

**ORIGINAL**

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

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In the Matter of )  
)

International Settlement Rates )  
\_\_\_\_\_ )

IB Docket No. 96-261

To: The Commission

DOCKET FILE COPY ORIGINAL

**COMMENTS OF  
TELEFÓNICA DEL PERÚ, S.A.**

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## SUMMARY

While Telefónica del Perú is committed to moving accounting rates toward cost and promoting competition, it is strongly opposed to the FCC's attempt to unilaterally impose accounting rates on carriers outside its jurisdiction. Telefónica del Perú urges the FCC to seek a negotiated, multilateral consensus on accounting rate reform through the auspices of the International Telecommunication Union.

Despite many obstacles, Peru has made significant progress developing its telecommunications infrastructure. In 1994, Peru privatized its two principal telephone companies, which were combined to create Telefónica del Perú. At that time, the telephone penetration rate in Peru was only 2.9 percent. As part of the concession agreement with the Peruvian Government, Telefónica del Perú agreed to modernize the existing network. Since the end of 1993, telephone penetration rates and number of access lines have more than doubled, and waiting time for telephone service has decreased from 70 months to 1.5 months.

Legislation adopted in 1994 provides that all local, long-distance, and international services are to be opened to competition by June 27, 1999. During the first two-and-a-half years following enactment of this legislation, the Peruvian government has rebalanced tariffs so that the rates for international voice switched services are aligned more closely with costs. As a result, several international carriers have already indicated that they plan on entering the Peruvian market by 1999.

Through bilateral negotiations with its U.S. correspondents, Telefónica del Perú has made significant progress in reducing accounting rates with U.S. carriers. If

AT&T accepts Telefónica del Perú's current accounting rate proposal, the accounting rate for all four U.S. carriers for the second half of 1997 will be a uniform \$1.18 per minute. This represents a 41 percent decrease from the \$2.00 rate in effect in 1991. Given Telefónica del Perú's historical commitment to lower accounting rates, it is clear that bilateral negotiations work and should be continued.

Telefónica del Perú is especially concerned by the FCC's proposal to adopt benchmarks for each country based on that country's "specific tariffed components price." Reliance on foreign country tariffs for the "components" is inappropriate. As is the case in the United States, tariffs in many countries do not reflect the actual cost structure of the underlying service. Application of the "component price" approach would have a particularly harsh effect on Peru. Under this approach, the accounting rate between the United States and Peru would be 16.1 cents per minute, which is lower than the accounting rate between the United States and France (17.5 cents), Germany (19.8 cents), or Switzerland (20.6 cents) -- countries in which the GNP per capita is between six and eighteen times higher than in Peru.

Because the accounting rate issue affects all of the countries of the world, the only appropriate means to adopt comprehensive accounting rate reform is through multilateral consensus. Telefónica del Perú therefore supports -- and urges the FCC to participate in -- multilateral negotiations regarding the accounting rate issue. Telefónica del Perú believes that the ITU would be the appropriate forum for such multilateral negotiations. Such negotiations should build on the foundation established by ITU Recommendation D.140.

In particular, Telefónica del Perú believes that any international agreement regarding the international accounting rate regime must recognize that no country may interfere in the on-going contractual relationships between carriers in its own country and carriers in other countries. Any international agreement also must provide for accounting rates that reflect the higher costs in developing countries, and must allow for a flexible transition period for the implementation of more cost-oriented accounting rates that reflects each country's unique political and economic characteristics.



**I. PERU IS COMMITTED TO LOWERING ACCOUNTING RATES AND PROMOTING COMPETITION, WHILE DEVELOPING ITS INFRASTRUCTURE**

**A. Telefónica del Perú is Working to Develop Its Telecommunications Infrastructure**

In the last years of the 1980s, Peru's economy deteriorated dramatically, suffering hyperinflation and a rapid decline in GNP. During the first few years of the Nineties, a stabilization and restructuring program was launched which reversed this economic trend and fostered development. Despite the improvements that have taken place in its economy over the past six years, Peru remains as a poor country. The estimated per-capita income for 1996 is only US\$2,100. In 1995, approximately 45 percent of Peru's 23 million inhabitants lived in poverty, with more than 19 percent being in extreme poverty. The challenge in the telecommunications sector is daunting. Installing telecommunications infrastructure in Peru is especially problematic given Peru's harsh topography. The Andes mountains cover more than 25 percent of Peru's territory and a substantial portion of the remainder is located within the Amazon jungle.

Despite these obstacles, Peru has made significant progress developing its telecommunications infrastructure. On May 15, 1994, Peru sold management control in its two principal telephone companies, CPT and ENTEL, to Telefónica Internacional. Telefónica Internacional subsequently merged the two companies and named the new entity Telefónica del

Perú.<sup>2</sup> At the time Telefónica del Perú was privatized, the telephone penetration rate in Peru was only 2.9 percent.<sup>3</sup> The waiting time to receive service was at least two years and, in the capital city of Lima, only 60 percent of the people who wanted phone service were able to obtain it. At the beginning of 1993, only one-third of local telephone exchanges in Perú had fully digital switches. As part of its concession agreement with the Peruvian Government, Telefónica del Perú agreed to modernize the existing network.<sup>4</sup>

Telefónica del Perú's modernization program is accelerating and beginning to bear fruit. Between 1994 and 1996, annual infrastructure investment has more than tripled, from US\$214 million to US\$680 million. Since the end of 1993, telephone penetration rates and number of access lines have more than doubled, and waiting times for phone service have decreased from 70 months to 1.5 months. These improvements are displayed below.

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<sup>2</sup> The Government of Peru retained a majority equity interest in Telefónica del Perú (65%) until July 1996. Since then it has held only 2.00%. The shares were sold to private investors: 74% to international investors (300 Investment Funds, mainly U.S.-based) and 26% to national investors (50 big Peruvian private institutions and 263,000 small national investors).

<sup>3</sup> In 1996, the penetration rate increased to 6 percent. While an improvement, this rate is still far below the United States' penetration rate of 94 percent.

<sup>4</sup> Specific commitments included agreeing to install 1.2 million new lines by the year 2000, while replacing some 200,000 existing lines. Telefónica del Perú has already installed more than 1 million new lines and replaced more than 200,000 existing lines. By 2003, Telefónica del Perú agreed to install an additional million new lines, which should increase telephone subscribership to around 9 percent. Other commitments included: (1) reducing waiting times for telephone service to 90 days for 80 percent of customers by 1998; (2) increasing the percentage of telecommunications network that is digitized from its current 60 percent to 92 percent by 1999; and (3) tripling the number of payphones so that all villages of at least 500 persons has a payphone. Telefónica del Perú has fulfilled the first two commitments ahead of schedule and will fulfill the last commitment on Schedule.

	1993	1994	1995	1996
Telephony Density				
• Lines in Service/100 inhabitants	2.9	3.4	4.7	5.9
• Installed Capacity/100 inhabitants	3.4	3.8	5.6	7.4
Service Access				
• Waiting List	308,247	280,177	136,535	44,817
• Waiting Average Time (months)	70	33	5	1.5
• Installed Lines	753,987	870,669	1,309,908	1,764,809

The improvements in the Peruvian telecommunications infrastructure have directly benefitted U.S. consumers. For example, between 1993 and 1996, the percentage of calls from the U.S. to Peru that were completed and answered rose from 35 percent to 51.5 percent.

#### **B. Peru is Committed To a Competitive Telecommunications Market**

In 1994, the Peruvian Congress enacted Public Law No. 26258, entitled the "Constitutional Development Law for Gradual Demonopolization of the Telecommunications Sector." This law provides that local, long-distance, and international services will be opened to competition on all levels by June 27, 1999.

During the first two-and-a-half years of this transition period, the Peruvian government has initiated a tariff rebalancing program aimed at reducing the rates for international voice switched services so that they are aligned more closely with costs. As a result of the tariff rebalancing, several international carriers have already indicated that they plan on entering the Peruvian market by 1999. For example, BellSouth this year acquired a controlling interest (58.69%), in Tele 2000 (formerly Telemóvil) through a tender offer. Tele

2000, through subsidiary companies that it fully controls, provides cellular phone service, payphone service, data transmission, TV Cable, and paging services. BellSouth has clearly stated its plans to transform Tele 2000 into a full service carrier, offering both landline and wireless telecommunications services.

**C. Telefónica del Perú Has Significantly Lowered Accounting Rates**

Through bilateral negotiations with its U.S. correspondents, Telefónica del Perú has made significant progress in reducing accounting rates with U.S. carriers. In 1991, the applicable ENTEL-AT&T accounting rate was \$2.00 per minute for the first 22 million minutes of traffic and \$1.20 per minute for each additional minute. By February 1994, when Telefónica Internacional purchased a controlling interest in the company, the ENTEL-AT&T rate had been reduced to \$1.40 per minute. Since its privatization, Telefónica del Perú has continued to lower accounting rates with AT&T. The relevant accounting rate was reduced to \$1.30 per minute effective July 1994, and Telefónica del Perú has proposed to further reduce the rate to \$1.18 per minute by July 1997.<sup>5</sup>

Telefónica del Perú also has consistently worked to lower its accounting rates with MCI. In 1991, the applicable ENTEL-MCI accounting rate was \$2.00 per minute. By February 1994, the effective accounting rate had been reduced to \$1.40 per minute. The accounting rate subsequently was reduced to \$1.30 per minute effective October 1994. Beginning in January

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<sup>5</sup> Telefónica del Perú has proposed reducing the accounting rate to \$1.26 per minute effective January 1, 1996, \$1.23 per minute effective July 1, 1996, \$1.20 per minute effective January 1, 1997, and \$1.18 per minute effective July 1, 1997. To date, AT&T has rejected Telefónica del Perú's offers. Negotiations between the parties continue.

1996, Telefónica del Perú and MCI accelerated their efforts, agreeing to reduce the accounting rate from \$1.30 per minute to \$1.18 per minute over an 18 month period.<sup>6</sup>

Telefónica del Perú also has lowered its accounting rates with Sprint and WorldCom. In 1991, ENTEL's effective accounting rate with both Sprint and WorldCom stood at \$2.00 per minute. Sprint and WorldCom have agreed to accounting rates for 1996 and 1997 that are equal to those agreed to by MCI and offered to AT&T. If AT&T accepts Telefónica del Perú's proposal, the accounting rate for all four U.S. carriers for the second half of 1997 will be a uniform \$1.18 per minute. This represents a 41 percent decrease from the \$2.00 rate in effect in 1991.<sup>7</sup> Given Telefónica del Perú's historical commitment to lower accounting rates, it is clear that bilateral negotiations work and should be continued.

## **II. THE FCC SHOULD NOT ADOPT THE PROPOSALS CONTAINED IN THE NOTICE**

### **A. The FCC Does Not Have Jurisdiction Over Carriers Outside the United States**

This proceeding is not about whether accounting rates should be further reduced. There is an international consensus -- which Telefónica del Perú shares -- that accounting rates should continue to move towards cost. This proceeding is about how such reductions should be achieved. The FCC seeks to unilaterally impose its views on carriers throughout the world. Specifically, the agency asserts the right to adopt total service long-run incremental cost as the

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<sup>6</sup> The negotiated accounting rates for this period are \$1.26 per minute effective January 1996, \$1.23 per minute effective July 1996, \$1.20 per minute effective January 1997, and \$1.18 per minute effective July 1997.

<sup>7</sup> This figure does not reflect the effect of inflation during the 1991-97 period.

standard for all international accounting rates. If foreign carriers do not promptly adopt accounting rates based on this standard, the FCC proposes to order U.S. carriers to breach their accounting rate agreements and, instead, to make settlements payments at a rate prescribed by the FCC.<sup>8</sup> The FCC also continues to contend that it has the right to retroactively prescribe the accounting rate between the U.S. and another country for prior periods, and require that carriers outside the United States refund revenues paid to them under the effective operating agreements in effect during those periods.<sup>9</sup>

The FCC takes the position that such actions are entirely within its jurisdiction because it is seeking to do no more than to regulate the practices of U.S. carriers.<sup>10</sup> This argument cannot be sustained. U.S. carriers and their foreign correspondents have entered into accounting rate agreements, which give foreign carriers the right to receive payments from their U.S. correspondents at specified rates. The FCC has expressly stated that, in certain circumstances, it will deprive foreign carriers of the ability to obtain those payments. There is absolutely no way that the FCC can invalidate the terms of a bilateral accounting rate agreement without exercising jurisdiction over both the U.S. carrier and its foreign correspondent. The

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<sup>8</sup> Notice ¶ 89. Such rates may be "at or below" the benchmark established by the FCC, rather than at the "negotiated rate." Id.

<sup>9</sup> See id. ¶ 90 n. 84 (citing AT&T Corp., MCI Telecommunications Corp., Sprint, and LDDS WorldCom Petitions for Waiver of the International Settlements Policy to Change the Accounting Rates for Switched Voice Service with Peru, DA 96-696 (rel. May 7, 1996) and AT&T Corp. and MCI Telecommunications Corp., Petition for Waiver of the International Settlements Policy to Change the Accounting Rate for Switched Voice Service with Bolivia, DA 96-714 (Rel. May 7, 1996).

<sup>10</sup> See id. ¶ 19.

FCC, however, has no authority whatsoever over carriers outside the United States. The agency, therefore, is powerless to abrogate those carriers' contractual rights.<sup>11</sup>

Indeed, any effort by the FCC to order a U.S. carrier to breach its contractual obligations would violate Articles 1.5 and 6.2.1 of the International Telecommunication Union ("ITU") Regulations, which are binding on the United States.<sup>12</sup> Article 1.5 makes clear that "the provision . . . of international telecommunications services" must be pursuant to mutual agreement between administrations [or recognized private operating agencies ("RPOAs")].<sup>13</sup> Article 6.2.1, moreover, expressly states that, "[f]or each applicable service in a given relation, administrations [or RPOAs] shall by mutual agreement establish and revise accounting rates to be applied between them . . . ." The FCC's proposal -- which would require U.S. carriers to unilaterally breach the terms of their accounting rate agreements and settle traffic at rates

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<sup>11</sup> See Regents of the University System of Georgia v. Carroll, 338 U.S. 586 (1950) ("We do not read the Communications Act to give authority to the Commission to determine the validity of contracts between [entities subject to its jurisdiction] and others.") see also Comments of the National Telecommunications and Information Administration, Regulation of International Accounting Rates, CC Docket No. 90-337 at 17 (filed Oct. 12, 1990) ("Foreign governments . . . maintain independent sovereign authority over the foreign end of a call. . . . [T]he Commission cannot compel foreign entities to accept accounting rates prescribed by the Commission for U.S. carriers . . . .").

<sup>12</sup> See International Telecommunication Convention, Final Protocol (Nairobi, 1982) ("Nairobi ITU Convention"); Via USA Ltd., et al. 10 FCC Rcd 9540, 9550 n.44 (1995) ("Via USA Recon Order") ("[T]he 1982 Nairobi Convention . . . binds the United States as a matter of both international and domestic law."). Pursuant to the Nairobi ITU Convention, the U.S. Government is bound by the Regulations promulgated by the ITU. Nairobi ITU Convention, Art. 42(1)-(2) & Art. 44; see also Via USA Recon Order at 9551 & n.49 ("The United States, as a party to the 1982 Nairobi Convention and to the [ITU Regulations], is subject to the obligations imposed by these instruments.").

<sup>13</sup> ITU Regulations, Art. § 6.2.1 (emphasis added).

unilaterally imposed by the FCC -- would directly violate the requirement that changes to accounting rates be made "by mutual agreement."

Recommendation D.140, on which the FCC relies, is fully consistent with this approach. Indeed, Annex C to Regulation D.140, which was adopted in 1995, emphasizes that Member Countries are to use "bilateral negotiations to . . . revise accounting rates." The Annex goes on to specify detailed procedures for the conduct of these negotiations. In particular, the Annex states that if the parties cannot agree on a rate, the appropriate response is not unilateral action, but continued negotiations.

The only case cited by the FCC, the 1942 district court decision in RCA Communications v. United States,<sup>14</sup> does not support the proposition that the FCC may order a U.S. carrier to breach the terms of its accounting rate agreements with its foreign correspondents and settle traffic at FCC-specified rates. To the contrary, the court in RCA expressly recognized that any change in accounting rates would require "the consent of the company or administration which operates the other end of the jointly operated circuit, subject to the consent of its government."<sup>15</sup> What was true in 1942 remains true today. The FCC cannot unilaterally impose international accounting rates on carriers outside its jurisdiction.

**B. The FCC's Proposals Ignore the True Causes of the Traffic Imbalance**

The FCC has expressed considerable concern regarding the current level of accounting rates, and the adverse effect that this allegedly is having on U.S. consumers. Yet,

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<sup>14</sup> 43 F. Supp. 851 (S.D.N.Y. 1942).

<sup>15</sup> RCA, 43 F. Supp. at 853.

current accounting rate levels are not the sole cause of the high rates in the United States for international calls. According to the Notice, the average rate for an international call from the United States is 99 cents per minute.<sup>16</sup> The Notice also indicates, however, that only about one-third of the rate -- 36.5 cents -- is the result of settlements payments made by U.S. carriers to their foreign correspondents.<sup>17</sup> This suggests that the lack of full competition in the U.S. outbound international telecommunications market -- rather than high accounting rates -- is the primary cause of the high collection rates in the United States.

In addition, policies adopted by the FCC itself have contributed to the settlements deficit. As a result of the growth of international call-back -- which the FCC has strongly supported -- traffic that would have resulted in settlements payments being made to carriers in the United States instead generates settlements payments from carriers in the United States.<sup>18</sup> Third-country calling, which the FCC also has fostered, has had an even more significant effect: use of this call-back configuration results in U.S. carriers making two settlements payments in order to "patch together" a call from one non-U.S. country to another.

The FCC also has permitted U.S. carriers to engage in call re-origination. This practice allows a carrier to route traffic from one non-U.S. country to another non-U.S. country through the United States. As a result of re-origination, a call that would have completely bypassed the United States is converted into a call from the originating country to the United States, and a second call from the United States to the terminating country, thereby generating

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<sup>16</sup> Notice ¶ 9.

<sup>17</sup> See id. ¶ 26.

<sup>18</sup> See Via USA, Ltd., et al. 9 FCC Rcd 2288 (1994), on recon., 10 FCC Rcd 9540 (1995).

an accounting rate out-payment. The FCC was asked to rule on the legality of this practice in 1995, but has yet to issue a decision.<sup>19</sup>

**C. The FCC's Proposed Approach Would Have Serious Adverse Effects on Peru**

As described in Part I, Telefónica del Perú has undertaken significant responsibilities to upgrade the Peruvian telecommunications infrastructure. Telefónica del Perú has fulfilled these responsibilities, while making tangible progress on moving accounting rates towards cost. Rather than supporting these efforts, however, the FCC's policies to date have imposed a severe financial hardship on the company.<sup>20</sup>

The Notice suggests that reducing accounting rates would "increase revenues for U.S. and foreign carriers" by stimulating demand for international services.<sup>21</sup> Whatever effects accounting rate reductions may have on U.S. demand, however, the FCC provides no reason

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<sup>19</sup> See MCI Telecommunications Corp., "Petition for Declaratory Ruling," Sprint Communications Co., L.P. -- Reorigination of International Telecommunications Traffic (filed Jan. 27, 1995).

<sup>20</sup> On May 7, 1996, the FCC's International Bureau issued an order that directed U.S. carriers that have operating agreements with Telefónica del Perú to retroactively reduce the rates at which they settled traffic with the company during 1995. As a result, two U.S. carriers (Sprint and WorldCom) were required to seek to recover from Telefónica del Perú more than \$1.5 million that they had paid pursuant to the terms of their operating agreements with the company. In order to "recover" these funds, the U.S. carriers withheld payments owed to Telefónica del Perú under the terms of their effective operating agreements for services rendered in 1995 and 1996. Telefónica del Perú filed an application for review of the Bureau's order on June 20, 1996. The FCC has yet to act on this application.

The FCC has compounded the challenges facing Telefónica del Perú by allowing -- and, perhaps, encouraging -- AT&T's refusal to make payments at the same non-discriminatory rates agreed to by the other U.S. carriers.

<sup>21</sup> Notice ¶ 10 (emphasis added).

to believe that elasticities of demand are constant across all cultures and levels of economic development. To the contrary, it is far more likely that demand for telecommunications services is significantly less price-elastic in a poor country like Peru. As a result, rapid, drastic reductions in accounting rates are almost certain to reduce the total revenues of carriers such as Telefónica del Perú, thereby impairing their continued ability to develop their infrastructure.

Telefónica del Perú is especially concerned by the FCC's proposal to "adopt benchmarks for each country based on that country's specific tariffed components price."<sup>22</sup> Reliance on foreign country tariffs for the "components" is inappropriate. As is the case in the United States, tariffs in many countries do not reflect the actual cost structure of the underlying service. Some services may be priced above cost to generate subsidies, while others may be priced below cost to promote widespread use. The FCC has no basis on which to assume that these tariffs provide a reliable indication of the cost of terminating international calls in any given country.

Application of the "component price" approach would have a particularly harsh effect on Peru. According to the FCC's analysis, the tariffed component price for services in Perú is only 16.1 cent per minute. As a result, under this approach, the accounting rate between the United States and Peru would be lower than the accounting rate between the United States and France (17.5 cents), Germany (19.8 cents), or Switzerland (20.6 cents) -- countries in which the GNP per capita is between six and eighteen times higher than in Peru.

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<sup>22</sup>

Id. ¶ 54.

**D. The FCC Should Participate in Efforts to Develop a "Multilateral Consensus" on Accounting Rate Reform**

In the Notice, the FCC claims that it supports a "multilateral consensus" on accounting rate reform, and the efforts of multilateral organizations such as the ITU.<sup>23</sup> Yet, as demonstrated above, the FCC's proposals are the very opposite of multilateral: the agency seeks to unilaterally impose its policies on the rest of the world.

Telefónica del Perú fully supports efforts to move accounting rates to cost. Because this issue affects all of the countries of the world, however, the only appropriate means to adopt comprehensive accounting rate reform is through multilateral consensus. Telefónica del Perú therefore supports -- and urges the FCC to participate in -- multilateral negotiations regarding the accounting rate issue. Telefónica del Perú believes that the ITU would be the appropriate forum for such multilateral negotiations. Such negotiations should build on the foundation established by ITU Recommendation D.140.<sup>24</sup>

Telefónica del Perú believes that the following principles should provide the basis for any multilateral agreement on accounting rates.

**Respect for Sovereignty.** Any change in the international accounting rate regime must be the result of agreement among the participating countries. No one country -- regardless

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<sup>23</sup> Id. ¶ 17.

<sup>24</sup> One possibility, which has been widely discussed within the ITU, would be for each country to establish a cost-based call-termination fee -- which would be charged to any country that terminated traffic.

of its economic strength -- should be able to dictate the terms and conditions of international correspondence to other countries.

**Non-Interference in Commercial Agreements.** No country should interfere in the effective agreements between carriers in its own country and carriers in other countries. In particular, no country should order a carrier subject to its jurisdiction to breach the terms of its operating or accounting agreements, or to make settlements payments on any terms other than those specified in the controlling agreements.

**Cost-Based Rates.** Recommendation D.140 provides that accounting rates should be "cost-orientated." This standard differs, in a potentially significant manner, from the pure incremental cost model proposed by the FCC. For example, Annex A of Recommendation D.140 expressly states that a portion of the administration, management, research, development, and taxation costs should be recovered through settlements payments.<sup>25</sup>

Recommendation D.140 also states that, "the costs incurred in providing telecommunications services, although based on the same components, may have a different impact depending on the country's development status."<sup>26</sup> Implementation of this principle requires all parties to recognize the fundamental differences in cost structure between developing

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<sup>25</sup> See ITU Recommendation D.140, "Accounting Rate Principles for International Telephone Services," Annex A.2.2 (Approved Sept. 28, 1995) ("Recommendation D.140).

<sup>26</sup> Id. at Preamble (b); see also Final Acts of the Plenipotentiary Conference of the International Telecommunication Union, Recommendation 3 (Kyoto 1994) ("[D]eveloped countries [should] take into account requests for favorable treatment made by developing countries in service, commercial, or other relations in telecommunications.").

countries, such as Peru, and industrialized nations, such as the United States. For example, because the telecommunications network is highly developed in the United States, the incremental cost of terminating additional international traffic is probably relatively low. In contrast, in a country like Peru -- which long had an extremely poor infrastructure, but which is rapidly developing it -- the incremental cost of terminating additional international traffic is likely to be far higher.

In light of these cost differences, it may be appropriate to implement a system of asymmetrical settlements payments. Under this approach, in any given bilateral relation, the carrier in the more developed country would be required to pay a higher rate to terminate traffic in a less developed country, while the correspondent from the less developed country would be able to terminate the return traffic at a lower rate.

**Transition Period.** The length of the transition period to cost-based accounting rates must be clearly established. The current version of ITU Recommendation D.140, which was adopted in 1995, proposes a five year transition period, which would conclude in the year 2000. This deadline supersedes the 1997 deadline specified in the earlier version of Recommendation D.140, on which the Notice erroneously relies.<sup>27</sup> Any effort to determine the appropriate transition period, moreover, should take into consideration the full range of relevant factors in each country. This includes not only the country's level of economic development, but the regulatory regime, the progress being made in rate rebalancing, and the commitment to an open and competitive market.

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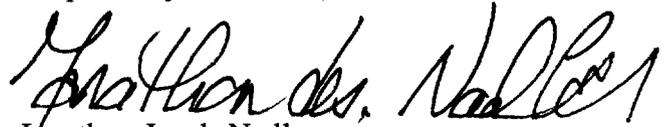
<sup>27</sup>

See Notice ¶ 58.

**CONCLUSION**

For the foregoing reasons, the FCC should not adopt the proposals contained in the Notice. Instead of seeking to unilaterally impose its policies on carriers outside its jurisdiction, the FCC should participate in multilateral negotiations, under the auspices of the International Telecommunication Union, that will promote efforts to move accounting rates towards cost.

Respectfully submitted,



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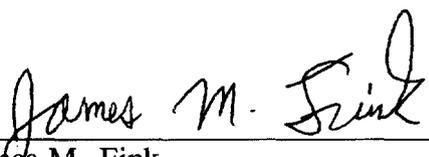
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February 7, 1997

## CERTIFICATE OF SERVICE

I, James M. Fink, do hereby certify that on this 7th day of February, 1997, I have caused a copy of the foregoing "Comments of Telefónica del Perú, S.A." in IB Docket No. 96-261 to be served by hand to the persons listed below.

  
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