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Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Report No. IN 98-44 INTERNATIONAL ACTION August 6, 1998

FCC PROPOSES TO REFORM INTERNATIONAL SETTLEMENTS POLICY
(IB DOCKET 98-148)

The Commission today proposed rules to reform the international settlements policy to promote greater competition and lower international calling prices. The Commission proposed to lift regulations under the existing policy that restrict the kinds of arrangements U.S. carriers may enter into with foreign telecoommunications carriers in World Trade Organization (WTO) member countries. This action is part of the FCC's biennial review to eliminate or modify rules where appropriate

The FCC's international settlements policy imposed certain constraints on U.S. carriers' relations with foreign carriers. The policy was originally designed to prevent monopoly foreign carriers from taking advantage of the competitive marketplace in the United States by playing one carrier off against another - a practice known as "whipsawing" - in order to extract higher rates for the completion of international calls originating in the United States.

Under the 1997 World Trade Organization Agreement on Basic Telecommunications, 72 countries made commitments to open their markets to competition for telecommunications services. In many of those countries, new entrants are already providing service to customers at lower rates and higher standards of service than the former monopoly provider.

The Commission proposed today to revise its rules to reflect these new market realities. The international settlements policy was intended to apply to arrangements with foreign monopoly carriers in closed markets. Today, less and less traffic is carried pursuant to such arrangements. Further, technological and other developments in the international services market are lowering barriers to entry and creating opportunities for new entrants to pursue innovative business strategies.

The Commission expects the proposed changes will result in lower costs and further innovation in international telephone service for U.S. carriers and consumers.

Specifically, the Commission:

•Proposed to remove the international settlements policy and contract filing requirements for arrangements with foreign carriers that lack market power in WTO countries;

•Sought comment on whether to remove the international settlements policy altogether for arrangements with all carriers from WTO countries that either meet the Commission's standard for international simple resale (ISR) (have 50% of traffic settled at benchmark rates *or* offer equivalent resale opportunities) or whether another standard is appropriate;

•Sought comment on whether to modify the rules governing ISR as a mechanism for putting increased pressure on international settlement rates;

•Sought comment on the application of existing competitive safeguards and whether modification is necessary in light of the *Notice's* proposals;

•Proposed several procedural changes to simplify the accounting rate filing requirements.

The Commission noted that adoption of the proposed rules would give greater opportunities to smaller carriers and would let the market, rather than government regulation, govern settlement arrangements between carriers in competitive markets.

Action by the Commission August 6, 1998, by Notice of Proposed Rulemaking (FCC 98-190). Chairman Kennard, Commissioners Ness, Furchtgott-Roth, Powell and Tristani.

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