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Federal Communications Commission  
Office of the Secretary  
EMBASSY OF THE PHILIPPINES

PASUGUAN NG PILIPINAS

WASHINGTON, D.C.

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Policy Division  
International Bureau

MIS-942-7703

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21 November 2003

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Sir:

Federal Communications Commission  
Office of the Secretary

I have the honor to forward to you the enclosed letter dated 14 November 2003 from The Honorable Armi Jane R. Borge, Chairman, National Telecommunications Commission of the Philippines.

Very truly yours,

EVAN P. GARCIA  
Deputy Chief of Mission  
Chargé d' Affaires, a.i.

THE HONORABLE MICHAEL K. POWELL  
Chairman  
Federal Communications Commission  
Washington D.C.

Copy: Ms. Eunice Reddick, Director, EAP/PMBS, US Department of State  
Ms. Barbara Weisel, Deputy Assistant USTR, Office of the US Trade Representative

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REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS  
NATIONAL TELECOMMUNICATIONS COMMISSION  
BIR Road, East Triangle, Diliman, Quezon City

20 November 2003

The Honorable Michael K. Powell  
Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street SW  
Washington, DC 20554

Dear Chairman Powell:

I am pleased to report progress in our mutual efforts to restore direct telecommunication services between the United States and the Philippines.

After our recent meetings, and pursuant to our exchange of letters, the NTC ordered Philippine carriers "to immediately accept terminating traffic via direct circuits from US facilities based carriers on mutually acceptable final or interim termination rates, on terms and conditions agreed upon by the parties." The Order further provided that, "considering the endeavors made by the Philippine and US regulatory bodies to resolve the issue, payments of arrears due to Philippine carriers must be made and the Commission expects the US FCC to immediately lift its March 10, 2003 Order thereby canceling the stop-payment provision thereof, and subsequently returning Philippine carriers to the ISR list."

I hope you will agree that these actions represent a significant step forward and will create momentum for resolution of the issues among the remaining U.S. and Philippine carriers that, to date, have been unable to reach agreement. To that end, I will continue to strongly encourage completion of the remaining agreements and hope that you, similarly, will use your good offices to encourage the U.S. carriers that have yet to reach agreement with their Philippine counterparts to redouble their efforts to do so.

I am therefore pleased to inform you that we are vigorously pursuing compliance by the Philippine carriers to our directive. They have signified their willingness and cooperation to resolve the issue by immediately accepting traffic via direct circuits on mutually acceptable final or interim termination rates. PLDT I was informed, has likewise reached interim agreements with MCI and Sprint and had also opened/unblocked their direct circuits. I trust that the U.S. carriers will report to you shortly that these circuits have been reopened. Needless to say, once traffic starts flowing, the risk of not being paid continues to be borne by PLDT and other Philippine carriers similarly situated.

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Also, it has been relayed by the Philippine carriers in our meetings that they somehow need a form of assurance that payment of arrears is forthcoming on the part of the U.S. carriers.

As noted in our NTC Order, it is also important that the FCC move quickly to lift the stop payment order affecting those Philippine carriers that have reached agreement with U.S. carriers. In response to our urging, certain Philippine carriers have now agreed to provide service to their U.S. counterparts without the ability to be paid either for monies owed or on a going forward basis. While these carriers will put themselves in their untenable position for a short period of time as a gesture of good faith, it would be unreasonable to expect them to provide service for an extended period without consideration simply because a single U.S. carrier is unreasonably holding out.

While I am gratified that the FCC has authorized payment to Smart by the U.S. carriers, the FCC's action does not resolve the fundamental problem that certain Philippine carriers will now incur significant receivables with no expectation of payment for an extended period of time, nor does the FCC action resolve the fact that holdout U.S. carriers will now have disproportionate power in their negotiations with Philippine carriers.

I have encouraged Philippine carriers to open their circuits with U.S. carriers with whom they have reached interim arrangements. As a matter of fairness, I encourage you to take the next step to lift the stop payment order with respect to those arrangements. I will continue to work with Philippine carriers until all disputes have been resolved. I appreciate your similar commitment to resolve these important issues.

Sincerely,

  
ARMI JANE R. BORJE  
Chairman