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February 10, 1997

<u>via Hand Delivery</u>

RECEIVED

FEB 10 1997

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

Re: Notice of Proposed Rulemaking, IB Docket No. 96-261

Dear Mr. Caton:

Enclosed please the original signature copy of Telecom Vanuatu Limited's Comments in the above-referenced docket. Please associate this document with the facsimile copy marked "original" which was filed with the Commission on February 7, 1997.

Sincerely,

Philip V. Permut

Philip V. Permut

Enclosures

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TELECOM VANUATU LIMITED

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06 February 1997

Honourable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Mr Chairman,

NOTICE OF PROPOSED RULEMAKING (NPRM)

Introduction
The Federal Communications Commission (FCC) has recently published a notice of proposed rulemaking regarding benchmarks for international settlement rates. Although the NPRM states that the FCC's intent is to address itself only to US carriers and not to foreign correspondents, the clear intent is to dictate to non-US carriers and their governments the rates that they may charge for access to and use of their networks.

In the NPRM the FCC have given their reasons for this proposed action as that the traditional accounting rate system results in settlement rates which are above cost resulting in inefficiencies in the global telecommunications market.

The FCC's stated objective is to align settlement rates more closely to costs and have produced arbitrary benchmarks based on US cost profiles which they wish to apply to foreign carriers.

Telecom Vanuatu Limited is licensed by the Government of the Republic of Vanuatu to exclusively provide, operate and develop the Public Telecommunication System of Vanuatu and to exclusively provide Public Telecommunication Services in Vanuatu or to or from any destination outside the Republic.

Telecom Vanuatu Limited strongly opposes the tactics adopted by the FCC which it believes are contrary to the fundamental precepts of the international telecommunications regime and conventions and regulations of the ITU. It is the firm belief of Telecom Vanuatu Limited that it is the sovereign right of each government to determine its own telecommunications policy.

Developing Countries

Pacific Island Countries differ from one another in their potential for economic development, their political and economic philosophies and in the size of their national and international markets. However, they all have teledensities far below the levels of the US and Western Europe and comprise remote rural communities, often separated by large areas of open sea, where the inhabitants have little more than a subsistence level existence. These nations rely heavily on the cross-subsidisation of revenue from international traffic to develop their national networks and progress towards achieving universal service. Governments therefore have a legitimate right to impose a large proportion of the cost of their social telecommunications policy objectives on the international sector.

The US, UK and other industrialised countries cross-subsidised the development of their national telecommunications infrastructure from international revenue for many years until their markets reached maturity and the time was considered right to introduce competition and rebalance tariffs in their telecommunications sector.

The markets of the Pacific Island Countries are many years from maturity and it is therefore unrealistic for the FCC to apply the same principles to them as to industrialised and liberalised markets.

Benchmarks

The FCC seeks to impose cost benchmarks which are, by its own admission, even in the US inevitably imperfect. This undermines the ongoing work of the CCITT and unilaterally dictates to overseas carriers a cost profile that only they can know.

Telecom Vanuatu Limited is committed to support ITU Recommendation D.140 in moving towards cost oriented accounting rates and it is presumptuous for the FCC to attempt to unilaterally establish cost benchmarks based on US cost profiles.

Alternative Calling

One stated objective of the NPRM is to reduce the large outpayments being made by US carriers to distant administrations. However, the large traffic imbalances which account for these outpayments have been generated by the actions of the US carriers themselves. The Home Direct services operated by AT&T, MCI and Sprint effectively reverse the flow of traffic.

The practice of 'third country calling' was also pioneered by US carriers and diverted traffic from traditional direct international routes to switching it through the US by setting up two outgoing calls from the US and linking them together.

More recently, traffic balances have been affected by US hosted callback and refile.
It is unreasonable for the FCC to attempt to arbitrarily reduce settlement rates because the traffic imbalances, which are the basis for their reasoning, have been brought about by the actions of the US carriers.

Conclusion

Telecom Vanuatu Limited fully supports the ITU in the introduction of cost oriented accounting rates which will over time lead to a reduction in settlement charges, but strongly opposes the action of the FCC to impose unilaterally-established benchmarks with the threat to deny US carriers permission to settle at rates above these benchmarks.

Telecom Vanuatu Limited believes that it is the right of each nation to determine the cost of terminating traffic on its network and that charges resulting from these costs should continue to be agreed bilaterally with correspondent administrations according to ITU Recommendations.

Yours faithfully,

Philip J. Richards
Managing Director

cc: The Honourable Charlene Barshefsky
U.S. Trade Representative (Acting)
Winder Building
600 Seventeenth Street, N.W.
Washington, D.C. 20506

The Honourable Demis Lango
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