

ORIGINAL

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

RECEIVED
JUN 24 1997
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
International Settlement Rates) File No. IB 96-261

SUPPLEMENTAL COMMENTS

AT&T Corp. ("AT&T") hereby submits its Supplemental Comments in response to the Public Notice¹ inviting comment on the proposal to apply to U.S. facilities-based private line carriers the benchmark settlement rate conditions that the Commission proposes to apply to private line resellers.

As described in AT&T's Comments (p. 40, n.65) and Reply Comments (p. 51), one-way by-pass may occur when U.S.-inbound traffic is routed to facilities-based private line carriers as easily as when it is routed to resale private line carriers. In either case, the foreign carrier avoids paying settlement rates on the U.S.-inbound traffic, while continuing to receive settlement rates on U.S.-outbound traffic, and causes severe competitive harm. For this reason, AT&T supports both the NPRM's² initiative (§ 81) to use settlement rates to address one-way by-pass, and the proposal here to apply settlement

¹ Public Notice, IB Docket No. 96-261 (June 4, 1997).

² *International Settlement Rates*, IB Docket No. 96-261, Notice of Proposed Rulemaking, (released Dec. 19, 1996), FCC 96-484 ("NPRM").

No. of Copies rec'd 026
List ABOVE

rate conditions to the provision of switched services over all international private lines, whether those facilities are owned or leased.

However, as AT&T has also described (Comments, pp. 34-39 & Reply Comments, pp. 47-51), merely requiring settlement rates on the relevant route to be within benchmark levels, as the Commission proposes, does not provide a sufficient safeguard against one-way by-pass, whether the U.S.-inbound traffic is sent over owned or leased international private lines. The wide margin between the cost-based U.S. termination rates of under 7.5 cents per minute that foreign carriers would obtain for their U.S.-bound traffic and the Commission's proposed benchmark levels of 15.4 - 23.4 cents would provide foreign carriers with significant cost savings on every U.S.-inbound minute sent over owned or leased international private lines – giving them a powerful incentive to by-pass those benchmark rates and threatening major competitive harm to the U.S. market. *See* AT&T Comments, pp. 30-31.

As AT&T has emphasized (Comments p. 36 & Reply Comments p. 47), settlement rates will prevent one-way by-pass only if they are lowered to cost-based levels. Otherwise, foreign carriers will obtain lower cost U.S. termination through the use of owned or leased international private lines -- thereby increasing U.S. outpayments, U.S. carrier costs and U.S. consumer prices.³

³ *See, e.g., Regulation of International Accounting Rates*, 7 FCC Rcd. 559, 561 (1990) ("one-way' resale would be detrimental to the U.S. public interest"); *ACC Global Corp.*, 9 FCC Rcd. 6240, 6242-43 (1994); *Market Entry and Regulation of Foreign-affiliated Entities*, 11 FCC Rcd. 3873, 3924 (1995) ("permitting unilateral evasion of the settlements process would exacerbate the U.S. settlements deficit and

This competitive harm would occur whether foreign carriers send their U.S.-bound by-pass traffic to a U.S. facilities-based or resale affiliate, or in correspondence with an unaffiliated U.S. resale or facilities-based carrier. Moreover, as AT&T has demonstrated (Comments pp. 37-39 & Reply Comments pp. 49-50), if foreign carriers with above-cost settlement rates were allowed to provide these services, other proposed regulatory safeguards would not prevent this competitive harm.

Yet, as the NPRM (§ 83) recognizes, "[b]y ordering all carriers to pay settlement rates at the lower end of the benchmark range for switched traffic, the Commission would eliminate the financial harm from above-cost rates that makes competitive harm possible." Indeed, by removing foreign carriers' incentives to engage in by-pass, a requirement that the provision of switched services over owned or leased international private lines be conditioned on the availability to all U.S. carriers of a cost-based settlement rate would prevent competitive harm even more effectively than the Commission's present equivalency requirement.⁴

But if only benchmark rates are required, and if the equivalency requirement is no longer applied to the provision of these services between the U.S. and the more than 130 World Trade Organization ("WTO") member countries, as the

(footnote continued from previous page)

ultimately increase the burden on U.S. ratepayers"); *Cable & Wireless, Inc.*, 11 FCC Rcd. 1766, 1767 (1996).

⁴ The Commission's rules presently limit these services to countries that "afford[] resale opportunities equivalent to those available under U.S. law." 47 C.F.R. Section 63.18 (e) (3).

Commission has also proposed,⁵ existing safeguards for U.S. consumers and carriers against foreign dominant carriers seeking to increase their profits from their bottleneck facilities by engaging in one-way by-pass would be greatly reduced.

AT&T therefore urges the Commission to eliminate the major risk of competitive harm from these services, whether provided over owned or leased facilities, by conditioning their provision on the availability to all U.S. carriers of settlement rates at the lower end of the benchmark ranges.

⁵ *See Rules and Policies on Foreign Participation in the U.S. Telecommunications Market*, Order and Notice of Proposed Rulemaking, IB Docket No. 97-142, (released June 4, 1997), ¶ 50.

- 5 -

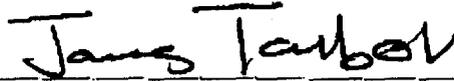
CONCLUSION

For the reasons explained above, AT&T requests the Commission to revise its proposal and to require that cost-based settlement rates be available to all U.S carriers before authorizing the provision of switched services over owned or leased international private lines on any international route.

Respectfully submitted,

AT&T CORP.

By



Mark C. Rosenblum

Lawrence J. Lafaro

James J. R. Talbot

Room 3252H3

295 North Maple Avenue

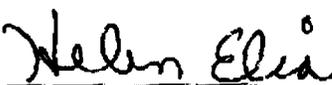
Basking Ridge, New Jersey 07920

(908) 221-8023

Dated: June 24, 1997

CERTIFICATE OF SERVICE

I, Helen Elia, do hereby certify that on this 24th day of June, 1997 a copy of the foregoing "Supplemental Comments of AT&T " was mailed by U.S. first class mail, postage prepaid, upon the parties on the attached service list.


Helen Elia

*No address was provided. Service has therefore been made on the relevant country's embassy in the U.S.

SERVICE LIST

Dr. James E. Soos, Deputy Asst.
Secretary of Defense
Room 3E
6000 Defense Pentagon
Washington, DC 20301-6000

Carl Wayne Smith, Esq.
Code AR Defense Information
Systems Agency
701 South Courthouse Road
Arlington, VA 22204

Office of General Counsel
National Security Agency
9800 Savage Road
Fort Meade, MD 20755-6000

Ambassador Vonya B. McCann
United States Coordinator
International Communication
and Information Policy
Department of State
Room 4826
2201 C Street, N.W.
Washington, D. C. 20520

Cathleen Wasilewski
Attorney Advisor, Office of
Chief Counsel
Department of Commerce
Room 4713
14 St. & Constitution Ave, NW
Washington, D.C. 20230

Richard Beard
Bureau of International
Communications and
Information Policy
Department of State
Room 4836
2201 C Street, N.W.
Washington, DC 20520-1428

Steven Lett
Bureau of Int'l Communications
and Information Policy
Department of State
Room 4826
2201 C Street NW
Washington, D.C. 20520

Suzanne Settle
Senior Policy Advisor
NTIA
Department of Commerce
Room 4701
14th St. & Constitution, N.W.
Washington, D.C. 20230

Anthony Cina
Bureau of International
Communications and Information
Policy
Department of State
Room 4826
2201 C Street, N.W.
Washington, D.C. 20520

Gary Couey
Bureau of International
Communications and Information
Policy
Department of State
Room 4826
2201 C Street, N.W.
Washington, D.C. 20520

Larry Irving
Assistant Secretary for
Communications & Inform.
NTIA
Department of Commerce
Room 4898
14th St. & Constitution N.W.
Washington, D.C. 20230

Jack Gleason
Acting Administrator
Office of International Affairs
Room 4701
14th St. & Constitution N.W.
Washington, D.C. 20230

Robin R. Layton
NTIA
Department of Commerce
Room 4324
14th St. & Constitution, N.W.
Washington, D.C. 20230

Barbara Wellberry
Chief Counsel
Department of Commerce - NTIA
Room 4713
14th St & Constitution Ave, N.W.
Washington, D.C. 20230

Robert S. Koppel
VP - Legal & Regulatory
Affairs
IDB Worldcom
15245 Shady Grove Road
Suite 460
Rockville, MD 20850-3222

Gail Polivy, Esq.
GTE Hawaiian Telephone
Company
1850 M Street, N.W.
Suite 1200
Washington, DC 20036

Keith H. Fagan
COMSAT Communications
6560 Rockspring Drive
Bethesda, MD 20817

John Dalton
Secretary of the Navy
Office of the Secretary
Department of the Navy
The Pentagon
Washington, D.C. 20310

Gregory C. Staple
R. Edward Price
Koteen & Naftalin LLP
1150 Connecticut Avenue NW
Suite 1000
Washington, DC 20036
Attys for ABS-CBN Telecom

Helen E. Disenhaus
Adam L. Kupetsky
Swidler & Berlin, Chartered
3000 K Street NW
Suite 300
Washington, DC 20007
Attys for ACC Corp.

Raul R. Rodriguez
 Walter P. Jacob
 Leventhal, Senter & Lerman
 2000 K Street, NW
 Suite 600
 Washington, DC 20006
 Attys for AmericaTel

Ministry of Public Works
 Utilities & Transportation
 Cassada Gardens
 PO Box 416
 St John's Antigua
 for Government of Antigua
 and Barbuda

Embassy of Australia*
 1601 Massachusetts Ave.
 Washington, DC 20036

Nassar Al-Tammimi
 Telecommunications Director
 The Cooperation Council for
 the Arab States of the Gulf
 Rlyadh 11462
 PO Box 7153
 Kingdom of Saudi Arabia

Jonathan Jacob Nadler
 James M. Fink
 Thomas E. Skilton
 Squire, Sanders & Dempsey LLP
 1201 Pennsylvania Avenue, NW
 PO Box 407
 Washington, DC 20044
 Attys for Telecomunicacione
 Internacionales De Argentina

Bolivia Telecommunications
 Superintendency
 Av. 16 de Julio N 1800
 (El Prado) Edif. Cosmos 6 piso
 Casilla 6692
 La Paz, Bolivia

Madeline Elizabeth Wall
 Cable & Wireless
 124 Theobalds Road
 London WC1X 8RX
 United Kingdom

Philip V. Permut
 Aileen A. Pisciotta
 Rebekah J. Kinnett
 Kelley Drye & Warren LLP
 1200 19th Street NW
 Suite 500
 Washington, DC 20036
 Attys for Cable & Wireless, Inc.

Iris Struiken-Wijdenbosch
 Carribean Association of National
 Telecommunication Organizations
 #67 Picton Street
 Newtown, Port of Spain
 Trinidad West Indies

Jonathan Jacob Nadler
 James M. Fink
 Thomas E. Skilton
 Squire, Sanders & Dempsey LLP
 1201 Pennsylvania Avenue NW
 PO Box 407
 Washington, DC 20044
 Attys for Regional Technical
 Commission on Telecommunications of
 Central America

Directorate General of
 Telecommunications, P&T, China
 Zhang Ligui
 13, West Chang An Avenue
 Beijing, P.R. China 100804

Shyue-Ching Lu*
 President & CEO
 Chunghwa Telecom
 %Taipei Economic and Cultural
 Representatives Office
 4201 Wisconsin Avenue, NW
 Washington, DC 20016-2137

Alfred M. Mamlet
 Kent D. Bressie
 Colleen A. Sechrest
 Steptoe & Johnson LLP
 1330 Connecticut Avenue NW
 Washington, DC 20036
 Attys for
 Compania Telefonos De Chile

Alejandro Saint Jean
 General Manager
 Compania Telefonos De Chile
 Nuevo de Lyon 072
 11th Floor
 Providencia
 Santiago Chile

Martin J. Lewin
 Aitken Irvin Lewin Berlin
 Vrooman & Cohn, LLP
 1709 N Street NW
 Washington, DC 20036
 Attys for Coalition for Hemispheric
 Competitiveness

Fundacion America & Coalition
 Members
 Coalition for Hemispheric
 Competitiveness
 Uriarte 2472
 1425 Buenos Aires
 Argentina

J. Robert Vastine, President
 Coalition of Services Industries ("CSI")
 Suite 1110
 805 15th Street NW
 Washington, DC 20005

Klaus Mai
 A. Bradley Shingleton
 Deutsche Telekom
 1020 19th Street NW
 Suite 850
 Washington, DC 20036

Hans Willhefekauser
 Dr. Andrea Huber
 Deutsche Telekom AG
 Friedrich-Ebert-Allee 140
 Bonn
 Germany

Yu-Huei Jea
 Director General
 DGT
 Directorate General of
 Telecommunications
 Taiwan
 Republic of China

Erik R. Olbeter
 Robert Cohen
 Economic Strategy Institute
 1401 H Street NW
 Suite 750
 Washington, DC 20005

Ing. Rene Bucaram Bokhazi
 EMETEL
 Av. 6 Diciembre
 Y Colon Edificio Partenon
 Quito, Ecuador

Raul R. Rodriguez
 Walter P. Jacob
 Leventhal, Senter & Lerman
 2000 K Street, NW
 Suite 600
 Washington, DC 20006
 Attys for Empresa Nacional de
 Telecomunicaciones S.A.

European Union*
 Delegation of the European Commission
 2300 M Street NW
 Washington, DC 20037

Theodore W. Krauss
 Danielle K. Aguto
 France Telecom North America
 555 13th Street, NW
 Suite 1100 East
 Washington, DC 20004

Michael J. Shortley, III
 Frontier Corporation
 180 South Clinton Avenue
 Rochester, New York 14646

Joseph Charter
 Permanent Secretary
 Granada (Ministry of Works)
 Young Street
 St. George's
 Grenada
 West Indies

Gail L. Polivy
 GTE Service Corporation
 1850 M Street NW
 Suite 1200
 Washington, DC 20036

Jose A. Cela, President
 Hispanic American Association of
 Research Centers and
 Telecommunications Companies
 Po Box 70325
 San Juan, Puerto Rico 00936

Philip V. Permut
 Aileen A. Pisciotta
 Kelley, Drye & Warren, LLP
 1200 19th Street, NW
 Washington, DC 20036
 Attys for HongKong Telecom
 International

INDOSAT
 JL Medan Merdeka Barat 21
 PO Box 2905
 Jakarda 10110
 Indonesia

Instituto Das Comunicacoes De
 Portugal*
 %Embassy of Portugal
 2125 Kalorama Road
 Washington, DC 20008-1619

Hiroshi Shibata
 Director International Services
 International Digital Communications
 5-20-8 Asakusabashi, Taito-ku
 Tokyo 111-61, Japan

Junichiro Miyazaki
 Counselor of Embassy of Japan
 Embassy of Japan
 2520 Massachusetts Avenue, NW
 Washington, DC 20008

HJ Hod Parman
 Director General
 Jabatan Telekom Malaysia
 Wisma Damansara Jalan Semantan
 50668 Kuala Lumpur
 Malaysia

Jeffrey P. Cunard
 Lothar A. Kneifel
 Debevoise & Plimpton
 555 13th Street NW
 Suite 1100E
 Washington, DC 20004
 Attys for International Telecom
 Japan, Inc.

David Glickman
 Justice Technology Corporation
 One Justice Way
 Box 1110
 El Segundo, CA 90245

Robert J. Aamoth
 Kelley Drye & Warren LLP
 1200 19th Street, NW
 Suite 500
 Washington, DC 20036
 Attys for
 Kokusai Denshin
 Denwa Company Ltd.

Seung-Sul Woo
 Vice President
 Strategic Marketing Group
 Korea Telecom
 211 Sejongro Chongnogu
 Seoul, Korea 110-777
 For RPOAs of the Republic of Korea

Sri Lanka Telecom Limited
 Headquarters
 Lotus Road
 PO Box 503
 Colombo 01
 Sri Lanka

Chung Huh
 Senior Managing Director
 Marketing & Sales Group
 ONSE Telecom
 942-1 Daechi-dong
 Kangnam-ku
 Seoul, Korea 135-280
 For RPOAs of the Republic of Korea

Young-Chul Kim
 Executive Vice President
 DACOM Corporation
 DACOM Bldg
 65-228, 3-Ga
 Hangang-ro
 Seoul, Korea 140-712
 For RPOAs of the Republic of Korea

Lattelekom SIA*
 (no address given)

I. Rudaka
 Department of Communications of
 Ministry of Transport of
 The Republic of Latvia
 Ministry of Transport
 Department of Communications
 3 Gogola Street
 Riggs, LV-1190
 Latvia

John M. Scorce
 Larry Blosser
 Carol R. Schultz
 MCI Telecommunications Corporation
 1801 Pennsylvania Ave, NW
 Washington, DC 20006

V. B. Bajracharya
Nepal Telecommunications Corporation
Singh Durbar, Kathmandu, Nepal

New T&T Hong Kong Limited
5/F, New T&T Centre
Harbour City
Tsim Sha Tsui
Kowloon, Hong Kong

Antelecom*
%Embassy of the Netherlands Antilles
4200 Linnean Street
Washington, DC 20008

Colombia Telecom Regulatory
Commission*
Telecom-Colombia*
%Embassy of Colombia
2118 LeRoy Place NW
Washington, DC 20008

Albert Halprin
Stephen L. Goodman
Halprin, Temple, Goodman & Sugrue
1100 New York Ave., NW
Suite 650 East
Washington, DC 20005
Attys for Telecom New Zealand Limited

Stanley J. Moore
Pacific Bell Communications
5850 West Las Positas Blvd.
Pleasanton, CA 94588

Pacific Islands Telecommunications*
Association ("PITA")
No address given

Leon T. Knauer
Jeffrey S. Bork
M. Veronica Pastor
Wilkinson, Barker, Knauer & Quinn
1735 New York Ave., NW
Suite 600
Washington, DC 20006-5209
Attys for Republic of Panama

Simeon L. Kintanar
Republic of the Phillipines
Dept. of Transportation and
Communications
National Telecommunication
Commission
865 Vibal Bldg
Edsa Corner Times ST. O.C.
Phillipines

Leon T. Knauer
Richard J. Leitermann
M. Veronica Pastor
Wilkinson Barker Knauer & Quinn
1735 New York Ave., NW
Suite 600
Washington, DC 20006-5209
Attys for Portugal Telecom International

Sethaporn Cusripituck
Deputy Director General
Post and Telegraph Department of
Thailand
Bangkok 10210 Thailand

Margaret M. Charles
Dalhi N. Myers
Swidler & Berlin Chtd.
3000 K Street NW
Washington, DC 20007
Attys for Primus Telecommunications
Group, Inc.

Eng. Abdullah Sal-Suwailem
 Kingdom of Saudi Arabia
 Ministry of P. T. T.
 International Accounts Dept.
 Riyadh Saudi Arabia

E. Obiad*
 Chairman of Board
 Syrian Arab Republic
 %Embassy of Syria
 2215 Wyoming Avenue
 Washington, DC 20008-3907

James D. Ellis
 Robert M. Lynch
 David F. Brown
 SBC Communications Inc.
 175 E. Houston
 Room 1254
 San Antonio, TX 78205

Telecommunication Authority of
 Singapore*
 % Embassy of the Repub. Singapore
 3501 Intl. Pl.
 Washington, DC 20008-3025

Robert J. Aamoth
 Kelley Drye & Warren LLP
 1200 19th Street NW
 Suite 500
 Washington, DC 20036
 Atty for Singapore Telecom

Leon M. Kestenbaum
 Kent Y. Nakamura
 Michael Fingerhut
 Sprint Corp.
 1850 M Street, NW
 11th Floor
 Washington, DC 20036

Hon John Fisango
 Minister of Transport,
 Communications & Works
 Solomon Islands Government
 PO Box G8
 Honlara, Solomon Islands

Hon. Jeremiah Scott
 Minister
 Communications and Works
 Kingstown, St. Vincent and the
 Grenadines

Republic of Surinam*
 %Embassy of Republic of Surinam
 4301 Connecticut Ave.
 Washington, DC 20008-2304

Errald Miller
 President & CEO
 Telecommunications of Jamaica Limited
 47 Half Way Tree Road
 PO Box 21
 Kingston 5
 Jamaica, West Indies

Government of Jamaica
 Ministry of Public Utilities
 and Transport
 36 Trafalgar Road
 Kingston 10, Jamaica

Nooruddin Baqai
 Pakistan Telecom Authority
 %Camp Office
 Permanent Mission of Pakistan
 Geneva, Switzerland

Lionel A. Hurst*
 Ambassador of Antigua and
 Barbuda & CARICOM
 Coordinator
 %Embassy of Antigua & Barbuda
 3400 Int'l Dr.
 STE #4
 Washington, DC 20008-3006

Charles C. Hunger
 Catherine M. Hannon
 Hunter & Mow, PC
 1620 I Street, NW
 Suite 701
 Washington, DC 20006
 Attys for
 Telecommunications Resellers
 Association

Kenneth Robinson
 1133 21st St., NW
 PO Box 57.455
 Washington, DC 20037-0455
 Atty for Telecom Italia

Philip J. Richards
 Managing Director
 Telecom Vanuatu Limited
 Republic of Vanuatu
 Port Vila
 South Pacific

Jonathan Jacob Nadler
 James M. Fink
 Thomas E. Skilton
 Squire Sanders & Dempsey LLP
 1201 Pennsylvania Ave, NW
 PO Box 407
 Washington, DC 20044
 Attys for Telefonica Del Peru

Alfred M. Mamlet
 Kent D. Bressie
 Colleen A. Sechrest
 Steptoe & Johnson LLP
 1330 Connecticut Avenue NW
 Washington, DC 20036
 Attys for Telefonica Internacional
 De Espana S.A.

Luis Lopez-van Dam
 General Secretary
 Telefonica Internacional
 de Espana S.A.
 Jorge Manrique 12
 Madrid 28006
 Spain

Gary M. Epstein
 Teresa D. Baer
 Latham & Watkins
 1001 Pennsylvania Avenue, NW
 Washington, DC 20004
 Attys for Telefonos de Mexico S.A. de
 C.V.

Rais Hussin
 Telekom Malaysia
 Global Business Division
 3rd Floor
 Block A
 Wisma Samantan
 Jalan Gelenggang
 Damaneara Heights
 50490 Kuala Lumpur
 Malaysia

Jerry Babski
 Director
 Department of International Cooperation
 Telekomunikacja Polska S.A.
 Warsaw
 Republic of Poland

Kelley Boan
 North American Representative
 Telia AB
 234 Oak Court
 PO Box 752
 Severna Park, Maryland 21146

John Hibbard
 General Manager
 International Carrier Business
 Telstra Corporation Limited
 231 Elizabeth Street
 Sydney NSW 2001
 Australia

Aswin Saovaros
 The Communications Authority of
 Thailand
 99 Chaeng Watthana Road
 Donmuang
 Bangkok 10002 Thailand

Judith D. O'Neill
 Janet Hernandez
 Reid & Priest LLP
 701 Pennsylvania Ave, NW
 Washington, DC 20004
 Attys for Tricom S.A.

Samuel A. Martin
 Chief Executive Officer
 Telecommunication Services of
 Trinidad and Tobago Limited
 P.O. Box 917
 54 Frederick Street
 Port of Spain
 Trinidad, West Indies

Pat Phillips
 First Secretary
 Trade Policy
 Trade Department
 British Embassy-Washington
 3100 Massachusetts Ave, NW
 Washington, DC 20008-3600
 for United Kingdom Government

United States of America-Office of the
 U.S. Trade Representative
 Amb. Jeffrey M. Lang - US Trade
 Representative
 Hon Larry Irving - Dept. of Commerce
 %Amb. Vonya B. McCann
 Department of State
 Room 4826
 2201 C Street, N.W.
 Washington, D. C. 20520

Tom Bliley
 John D. Dingell
 W. J. Truzin
 Michael Ordey
 U.S. House of Representatives
 Committee on Commerce
 316 Ford House Office Building
 Washington, DC 20515

K. P. Tiwari
 Chief General Manager
 Videsh Sanchar Nigam Limited
 Mumbai, India

Richard S. Whitt
 Worldcom, Inc.
 1120 Connecticut Ave, NW
 Suite 400
 Washington, DC 20036

Terrence P. McGarty
 The Zephyr Capital Group
 24 Woodbine Road
 Florham Park, NJ 07932