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**Judy Simonson**  
Government Affairs Vice President

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June 2, 1997

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

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Federal Communications Commission  
Office of Secretary

Re: Ex Parte  
IB Docket 96-261 International Settlement Rates

Dear Mr. Caton:

On Monday, June 2, 1997, Mark Baker, Gerald Lowrie, Tom Luciano and I met with Peter Cowhey, Bob Calaff, Diane Cornell, Kathy O'Brien, Kerry Murray and Troy Tanner of the International Bureau of the Federal Communications Commission to discuss the above-mentioned docket. The attached material was also used in our discussion.

Two copies of this Notice are being submitted today to the Secretary of the Federal Communications Commission in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,

cc: P. Cowhey                      K. O'Brien  
      B. Calaff                     K. Murray  
      D. Cornell                    T. Tanner

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# LRIC or Proxy Needed for Access to Foreign Bottleneck Facilities

- If benchmarks (15, 19, 23) are not adequate to limit power, then lower settlement rate will not be achieved. If foreign carrier enters US market, it will be able to subsidize its operations for a period of time.
- If foreign carrier will not agree to a settlement rate of 15-19 cents, countries will look to US to reduce settlement rate to LRIC. This is a cost-based principle. If a connection obligation is imposed, it will be a connection obligation.
- If LRIC not achieved, using low end of Benchmark (15-19 cents) as proxy will go largely toward prevention of market power leverage in U.S.
- For BT/MCI, it's the right principle; about 5.5 cents --not far to go.
- For Telmex/Sprint, ECO fails.

AT&T

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