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March 5, 1997

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

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FCC MAIL ROOM

In the matter of)
) IB Docket No. 96-261
International Settlement Rates)

To : The Commission

REPLY COMMENTS OF CHUNGHWA TELECOM ON
NPRM OF BENCHMARK SETTLEMENT RATES OF
INTERNATIONAL TELEPHONE SERVICE BETWEEN USA
AND OTHER COUNTRIES

After reviewing the preliminary comments made by certain world-wide carriers and non-U.S. government entities, Chunghwa Telecom, a carrier authorized by the government of the Republic of China on Taiwan, respectfully submits its reply comments to the captioned proceeding on the Notice of Proposed Rulemaking released by the Commission and advocated by the U.S. relevant carriers.

We hereby underscore several important viewpoints, which are seemingly ignored by the Commission and the U.S. carriers, but generally accepted by non-U.S. carriers and government for your further deliberation as follows:

1. Traffic imbalance is the result of U.S. carriers action/FCC Policy.

As mentioned in our previous comments, the increasing net U.S. outpayments are not

due to the calls generated by USA callers, but by other countries callers through U.S. carriers' callback and refile business activities. In the instance of Taiwan, ROC, traffic imbalance between Taiwan and the U.S. was also caused by the reverse call operation in the recent years. Our analysis shows that from the year 1991 to 1996, the growth rate of incoming traffic to Taiwan from the worldwide countries other than the U.S.A. is 183%. However, the growth rate of incoming traffic from the U.S.A. during the same period is 235%. The billed minutes of the above reverse call traffic in 1996 are estimated from 22% to 42% of the total USA incoming call minutes. Hence, the practice of the reverse call services, which are being aggressively sold by the U.S. carriers and encouraged by the FCC, are obviously profitable from the foreign customers and carriers even at the existing accounting rate. It is unfair and fallacious to ascribe the U.S. settlement rate deficit to foreign carriers.

2. U.S. carriers have not passed on accounting rate reductions to U.S. consumers.

The FCC claimed that high accounting rates force U.S. consumers to "subsidize" foreign carriers. Logically, it would mean that low accounting rates should save U.S. consumers' payments for making international calls. However, we observe from the FCC's demonstration of "International Trends" published in August of 1996 that accounting rates have declined between the U.S. and 34 countries including Taiwan since 1990, but U.S. carriers' tariffs for these countries have contrarily increased at the same time.

3. Bilateral or multilateral discussion for the reform of accounting rate is generally preferred.

The complexing nature of accounting rate system shall not be dealt by a unilateral action. To maintain the order of international telephone service community, we believe bilateral or multilateral discussion will be generally accepted.

4. National Sovereignty

The FCC's intention to enforce the benchmark by imposing the U.S. policy on that of foreign governments will exceed the national sovereignty of the USA. We believe that the absolute majority of countries in the world will certainly be disagreeable to it.

5. Problems on TSLRIC and TCP

As you are undoubtedly aware, the adopted costing methodology of the Total Service Long Run Incremental Cost (TSLRIC) and benchmark settlement rate still exist significant arguments due to lack of objective and accurate cost data being used by the FCC. The Cross-subsidy of local and international call charges are still prevailing. Therefore, the local call charges used for TCP is substantially distorted.

6. Conclusion

Finally, Chunghwa Telecom would emphasize again its contribution to the improvement of U.S.-Taiwan traffic imbalance. As a result of its endeavour, the In/Out ratio between both parties could accordingly be maintained at a lower level. We hope that the FCC can respect the common views from the foreign carriers and governments.

Respectfully


Shyue-Ching Lu
President & CEO
Chunghwa Telecom

CC.: Mr. Reed Hundt, Chairman FCC
Mr. James Quello, Commissioner FCC
Ms. Susan Ness, Commissioner FCC
Ms. Rachelle Chong, Commissioner FCC
Mr. Kathryn O'Brien, International Bureau, FCC, 2000 M Street, Room
822, Washington, D.C. 20554
Mr. William M. Zarit, Deputy Chief, Commercial Section,
American Institute in Taiwan
International Trade Tower
32/F, 333 Keelung Road, Sec. 1, Taipei, 10548
Taiwan

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SRI LANKA TELECOM LIMITED

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 வேட்டஸ் வீதி,
 த. பெ. எண் 503,
 கொழும்பு 01. (ශ්‍රී ලංකාව)

Sri Lanka Telecom Limited
 Headquarters,
 Lotus Road,
 P.O. Box 503,
 Colombo 01 (Sri Lanka)

දුරකථන අංක }
 தொலைபேசி } 329711
 Telephone }
 වෙලෙක්ස් අංක }
 ரெலேக்ஸ் } 21477 Telecom CE
 Telex }
 ෆැක්ස් }
 பெக்ஸ் } 94-1-440000
 Fax }
 විදුලි පණිවුඩ }
 தந்திகள் } කාන්දම් කොළඹ
 Telegram } 'මැග්නෙටෝ' කොළඹ
 'MAGNETO' Colombo

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 திகதி } 26.02.97.
 Date }

The Office of the Secretary,
 Federal Communications Commission,
 1919 M. Street, N.W.,
 Room 222,
 Washington DC. 203554
 United State of America.

Fax : 1,202.418 2818

Subject : FCC's Notice of Proposed rule Making IB Docket No 96-261 dated 19.12.96 - Revisions International Settlement Rate Benchmarks.

Dear Sir,

Please find enclosed Sri Lanka Telecom Limited's comments on the above mentioned NPRM. A copy is also being sent by post for record purpose.

Yours faithfully,

K.K. Mahendiran

Mr. K.K. Mahendiran,
 General Manager / International Service.
 Sri Lanka Telecom Limited.

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MAR 10 1997
FCC

FCC's Notice of Proposed Rule Making IB Docket No. 96-261
dated 19.12.96 Comments forwarded by Sri Lanka Telecom Limited

Introduction

Sri Lanka Telecom Ltd. is the only provider of fixed telephone service and the sole provider of the international telephone services in Sri Lanka. As such the proposal of the FCC by its NPRM for the adoption of revised settlement rate benchmarks directly affects the interest of SLTL and hence these comments are being forwarded.

Background

It is SLTL's view that the setting of accounting rates is a matter to be bilaterally agreed between carriers and cannot be unilaterally imposed. The FCC can rule on issues relating to collection charges of American Carriers, but the setting of accounting rates are a matter for bilateral negotiation.

We agree with the ITU premise that Accounting Rates should be cost based. However the major problem experienced has been to reach international agreement on the cost. Hence benchmarking settlement rates at acceptable levels becomes a difficult proposition.

We are unable to agree on the basis of incremental costs as this method does not account for the investments already made and thus would mean an under estimation of the cost. The use of Long Run Incremental Cost is a topic that again requires agreement on several parameters. Here again for the purpose of settlement rates between international carriers bilateral agreement should be reached.

Sri Lanka's Position

With particular reference to Sri Lanka it must be pointed out that there are other factors that must be considered. Sri Lanka Telecom has purchased equipment from AT & T and financial agreements have been entered into for payment to be made through the international settlements. At the time the agreements were made a financial assessment of the settlements based on the accounting rate was made and in keeping with this the financial terms were finalized. A revision of Accounting Rates as proposed by the FCC could result in Sri Lanka being unable to meet its commitments under this agreement. It may even require that the financial terms have to be renegotiated.

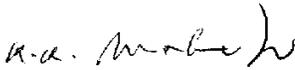
The US deficit

The NPRM states that the US paid roughly US \$ 5 billion in settlements to the rest of the world in 1995 as compared to 2.8 billion in 1990. This increase is not purely due to the high level of settlement rates. With the adoption of the ITU - T Recommendation D 140 all administrations have been reducing settlement rates. One of the major reasons for the increase is the growth in the out bound US traffic volumes. In 1990 the traffic imbalance has been 2.5 billion minutes where as in 1995 the imbalance has escalated to 8.7 billion minutes. It is our view that this massive increase in traffic volume has been the result of the emergence of refile and call back traffic which has come into existence due to the relaxation of regulations in the telecommunications market. Hence this is the main cause for the large outpayments being made by the US. It is our opinion that with this type of regulation whatever the level of the accounting rate the imbalance will continue to grow. Lower accounting rates with the US will actually result in further increasing the imbalance in traffic and hence even greater outpayments by the US. Bench marking of settlement rates as proposed by the FCC will not be a solution to the US problem. It is also our view that further lowering of accounting rates with the US will result in changing global traffic patterns requiring redimensioning of present traffic routes.

Conclusion

The only acceptable method of fixing settlement rates is by bilateral agreement together with a global commitment towards cost based accounting rates under the guidance of an international forum such as the ITU and Sri Lanka would be willing to participate in such an exercise.

Kind Regards ,



.....
Mr. K.K. Mahendiran ,
General Manager / International Service.
Sri Lanka Telecom Limited.

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COLOMBO G.P.O. 'P'

K. K. MAHENDIRAN
GENERAL MANAGER
INTERNATIONAL SERVICES
SRI LANKA TELECOM

The Office of the Secretary,
Federal Communications Commission,
1919 M. Street, N.W.,
Room 222,
Washington DC. 203554

United State of America.



TELECOM HEADQUARTERS,
P.O. BOX 503, COLOMBO 01.

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FCC