

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

In the Matter of)	
)	
AT&T Corporation)	ARC-MOD-20000323-00052
AT&T Alascom)	
AT&T Puerto Rico)	
AT&T of the U.S. Virgin Islands)	
)	
Petition for Modification of the)	
Accounting Rates for Switched)	
Voice Service with Oman)	
)	

ORDER

Adopted: July 19, 2000

Released: July 20, 2000

By the Chief, Telecommunications Division:

I. Introduction

1. In this Order we approve AT&T Corporation's ("AT&T") petition to introduce a new, lower accounting rate for international switched voice service with Oman but limit the period when the rate is in effect. The International Bureau suspended AT&T's modification request because the accounting rate has no expiration date. As a result, the rate would exceed the benchmark rate for Oman adopted by the Commission in the *Benchmarks Order*¹ if it is allowed to remain in effect after December 31, 1999.

2. In the *Benchmarks Order*, the Commission adopted a schedule of settlement rates and effective dates for U.S. carriers that is based primarily on gross national product ("GNP") per capita levels. For countries like Oman, which the World Bank designates as an upper-middle income country, the benchmark settlement rate is 19¢ per minute for service provided on and after January 1, 2000. Thus, beginning on January 1, 2000, the *Benchmarks Order* requires U.S. carriers to use a settlement rate that does not exceed 19¢ to determine settlement payments on service between the United States and Oman. AT&T seeks approval of a settlement rate that is higher than the benchmark rate. The rate is scheduled to go into effect on July 1, 1999, but it has no expiration date. If AT&T's petition is approved and the rate is used to determine the settlements on service provided after December 31, 1999, the agreement would violate the *Benchmarks Order*. Accordingly, we approve AT&T's modification request for a lower accounting rate but limit the use of this rate to service provided before January 1, 2000. We reject the rate for service provided after 1999 and direct U.S. carriers to negotiate agreements with the carrier in Oman that are in compliance with the *Benchmarks Order*.

¹ *Report and Order on Regulation of International Settlement Rates*, 12 FCC Rcd 19806 (1997) *aff'd. sub nom., Cable and Wireless P.L.C. v. FCC*, 166 F.3d 1224 (D.C. Cir., 1999).

II. Background

3. AT&T, on behalf of itself, AT&T Alascom, AT&T Puerto Rico, and AT&T of the U.S. Virgin Islands, filed a petition seeking to reduce its accounting rate from \$1.50 per minute to \$1.20 per minute for service with the Oman Telecommunications Organization (“GTO”).² The new rate, which has no expiration date, is scheduled to take effect on July 1, 1999. AT&T’s modification matches a filing previously submitted by MCI that was allowed to take effect.³ Sprint also submitted a modification request for service with GTO but it subsequently withdrew the request.⁴

4. The International Bureau suspended AT&T’s modification request because the proposed rate does not have an expiration date and the rate exceeds the benchmark rate required for service with Oman provided on and after January 1, 2000.⁵ As a result, the agreement would violate the Commission’s *Benchmarks Order* if the rate were used for settlements on service provided after December 31, 1999.

III. Discussion

5. The Commission’s policy is that accounting rates should be reduced to more cost-based levels, and be generally nondiscriminatory and transparent.⁶ Lower, more cost-based rates are in the U.S. public interest because they encourage lower calling prices, promote economic efficiency, and reduce entry barriers. To further this goal, the Commission adopted the *Benchmarks Order*, which requires U.S. carriers to negotiate settlement rates with foreign carriers at or below benchmark levels that will be used to determine settlement payments for service provided after specific dates. Briefly, the *Benchmarks Order* requires a rate of 15¢ for service with high income countries beginning January 1, 1999; 19¢ for service with upper-middle income countries beginning January 1, 2000; 19¢ for service with lower-middle income countries beginning January 1, 2001; 23¢ for service with low income countries beginning January 1, 2002; and 23¢ for service with countries with a teledensity less than one beginning January 1, 2003.

6. AT&T’s modification with GTO, which takes effect before the required date for the benchmark rate, has a settlement rate that exceeds the benchmark rate and there is no expiration date associated with the agreement. While the reduction moves the settlement rate toward the benchmark level for Oman, the rate is still significantly higher than the benchmark level. Initially, the agreement does not violate the *Benchmarks Order* because the new rate takes effect on July 1, 1999, before the deadline of January 1, 2000. However, a subsequent, more substantial rate reduction will be required to bring the

² AT&T’s Petition for International Settlements Policy Modification for a Change in the Accounting Rate for International Switched Voice Service with Oman, ARC-MOD 20000323-00052 (filed March 23, 2000).

³ MCI’s Petition for International Settlements Policy Modification for a Change in the Accounting Rate for International Switched Voice Service with Oman, ARC-MOD 19991028-00346 (filed October 28, 1999) superceding ARC-MOD 19990701-00231 (filed July 1, 1999).

⁴ Sprint’s Petition for International Settlements Policy Modification for a Change in the Accounting Rate for International Switched Voice Service with Oman, ARC-MOD-20000111-00001 (filed January 11, 2000), withdrawn January 28, 2000. See letter from Marybeth M. Banks, Sprint, January 28, 2000.

⁵ See letter from Kathryn O’Brien, FCC, to James J.R. Talbot, AT&T, April 13, 2000.

⁶ We note that the International Telecommunication Union adopted a recommendation calling for cost-oriented, nondiscriminatory, transparent accounting rates to be introduced over the course of five years. See, e.g. *ITU-T Recommendation D.140*, “Accounting Rate Principles for International Telephone Services,” Geneva (1992).

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settlement rate with Oman into line with the benchmark level by January 1, 2000.

7. AT&T's agreement with GTO is similar to agreements between U.S. carriers and carriers in Brunei, Singapore, and Taiwan, which the Commission addressed in a previous order.⁷ Each agreement provided for a settlement rate that was significantly higher than the relevant benchmark rate. The rates were scheduled to take effect within a month of the benchmark deadline and there was no expiration date associated with them. As a result, we were concerned that U.S. carriers would be unable to negotiate a benchmark-compliant rate within the short time remaining before January 1, 1999. In an Order dealing with the modifications, the Commission approved the new, lower rates for the period before the benchmark deadline, which was January 1, 1999 for the three countries. The rates were not approved for service provided from January 1, 1999. As was the case with that order, we are concerned here that AT&T's agreement with GTO would violate the *Benchmarks Order* if the rate in its agreement remains in effect after the benchmark deadline of January 1, 2000 for Oman. This concern is heightened by the fact that AT&T filed its modification request after the January 1, 2000 deadline.

8. We note that the rate and effective date in AT&T's modification request are the same as those in MCI's modification request involving GTO. The two filings differ, however, in one significant respect. MCI filed its original modification on July 1, 1999, well before the deadline for the benchmark rate. As a result, there was adequate time for MCI to negotiate a rate that complies with the benchmark requirement before the deadline of January 1, 2000 passed. Because AT&T's modification was filed on March 23, 2000, after the benchmark deadline for Oman, the likelihood of AT&T negotiating another agreement with GTO that complies with the *Benchmark Order* is reduced substantially. This problem could have been avoided if the modification before us had included either an expiration date of December 31, 1999 for the rate or a benchmark rate with an effective date of January 1, 2000.

9. In the *Benchmarks Order*, the Commission stated clearly that it "will ensure compliance with our settlement rate benchmarks."⁸ We concluded in the order involving Brunei, Singapore, and Taiwan that rates above the benchmark level would violate the *Benchmarks Order* if the rates were allowed to remain in effect beyond the date when the benchmark rate is in effect.⁹ To eliminate the possibility of a violation of the *Benchmarks Order* that would result from using the accounting rate requested by AT&T for settlements on service provided in 2000, we approve AT&T's request to reduce the accounting rate for service with GTO but limit its applicability to service provided between July 1, 1999 and December 31, 1999. Thus, the rate requested by AT&T for its service with Oman can be used to determine the settlements on service provided through December 31, 1999, but it cannot be used to determine settlements for service that is provided after December 31, 1999. We expect AT&T and other U.S. carriers to negotiate a benchmark rate of 19¢ that will apply to service between the United States and Oman beginning on January 1, 2000.

⁷ See *AT&T and MCI Petitions for Modification of the Accounting Rates for Switched Voice Service with Singapore, Switched Voice and Switched Digital Service with Taiwan, and Switched Voice Service with Brunei*, DA 99-431 (released March 3, 1999).

⁸ *Benchmarks Order* at ¶187.

⁹ See *Singapore, Taiwan, and Brunei Order* at ¶5.

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IV. Ordering Clauses

10. Accordingly, IT IS ORDERED that AT&T's modification request, which includes AT&T Corp., AT&T Alascom, AT&T Puerto Rico, and AT&T of the U.S. Virgin Islands, for an accounting rate with GTO of \$1.20 per minute is approved for the period of July 1, 1999 through December 31, 1999.

11. IT IS FURTHER ORDERED that U.S. carriers negotiate settlement rates with GTO that comply with the *Benchmarks Order*.

12. This order is issued under Section 0.261 of the Commission's Rules and is effective on adoption. Petitions for reconsideration under Section 1.106 or applications for review under Section 1.115 of the Commission's Rules may be filed within 30 days of the date of public notice of this Order. (see C.F.R. Section 1.4(b)(2)).

FEDERAL COMMUNICATIONS COMMISSION

Rebecca Arbogast
Chief, Telecommunications Division
International Bureau