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96-261

May 15, 1998

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MAY 15 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

Dear Ms. Salas:

The attached letter was delivered today to Chairman William E. Kennard, and Commissioners Susan Ness, Harold Furchtgott-Roth, Michael Powell and Gloria Tristani.

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

Sincerely,

A handwritten signature in cursive script that reads "Judy Simonson".

Attachment

No. of Copies rec'd \_\_\_\_\_  
List A B C D E



John D. Zeglis  
President

295 North Maple Avenue  
Basking Ridge, NJ 07920  
908 221-5432

May 12, 1998

**RECEIVED**

MAY 15 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

The Honorable William E. Kennard  
Chairman  
Federal Communications Commission  
Room 814  
1919 M Street, N.W.  
Washington, D.C. 20554

Dear Chairman Kennard,

I am writing to express my concern about Mexico. As you know, AT&T is not only seeking review by the Commission of the International Bureau's 214 Order allowing the Telmex-Sprint joint venture to provide international resale services in the U.S., but also is opposing Sprint's request for approval of settlement rate reductions of 2 cents in 1998 and 3 cents in 1999.

Let me begin by stating that there is a misconception about the goal of U.S. carriers. It is not limited to the achievement of incremental reductions to a 19 cent rate in the year 2000 or even the achievement of the Commission's recommended glide path rate for 1998 and 1999 (32 and 25 cents respectively, in the case of Mexico) or the Commission's mandated Benchmark rate for the year 2000 (19 cents in the case of Mexico). While these rates are better than what Telmex is offering, they are not what U.S. carriers need. We are dealing with a situation in Mexico where only Telmex, the dominant carrier, is permitted to negotiate settlement rates with U.S. carriers and where the settlement rates that Telmex and the Mexican regulator are trying to force upon U.S. carriers far exceed Telmex's cost of termination. Indeed, AT&T's analysis, filed with the Commission, demonstrates that Telmex's cost of termination is less than 7 cents -- a cost that is less than one-fifth of the rate that Telmex wants to charge. That is unacceptable in today's marketplace.

U.S. carriers need to achieve cost-based settlement rates. These are at levels that exist in competitive countries such as the U.K., Sweden and Canada. And, they are rates at a level that would exist were Mexico to comply with its GATs obligations, which it is not doing.

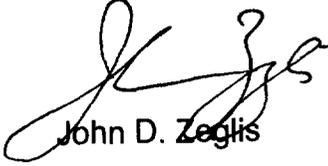
The Commission has emphasized that "we are still committed ultimately to achieving settlement rates that reflect incremental costs and believe that rates will reflect incremental costs as IMTS markets become increasingly competitive." (International Settlement Rates, IB 96-261 (August 18, 1997), para. 44). Mexico, however, has actively sought to prevent market liberalization that would result in such cost-based rates. For example, as AT&T demonstrated in its Application For Review, the International Bureau's 214 Order was granted despite the fact the Mexico Government sent a letter to the Commission stating that it had no intention of issuing resale regulations, despite the fact that Telmex improperly sought to condition its agreement to offer 19 cents in the year 2000 upon a requirement that other U.S. carriers accept miniscule 2 and 3 cent settlement rate reductions for the interim years, despite the fact that Mexico imposed an unjustified surcharge on inbound international calls, and despite the fact that only Telmex is permitted to negotiate settlement rates -- a condition that even the 214 Order acknowledged to be anti-competitive. At the time (September 1997) that the 214 was considered, the FCC declared that it expected movement on all these fronts. It is May 1998 and no progress has been made or is in prospect.

And, as AT&T warned in its opposition to the Sprint request for approval of the 2 and 3 cent reductions, both Telmex and the Mexican regulator are now using the 214 Order to whipsaw U.S. carriers to accept those incremental, miniscule reductions. Indeed, Telmex and the Mexican regulator are claiming that during their 214 discussions, the International Bureau agreed to a package deal for all U.S. carriers, linking the 19 cent rate for the year 2000 to reductions of only 2 and 3 cents for 1998 and 1999, respectively. To support this claim, the Mexicans are relying, in part, on language from the International Bureau's 214 Order that the 2 and 3 cent reductions were "significant reductions" which, along with the 19 cent offer, "provide substantial support for finding the grant of . . . [214] application is in the public interest . . . ." (Telmex-Sprint Communications L.L.C. Application, ITC-97-127 (October 30, 1997), paras. 63, 96).

In view of this whipsaw, I believe that the FCC needs to make clear to Mexico, as well as to foreign carriers, that it will not permit any foreign country or monopolist to whipsaw U.S. carriers.

Thank you for your careful consideration of these matters.

Sincerely,



John D. Zeglis

cc: The Honorable Harold W. Furchtgott-Roth  
The Honorable Susan Ness  
The Honorable Michael K. Powell  
The Honorable Gloria Tristani