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March 11, 2005

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

Re: Information Request for further information regarding IB Dockets 03-38, 02-324, and 96-61

Dear Ms. Dortch,

MCI hereby responds to the information request received from the International Bureau, dated February 24, 2005, in connection with IB Dockets 03-38, 02-324, and 96-61. The Bureau's letter stated that additional information is necessary for the International Bureau to complete its analysis regarding the potential exemption of the US-Philippines route from the International Settlements Policy (ISP). The information requested was presented in two sets of questions, and consequently MCI's response reflects that grouping.

- 1) MCI has not yet reached final settlement arrangements for termination of telecommunications traffic with the Philippines Long Distance Telephone Company (PLDT). The current interim arrangement has been in place since November 12, 2003 following restoration of MCI bilateral circuits with PLDT. Rates and terms in the agreement were set to be retroactive to February 1, 2003, as required by the Commission, with an additional set of rates set out to apply on a going forward basis until the companies agreed to final rates. MCI began settling traffic under this arrangement following the Commission's January 15, 2004 notice lifting the suspension of payment order. Since then, in the course of pursuing the relationship between the companies, PLDT and MCI have modified the arrangement twice. The companies modified the arrangement first in July 2004 to cover most of 2004 and again in October 2004, which is the version that remains in place at this time. The interim termination rate arrangement does not currently have an expiration date.
- 2) MCI is committed to getting to a stage with the Philippine carriers where settlement arrangements can be finalized. For the past year, MCI's experience is that negotiations with Philippine carriers for traffic settlement have taken place on an open and competitive basis. Unfortunately, the Commission's reimposition of ISP restrictions complicates, rather than facilitates, pro-competitive

settlement arrangements. Having matured, previously, to a more flexible contractual arrangement, shifting back to a strict ISP structure requires a significant and fundamental retrenchment. As the Commission acknowledged in its 2004 Order reforming the ISP, the restrictions of the ISP, despite the good policy intent, “may in reality hinder the ability of U.S. carriers to negotiate more cost-based settlement rates and efficient terms in their agreements with foreign carriers.”¹ The Commission’s concerns are being borne out in this case.

In addition, the very sensitive state of the relationship as a result of the proceedings before the Commission has resulted in slower, more deliberate considerations and an emphasis on looking to the larger context of the carriers’ interactions to find opportunities to help solidify the partnership. MCI is hopeful that it will be possible to move, finally, past this interim stage, however we do not know at this time with any specificity when that might happen. Similarly, MCI cannot say with certainty what any term or condition of a final arrangement might be and so cannot comment on whether there will be any retroactive modification at that time.

If the Commission has any further questions, please do not hesitate to contact us.

Sincerely,

Craig L. Silliman
VP, International Legal and Regulatory

Cc: James Ball, FCC
Claudia Fox, FCC
Mark Uretsky, FCC
David Strickland, FCC
Kimberly Cook, FCC

¹ International Settlements Policy Reform; International Settlement Rates, *First Report and Order*, IB Docket Nos. 02-234, 96-261, FCC No. 04-53 (Rel. Mar 30, 2004), ¶13.