

Before the
Federal Communications Commission
Washington, D.C. 20554

CC Docket No. 90-337

In the Matter of

Regulation of International
Accounting Rates

NOTICE OF PROPOSED RULE MAKING

Adopted: July 12, 1990;

Released: August 7, 1990

By the Commission:

I. INTRODUCTION

1. The U.S. net settlements deficit for international telecommunications traffic grew from approximately \$40 million in 1970 to \$2 billion in 1988, with perhaps \$1 billion of this deficit being a direct underwriting by U.S. consumers of foreign telecommunications administrations.¹ In this proceeding, we tentatively conclude that the above-cost international accounting rates that provide the basis for those overpayments deter U.S. carriers from making further reductions in U.S. calling prices. As a result, we hereby initiate a Rule Making proposing to modify our regulation of the international accounting rates that U.S. carriers use to settle accounts with foreign telecommunications administrations in order to promote lower, more cost-based, international accounting and collection rates.²

II. BACKGROUND

A. Commission Settlements Policy

2. The Commission has regulated U.S. carrier participation in international accounting and settlement arrangements for more than fifty years in a series of proceedings beginning with *Mackay Radio*³ in 1936, continuing with *TRT*⁴ in 1974 and *Uniform Settlements* in 1980,⁵ and culminating in the adoption of the Commission's existing International Settlements Policy (ISP) in 1986.⁶ In its 1980 decision, the Commission reaffirmed the traditional view that the public interest is served by a policy requiring uniform settlement agreements for international record carriers on parallel international routes.⁷

3. Although the Commission's regulatory oversight concerning international accounting and settlement arrangements has evolved over time, the traditional focus of the Commission's regulation was largely to prevent the "whipsawing" of competing U.S. international record carriers (IRCs).⁸ In *Uniform Settlements*, the Commission observed that the nature of the international message telephone service (IMTS) market at that time, including the fact that traffic for IMTS is predominantly outbound from the United States, appeared to limit the ability of foreign telecommunications administrations to play U.S. carriers off against each other to the disadvantage of the

U.S. carriers and U.S. ratepayers. Nevertheless, the Commission concluded for the first time in 1986 that the ISP should apply to international voice services. Only in 1987 did the Commission begin to focus on the absolute level of international accounting rates and the potential adverse effect of the high level of international accounting rates on U.S. consumers.⁹ While the Commission did not propose any action concerning the issue of international accounting rates, the Commission explicitly reserved the right to consider additional regulatory action as necessary in the context of its continuing review of these issues.¹⁰

B. "New Developments"

4. Despite the effort the Commission has made thus far to focus attention on the issue of high international accounting rates, high calling prices to the United States, and the substantial U.S. IMTS-based balance of payments deficit, there has been little evidence that the situation is improving. To the contrary, the U.S. net settlements deficit increased 17.3 percent in 1988.¹¹ Moreover, the weighted average accounting rate for international common carrier services remained roughly the same in 1988.¹²

5. Furthermore, concerns have been raised for the first time concerning the potential whipsawing of U.S. voice carriers. AT&T, for example, asserts that a new arrangement for delivering inbound IMTS has been introduced into the marketplace.¹³ AT&T notes that under this arrangement, foreign callers use international private lines to access the U.S. domestic switched network, with the foreign caller paying only the U.S. domestic rate plus the cost of the international private line. AT&T contends that these new arrangements will permit foreign carriers to avoid paying the IMTS accounting rate. AT&T notes that U.S. callers cannot similarly access other countries' domestic networks. AT&T asserts that this could lead to a drastic decrease in inbound accounting rate revenues accruing to U.S. carriers under traditional IMTS accounting and settlement arrangements, and could eventually force U.S. callers to pay higher rates for international calling. As a result, AT&T asserts that these new arrangements should be declared violative of the ISP¹⁴ and an unreasonable practice in violation of Section 201(b) of the Communications Act.¹⁵ TRT, now TRT/FTC, has expressed similar concerns and sought similar relief in a petition requesting a ruling as to the applicability of the ISP to packet switched data services between the United States and Bermuda using different protocols for international transmission.¹⁶

III. DISCUSSION

A. Competition in International Telecommunications

6. Section 1 of the Communications Act directs the Commission to exercise its regulatory authority over interstate and foreign telecommunications

so as to make available, so far as possible, to all people of the United States a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges

47 U.S.C. § 151. The Commission has sought to carry out the statutory mandate set forth in Section 1 by establishing an increasingly competitive market structure in domestic and international telecommunications. As a result, the Commission has provided for open entry in the provision of interstate long distance¹⁷ and international¹⁸ services. Moreover, substantial regulatory effort has been required to address the cost and repricing issues associated with the introduction of competition in the interstate long distance market.¹⁹

7. We recognize, however, that all of the cost and pricing issues associated with the introduction of competition into the U.S.-based international telecommunications services market have not yet been finally resolved. In establishing this proceeding, we tentatively conclude that we should consider modifications to our regulatory policies in order to promote lower, more cost-based, international accounting rates and calling prices. Moreover, we tentatively conclude that in examining these issues we should be guided by the same types of objectives that we have used in the past to examine repricing issues, such as: (1) universal service;²⁰ (2) the prevention of uneconomic bypass;²¹ (3) the encouragement of network efficiency;²² and (4) the elimination of unjust discrimination or unlawful preferential rates.

8. We believe that by pursuing these, and other, longstanding regulatory objectives we will promote the goals established by this Commission, that include, *inter alia*, encouraging the development of a competitive, innovative and excellent American communications system and promoting the vital interests of the American people in international communications. At the same time, by establishing this proceeding, we make clear our concern that the strides that have been made toward fulfilling longstanding regulatory objectives, such as ensuring universal service,²³ eliminating unjust or unlawful preferences,²⁴ preventing uneconomic bypass,²⁵ and encouraging network efficiency, may be imperiled by the current above-cost international accounting rate structure. In particular, we are concerned that although U.S. IMTS prices may appear relatively low in comparison to foreign calling prices to the United States,²⁶ the above-cost international accounting rate structure appears to be a primary reason that U.S. international calling prices are significantly higher than U.S. domestic rates. Moreover, we are concerned that high IMTS calling prices place pressure on our structure of universal service, deter economic efficiency and create a strong incentive to bypass the international public switched telephone network. We invite parties to comment on the objectives discussed above, additional or alternative objectives, and our tentative conclusion that such objectives should guide the establishment of our regulatory policies in this area.

B. ISP Reform Proposals

9. In light of our findings above, we tentatively conclude that lower, more cost-based international accounting and collection rates should be the focus of our regulatory effort. We must implement meaningful and timely reform of the existing international accounting and settlement arrangements. We cannot continue to underwrite foreign telecommunications administrations, particularly in developed countries that have per capita incomes that rival or exceed those of the United States, and thereby endanger the substantial, hard-won gains that have been achieved by U.S. government and industry.

10. Specifically, we propose a three-part reform of our existing international settlements policy to bring international accounting rates closer to the cost of providing international telecommunications services and to reduce U.S. international calling prices by perhaps as much as fifty percent. We believe that the proposed approach will permit countries, such as the United Kingdom, that have regulatory bodies that have expressed an interest in lower, more cost-based international accounting rates to expedite such reductions.²⁷ Moreover, we trust that the proposed approach will encourage foreign telecommunications administrations that have unusually high IMTS accounting rates with the United States, such as the telecommunications administration in Hong Kong, to lower such accounting rates to more cost-based levels.²⁸ Similarly, we hope that the proposed approach will encourage countries, such as the Federal Republic of Germany, that have traditionally had very high IMTS calling prices to the United States and "stable" accounting rates to implement accounting rate and calling price reductions for IMTS with the United States on an expedited basis.²⁹

1. Notification

11. First, we propose to remove any existing or potential regulatory impediments to lower, more cost-based accounting rates for international telecommunications services. While in recent years the Commission has granted numerous waivers for lower accounting rates for international telecommunications services, we recognize that oppositions from competing carriers may slow the timely introduction of lower, and more competitive, accounting rates³⁰ and may result in higher,³¹ rather than lower, calling prices for U.S. consumers.³² Moreover, we recognize that even absent opposition, U.S. carriers may have to wait more than two months for an accounting rate reduction to become effective under existing rules.³³

12. As a result, we propose adding a new procedural option to our present oversight under the ISP of U.S. carrier international accounting and settlement arrangements. Specifically, in order to remove any existing or potential U.S. regulatory impediments to lower, and more cost-based, accounting rates, we propose the implementation of a notification option for simple reductions in the accounting rate with a single foreign telecommunications administration rather than requiring carriers to seek a waiver of the ISP.³⁴ Under this proposed option a U.S. carrier would be required to file a letter with the Commission noting: (1) the applicable international service,³⁵ (2) the foreign telecommunications administration; (3) the present accounting rate; (4) the new accounting rate; (5) the prospective effective date;³⁶ (6) that the accounting rate will be divided 50-50; and (7) that there has been no other change in the operating agreement with the foreign correspondent.

13. Moreover, under the proposed notification approach, an exclusive arrangement would not be permitted -- that is, if a foreign telecommunications administration implements a lower accounting rate with one U.S. carrier, it must be prepared to offer the same rate to all U.S. carriers serving that country. Furthermore, under the proposed notification approach, U.S. carriers would be required to "accept" only their proportionate share of return traffic from a given country. Finally, in order to ensure compliance with these rules, U.S. carriers would be required to incorporate sworn statements concerning these non-exclusivity and proportionate return require-

ments into their notification letters.³⁷ We invite parties to comment on this proposed notification option, including the likelihood that a notification option alone will result in lower, and more cost-based, international accounting rates.³⁸

2. Waiver Requests

14. Second, we propose to streamline our examination of ISP waiver requests by reducing, where possible, the amount of time necessary for review. Specifically, we propose to apply a 21-day waiver review procedure to the international telecommunications services currently subject to the ISP.³⁹ Moreover, we propose to give more definitive guidance to the Common Carrier Bureau concerning whether to grant such requests.

15. At present, the ISP provides that waivers may be granted if there is a possibility of lower collection rates, improved services, or increased competition. We seek comment, however, on our proposal to establish definitive criteria for determining whether a waiver should be granted or denied. Under this proposed approach we would expect to grant waivers only if there is a change that results in a more cost-based accounting rate.⁴⁰ In order to make clear our view that international calling prices have remained too high under existing accounting and settlement arrangements, however, we propose to demonstrate our strong interest in international calling price reductions by relying on a single additional criterion -- that is, whether there is a firm carrier commitment to lower international calling prices. We invite parties to comment on this proposed approach, including whether the commitment to lower calling prices should apply to the U.S. carrier, its foreign correspondent, or both, and how such a commitment could best be implemented.⁴¹ We also invite parties to comment whether additional criteria should be considered and, if parties believe such additional criteria are necessary or desirable, to provide specific suggestions. In this context, we note, however, that under our proposed waiver approach we would expect to deny certain types of waiver requests, such as non-cost-based increases in, or surcharges to, the accounting rate,⁴² or less than a 50 percent share for the U.S. carrier,⁴³ that have been received under the existing waiver criteria. As a result, we would ask parties to propose additional criteria only if such criteria would directly promote one or more of the objectives set forth in this proceeding.

3. Establishment of Rates

16. Third, we propose exploring the use of existing International Telecommunication Union (ITU)⁴⁴ Regulations and International Telegraph and Telephone Consultative Committee (CCITT) Recommendations to promote reductions in international collection and accounting rates between the United States and other countries. In particular, we invite parties to comment on the extent to which Articles 6.1⁴⁵ and Articles 6.2⁴⁶ of the new International Telecommunication Regulations serve as a basis for seeking bilateral collection and accounting rate reductions between the United States and other ITU member countries. Specifically, we invite parties to provide information on the average total cost of providing different services between the United States and other countries. Moreover, we encourage parties to comment on the extent to which we can and should use AT&T's 1985 fully distributed cost analysis, with allowances made for reductions in access charges and facilities costs since 1985,

as the initial basis of our cost analysis. In addition, we invite parties to provide specific information on current intra-European and intra-Asian telephone accounting rates that reportedly are approximately half prevailing standard U.S.-Europe and U.S.-Asia accounting rates. And we invite parties to comment on the extent to which we may rely on these existing intra-continental accounting rates to take regulatory action to provide for lower, and more cost-based, U.S. inter-continental accounting rate arrangements. Furthermore, we recognize that there is important ongoing work in a variety of CCITT Study Groups, including Study Group III - Tariff and Accounting Principles,⁴⁷ and we invite parties to comment whether we should recommend that U.S. delegations to the CCITT seek revision of any language in any existing, or proposed, CCITT Recommendations in order to clarify that international accounting rates should be cost-based and that all countries should exercise their best efforts to minimize the national cost of providing international telecommunications services.

17. We also recognize that the revision of CCITT Recommendation D.1 to permit unlimited resale and shared use⁴⁸ of leased lines internationally would result in the immediate benefits of lower, and more cost-based, accounting and collection rates for international telecommunications services. Nevertheless, we also recognize that while the United States has made clear its interest in permitting international resale and shared use,⁴⁹ other countries have preferred to implement the restrictions on resale and shared use that are currently permitted, albeit not required, by CCITT Recommendation D.1. Furthermore, while we strongly support the recent U.S. contribution to CCITT Study Group III that provides, *inter alia*, that international private leased circuits should be offered to all customers on the basis of the cost of providing such services, available on a flat-rate basis, and subject to customers deriving channels according to their requirements, including any customer interconnection requirement,⁵⁰ we recognize that a number of countries may prefer to retain national restrictions in order to preserve the present above-cost international accounting rate structure. As a result, while we are encouraged by movement towards permitting two-way resale and shared use represented, for example, by the recent CRTC decision⁵¹ and we tentatively conclude that the concerns raised by AT&T vis-a-vis Canada may be best resolved by an expeditious reduction in the U.S.-Canada IMTS accounting rate,⁵² we tentatively conclude that the continuing prohibition of resale between the United States and overseas markets serves as a barrier to the implementation of lower, more cost-based, international accounting rates.

18. Indeed, we are concerned that the continuation of existing resale restrictions by overseas foreign administrations permits them to ignore relevant cost trends that would otherwise result in lower, more cost-based international accounting rates⁵³ and international calling prices. We are even more concerned that there may be countries that seek unilaterally to alter existing accounting rate arrangements by permitting one-way resale in order to evade the requirements of the ISP.⁵⁴ As a result, should other countries unilaterally attempt to alter the IMTS accounting rate by permitting one-way resale to evade the ISP or continue to ignore international cost trends that require lower, more cost-based, international accounting rates and calling prices,⁵⁵ we are prepared to take appropriate regulatory action.

19. We believe the Communications Act provides us with broad authority to regulate international telecommunications services, including international accounting rates. Section 201(a) provides us, for example, with authority, where necessary or desirable in the public interest, to establish, *inter alia*, through routes and charges applicable thereto and the division of such charges.⁵⁶ Similarly, Section 201(b) provides us with authority to address, *inter alia*, whether charges for interstate or foreign communication by wire or radio are just and reasonable.⁵⁷ Moreover, Section 205 provides us with the authority to determine and prescribe what is a just and reasonable charge under certain circumstances.⁵⁸ Finally, Section 214 provides us with the authority, *inter alia*, to condition our grants of certificates for the construction or operation of international facilities as the public convenience and necessity may require.⁵⁹

20. As a result, we tentatively conclude that we have the authority to establish international accounting rates, to determine and prescribe just and reasonable accounting rates, and, if necessary, condition Section 214 grants on the implementation of lower, more cost-based accounting rates. We also tentatively conclude that we would be most likely to exercise this authority only in situations in which: (1) a foreign government or telecommunications administration permits one-way resale and thereby evades the ISP; (2) a foreign government or telecommunications administration maintains an accounting rate that ignores relevant cost trends; or (3) a foreign government or telecommunications administration maintains a large asymmetry in international calling prices with the United States.⁶⁰ We invite parties to comment on these tentative conclusions, and the legal and policy issues associated with the Commission exercising its authority in this area. In particular, we seek the views of the executive branch on any potential foreign policy, trade, commercial, or other implications of such proposed regulatory actions and the most appropriate mechanism or mechanisms to ensure that all the views of executive branch agencies have been considered. We also invite parties to comment on the implications of our proposed approach on the facilities review process, including whether common carrier use of any or all cable facilities should be subject to conditions, such as reductions in international accounting rates and international calling prices, similar to that used by the Commission in its review of TAT-5.⁶¹

IV. REGULATORY FLEXIBILITY ACT AND PAPERWORK REDUCTION ACT

21. We tentatively conclude that, in order to comply with the Commission's statutory mandate, a re-examination of the Commission's existing regulation of international accounting and collection rates is necessary to promote lower, more cost-based, international accounting and collection rates. Moreover, we tentatively conclude that we should adopt the same types of objectives that we have used in the past to examine repricing issues to guide our efforts, such as: (1) universal service; (2) the prevention of uneconomic bypass; (3) the encouragement of network efficiency; and (4) the elimination of unjust discrimination or unlawful preferential rates. Furthermore, we tentatively conclude that the legal basis for this Rule Making proceeding is contained in Sections 1, 4, 201, 202, 203, 204, 205, 211, 214, 215, 218, 220 and 303 of the Communications Act, as amended.

22. Similarly, we tentatively conclude that the actions we have proposed will facilitate the entry of additional carriers into the international telecommunications marketplace, including small entities. We recognize that the proposals suggested include the possibility of certain new reporting requirements and, therefore, implementation of any such requirements may be subject to review by the Office of Management and Budget (OMB). Copies of this notice will be sent to OMB and the Chief Counsel for Advocacy of the Small Business Administration. We believe that the proposals set forth in this notice, such as our proposal to move to a notification procedure and more definitive waiver criteria, are consistent with the objectives discussed herein and should not overlap, duplicate or conflict with any existing Federal rules. Moreover, in light of the positive marketplace effects that we believe will result from our proposals, not only will the notification and waiver proposals minimize any negative impact our proposed regulatory actions may have on any small entities, but the successful implementation of our proposed approach should permit small U.S. entities greater flexibility in the international marketplace.

V. EX PARTE REQUIREMENTS

23. For the purposes of this non-restricted notice and comment Rule Making proceeding, members of the public are advised that *ex parte* presentations are permitted except during the Sunshine Agenda period. *See generally* Section 1.1206(a) of the Commission's Rules, 47 C.F.R. § 1.1206(a). The Sunshine Agenda period is the period of time which commences with the release of a public notice that a matter has been placed on the Sunshine Agenda and terminates when the Commission (1) releases the text of a decision or order in the matter; (2) issues a public notice stating that the matter has been deleted from the Sunshine Agenda; or (3) issues a public notice stating that the matter has been returned to the staff for further consideration, whichever occurs first. *See* Section 1.1202(f) of the Commission's Rules, 47 C.F.R. § 1.1202(f). During the Sunshine Agenda period, no presentations, *ex parte* or otherwise, are permitted unless specifically requested by the Commission or staff for the clarification or adduction of evidence or the resolution of issues in the proceeding. Section 1.1203 of the Commission's Rules, 47 C.F.R. § 1.1203.

24. In general, an *ex parte* presentation is any presentation directed to the merits or outcome of the proceeding made to decision-making personnel which (1) if written, is not served on the parties to the proceeding, or (2), if oral, is made without advance notice to the parties to the proceeding and without opportunity for them to be present. *See* Section 1.1202(b) of the Commission's Rules, 47 C.F.R. § 1.1202(b). Any person who makes or submits a written *ex parte* presentation shall provide on the same day it is submitted two copies of the same under separate cover to the Commission's Secretary for inclusion in the public record. The presentation (as well as any transmittal letter) must clearly indicate on its face the docket number of the particular proceeding(s) to which it relates and the fact that two copies of it have been submitted to the Secretary, and must be labeled or captioned as an *ex parte* presentation.

25. Any person who in making an oral *ex parte* presentation presents data or arguments not already reflected in that person's written comments, memoranda, or other

previous filings in that proceeding shall provide on the day of the oral presentation an original and one copy of a written memorandum to the Secretary (with a copy to the Commissioner or staff member involved) which summarizes the data and arguments. The memorandum (as well as any transmittal letter) must clearly indicate on its face the docket number of the particular proceeding and the fact that an original and one copy of it have been submitted to the Secretary, and must be labeled or captioned as an *ex parte* presentation. See Section 1.1206 of the Commission's Rules, 47 C.F.R. § 1.1206.

26. All relevant and timely comments and reply comments will be considered by this Commission. In reaching our decision, we may take into account information and ideas not contained in the comments, provided that such information or a writing containing the nature and source of such information is placed in the public file, and provide that the fact of this Commission's reliance on such information is noted in the Order.

VI. ORDERING CLAUSES

27. Accordingly, IT IS ORDERED that NOTICE IS HEREBY GIVEN of the proposed regulatory action described above, and that COMMENT IS SOUGHT on these proposals.⁶²

28. IT IS FURTHER ORDERED that pursuant to applicable procedures set forth in Sections 1.415 and 1.419 of the Commission's Rules, 47 C.F.R. §§ 1.415 and 1.419, comments SHALL BE FILED with the Secretary, Federal Communications Commission, Washington, D.C. 20554 on or before October 12, 1990, and reply comments SHALL BE FILED with the Secretary on or before November 13, 1990. To file formally in this proceeding, participants must file an original and four copies of all comments, reply comments and supporting comments. If participants want each Commissioner to receive a personal copy of their comments, an original plus nine copies must be filed. Parties should also file one copy of any documents filed in this docket with the Commission's copy contractor, International Transcription Services, Inc., Suite 140, 2100 M Street, N.W., Washington, D.C. Comments and reply comments will be available for public inspection during regular business hours in the Dockets Reference Room, Room 239, 1919 M Street, N.W., Washington, D.C. 20554.

FEDERAL COMMUNICATIONS COMMISSION

Donna R. Searcy
Secretary

FOOTNOTES

¹ In 1988, the Common Carrier Bureau issued a report that traced and analyzed the development of this deficit and its relationship to existing international accounting rates for telecommunications services. The Bureau Report concluded that: (1) the U.S. deficit is large and continues to grow; (2) the costs of international telecommunications facilities have declined dramatically; (3) while there have been a series of reductions in U.S. prices for international telephone service, these price re-

ductions have not been matched by reductions in foreign prices for service to the United States; (4) international accounting rates have not kept pace with either these cost or price reductions; and (5) an analysis of these facts suggests that perhaps half of the U.S. settlements deficit could represent a subsidy to foreign telecommunications administrations. See "International Accounting Rates and the Balance of Payments Deficit in Telecommunications Services," Report of the Common Carrier Bureau to the FCC (December 12, 1988) (hereinafter *Bureau Report*).

² Moreover, for the purposes of this proceeding, we propose to use AT&T's 1985 fully distributed cost-analysis referenced in the Bureau Report as the initial basis for our cost analysis. *Id.* See also K. Stanley, "The Balance of Payments Deficit in International Telecommunications Services," Industry Analysis Division, Common Carrier Bureau, Appendix K (December 12, 1988).

³ See Mackay Radio and Telegraph Company, Inc., 2 FCC 592 (1936); *aff'd by the Commission en banc*, 4 FCC 150 (1937); *aff'd sub nom. Mackay Radio and Telegraph Co. v. F.C.C.*, 97 F.2d 641 (D.C. Cir. 1938).

⁴ See TRT Telecommunications Corp., 46 FCC 2d 1042 (1974).

⁵ Uniform Settlement Rates on Parallel International Communications Routes, 84 FCC 2d 121 (1980) (hereinafter *Uniform Settlements*).

⁶ See Implementation and Scope of Uniform Settlements Policy for Parallel International Communications Routes, Report and Order, CC Docket No. 85-204, 51 Fed. Reg. 4736 (February 7, 1986), *Order on Reconsideration*, 2 FCC Rcd 1118 (1987), *Further Reconsideration*, 3 FCC Rcd 1614 (1988).

⁷ The Commission concluded that its policy requires carriers providing the same service to the same foreign point to have uniform accounting rates (rate per minute of service that is negotiated and shared by initiating and terminating telecommunications administrations), settlement rates (the currency conversion stipulated in the operating agreement, which is usually Gold Francs (GFs), Special Drawing Rights (SDRs), or U.S. dollars), and division of tolls (the percentage of the accounting rate to be given each administration, which is usually 50-50) with a given PTT. The Commission stated, however, that it would consider waiver requests concerning the uniformity requirement on a case-by-case basis using a variety of factors, including the possibility of lower collection rates, improved services, and increased competition. See *Uniform Settlements*, *supra* note 5.

⁸ The Commission coined the term "whipsawing" in *Mackay* stating that:

To expect the telegraph administration to play the competing companies against each other is simply to expect that the administration will be headed by good businessmen, loyal to their national interests. To rely upon companies which are bitter competitors not to make concessions to the administration which controls all outgoing radio-telegraph traffic is to provide an exceedingly tenuous basis upon which to rest the public interest.

See *MacKay Radio*, *supra* note 3 at 599.

⁹ Specifically, the Commission noted that high international accounting rates may raise the cost, and consequently, the price of international telecommunications services originating and terminating in the United States. Regulatory Policies and International Telecommunications, Report and Order and Supplemental Notice of Inquiry, CC Docket 86-494, 53 Fed. Reg. 12546 (1987).

¹⁰ See Regulatory Policies and International Telecommunications, *Order on Reconsideration*, CC Docket 86-494, 4 FCC Rcd 323, 338 (1988).

¹¹ See "Trends in the International Communications Industry, 1975-1988," Industry Analysis Division, Common Carrier Bureau, FCC (December 1989).

¹² We have not yet received 1989 international traffic and revenue information. Carriers are required to file this information on July 31, 1990. For the most recent data on accounting rates, see "Accounting Rates and the IMTS Deficit, 1985-1990," Common Carrier Bureau, FCC (June 1, 1990).

¹³ AT&T filed a Petition for Expedited Declaratory Ruling in CC Docket 86-494 on February 5, 1990. The petition was placed on public notice on February 8, 1990. Comments were filed on March 5, 1990. Reply comments were filed on March 19, 1990. See Public Notice, DA 90-176, February 8, 1990.

¹⁴ On February 5, 1990, AT&T filed an informal complaint against MCI and US Sprint alleging that these companies are already providing this "IMTS option" with Canada under settlement arrangements different from the filed, uniform IMTS accounting rate arrangement in violation of the ISP. AT&T requests that these companies be required to justify the non-uniform arrangement under the ISP and that the Commission should direct MCI and Sprint to discontinue the provision of IMTS in this manner and require that they file tariff revisions establishing rates for terminating calls from Canada to the United States that are no less than one-half of the existing IMTS accounting rate. See Letter from David J. Ritchie, AT&T, to Kathie A. Kneff, Chief, Informal Complaints and Public Inquiries Branch, Enforcement Division, Common Carrier Bureau (February 5, 1990).

In its petition, however, AT&T asserts that other U.S. carriers are becoming involved in variations of this new arrangement and alleges that NTS, a U.S. interexchange carrier, has made similar proposals to a number of foreign carriers in South America, Asia and Australia.

¹⁵ ACC Long Distance, ADAPSO, Allnet, Burlington Telephone, Call-Net Telecommunications, CNCP Telecommunications, MCI, NTS Telecommunications, and US Sprint oppose AT&T's request vis-a-vis Canada, and assert that any concerns with regard to Canada have been mooted by a Canadian Radio-Television and Telecommunications Commission (CRTC) decision that was released March 1, 1990. The CRTC decision relaxes Canadian rules governing the resale and sharing of private network services used to provide inter-city voice services, including traffic originating in the United States. The new rules took effect May 29, 1990. See Resale and Sharing of Private Line Services, Telecom Decision CRTC 90-3, Ottawa, 1 March 1990.

Moreover, these parties assert that a Commission order subjecting existing FX (traditional FX service involves a private line that is connected with the public switched network at one end) and other existing U.S.-Canada cross-border arrangements to the uniformity requirements of the ISP would be "regressive" or "protectionistic," would be contrary to longstanding U.S. domestic and international efforts to promote unlimited resale and shared use, and could adversely affect the ability of users to interconnect international private lines to the domestic public switched network. Finally, MCI notes that to the extent that there is any truth to AT&T's claim that third parties are encouraging overseas administrations to divert IMTS from the public switched network to private lines, MCI, although it has not seen any evidence of this occurring, would share AT&T's concern.

¹⁶ TRT's petition claims that the packet switching service protocols used by TRT and Telenet result in no service differences, are transparent to the end user, and that the uniformity requirements of the ISP should apply. In an earlier complaint, TRT stated that Telenet had unlawfully introduced a \$6.00 per hour and \$6.00 per kilosegment accounting rate with Cable and Wireless PLC for Bermuda --that is, below a pre-existing \$8.00 per hour TRT-C&W Bermuda accounting rate. Telenet responded, *inter alia*, that there are technical and user differences between the protocols which render the networks to be materially different. Citing FTC Communications Inc., Memorandum Opinion and Order, Transmittal No. 174, Mimeo No. (released March 6, 1984); GTE Telenet Communications Corp., Memorandum Opinion and Order, Transmittal Nos. 48 and 49, Mimeo No. (released April 26, 1984).

¹⁷ See, e.g., MTS/WATS Market Structure, Report and Third Supplemental Notice of Inquiry and Proposed Rule Making, CC Docket 78-72, 81 FCC 2d 177 (1980).

¹⁸ In 1982, for example, the Commission eliminated the regulatory dichotomy between voice and record services, allowing international record carriers to also provide voice services and IMTS providers to also provide data services. Subsequently, the Commission eliminated restrictions on Comsat's entrance into the competitive provision of international telecommunications services, granted authorizations for international communications satellite systems separate from the INTELSAT system and permitted the development of "private" cable systems. Moreover, the Commission has encouraged foreign administrations to enter into operating agreements with additional U.S. IMTS carriers. As a result, AT&T now faces facilities-based competition in 19 out of the top 20 international markets. See, e.g., Competition in the Interstate Interexchange Marketplace, Notice of Proposed Rule Making, CC Docket 90-132, FCC 90-90 (released April 13, 1990).

¹⁹ Interstate long distance rates, which traditionally exceeded the cost of providing service, have been reduced by over 40% since 1984. See "FCC Releases Semi-annual Study on Telephone Trends," No. 1745 (February 14, 1990).

²⁰ The most important measures adopted by the Commission to promote universal service include: (1) high cost assistance; (2) long-term support to minimize pressures to deaverage interstate toll rates due to the access rate structure; and (3) lifeline assistance. Lifeline assistance includes both reductions in, or waiver of, the federal subscriber line charge and the connection of low income households to the U.S. telephone network in a program known as "Link-Up America." Information provided by the National Exchange Carrier Association (NECA) suggests that the following would be reasonable estimates of the projected 1990 cost of these assistance programs: (1) high cost assistance (\$339 million); (2) long term toll support (\$268 million) (3) transitional support (\$311 million); (4) lifeline (\$67.3 million); and (5) Link-Up (\$8.8 million). See Federal-State Joint Board Staff Monitoring Report, CC Docket 87-339, January 1990 (hereinafter FSJB Staff Report). Moreover, recent figures demonstrate that telephone subscribership has increased by almost 9 million households since 1984 to over 87 million households in 1990. Indeed, 93% of households in the United States now have a telephone. See "Telephone Subscribership in the U.S." Industry Analysis Division, Common Carrier Bureau (January 1990).

²¹ The Commission has issued three bypass reports resulting from a concern that prices that existed in the interstate long distances services market differed widely from the cost of providing those services and thereby provided a strong artificial incentive for bypass of the existing public switched telephone network. In 1987, for example, a Federal-State Joint Board Staff

Monitoring Report noted that the average price of an ordinary interstate long distance telephone call was about 20 cents per minute and that the true costs of providing that call are "nowhere near as high." See Federal-State Joint Board Staff Monitoring Report, CC Docket 87-339, September 1987, at 90. Moreover, the Commission has noted that revenue losses from uneconomic bypass activities would be recovered by charging higher rates to remaining customers -- that is, residential subscribers and small business customers -- who are unable to bypass the public switched network. *Id.*

²² Interstate long distance service traffic volumes have grown at an annual rate of 13%, more than doubling usage of the interstate switched network since 1984.

²³ In this context, we note that the \$1 billion overpayment that we estimate the United States is paying to other countries in the form of unwarranted settlements payments may exceed the assistance that the Commission has provided for nationwide high cost, lifeline, Link-Up, and long-term and transitional pooling assistance. Moreover, the settlements-based overpayment sent to certain countries appears to exceed the level of high cost support given to any single U.S. state, or, alternatively, the total federal assistance for the lifeline and Link-Up programs. Furthermore, we note that to the extent that carriers, such as Ameritech, Bell Atlantic, BellSouth and Southwestern Bell, are correct that disconnections from the network are often the result of unpaid toll charges, high international calling prices may have a direct negative impact on universal service. See Federal-State Joint Board Staff Monitoring Report, CC Docket No. 87-336 (June 1988) at 43-7.

²⁴ The average price for IMTS charged to U.S. consumers, for example, has, in recent years, been as much as six times the average price charged for domestic long distance service. In 1987, for example, the average price for IMTS service originating in the United States was approximately \$1.20 per minute versus an average of approximately \$0.20 per minute for domestic long distance service. This difference in calling prices persists despite the fact that, absent above-cost international accounting rates, there appears to be relatively little difference between U.S. domestic and overseas calling costs. See *Bureau Report supra* note 1 at 36-43.

²⁵ The weighted average accounting rate was \$1.38 in 1987. In contrast, the total interstate access charge by local telephone companies to long distance carriers was 13 cents during 1987, with 7 cents remaining to cover the costs of the long distance carrier. Therefore, the originating or terminating country's share of the accounting rate (\$0.69) was \$0.49 above the average price of a U.S. domestic long distance call. See FSJB Staff Report (Sept. 1987). These figures suggest that the incentive to "bypass" the existing international public switched long distance network along the lines described by AT&T is significantly higher than the artificial incentive for domestic bypass cited by the Commission in 1983, 1985 and 1987. *Id.*

²⁶ In 1988, for example, we estimate that while the average price per minute for a U.S.-originated IMTS call was approximately \$1.20, the average price for a foreign-originated IMTS call to the United States was \$1.70.

²⁷ It is important to note that while the United Kingdom has traditionally been considered a "benchmark" rate for Europe, the United States-United Kingdom IMTS accounting rate has not been lowered since 1982.

²⁸ The U.S.-Hong Kong IMTS accounting rate is \$2.35 per minute, or roughly twice either the U.S.-Australia [0.8 SDRs(\$1.05)] or the U.S.-Singapore [0.84 SDRs(\$1.10)] IMTS accounting rates.

²⁹ The Federal Republic of Germany (F.R.G.) has been the largest overseas recipient of U.S. settlements payments, reaching \$152 million in 1988. The resulting U.S. overpayment of some \$76 million appears to be largely a result of the fact that the Bundespost's calling prices to the United States have been almost double those of U.S. per minute calling prices to Germany and that the U.S.-F.R.G. accounting rate of 1.2 SDRs (\$1.58), which is well above the cost of providing service, has not been modified since 1983.

³⁰ In 1986, for example, four IRCs filed petitions for waiver to permit reductions in the accounting rate for international direct telex service between the continental United States and the countries of the Conference Europeene des Administrations des Postes et Telegraphes (CEPT), excluding the United Kingdom and Ireland, yet this reduction did not go into effect until 1988. See *Western Union International, Inc., et. al.*, 3 FCC Rcd 52 (1988).

³¹ In a 1988 survey of 18 countries, for example, a Bureau study concluded that only five countries (Japan - \$4.22, Spain - \$2.63, Greece - \$2.37, Italy - \$2.35, and Finland - \$2.34) had higher telex calling prices per minute of use to the United States than U.S.-originated telex calls (Continental Europe - \$2.25; Japan - \$2.67). See K. Stanley, "The Balance of Payments Deficit in International Telecommunications Services," Industry Analysis Division, Common Carrier Bureau, FCC, Appendix M (December 12, 1988).

³² In April 1988, for example, AT&T filed a petition for waiver to permit a reduction in the accounting rate for international direct packet switched service between the United States and the Deutsche Bundespost in the Federal Republic of Germany from 3.32 to 2.85 SDRs that was opposed by TRT. In January, 1989, the Bureau granted the AT&T waiver request. See *American Telegraph and Telephone Company*, 4 FCC Rcd 1195 (1989). Moreover, on reconsideration the Bureau noted that the waiver grant would create greater incentives for the introduction of U.S. collection rates for service to the FRG that more closely approximate the lower collection rates charged by the Bundespost for this kind of service to the United States. See *American Telephone and Telegraph Company, Order on Reconsideration*, File No. USP-88-W-025 (released August 29, 1989).

³³ On July 13, 1989, for example, MCI filed a petition for waiver of the ISP to permit a reduction in the accounting rate for international telex service between the United States and France to .95 SDRs. MCI's request, however, which was unopposed, was not granted under our ISP rules until September 25, 1989 -- that is, 60 days after MCI's request was placed on public notice. Moreover, FTCC and TRT, which subsequently filed similar waiver requests, were also required under ISP rules to wait sixty days after the date of their filing before the waiver requests were deemed granted.

³⁴ By "simple reduction," we mean a reduction that involves a mathematical reduction in the accounting rate and no other change to the operating agreement between the carriers. This would include, for example, a simple reduction from 1.2 SDRs to 0.6 SDRs, or from \$1.00 to \$0.50 per minute. This would not include, however, a modification of the accounting rate that would include a shift of the exchange rate risk (for example, a change from \$1.00 to 0.60 SDRs) or the introduction of modified accounting rate approaches that continue to require regulatory scrutiny, such as the addition of multiple accounting rate structures (for example, peak and off-peak, or base and "growth-based" rates).

³⁵ We propose initially to permit this notification procedure for four types of international service: (1) IMTS; (2) telex; (3) teletype; and (4) packet-switched data service.

³⁶ We propose to require that the notification procedure apply only to prospective changes in order to address the possibility that foreign telecommunications administrations might require a retroactive effective date to the disadvantage of U.S. carriers. We would permit a retroactive effective date only for additional U.S. carriers that wished to implement a lower rate already implemented by another U.S. carrier and only as far back as the initial implementation date as set forth in the initiating carrier's notification to the Commission.

³⁷ Moreover, we propose that carriers taking advantage of this notification option would also be required to serve a copy of this notification letter on all other carriers providing the same or similar service to and from the country specified in the notification.

³⁸ Under this proposed approach, for example, while the services referenced in the TRT petition would be considered like packet-switched services, Telenet would be permitted to implement a lower accounting rate simply by notifying the Commission. While we recognize that such an approach might result in a slight increase in the U.S. balance of payments deficit should we adopt the proposed approach for packet-switched data and telex services, we tentatively conclude that we should allow such reductions should it be shown in this proceeding that the cost of providing international packet-switched data and telex services is below current international accounting rates for these services. We invite parties to comment on this tentative conclusion, the interrelationship, if any, of any modification of our treatment of packet-switched data and telex services on IMTS and the potential impact of the proposed changes for these services on the balance of payments deficit.

³⁹ Under existing ISP rules, telex, telegraph and packet switched data services are subject to 60-day waiver procedure and IMTS is subject to a 21-day waiver procedure. Under our proposed approach, any proposed modification to an accounting or settlement arrangement not covered by the notification option would be subject to the 21-day review procedure currently applied for IMTS service.

⁴⁰ This might involve, for example, modifying a settlement agreement with a foreign administration to settle in the future in SDRs rather than GFs.

⁴¹ Under the proposed waiver approach, carriers would also be required to submit sworn statements that they have entered into non-exclusive arrangements and that their foreign correspondents have committed to send them only a proportionate share of return traffic. See para. 13 *supra*.

⁴² We note, for example, that a proposal for a .35 SDR per minute surcharge for country direct service with Spain is inconsistent with recent work in CCITT Study Group III Working Party III/4, which recommended that the accounting rate for country direct service be that of international automatic telephone service. See Temporary Document No. 4013, Working Party III/4, Geneva, 19-21 February 1990. The proposed surcharge itself is more than twice the average U.S. domestic long distance calling price per minute. Indeed, the proposed \$850,000 retroactive payment by AT&T for ten dedicated telephones in Spain would, by way of comparison, exceed the entire high cost fund amount that NECA has estimated will be paid to Puerto Rico in 1990 (\$617,571). See Jan. 1990 FSJB Staff Report, *supra* note 20. On July 12, 1990, the Chief, Common Carrier Bureau denied the proposed .35 SDR per minute surcharge and the retroactive payment. See AT&T and MCI, File Nos. USP-89-(N)-086, USP-89-(N)-092 (Com. Car. Bur. adopted July 12, 1990).

⁴³ Under this proposed approach, this would also preclude, for example, a U.S. carrier paying out more than a 50 percent share of the accounting rate for transit arrangements.

⁴⁴ The ITU, founded in 1865 as the International Telegraph Union, is the world's oldest continuing, international, intergovernmental organization. Traditionally, the ITU, which became "recognized" at the 1947 Atlantic City Conference as the United Nations specialized agency responsible for international telecommunications matters, has convened a plenipotentiary conference every five to six years. On June 30, 1989, the Plenipotentiary Conference of the ITU at Nice, France, adopted amendments that provide, *inter alia*, for a new Constitution and Convention for the ITU.

⁴⁵ Article 6.1.1. states that:

Each administration (or recognized private operating agency) shall, subject to applicable national law, establish the charges to be collected from its customers. The level of charges is a national matter; however, in establishing these charges, administrations (or recognized private operating agencies) should try to avoid too great a dissymmetry between the charges applicable in each direction of the same relation.

See The International Telecommunications Regulations, Final Acts of the World Administrative Telegraph and Telephone Conference, Melbourne, Australia (November 28 to December 9, 1988).

⁴⁶ Article 6.2.1 states that:

For each applicable service in a given relation, administrations (or recognized private operating agencies) shall by mutual agreement establish and revise accounting rates to be applied between them, in accordance with the provisions of Appendix 1 and taking into account relevant CCITT Recommendations and relevant cost trends.

Article 6.2.1. *Id.*

⁴⁷ The IXth CCITT Plenary Assembly entrusted Study Group III (Tariff and Accounting Principles) with thirty-one proposed questions for study during the 1989-1992 period, including, *inter alia*: general principles for the lease of international private telecommunications circuits; charging and accounting principles in the international telephone service; tariff principles for international telex service; and tariff and accounting arrangements for public data communications services on public packet-switched networks. See, e.g., Study Group III, Contribution 1, "Questions Assigned to Study Group III (Tariff and Accounting Principles) for Study During the 1989-1992 Period," CCITT, (January 1989).

⁴⁸ In 1976, the Commission concluded that the unlimited resale and sharing of domestic private line service would bring about public benefits that include, *inter alia*, the provision of communications services at rates more closely related to costs. The Commission also found that, in light of the standards set forth in Section 201(b) and 202(a) of the Act, and legal interpretations thereof, then existing restrictions on the resale and sharing of private lines were unjust and unreasonable and unlawfully discriminatory. See Regulatory Policies Concerning Resale and Shared Use of Common Carrier Services and Facilities, Report and Order, Docket 20097, 60 FCC 2d 261 (1976).

⁴⁹ In 1980, for example, the Commission adopted a notice of proposed Rule Making to consider whether or to what extent common carriers subject to our jurisdiction should be allowed to continue to restrict the resale and shared use of the services and facilities they offer under tariff. See Regulatory Policies Concerning Resale and Shared Use of Common Carrier International Communications Services, Notice of Proposed Rule Mak-

ing, CC Docket 80-176, 77 FCC 2d 831 (1980). While we recognize that the record in the international resale proceeding is dated, we invite parties to comment on any remaining U.S. carrier restrictions on resale and the desirability of closing that docket and addressing any remaining legal and policy implications, including the possible elimination of any remaining carrier restrictions against the resale and shared use of international telecommunications services and facilities, in this proceeding.

⁵⁰ See U.S. Proposal for a New Recommendation D.1, Contribution 27, Study Group III (October 1989).

⁵¹ See *supra* note 15.

⁵² We encourage carriers to negotiate lower, more cost-based accounting rates with their Canadian correspondent(s) and file petitions for waiver with the Commission as soon as possible. Moreover, in light of the fact that there is no evidence as yet of private line resale of IMTS service occurring with an overseas administration, we tentatively conclude that we should hold AT&T's petition in abeyance pending review of comments submitted in this proceeding. Furthermore, we believe it is appropriate for the Bureau to hold AT&T's complaint against MCI and US Sprint in abeyance as well pending what we expect to be an expeditious implementation of a lower, more cost-based, U.S.-Canada IMTS accounting rate.

⁵³ We are particularly concerned by statements, such as one recently made by I. Vallance, Chairman, British Telecom, that private carriers may not be able to reduce international accounting rates on their own in light of the fact that "these rates are largely determined by national governments, not by independent operators." See Telephone Rates and the U.K. Review, Letter from I. Vallance, Financial Times, April 4, 1990.

⁵⁴ As a result, we propose to require that carriers that initiate a resale arrangement with a foreign administration that would permit interconnection of a private line with the U.S. public switched telephone network provide us with a written copy of that arrangement, including the domestic interconnection arrangements, prior to the actual initiation of such service. Moreover, we propose to initiate immediate regulatory action upon notice of the initiation of any one-way resale arrangements. See discussion *infra* para. 19.

⁵⁵ Indeed, we are concerned that such actions may threaten the ability of the United States to attain the purposes of the International Telecommunication Union, which include, *inter alia*, "promoting the development of telecommunications services" and the "efficiency, usefulness and availability to the public of international telecommunications services." See International Telecommunications Regulations, *supra* note 45, at Preamble and Article 1.

⁵⁶ See 47 U.S.C. § 201(a).

⁵⁷ In this context, we note that AT&T, for example, has argued that a competing carrier's tariff may be unlawful when it is based on an "unlawfully high accounting rate." See AT&T Petition to Reject or Suspend, MCI Telecommunications Corp., Memorandum Opinion and Order, Transmittal No. 543, DA 98-1040, (released August 28, 1989). In addition, TRT supports AT&T's position that the offering by U.S. carriers of one-way resale interconnection arrangements should be considered an unreasonable practice in violation of Section 201(b) of the Act. See *supra* para. 5.

⁵⁸ See 47 U.S.C. § 205.

⁵⁹ See 47 U.S.C. § 214.

⁶⁰ We have listed, in Appendix A to the Notice, the countries with which the United States has the largest international settlements-based balance of payments deficit for the years 1985-88 and the gross national product (GNP) per capita for each coun-

try. In Appendix B, we have listed the countries with the largest IMTS deficits in 1988 and current IMTS accounting rates with these countries. Information on countries that are not listed are available in the more lengthy reports listed in Appendices A and B. In Appendix C, we have included information on foreign calling prices to the United States, including those countries that have unreasonably high calling prices to the United States. We invite parties to provide any additional information on these or other relevant issues and to comment on setting priorities for any exercise of our regulatory authority in this area by focusing our efforts on one or more countries with a relatively high GNP per capita, that also have a high accounting rate, a large international settlements-based balance of payments surplus, or unreasonably high calling prices.

⁶¹ In 1968, for example, the Commission made clear that it would be appropriate for the applicants that wished to construct TAT-5 to file an application subject to the condition, *inter alia*, that IMTS rates would be reduced by at least 25 percent by the opening of the cable for service. See AT&T, ITT, RCA, and WUI, Memorandum Opinion, Order, and Authorization, 13 FCC 2d 235 (1968).

⁶² This action is taken pursuant to Sections 1, 4, 201-205, 211, 214, 215, 218, 220 and 303(r) of the Communications Act as amended, 47 U.S.C. §§ 151, 154, 201-205, 211, 214, 215, 218 and 303(r).

APPENDIX A

GNP per Capita and the Largest IMTS Deficits

<u>Country</u>	<u>GNP per Capita 1/</u>	<u>IMTS Deficit 1985-1988 2/</u>	<u>Percent of Total Deficit</u>
Mexico	\$1,059	\$1,201,648,901	19.3%
Federal Republic of Germany	\$19,471	\$422,257,540	6.8%
Korea, Republic of	\$2,961	\$340,202,406	5.5%
Philippines, Republic of	\$658	\$322,215,025	5.2%
Japan	\$23,668	\$285,165,637	4.6%
Colombia	\$1,101	\$206,031,812	3.3%
Italy	\$14,523	\$181,950,587	2.9%
Dominican Republic	\$706	\$178,655,437	2.9%
Israel	\$7,467	\$175,705,092	2.8%
Taiwan	\$7,509	\$148,211,817	2.4%
United Kingdom	\$14,552	\$126,908,467	2.0%
Brazil	\$1,120	\$114,610,013	1.8%
France	\$16,704	\$102,129,256	1.6%
El Salvador	\$910	\$99,589,466	1.6%
Peru	\$557	\$97,114,289	1.6%
Poland	\$1,426	\$94,992,088	1.5%
Greece	\$5,029	\$92,948,077	1.5%
Pakistan	\$365	\$92,022,964	1.5%
Thailand	\$892	\$87,531,239	1.4%
Ecuador	\$763	\$85,633,788	1.4%
Jamaica	\$1,046	\$85,057,739	1.4%
Haiti	\$355	\$80,992,461	1.3%
Spain	\$7,654	\$71,062,142	1.1%
Egypt	\$1,284	\$65,919,229	1.1%
Guatemala	\$748	\$64,394,255	1.0%
Hong Kong	\$6,545	\$62,869,773	1.0%
Argentina	\$1,905	\$50,634,507	0.8%
Yugoslavia	\$2,358	\$50,062,572	0.8%
Indonesia	\$386	\$49,819,302	0.8%
Trinidad & Tobago	\$3,773	\$49,320,557	0.8%
Subtotal: Top 30 IMTS Deficit		\$5,085,656,438	81.6%
Total IMTS Deficit 1985-1988		\$6,233,247,536	----

1. "International Financial Statistics," International Monetary Fund, August, 1989. GNP per capita of the United States was \$19,747 in 1988.

2. "International Communications Service Data, 1985-1988: A Summary," Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission.

APPENDIX B

Largest IMTS Deficits and Accounting Rates

<u>Country</u>	<u>IMTS Deficit in 1988 1/</u>	<u>Accounting Rate in 1990 2/</u>
Mexico	\$410,865,000	Not Applicable
Federal Republic of Germany	\$153,146,903	1.2 SDR (\$1.58)
Korea, Republic of	\$106,244,713	\$2.10
Philippines, Republic of	\$94,788,706	\$1.92/1.50
Japan	\$91,431,395	1.34 SDR (\$1.76)
Colombia	\$63,260,983	\$1.85
Dominican Republic	\$61,941,154	\$1.42/0.80
Italy	\$59,625,919	4.6/3.67 GF (\$1.97/1.58)
Israel	\$47,468,959	\$2.40/2.10/1.90
United Kingdom	\$44,480,156	\$1.06/0.76
Taiwan	\$43,899,307	\$1.80
Brazil	\$36,749,216	\$2.50/1.20
El Salvador	\$33,032,418	\$1.50
Poland	\$32,161,339	\$1.50
Pakistan	\$31,935,846	\$2.30
France	\$31,379,127	1.2/1.0 SDR (\$1.58/1.31)
Jamaica	\$30,321,293	\$1.75/0.74
Peru	\$29,855,042	\$2.00/1.20
Greece	\$28,458,950	5.0 GF (\$2.15)
Ecuador	\$27,434,802	\$1.70
Thailand	\$25,928,781	\$2.30
Spain	\$24,184,136	1.6/1.2 SDR (\$2.10/1.57)
Guatemala	\$22,888,359	\$1.50
Haiti	\$22,764,141	\$1.45
Trinidad & Tobago	\$19,199,553	\$1.65
China, People's Republic	\$19,124,002	8.0 GF (\$3.43)
Egypt	\$18,154,887	\$1.90
Iran	\$17,225,944	\$3.00
Argentina	\$15,408,865	\$1.65
Ireland	\$14,636,060	\$1.50/1.25

1. "International Traffic Data Report, 1988," Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, October 11, 1989.
2. "Accounting Rates and the IMTS Deficit, 1985-1990," Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, June 5, 1990.

APPENDIX C

IMTS Dial Service Rates

AT&T RATES

Country	Initial Period			Additional Minute		
	Standard	Discount	Economy	Standard	Discount	Economy
Mexico 1/ 2/	\$1.77	----	\$1.19	\$1.41	----	\$0.95
Fed. Rep. of Germany	\$1.77	\$1.42	\$1.15	\$1.09	\$0.82	\$0.65
Korea, Republic of	\$3.68	\$2.80	\$2.38	\$1.37	\$1.04	\$0.89
Philippines	\$3.25	\$2.75	\$2.30	\$1.40	\$1.10	\$0.85
Japan	\$3.05	\$2.55	\$2.16	\$1.24	\$0.99	\$0.81
Colombia	\$2.39	\$1.91	\$1.55	\$1.11	\$0.84	\$0.67
Dominican Republic	\$1.45	\$1.16	\$0.94	\$1.06	\$0.80	\$0.64
Italy	\$1.88	\$1.40	\$1.16	\$1.04	\$0.77	\$0.65
Israel	\$2.98	\$2.47	\$2.08	\$1.20	\$0.90	\$0.75
United Kingdom	\$1.44	\$1.15	\$0.98	\$0.94	\$0.71	\$0.60
Taiwan	\$3.55	\$2.84	\$2.37	\$1.44	\$1.09	\$0.89
Brazil	\$2.50	\$1.89	\$1.56	\$1.04	\$0.79	\$0.67
El Salvador 3/	\$2.25	\$1.80	\$1.46	\$1.06	\$0.80	\$0.64
Poland 4/	\$2.23	\$1.60	\$1.45	\$1.25	\$0.90	\$0.81
Pakistan	\$4.45	----	\$2.94	\$2.04	----	\$1.22
France	\$1.71	\$1.39	\$1.15	\$1.06	\$0.80	\$0.65
Jamaica 3/ 4/	\$1.48	\$1.10	\$0.89	\$0.99	\$0.75	\$0.60
Peru	\$2.39	\$1.91	\$1.55	\$1.11	\$0.84	\$0.67
Greece	\$2.17	\$1.63	\$1.30	\$1.22	\$0.92	\$0.73
Ecuador 3/	\$2.39	\$1.91	\$1.55	\$1.11	\$0.84	\$0.67
Thailand	\$3.96	\$2.98	\$2.38	\$1.48	\$1.12	\$0.89
Spain	\$1.94	\$1.46	\$1.16	\$1.09	\$0.82	\$0.65
Guatemala 3/	\$2.25	\$1.80	\$1.46	\$1.06	\$0.80	\$0.64
Haiti 3/	\$1.58	\$1.18	\$0.95	\$1.06	\$0.80	\$0.64
Trinidad & Tobago 3/	\$1.58	\$1.18	\$0.95	\$1.06	\$0.80	\$0.64
China 4/	\$5.58	\$4.18	\$3.35	\$1.48	\$1.12	\$0.89
Egypt	\$2.71	\$2.04	\$1.62	\$1.39	\$1.04	\$0.84
Iran	\$3.46	\$2.59	\$2.08	\$1.25	\$0.94	\$0.75
Argentina	\$2.39	\$1.91	\$1.55	\$1.11	\$0.84	\$0.67
Ireland	\$1.63	\$1.32	\$1.12	\$1.04	\$0.80	\$0.69

APPENDIX C
(continued)

FOREIGN ADMINISTRATION RATES

<u>Country</u>	<u>Initial Period</u>			<u>Additional Minute</u>		
	<u>Standard</u>	<u>Discount</u>	<u>Economy</u>	<u>Standard</u>	<u>Discount</u>	<u>Economy</u>
Mexico 1/ 2/	\$1.56	----	\$0.88	\$1.20	----	\$0.64
Fed. Rep. of Germany	\$1.60	----	----	\$1.60	----	----
Korea, Republic of	\$2.94	---	----	\$2.94	----	----
Philippines	\$3.30	\$2.45	----	\$2.45	\$1.80	----
Japan	\$2.57	\$2.08	\$1.53	\$1.25	\$0.97	\$0.76
Colombia	\$2.33	\$1.08	----	\$2.33	\$1.08	----
Dominican Republic	\$2.45	\$2.02	----	\$2.45	\$2.02	----
Italy	\$2.87	\$2.16	----	\$2.87	\$2.16	----
Israel	\$2.56	\$1.92	\$1.30	\$2.56	\$1.92	\$1.30
United Kingdom	\$1.04	\$0.94	\$0.79	\$1.04	\$0.94	\$0.79
Taiwan	\$3.69	\$3.32	\$2.58	\$2.40	\$1.85	\$1.29
Brazil	\$3.78	\$2.53	----	\$3.78	\$2.53	----
El Salvador 3/	\$1.20	\$0.96	----	\$1.20	\$0.96	----
Poland 4/	\$6.51	----	----	\$2.17	----	----
Pakistan	\$2.88	----	----	\$2.88	----	----
France	\$1.19	\$0.90	----	\$1.19	\$0.90	----
Jamaica 3/ 4/	\$3.89	\$3.26	----	\$1.30	\$1.09	----
Peru	\$3.48	\$2.82	----	\$3.48	\$2.82	----
Greece	\$2.57	----	----	\$2.57	----	----
Ecuador 3/	\$2.40	\$2.00	----	\$1.12	\$0.93	----
Thailand	\$2.79	----	----	\$2.39	----	----
Spain	\$3.03	\$2.06	----	\$3.03	\$2.06	----
Guatemala 3/	\$2.00	\$1.65	----	\$2.00	\$1.65	----
Haiti 3/	\$6.00	----	----	\$2.00	----	----
Trinidad & Tobago 3/	\$1.41	----	----	\$1.41	----	----
China 4/	\$8.79	----	----	\$2.93	----	----
Egypt	\$3.85	\$2.97	----	\$3.85	\$2.97	----
Iran	\$2.88	----	----	\$2.88	----	----
Argentina	\$2.72	\$2.18	----	\$2.72	\$2.18	----
Ireland	\$1.50	\$1.13	----	\$1.50	\$1.13	----

Sources: "AT&T Tariff F.C.C. No. 1," "World Telecommunications Tariff Directory," International Telephone, Lynx Technologies, Inc., 1989, and Kenneth B. Stanley, "The Balance of Payments in International Telecommunications Services," Federal Communications Commission, December 12, 1988.

APPENDIX C
(continued)

Notes to Appendix C

1. Rates vary with mileage in Mexico and the United States. The rates shown are for service between New York City and Mexico City.
2. Rates for service from Mexico do not include a government tax, which is currently 40 percent.
3. Rates from the country for service to the United States vary by state in the U.S. The rates shown are for service to New York.
4. Rates for service from this country are operator station rates in the absence of direct dial service.