. § 301.

⁴ See *AT&T Corp., et al., Joint Application for a License to Land and Operate a Submarine Cable Network Between the United States, Denmark, Germany, the Netherlands, France and the United Kingdom*, File No. SCL-LIC-19990303-00004, Cable Landing License, DA 99-2042, (IB/TD, rel. Oct. 1, 1999).

⁵ See *id.* at Schedule B.

telecommunications services in Japan.⁶

4. KDD desires to merge with DDI, as part of a three-way merger between KDD, DDI, and IDO Corporation (IDO). Upon consummation of the proposed merger, DDI will own all of the issued and outstanding stock of KDD, which in turn owns all of the issued and outstanding stock of KDDA. In addition, DDI will own all of the issued and outstanding stock of IDO.⁷ Applicants assert that on April 5, 2000, KDD, DDI, and IDO executed a Merger Agreement whereby they proposed that each share of DDI will be issued to the shareholders of KDD in exchange for 92.1 shares of KDD, and each share of DDI will be issued to the shareholders of IDO for 2.9 shares of IDO.⁸

5. DDI, a publicly held Japanese corporation, provides primarily domestic long distance telephone service in Japan, but also provides international telephone service, leased circuit service, and data services such as Internet access and frame relay. Applicants assert that Kyocera Corp. (Kyocera), a Japanese corporation that manufactures electronic components, information/telecommunications equipment, and semiconductor parts, currently owns 25.16 percent of the equity of DDI.⁹ Applicants also assert that following the proposed merger, Kyocera will own 15.3 percent of the equity of DDI, and Toyota Motor Corp., a Japanese corporation, will own 13.29 percent of the equity of DDI.¹⁰

6. Through various subsidiaries, DDI offers cellular service and personal handyphone service (PHS), a service for telephones that function as cordless units at home and mobile units elsewhere.¹¹ One of DDI's subsidiaries, DDI Communications America Corporation (DDICA) holds a Section 214 authorization to provide global facilities-based and resale services from the United States.¹²

7. IDO, a Japanese corporation, provides cellular service in metropolitan and Tokai areas of Japan.¹³

8. The Commission, on September 15, 2000, granted Applicants' request for approval to transfer control of Section 214 authorizations held by KDDA from the shareholders of KDD to DDI, without prejudice to Commission action on this Application.¹⁴ On September 27, 2000, the Commission granted KDDA's request for Special Temporary Authority commencing October 1, 2000, to permit the

⁶ See Application at 1.

⁷ See *id.* at 2.

⁸ *Id.*

⁹ See *id.* at 2, 6.

¹⁰ See *id.* at 6.

¹¹ See *id.* at 2.

¹² See *id.* at 2, n.3.

¹³ See *id.* at 2.

¹⁴ The transfer of control was granted on a streamlined basis by Public Notice. See *International Authorizations Granted*, Report No. TEL-00289, DA 00-2150, Public Notice, File No. ITC-T/C-20000727-00498 (rel. Sept. 21, 2000).

transfer of control of the TAT-14 cable landing authorization held by KDDA to DDI.¹⁵

II. Discussion

9. We placed the Application on public notice on August 11, 2000.¹⁶ We received no comments. Pursuant to Section 1.767(b) of the Commission's rules,¹⁷ the Cable Landing License Act, and Executive Order No. 10530, we informed the Department of State of the request for transfer of control.¹⁸ The Department of State, after coordinating with the National Telecommunications and Information Administration and the Department of Defense, stated that it has no objection to approving the Applicant's request to transfer control of KDDA's interest in the TAT-14 cable system to DDI.¹⁹

10. Under Section 1.767(a)(8) of the Commission's rules, Applicants are required to disclose their affiliations with foreign carriers.²⁰ DDI has certified that it is a foreign carrier authorized in Japan to provide telecommunications services, and that it is also affiliated with various foreign carriers in Japan, Brazil, Paraguay, and Australia.²¹ DDI has also certified that, upon acquisition of KDD and KDDA, DDI (through KDDA) will provide international telecommunications services to Japan, where it is a foreign carrier, and that it also will control KDD, another foreign carrier in Japan.²² Japan, Brazil, Paraguay, and Australia are WTO member countries.²³ None of the landing points for TAT-14 are located in any of the countries where DDI has affiliates, and we see no reason to deny the Applicants' request to transfer control of KDDA's interest in the TAT-14 cable system to DDI on the basis of DDI's foreign affiliations.

11. Applicants assert that the approval of the transfer of control will serve the public interest in promoting competition in the United States by permitting KDDA and DDI to compete more effectively through combining their financial resources and complementary services, facilities, and expertise. Applicants further assert that the proposed merger will permit them to realize significant economic,

¹⁵ See Request for Special Temporary Authority Expedited Consideration Requested, File No. SCL-STA-20000919-00031 (granted Sept. 27, 2000).

¹⁶ See *KDD America, Inc. and DDI Corporation Seek FCC Consent to Transfer Control of International § 214 Authorizations and Cable Landing License; Foreign Carrier Notification Filed*, DA 00-1834, Public Notice, (IB/TD rel. Aug. 11, 2000).

¹⁷ 47 C.F.R. § 1.767(b).

¹⁸ Letter from George S. Li, Deputy Chief, Telecommunications Division, International Bureau, Federal Communications Commission, to Steven Lett, Deputy U.S. Coordinator, Office of International Communications and Information Policy, U.S. Department of State (Aug. 11, 2000).

¹⁹ Letter from Geoffrey W. Chapman, Acting United States Coordinator, International Communications and Information Policy, U.S. Department of State, to Donald Abelson, Chief, International Bureau, Federal Communications Commission (Nov. 6, 2000).

²⁰ See 47 C.F.R. § 1.767(a)(8).

²¹ See *id.* at 7.

²² *Id.*

²³ *Id.*

marketing, and technical service efficiencies that will enhance KDDA's ability to provide high-quality, low-cost competitive telecommunications services.²⁴

12. Upon consideration of the record in this proceeding, and in view of the foregoing, we conclude that grant of the transfer of control sought in the Application will serve the public interest and is consistent with the Cable Landing License Act.

13. We modify the initial authorization to reflect these transactions. We do not modify the initial authorization in any other respect.

III. Ordering Clauses

14. Consistent with the foregoing and pursuant to the Cable Landing License Act and Executive Order 10530, IT IS ORDERED that the Application, File No. SCL-T/C-20000727-00028, IS GRANTED, the transactions listed herein are authorized, and the TAT-14 Cable Landing License (File No. SCL-LIC-19990303-00004) IS HEREBY MODIFIED to reflect those transactions.

15. This Order is issued under Section 0.261 of the Commission's rules, 47 C.F.R. § 0.261, and is effective upon adoption. Petitions for reconsideration under Section 1.106 or applications for review under Section 1.115 of the Commission's rules, 47 C.F.R. §§ 1.106, 1.115, may be filed within 30 days of the date of public notice of this Order.²⁵

FEDERAL COMMUNICATIONS COMMISSION

Jacquelynn Ruff
Associate Chief, Telecommunications Division
International Bureau

²⁴ See *id.* at 3.

²⁵ See 47 C.F.R. § 1.4(b)(2).