

KELLEY DRYE & WARREN LLP

DOCKET FILE COPY ORIGINAL

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

1200 19TH STREET, N.W.

SUITE 500

WASHINGTON, D. C. 20036

(202) 955-9600

FACSIMILE

(202) 955-9792

NEW YORK, N.Y.

LOS ANGELES, CA.

MIAMI, FL.

CHICAGO, IL.

STAMFORD, CT.

PARSIPPANY, N.J.

BRUSSELS, BELGIUM

HONG KONG

AFFILIATED OFFICES

NEW DELHI, INDIA

TOKYO, JAPAN

RECEIVED

FEB 7 1997

February 7, 1997

Federal Communications Commission  
Office of Secretary

AILEEN A. PISCIOTTA

DIRECT LINE (202) 955-9771

**via Hand Delivery**

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Room 222  
Washington, D.C. 20554

96-261

Re: Notice of Proposed Rulemaking, IB Docket No. 96-26

Dear Mr. Caton:

As a courtesy to the Directorate General of Telecommunications, P&T, China, enclosed please find an five copies of their Initial Response in the above-referenced docket. The copy marked "original" is a facsimile; the original document is being sent directly to the Commission.

Sincerely,



Aileen A. Pisciotta

Enclosures

No. of Copies rec'd  
LIT 48008

022

ORIGINAL

Directorate General of Telecommunications, P&T, China  
13, West Chang An Avenue  
Zip: 100804  
Beijing, P.R.China

RECEIVED

FEB - 7 1997

Federal Communications Commission  
Office of Secretary

January 29th, 1997

Federal Communications Commission  
Chairman  
Mr. Reed Hundt  
1919M street, N.W.  
Washington DC. 20554 USA

Dear Mr. Reed Hundt,

The NPRM of benchmark settlement rates for international telephony service between the USA and other countries was issued by the Federal Communications Commission of the United States on December 19, 1996. The notice raises certain proposals concerning the issue of benchmark settlement rates and is seeking comments on those proposals.

It is a fundamental principle that the establishment of settlement rates should be based on bilateral consultation, which is supported and advocated by the International Telecommunications Union (Ref. Par. 6.2.1., International Telecommunications Regulations adopted by WATTC of ITU). China Telecom has always been adhering to the above principle in handling the issue of settlement rates. The principle of bilateral consultation, equality and mutual benefit is not only the sole resolution to the settlement rate problems, but also a fundamental rule accepted by countries around the world in settling international trade disputes. The stipulation of

"benchmark" settlement rates by the FCC unilaterally surpasses the power of the government of the u.s., goes contrary to international rules and constitutes a violation of the sovereign rights of other countries. This is unacceptable to China.

China Telecom supports the principle of cost-oriented settlement rates which is advocated by the ITU. However, this principle should be implemented gradually through bilateral negotiation. Any intention to impose a timetable made out unilaterally on other countries will prove to be a failure. As a matter of fact, the so called "transition period" set up by the FCC is not binding at all.

As you pointed out in the notice, the increasing settlement deficit of the United States telephony service resulted from the serious imbalance of the US inbound and outbound traffic volume. You should realize that, one important reason for the serious imbalance of traffic flows lies in that the US carriers are encouraged by the FCC to operate reversed-charging telephony service and call-back activity. Although your payment in international accounting is increasing, in fact, you are getting even more income from subscribers. Thus, it is unreasonable for you to blame foreign carriers for your settlement deficit. We believe it is also unacceptable to foreign carriers.

In a word, with regard to the problem of settlement rate, the principle of friendly consultation is the only resolution. Any intention to resolve this dispute by any unilateral decision or unilateral action will only complicate this situation. Also, such an attempt will be detrimental to the Sino-US telecommunications cooperation and development.

I wish the FCC would give up the attempt to impose the so called "benchmark" settlement rates on foreign carriers. In the meantime, I would like to take this opportunity to reaffirm that China Telecom will never accept any unilaterally stipulated "benchmark" settlement rates and "transition period". Also,

China Telecom will reserve the right to take certain countermeasures provided the FCC insists on doing so.

Sincerely yours,

Zhang Ligui,  
Director General

Directorate General of Telecommunications, P&T, China

张立贵 92-29/2

## CERTIFICATE OF SERVICE

I, Roberta Schrock, hereby certify that I have served a copy of the foregoing  
"Comments of Directorate General of Telecommunications, PT&T, China" on this 7th day of  
February, 1997, upon the following parties by hand delivery:

Donald Gips  
Chief, International Bureau  
Federal Communications Commission  
2000 M Street, N.W., Room 827  
Washington, D.C. 20554

Diane J. Cornell  
Chief, Telecommunications Division, International Bureau  
Federal Communications Commission  
2000 M Street, Room 838  
Washington, D.C. 20554

Peter Cowhey  
Chief, Multilateral and Development Branch  
Federal Communications Commission  
2000 M Street, Room 849  
Washington, D.C. 20554

Kathryn O'Brien  
International Bureau  
Federal Communications Commission  
2000 M Street, N.W., Room 822  
Washington, D.C. 20554

International Transcription Services  
1919 M Street, N.W., Room 246  
Washington, D.C. 20554

  
Roberta Schrock