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March 7, 2003

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Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Ex Parte* Presentation
Petitions for Protection from Whipsawing on the U.S.-Philippines Route, IB Docket No. 03-38

Dear Ms. Dortch:

On March 6, 2003, Patricia Paoletta and Heather Dixon of Wiley Rein & Fielding, counsel to Globe Telecom, Inc. ("Globe"), met with Sam Feder, Legal Advisor to Commissioner Martin.

Counsel noted that the FCC has never found whipsawing without a foreign monopolist or where the contracts at issue had expired without agreement and the foreign carrier had no legally enforceable contractual obligation to continue to provide termination services to the U.S. carrier. Counsel also reiterated that the market structure mandated by the Philippine government and the Philippine National Telecommunications Commission ("NTC") and the non-discrimination requirement promulgated by the NTC together have tended to result in the establishment of similar interconnection charges by the Philippine carriers. Finally, counsel informed Mr. Feder that Globe had received a partial payment of $3.37 million from AT&T for services provided between January and September 2002.

Mr. Feder inquired why the FCC should not view Globe's domestic interconnection agreements with other Philippine carriers as setting a price floor for international termination rates. Counsel responded that the agreements are a necessary method for terminating traffic in a competitive market, with multiple competitors in each segment. Absent competition, the proposed international termination rate would be well above the IGF rate for domestic interconnection. Moreover, the NTC reviewed the domestic interconnection agreements—which are subject to its regulatory jurisdiction—in the context of its goal for non-discriminatory, cost-based rates. As noted in earlier filings, the NTC is in a better position to determine the reasonableness of a domestic Philippine interconnection rate. Counsel takes this opportunity to provide additional support for the assertion that the Philippine market is competitive.

First, Globe's domestic interconnection agreements are demonstrative of a competitive market because they reflect the reality that Globe must respond to competitive pressures in the Philippine market. Globe and other competitive smaller local exchange carriers ("LECs") have smaller subscriber bases and lower utilization rates than the Philippines Long Distance Telephone Company ("PLDT"), the biggest local exchange carrier in the Philippines. In the absence of effective competition, these smaller LECs would charge interconnection rates higher than those currently in place, which more accurately reflect PLDT's cost structure. It is competition with PLDT that forces Globe and the other smaller LECs to maintain interconnection rates similar to those charged by PLDT.

Second, domestic interconnection rates are not the only measure of competition nor is it the most meaningful measure of competition in a recently liberalized, still developing market. In a developing market like the Philippines, with 1-5 percent teledensity, the key benefit of competition is availability of services. Other measures of competitiveness include retail pricing, service quality, and timeliness of provisioning. An examination of these indicators supports a finding that the Philippine telecommunications market is competitive.

- Retail Pricing. Since 1990, the rates charged to Philippine consumers placing international calls have dropped from well over US$1.00 to as low as US$0.40. Globe pioneered this development. Carriers have eliminated service initiation and registration fees as competition became more intense. Mobile rates have dropped since the 1990s. Consumer prices for GSM service cards have dropped more than 50 percent in the last three years.

- Service Availability. The competitiveness of a mobile operator depends not just on price but on service availability (*i.e.*, coverage areas). LECs also compete on service availability.

- Service Quality. Mobile operators compete not just on price but on qualitative factors such as the availability of value-added services and multi-media interactive games and the appeal and user friendliness of service menus. LECs also compete on service quality.

- Provisioning. Due to Philippine liberalization and competition policies, there are two LECs and multiple mobile operators competing in most regions of the

Philippines. There are over 300 registered Internet service providers and scores of other value-added service providers.

Kindly direct any questions regarding this matter to the undersigned.

Sincerely,

/s/ Patricia J. Paoletta

Patricia J. Paoletta

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