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THE COMMUNICATIONS AUTHORITY OF THAILAND

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Honorable Reed E. Hundt
Chairman, Federal Communications Commission
Office of the Secretary
1919 M Street, N.W., Room 222
Washington, D.C. 20554
U.S.A.

Subject : Comments on NPRM of Benchmark
Settlement Rates of International Telephone Service
between U.S.A. and Other Countries

Dear Mr. Chairman,

The Communications Authority of Thailand (CAT) has duly noted Federal Communication's Notice of Proposed Rulemaking (NPRM), IB Docket No 96-261 concerning International Settlement Rates issued on December 19, 1996.

We realize that the Commission is much concerned on the increasing net outpayments from the United States to other countries. We also understand that cost-based accounting rate is a worldwide trend. However we would like to take this opportunity to state our following viewpoints and comments for your kind consideration thereof:

1. Accounting rates between Thailand and U.S.A. have declined over the past few years. Collection rates in Thailand have also decreased. However, traffic has become significantly imbalanced, due substantially to pricing practices and service offerings of U.S. carriers.

Therefore further aggressive reduction in accounting rates, without committant attention to other reasons for traffic imbalance will further aggravate rather than ameliorate the problem.

2. The Commission intends to move aggressively to lower the accounting rates through various means, including the setting up of the determined accounting rate benchmark.

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We deem that the Commission should base on all issues relating to the accounting rate system and how it functions before making such proposal. International settlements reflect not only the level of accounting rates but also the structure of the accounting rate i.e. the "direction" of payment does not always match the actual direction of the call as in the case of call back, international 800 and country direct services.

3. The proposed reforms are not justified to Thailand because the traffic imbalances causing outpayments by U.S. carriers to Thailand are not solely due to above-cost accounting rate. The U.S. carriers offered to foreign customers subsale rate below cost which created a situation where customers in non-U.S. networks were being offered services by U.S. resellers at rate with which the local administration could not compete. The U.S. consumers were unaware of this activity, were not affected by it in any way, and more importantly were not able to gain the benefit from the lower collection rate offered by the U.S. carriers, as they were strictly confining their below cost prices to customers with extremely large volumes.

The U.S. carriers also offered "two leg" or "third country calling" service which offer access from their target markets overseas to destinations beyond the U.S. The traffic initiated by callers in Thailand would be connected through call back to a switch in the U.S. and onward to any other country. Subsale rates were to be paid by the reseller to the U.S. carriers for both legs of calls. This action caused heavy imbalance in settlement.

The said resellings are successful because the sale below settlement has made it economical for traffic which normally would have been connected between the terminal countries to pass through the United States. Furthermore, the use of call back has resulted in this traffic being set up as two outgoing calls from the U.S. is severely distorting traffic balances. U.S. consumers are not involved, do not originate or receive any of the traffic concerned, and more importantly do not pay for it.

The outpayment by U.S. carriers includes income generated by the activities of the U.S. carriers, largely paid for by non-U.S. customers outside the United States.

4. The tariff components price method of setting up benchmark accounting rate is in lack of consideration of other countries' local call charge, network investment charge as well as other concerned charges. Apparently, local call charge demonstrated by the Commission is far below the cost in many countries. As in the case of Thailand only the national extension charge is US cents 23 per minute which is already higher than the Commission's determined accounting rate benchmark (US cents 19).

5. We would like to declare that accounting rate problems should be solved through bilateral or multilateral discussion instead of unilateral action of setting up benchmark of settlement rate and negotiating dead line. Like other international trade, the price of goods shall not be decided unilaterally. The Commission's proposal would infringe the right of sovereign nations to determine how their own telecommunication systems are to be developed.

6. CAT has a long and good relationship with U.S. carriers in providing the international telecom services. During the past few years, accounting rate with U.S. has continuously been reduced.

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In conclusion, we do not think that it is appropriate to decide the Settlement Rate and negotiating period unilaterally. The process of negotiating international accounting rates has been discussed and implemented under the aegis of the ITU, to which almost all countries are members. We do believe that an appropriate way would be to form a special group within the ITU to review international accounting rates and settlement practices, and to determine whether the current system may be replaced by a structure which more accurately reflects the tariff balances.

We therefore would like to confirm our belief once again that instead of setting accounting rate benchmark, the Commission should work within proper multilateral processes to address international settlement issues across a wide range of issues and with appropriate international participation.

We also emphasize that our comments or the Commission's reply comment on this issue shall not be deemed that the Commission's policy of settlement rate reform and sanction have an effect on CAT's performance since CAT is the state enterprise existing under laws of Thailand and the Commission's jurisdiction cannot interfere with the acknowledged sovereign right of Thailand to establish our own telecommunications policy.

Very truly yours,

(Aswin Saovaros)
President

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