

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

**RECEIVED**

FEB - 6 2003

FEDERAL COMMUNICATIONS COMMISSION  
 OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
International Settlements Policy Reform	)	IB Docket No. 02-324
International Settlement Rates	)	IB Docket No. 96-261

**REPLY COMMENTS OF THE CITY OF LAREDO, TEXAS**

The City of Laredo, Texas', ("City") submits these Reply Comments in support of the Commission's' and numerous Commenters' proposals to reform the International Settlements Policy ("ISP") and settlement rate benchmark policies generally. As one party explained: "[M]assive expansion of global capacity, (both satellite and undersea) as well as the increased efficiency of the international simple resale ... have undercut the ability of most international carriers to maintain above cost termination rates." (PCCW at 3). Increases in capacity and resale, however, have not of themselves met comprehensively the Commission's cost-based availability objectives, The City notes that many of the Commenters choose to emphasize that Mexico is a market governed by protectionist and misguided regulatory policies not supply and demand and therefore reform of its international settlement policies must predate the removal of any safeguards.<sup>3</sup>

---

<sup>1</sup> The City of Laredo, Texas is a border community, whose business and consumer residents have extensive telephone interaction with individuals and businesses in Mexico.

<sup>2</sup> *Notice of Proposed Rulemaking*, IB Docket Nos. 02-324, 96-261 (rel. Oct. 11, 2002), FCC 02-285 ("Notice"); *Commission Extends Pleading Cycle In Rulemaking Proceeding On Possible Reform of The International Settlements Policy In View of Recent International Developments*, DA 02-3314 (rel. Dec. 2, 2002).

<sup>3</sup> See, e.g., Comments of AT&T and Sprint.

On behalf of its citizens, both residential and commercial, the City files these Reply

Comments to:

- Acknowledge the leadership of the Federal Communications Commission in its support of the City's cross-border calling plan<sup>4</sup> and request that the Commission convey its disappointment to its sister regulatory agency, the Comision Federal de Telecomunicaciones de los Estados Unidos Mexicanos (COFETEL), for its refusal to support such a plan;
- Demonstrate that a cross-border calling plan is consistent with the settlement proposals outlined by the Commission and Commenters in that its seeks to foster cross-border calling based upon costs and not upon protectionist or misguided regulatory policies.
- Highlight for the Commission the numerous Commenters' proposed exclusion of Mexico as a country that is offering a liberalized settlement policy.

**I. THE CITY REQUIRES THE FCC'S CONTINUED SUPPORT AND INTERVENTION WITH MEXICO TO MAKE A BORDER-FREE CALLING PLAN A REALITY.**

In releasing its Declaratory Ruling in support of the cross-border calling plan, this

Commission stated:

Over the past several years, the Commission has adopted policies and rules with the goal of increasing competition and reducing consumer rates for telecommunications services, including international long distance service. Thus we applaud and support the efforts of

---

<sup>4</sup> See *In the Matter of Proposal by City of Laredo, Texas and Nuevo Laredo, Mexico, To Create a Cross-Border Local Calling Area*, Declaratory Ruling, 17 F.C.C. Rcd 2494 (adopted January 22, 2002).

Laredo and the Public Utility Commission of Texas (Texas PUC) to find a creative and effective solution to the high cost of telecommunications that currently exist between these border cities. Laredo and Nuevo Laredo share a strong community of interest that would greatly benefit from lower communication costs, and we strongly support a collaborative effort that would effectuate this change.<sup>5</sup>

The City continues to be grateful to the Commission for its leadership but must report that a year later the Citizens of Laredo and Nuevo Laredo are still no closer to having a cost-based calling plan

While numerous carriers have entered into new negotiated settlement rates for terminating calls in Mexico with Telmex, the people of Laredo are still paying more than twice what a cost-based settlement rate would be for completing calls to their neighbors in Mexico, some of whom are literally less four hundred yards away. The newest settlement rate proposals negotiated by U.S. carriers with Telmex would have calls to Nuevo Laredo settled at **8 cents**.<sup>6</sup> AT&T in its Comments at 27 reveals that it has filed a 2001 study with the Commission showing

---

<sup>5</sup> *Id* at 2.

<sup>6</sup> See *Petition for Waiver* of the International Settlement Policy for a Change in Accounting Rate for International Message Telephone Services with Telefonos de Mexico S.A. de C.V. (filed Mar. 21, 2002) (“WorldCom Petition”); *Petition for Waiver* of the International Settlement Policy for a Change in Accounting Rate for International Message Telephone Services with Telefonos de Mexico S.A. de C.V. (filed Apr. 19, 2002) (“AT&T Petition”). *Petition for Waiver* of the International Settlement Policy for a Change in Accounting Rate for International Message Telephone Services with Telefonos de Mexico S.A. de C.V. (filed May 22, 2002) (“SBCS Petition”). *Petition for Waiver* of the International Settlement Policy for a Change in Accounting Rate for International Message Telephone Services with Telefonos de Mexico S.A. de C.V. (filed May 28, 2002) (“Sprint Petition”). *Petition for Waiver* of the International Settlement Policy for a Change in Accounting Rate for International Message Telephone Services with Telefonos de Mexico S.A. de C.V. (filed June 24, 2002) (“Williams Petition”). *Petition for Waiver* of the International Settlement Policy for a Change in Accounting Rate for International Message Telephone Services with Telefonos de Mexico S.A. de C.V. (filed July 29, 2002) (Verizon Petition).

the average settlement termination costs in Mexico at large, let alone a border community of significant size, are below **4 cents**.<sup>7</sup>

The City calls upon the Commission to examine what additional steps it might take, including communications with COFETEL to advance the acceptance of the cross-border calling plan. That such additional actions by the Commission are required to protect the citizens of Laredo from the protectionist policies of Mexico is made clear by the Comments filed in this proceeding.

## **II. MEXICO CONTINUES ITS PROTECTIONIST PRACTICES**

Sprint at 3 and AT&T at 10 remind the Commission that because of Mexico's failure to comply with market-opening requirements, the United States has a complaint against Mexico pending in the WTO's Dispute Settlement Body.<sup>8</sup> The basis for this suit, as explained by AT&T at 10 is:

The inadequacy of alternative termination methods as a means of ensuring that U.S. carriers obtain cost-based rates in foreign markets is demonstrated by the U.S.-Mexico

---

<sup>7</sup> See *AT&T and Concerti Objection to International Settlements Policy Modification Request for a Change in the Accounting Rate for International Message Telephone Service with Mexico*, File No. ARC-MOD-20010530-00123 (filed Jun. 20, 2001), Att. A (Carrier-Tariff Component Pricing (CTCP) Study of Mexican Carrier Rates for U.S. Call Termination in Mexico, showing that Mexican carriers pay Telmex less than 4.5 cents per minute for the network elements and services required to termination international calls from the United States) & Att. B ("Use of a more cost-based rate for off-net terminating interconnection in Mexico shows an adjusted CTCP for cross-border interconnection to be no more than **3.26** cents per minute.").

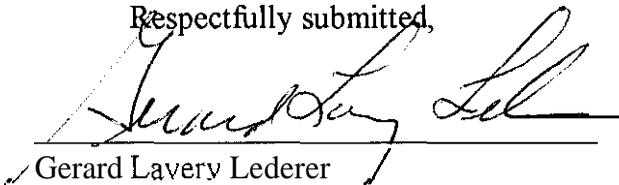
<sup>8</sup> See Letter dated Feb. 13, 2002 to H.E. Mr. Kare Bryn, Chairman, Dispute Settlement Body, World Trade Organization, from Ambassador Linnet F. Deily, Office of the United States Trade Representative, at 2, 3, 6 (Mexico's regulations governing international services are contrary to its WTO obligations because, among other things, they (1) "fail to ensure that Telmex provides interconnection to U.S. cross-border basic telecom suppliers on reasonable rates, terms and condition;" (2) "failure to ensure U.S. basic telecom suppliers reasonable and non-discriminatory access to and use of public telecom networks and services" and (3) "do not prevent Telmex from engage in anti-competitive conduct.")

route, which was the largest U.S. traffic route in 2000 with 5.5 billion minutes.<sup>9</sup> *TeleGeograph* lists Mexico as among “the most attractive targets for carriers seeing to evade settlements payments,” and Telmex has estimated that by-pass traffic reduced its international revenues by up to 18 percent in 2001.<sup>11</sup> By-pass activity on the U.S.-Mexico route also is assisted by Mexico’s contiguous border with the United States, Nonetheless, Telmex continues to maintain international termination rates far above cost-based levels and more than 75 percent higher than the prices it charges Mexican carriers for the same network components and functions.<sup>12</sup>”

### III. CONCLUSION

Absent actions to adopt the cross-border calling plan based upon costs and not upon protectionist and misguided regulatory policies, the citizens of Laredo will continue to pay costs well above the costs of terminating their calls to Nuevo Laredo. The City prays the Commission consider any and all actions that it might take on behalf of its citizens to make cost-based calling a reality.

Respectfully submitted,



Gerard Lavery Lederer  
MILLER & VAN EATON, P.L.L.C.  
1155 Connecticut Avenue, N.W., Suite 1000  
Washington, D.C. 20036-4306  
202-785-0600  
Counsel for City of Laredo, Texas

February 6, 2003

---

<sup>9</sup> *2000 Section 43.61 International Traffic Data Report*, Dec. 2001, Table A.1.

<sup>10</sup> *TeleGeography 2002*, Overview of International Traffic Trends.

<sup>11</sup> Telmex 2001 Annual Report, at 11,

<http://www.telmex.com/internos/inversionistas/finanzas/pdf/Annual01.pdf>.

<sup>12</sup> *See Mexico-Measures Affecting Telecommunications Services*, First Written Submission of the United States of American, Oct. 3, 2002, WT/DS2204, at 4,

<http://www.ustr.gov/enforcement/2002-10-03-mextelcom-first.pdf>.

**CERTIFICATE OF SERVICE**

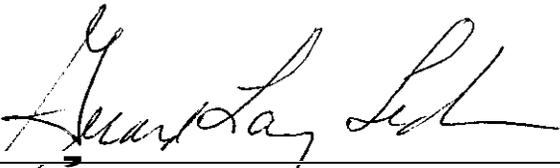
I, Gerard Lavery Lederer, do hereby certify that on this 6<sup>th</sup> day of February 2003,  
a copy of the foregoing "Reply Comments of the City of Laredo, Texas" was  
served by hand delivery, upon the parties listed below:

James Ball  
Chief, Policy Division  
International Bureau  
445 12<sup>th</sup> Street, SW  
Washington, D.C. 20554

Lisa Choi  
Senior Legal Advisory  
Policy Division, International Bureau  
445 12<sup>th</sup> Street, SW  
Washington, D.C. 20554

Gardner Foster  
Attorney, Policy Division  
International Bureau  
445 12<sup>th</sup> Street, SW  
Washington, D.C. 20554

Qualex International  
Room CY-B402  
445 12<sup>th</sup> Street, SW  
Washington, D.C. 20554

  
\_\_\_\_\_  
Gerard Lavery Lederer