CTIA
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Cellular Telecommunications & Internet Association

February 13, 2004

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
12th Street Lobby, TW-A325
Washington, D.C. 20554

Re: *Ex Parte* Presentation
IB Docket No. 02-324, IB Docket No. 96-261

Dear Ms. Dortch:

On February 12, 2004, the Cellular Telecommunications & Internet Association ("CTIA"), represented by Diane Cornell, Vice President for Regulatory Policy, and Carolyn Brandon, Vice President for Policy, met with representatives from the International Bureau, including Don Abelson, Chief, Anna Gomez, Deputy Chief, David Strickland, Senior Legal Advisor, Jim Ball, Chief of the Policy Division, and Sasha Field, Assistant Division Chief of the Policy Division. The parties discussed the International Settlements Policy Reform proceeding.

CTIA disagreed with AT&T's recommendation in an ex parte[1] that the FCC should apply existing benchmarks to traffic terminating on foreign mobile networks. CTIA emphasized that the mobile termination rate in a calling party pays (CPP) regime – such as exists in most countries outside of the United States – is designed to recover a completely different set of costs than are recovered by a foreign fixed wireline termination charge, or in the U.S. version of "termination rates." Unlike the traditional fixed termination rate, which is intended to recover the cost of carrying a call from the point it is handed over to the terminating carrier to the end user, in a CPP regime the "termination rate" is not limited to recovering only the costs of terminating a call, but instead is *designed* to recover a broader range of carrier costs, such as billing, marketing, infrastructure, etc. Indeed, that is the point of a calling party pays regime – to recover a significant portion of the costs of the mobile network from the calling party (via a termination charge paid by the originating carrier, which passes it on to the calling party).

As a result, the benchmark rates proposed by AT&T are completely inappropriate for this context, as they attempt to assess the wrong underlying costs. Moreover, given that a mobile carrier operating in a competitive market typically is given the ability to

[1] *See Letter from Douglas Schoenberger, AT&T, to Marlene H. Dortch*, IB Docket Nos. 02-324 and 96-261 (October 22, 2003).

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recover costs in whatever way it wishes, a U.S. regulator does not have the information necessary to evaluate what would be an appropriate termination rate in the context of the foreign regulatory regime.

CTIA also noted that the focus of the FCC inquiry should be whether the U.S.-foreign route is competitive, *i.e.,* whether there is a means for foreign market power to be exercised in the U.S. market to the detriment of consumers. If it is determined that the international route is competitive it is unlikely that foreign carriers are in a position to abuse their market power in a way that adversely affects U.S. consumers. To the extent that there are any competitive issues in the local foreign market, they are appropriately addressed by the relevant foreign regulator.

Pursuant to Section 1.1206 of the Commission's Rules, this letter is being electronically filed with your office. If you have any questions concerning this submission, please contact the undersigned.

Sincerely,

Diane Cornell

Diane Cornell

cc: Don Abelson
Anna Gomez
Jim Ball
Sasha Field
David Strickland