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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ref:571

May 12, 1999.

Ms. Mangelie Roman Salas
Secretary
Federal Communications Commission
TW-A325
445 12th Street, S.W.
Washington, DC 20037

Dear Ms. Salas,

**Re: Public Notice DA 99-479
JB Docket No.96-261**

Further to my letter dated 14/4/99 which was delivered to your office that day and with which I forwarded to you the response by the Cyprus Telecommunications Authority to the joint petition of AT & T, MCI WorldCom and Sprint, I enclose herewith the original of the aforementioned response for your records.

Yours sincerely,

Andreas Kakouris
for the Ambassador

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington D.C 20554

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MAY 14 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of) Public Notice DA 99-479
)
International Settlement Rates) *IB* Docket No. 96-261

**PETITION OF AT&T, MCI WORLDCOM AND SPRINT FOR ENFORCEMENT
OF INTERNATIONAL SETTLEMENTS BENCHMARK RATES
FOR SERVICES WITH CYPRUS**

**THE CYPRUS TELECOMMUNICATIONS AUTHORITY
ANSWER TO THE PETITION**

1. The Commissions classification of Cyprus in the upper income group countries is wrong, especially if one compares Cyprus with the countries classified in the upper middle income group and the lower income group countries eg compared to Isle of Man, Oman, Greece, Iran, Libya to name a few.
2. The 60 lines per 100 inhabitants teledensity estimation, which is the criterion recommended by ITU, only applies to the inhabitants of the government controlled area of the Republic of Cyprus. If all the inhabitants of the Republic are taken into account ie including those who are currently living in the Turkish occupied area, the teledensity is below the aforesaid proportion.
3. The facts proposed in paragraph 1 and 2 above show that the USA carriers should not have been required to negotiate settlement rates within the US\$0.15 benchmark.
4. The Commissions purpose in adopting the Benchmark Order (ie to reduce the U.S settlement deficit) is as far as Cyprus is concerned defeated by the circumstances which created the deficit. In the case of Cyprus a significant portion of the settlement deficit is due to call back practices by US companies

which are considered illegal in Cyprus. The enforcement of the Benchmark Order shall further encourage these practices which should be minimised or even eliminated before any question of enforcement of a Benchmark Order be considered.

5. The Cyprus Telecommunications Authority is currently a monopoly in Cyprus and is also the regulating authority for telecommunications. However Cyprus is undergoing a liberalisation process a primary task of which is the rebalancing of tariffs, which inevitably involves the international accounting rates. The rebalancing study is ready and is due to be submitted for approval by the appropriate Authorities within April 1999 and is expected to be adopted and implemented within 1999. Needless to say that such rebalancing is based on a cost oriented methodology and shall abolish the cross-service subsidy. Before the rebalancing of its tariffs the Cyprus Telecommunications Authority cannot accept any selective and unilateral adjustments which could seriously affect its ability to provide universal service and especially its ability to transform into a competitive Telecommunications Operator.
6. In any event, we believe that the calculations which led to the adoption of the Benchmark Order, do not take fully into account the unbalance in the investments required to be made by a small operator like the Cyprus Telecommunications Authority in order to provide international telecommunication services to consumers, as required by other large companies operating in much bigger markets. Furthermore, the Rate of Return that must be realised from the above Investments, given the very small size of the market in Cyprus, should be higher than those of telecommunications operators, operating in larger markets and making similar investments so that the operators are treated on an equal basis and effectively encouraged to continue to invest so as to retain and improve the quality and standards of service.
7. The ITU regulations require that the accounting rates be the subject of negotiation and agreement between operators. The Benchmark Order

effectively impairs the ability of US carriers to negotiate and limits their freedom to contract, a right safeguarded both by the US Constitution and that of Cyprus and other countries' Constitutions. Therefore it should not be enforced.

8. Cyprus geographical location places the Cyprus Telecommunications Authority at a disadvantage over other European Operators who have been ranked in the same group, since the cost of a circuit from USA to Continental Europe is definitely much lower compared to a circuit in the Eastern Mediterranean.
9. The Cyprus Telecommunications Authority in discussing the matter with the US carriers demonstrated its willingness to reduce the accounting rates in a process which would be in line with the process of rebalancing its tariffs. In this respect we propose a gradual reduction of the total accounting rates, as follows:
 1. TAR 0,40 SDR/min with effect 1/1/1999
 2. TAR 0,30 SDR/min with effect 1/9/1999
 3. TAR 0,25 SDR/min with effect 1/1/2000
 4. TAR 0,20 SDR/min with effect 1/6/2000
10. The existing contractual arrangements between the US Carriers and the Cyprus Telecommunications Authority should be adhered to. Any change should refer to the future and not the past and should be mutually agreed. Any unilateral change of the terms including the accounting rates is likely to be treated as breach and appropriate measures be taken. The Cyprus Telecommunications Authority fully reserves its contractual rights.
11. All the above in our view should lead to a dismissal of the application for an enforcement order and to a direction that the parties use best endeavours in negotiating a scaled reduction of the current accounting rates between USA and Cyprus a process with which the Cyprus Telecommunications Authority is in full agreement.

- 12.** It is clarified that all the above are submitted as comments and answer to the petition to assist the Commission in reaching a decision on the matter under consideration and do not represent a submission to the Commissions Jurisdiction. The Cyprus Telecommunications Authority right to regulate its own affairs and to contract on the terms it deems fit irrespective of the Commission decision, is fully reserved.

A handwritten signature in black ink, consisting of a large, stylized initial 'P' followed by a long, sweeping horizontal line that tapers to a point on the right.

Photios Savvides
Deputy General Manager
Cyprus Telecommunications Authority
Nicosia