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June 24, 1997

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

Re: Notice Of Ex Parte Meetings In IB Docket No. 96-261
And AT&T Request For ISP Waiver On The U.S.-Japan Route

Dear Mr. Caton:

This letter is to inform you that Mr. Tsunekazu Matsudaira and Mr. Haruhiko Nomura from KDD and I held meetings on June 23, 1997 with (i) Commissioner Susan Ness and James L. Casserley; (ii) Rudolfo M. Baca from Commissioner Quello's office; and (iii) Diane J. Cornell, George S. Li, Kathryn O'Brien and Kenneth B. Stanley of the International Bureau.

At each meeting, KDD discussed its position on the FCC's proposed settlement rate benchmark policies in IB Docket No. 96-261, as reflected in KDD's submissions on the record. We discussed recent developments concerning ITU Study Group 3, including the schedule and timetable by which the International Telecommunications Union will move forward to consider new or revised recommendations on accounting rates by May, 1998. KDD discussed the likelihood that unilateral action in this docket will impede rather than accelerate a multilateral solution on settlement rate issues, as well as the possibility that foreign carriers and countries may respond to such FCC action with their own unilateral positions and by terminating service agreements (e.g., country direct or international 800) with U.S. carriers. We discussed whether the FCC would be interested in establishing some procedural mechanism whereby the unilateral nature of the FCC's action would be removed in the event a multilateral solution develops within a reasonable time frame. We also discussed whether the FCC's proposed accounting rate policies and Section 214 conditions were compatible with the Market Access, Most Favoured Nation and National Treatment

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obligations of the United States under the World Trade Organization Basic Telecom Agreement.

At each meeting, KDD informed the FCC that unilateral action by the FCC in this docket would subject carriers like KDD to conflicting legal mandates in two or more countries. Under Japanese law, KDD may not conduct settlements at any rate other than that approved by the Ministry of Posts and Telecommunications ("MPT"). Therefore, if the FCC prescribes a settlement rate on the U.S.-Japan route other than a rate which MPT has approved, and if MPT rejects or does not approve the FCC-prescribed rate, then KDD would be placed in a position where it legally could not comply with the FCC-prescribed benchmark without violating Japanese law. In KDD's view, this conflict demonstrates that the FCC does not have jurisdiction to prescribe and enforce settlement rate benchmarks against foreign carriers for terminating U.S.-billed traffic in foreign countries.

At the meeting with the International Bureau, KDD discussed the pending request by AT&T Corp. for a waiver of the International Settlements Policy to implement an accounting rate arrangement with KDD involving a non-50/50 division of tolls. KDD emphasized its view that the agreements with AT&T and other U.S. carriers for settlement rates effective from April 1, 1998 are commercial agreements between carriers which must reflect competitive conditions in the post-WTO marketplace. Further, in a competitive market environment, KDD regards data on its costs of terminating foreign-billed traffic in Japan to be commercially sensitive information. Lastly, KDD regards the mutual agreement to negotiate settlement rates as effective from April 1, 1998 which are competitive with the costs incurred by a self-provisioning facilities-based carrier to embody a strong mutual commitment to negotiate cost-oriented rates consistent with market conditions.

A copy of this notice is being provided to the persons listed below.

Sincerely yours,

Robert J. Aamoth

cc: Commissioner Susan Ness
Rudolfo M. Baca, Legal Advisor to Commissioner Quello
James L. Casserley, Legal Advisor to Commissioner Ness
Diane J. Cornell, International Bureau
George S. Li, International Bureau
Kathryn O'Brien, International Bureau
Kenneth B. Stanley, International Bureau