ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

COMMUNICATIONS OUTLOOK 2001
Telecommunications Section

Country: UNITED STATES
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TELECOMMUNICATIONS

Market Structure and Regulatory Status (Questions 1 -10)

1. **Please provide details of the regulation of communication infrastructure, including the public switched telecommunication network (PSTN), provision in your country.**

Infrastructure provision for following service	Regulatory Status (e.g. monopoly, duopoly, certain number, fully open to any applicant)	Number of licensed operators (2000)
Fixed PSTN (Local, National and International)	Open	*
Network infrastructure capacity (Includes only companies not licensed to provide voice services)	Open	
Analogue Cellular Mobile (e.g. NMT etc.)	Open	**
Digital Cellular Mobile (e.g. GSM, PCS etc.)	Open	**
Wireless local loop (fixed wireless)	Open	**
IMT-2000 Operators (i.e. UMTS and 3rd Generation)	Open	**

* There were approximately 1348 LECs in 1998, and 276 CLECs.
** There are 2235 total PCS licenses (124 MTA and 2111 BTA) and approximately 185 PCS licensees. 480 PCS licenses have rollout. Of the 734 CMAs, 445 have digital cellular service, 84 have only CDMA, 238 have only TDMA, and 123 have both.

2. **Please provide details for the major public telecommunication operator (PTO) of public switched telecommunication services in your country.** *(PTOs are state and privately owned entities providing public switched telecommunication services over their own infrastructure)*

Name of PTO	PTO Ownership Status (2000) (e.g. state owned/privately owned) If a balance of ownership exists please indicate the share (%) held by the government
Bell Atlantic	Private
SBC	Private
BellSouth	Private
US West	Private

3. **Please provide details of market share for the largest PTO in the following categories.**

	The largest PTO's share End 1998	End 1999
Local Access: % of access lines	SBC Communications 22.7%*	
Local Access: % of local calls	SBC Communications 22%**	
National Long Distance (% of total minutes)[1]	AT&T - 38.7% ***	
International (% of total outgoing MiTT)	AT&T - 44%****	
Internet Subscribers[2]	America Online	America Online – 20 million subscribers Source: AOL Press release, Dec. 17, 1999.

1. If % of minutes is not available, please indicate the % of revenue
2. If share of subscribers is not available, please indicate number of Internet subscribers for the PTO.

*Source: Table 2.1, Statistics of Communications Common Carriers, Industry Analysis Division, Common Carrier Bureau, rel. Dec. 3, 1999.
**Source: Table 2.10, Statistics of Communications Common Carriers, 1997/1998 edition.
***Figure represents Total Toll Revenue Market Shares for Long Distance Carriers Including Toll Revenues for Local Exchange Carriers. Source: Table 11.4, Trends in Telephone Service, (March 2000, Industry Analysis Division, Common Carrier Bureau.)
**** Source: Tables A1, A13, 1998 Section 43.61 International Telecommunications Data, (Jan. 2000, Industry Analysis Division, Common Carrier Bureau).

4. **Please provide details of the number of subscribers by cellular and PCN mobile communication operators.**

There are 41,900,000 analogue cellular subscribers and 44,100,000 digital subscribers.

Name of Operator	Number of Subscribers (End 1999)
1.	
2.	
3.	
4.	
5.	

5. **Please provide a description of the most significant recent policy changes affecting the provision of telecommunications services, as well as any draft laws, or regulatory proposals to be implemented in 2000 to 2001.**

Please provide details:

(1) FCC Reorganization: Effective November 8, 1999, the FCC announced the creation of two new bureaus, the Enforcement Bureau and the Consumer Information Bureau, to enhance the FCC's ability to serve the public by improving the effectiveness of the agency's enforcement program in an increasingly competitive communications marketplace. The reorganization will also maximize the ability of consumers to obtain quick, clear and consistent information about their rights under the communications law.

FCC Enforcement Bureau

The new Enforcement Bureau is the primary FCC organization responsible for enforcement of the Communications Act, as well as Commission rules, orders and authorizations. The Bureau has four divisions: the Telecommunications Consumers Division, Market Disputes Resolution Division, Investigations and Hearings Division, and the Technical and Public Safety Division.

The Enforcement Bureau also includes the FCC's existing Regional and Field Offices, which are responsible for handling a variety of on-scene investigations, inspections and audits in response to complaints and in support of the Commission's operations.

Certain enforcement activities remain in existing bureaus. The relevant licensing bureaus have primary responsibility for issues that are addressed in the context of a specific licensing proceeding and related post-licensing matters, including enforcement of the Commission's environmental rules and automatic license cancellation rules.

FCC Consumer Information Bureau

The Consumer Information Bureau oversees the Commission's compliance with disabilities-related legal requirements generally, and is also responsible for ensuring that persons with disabilities have access to Commission processes and material in accordance with Section 504 of the Rehabilitation Act. The new Consumer Information Bureau is the primary FCC organization responsible for handling public inquiries and informal consumer complaints. It has one division, one center, and three staff office: Consumer Information Network Division, Reference Information Center, Consumer Education Office, Strategic Information Office, and Disabilities Rights Office.

(2) Access Charge Reform: Following nearly two decades of debate of complex issues stemming from the breakup of AT&T in 1984, the Commission on May 31, 2000, released its Report and Order, CC Docket Nos. 96-262, 94-1, 99-249 and 96-45, FCC 00-193, which will reduce telephone access charges paid by long distance companies by $3.2 billion, the largest decrease ever adopted. Access charges are the prices long distance companies pay to local telephone companies for access to their local phone network. Since the Telecommunications Act of 1996, the FCC has been moving the price of long distance companies' access to local telephone networks towards levels that reflect costs, and to date have reduced prices by a total of $6.4 billion. These reductions have stimulated billions of dollars of investment in infrastructure and reduced consumer prices by 17% since the passage of the Act.

Major long distance companies have agreed to pass these savings on to consumers living in all areas of the country, and have agreed to immediately eliminate monthly minimum usage charges. Although long distance rates have been plummeting for years, consumers who make no or few long distance calls have experienced increased phone costs because of monthly minimum usage charges, and other line item charges.

The changes adopted in the Order will accelerate competition in the local and long distance telecommunications markets; and set the appropriate level of interstate access charges for the next five years. Specifically, the reforms should:

• lower telephone bills for consumers;
• result in an overall, immediate $3.2 billion reduction in access charges paid by long distance companies this year;
• accelerate competition by removing implicit subsidies found in access charges;
• change the subsidies hidden in interstate access charges into explicit, portable, and sufficient universal service support so that affordable telephone service will continue to be available regardless of a consumer's income or geographic location; and,
• provide regulatory stability for the industry so that it can make longer range investment decisions.

Major long distance companies have committed to passing through these reductions to consumers. In response to concerns that only high-volume consumers might see the savings, two of the largest long distance companies - AT&T and Sprint - have agreed to eliminate from their basic rate plans the monthly minimum usage charges consumers are now required to pay whether or not they make any calls. This action alone will lead to immediate, significant savings for customers who make few long distance phone calls.

Additionally, two phone bill charges - the existing presubscribed interstate carrier charge and the subscriber line charge - will be combined into one line item. For the first year, the new single charge is lower than the existing two charges combined. Consumers will continue to see savings, even as the charge increases in the second year. Subsequent increases in the charge are subject to further FCC action.

The rules preserve the FCC's commitment to providing financial support to companies offering phone service in areas expensive to serve. Currently, roughly $650 million of revenue from access charges is used to support service to high-cost customers. Because this revenue is collected through interstate access charges, it is available only to incumbent local phone companies. Under the new rules, $650 million is removed from access charges and replaced with an assessment on all carriers' interstate revenues which is placed in a fund available to any carrier serving customers in high-cost areas.

(3) Collocation: *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, 14 FCC Rcd 4761 (1999) (*Collocation Order*). *Order on Reconsideration and Second Further Notice of Proposed Rulemaking* in CC Docket No. 98-147 and *Fifth Further Notice of Proposed Rulemaking* in CC Docket No. 96-98 (FCC 00-297). Section 251(c)(6) of the Telecommunications Act of 1996, 47 U.S.C. § 251(c)(6), imposed a statutory duty on incumbent local exchange carriers (LECs) to provide physical or virtual collocation for competing providers. The Act also required the FCC to issue implementing regulations to fulfill the collocation mandate. The FCC, in the *Collocation Order*, issued rules to implement § 251(c)(6). The LECs in *GTE Service Corp., et al. v. FCC*, challenged the *Collocation Order* on the ground that it impermissibly imposed intrusive "physical collocation" requirements on them. The U.S. Court of Appeals for the District of Columbia overturned parts of the *Collocation Order*. The Court found that the FCC's definition of "necessary" and "physical collocation" was too broad in that it required the LECs to collocate equipment that is “used or useful.” The Court rejected the LECs claims that “physical collocation” under the Act is limited to caged collocation, wherein cages are constructed around the competitor’s equipment, and denied the claim that the FCC defined “premises” too broadly. The Court upheld the FCC’s pricing methodology, which allows incumbent local exchange carriers (ILECs) to recover site-preparation costs and upheld the requirement that ILECs must make collocation space outside their central offices available when space inside the facilities is legitimately exhausted.

On August 9, 2000, the Federal Communications Commission (Commission) clarified collocation rules that were implemented in 1999 by adopting time frames for the implementation of collocation provisioning. The *Order on Reconsideration* (*Order*) adopted by the Commission takes immediate steps to ensure that competitors can obtain collocation in a timely and efficient manner. In particular, the *Order* requires an incumbent LEC to provide physical collocation, including cageless collocation, no later than 90 calendar days after receiving a collocation request (except where a state sets its own standard or a requesting carrier and an incumbent LEC agree to an alternate standard). The *Order* also requires an incumbent LEC to allow a competing LEC to construct adjacent structures on land owned or controlled by the incumbent LEC to the extent physical collocation space is exhausted in a particular incumbent LEC structure.

Additionally, the Commission adopted a *Second Further Notice of Proposed Rulemaking* (*Second Further Notice*) in CC Docket No. 98-147 that responds to the D.C. Circuit’s recent opinion in *GTE v. FCC*, which affirmed the Commission’s collocation rules issued last year in several important respects, but vacated and remanded for further consideration certain aspects of those rules. The *Second Further Notice* invites comment on the remanded issues as well as on other collocation-related issues important to local competition. These include the meaning of “necessary” and “physical collocation,” issues relating to what equipment an incumbent must allow a competitive LEC to physically collocate, and how physical collocation space should be assigned. The *Second Further Notice* also asks for comment on issues relating to collocation at remote incumbent LEC premises.

The Commission also adopted a *Fifth Further Notice of Proposed Rulemaking* in CC Docket No. 96-98, inviting comment on whether the Commission’s local competition rules should be modified or clarified, particularly those applying to the transport, loop, and subloop elements, in light of the deployment of new network architectures by incumbent LECs.

(4) Slamming. CC Docket No. 94-129. On July 15, 1997, the Commission released a combined *Memorandum Opinion and Order on Reconsideration* (*Reconsideration Order*) and *Further Notice of Proposed Rulemaking* (*Further Notice*). The *Reconsideration Order* resolved petitions for reconsideration and clarification of the Commission's *1995 Report and Order* concerning Letters of Agency (LOAs) (1995 Order). In May 1999, the U.S. Court of Appeals for the D.C. Circuit stayed the liability rules at the request of MCI WorldCom. On June 27, 2000, the D.C. Circuit granted the FCC's motion to dissolve the stay of the slamming rules. At the same time, the Court directed the petitioner (MCI WorldCom) to show cause why its petition for review of the slamming order should not be dismissed as moot "in light of the uncontradicted representation made by the FCC that the Commission's order on reconsideration has eliminated any genuine legal issue in the case." MCI's response to the order to show cause is due on or before July 27. (*MCI WorldCom, Inc. v. FCC & USA*, No. 99-1125).

On April 13, 2000, the Commission released its *First Order on Reconsideration* (FCC No. 00-135), a reconsideration of the anti-slamming rules that the Commission adopted in 1998. The Commission's rules require that interexchange carriers (IXCs) either obtain a signed LOA from a subscriber, or, in the case of telemarketing solicitations, complete one of four telemarketing verification procedures before submitting preferred interexchange carrier (PIC) change requests on behalf of consumers.

The *Reconsideration Order* clarified that IXCs using LOAs must translate the LOAs into the same language as the associated oral or written promotional; incorporated the terms "interLATA" and "intraLATA," as well as "interstate" and "intrastate," in order to clarify the scope of the Commission's rules; and clarified that carriers must confirm PIC-change requests generated by telemarketing using only one of the four verification options. The Further Notice sought comment on the implementation of Section 258, added by the 1996 Act. Section 258 makes it unlawful for any telecommunications carrier to submit or execute a change in a subscribers carrier selection except in accordance with the Commission's verification procedures, and provides that any carrier that violates these procedures and collects charges for telecommunications service from a subscriber after such violation shall be liable to the subscriber's properly authorized carrier for all charges collected.

The *Further Notice* sought comment on, among other things, the application of the Commission's verification rules to all telecommunications carriers; the application of the verification rules to preferred carriers freezes, which prevent carrier changes unless the subscriber gives express written or oral consent to the carrier from whom the freeze was requested; the application of the verification rules to in-bound telemarketing; the appropriate subscriber-to-carrier liability, carrier-to-carrier liability and carrier-to-subscriber liability.

The *First Order on Reconsideration* adopted tougher rules to combat slamming. The Commission decided that state regulatory commissions are better equipped than the industry to resolve slamming disputes and directed that those disputes be brought before state commissions, or the FCC in cases where a state has not elected to administer these rules. The rules adopted also require slamming carriers to pay out 150% of all payments received from consumers. Over thirty-five state commissions came forward to express their willingness to take the lead in administering anti-slamming rules. The First Order on Reconsideration also reaffirmed that, where the consumer has not paid the slammer, the consumer is absolved of the obligation to pay for service for up to thirty days after being slammed. If the slamming carrier has been paid, a slammer is obligated to pay to the authorized carrier 150% of the charges it received from the consumer. The authorized carrier will, in turn, reimburse the consumer 50% of the charges the consumer paid.

On August 15, 2000, the FCC, in its *Third Report and Order and Second Order On Reconsideration* (CC Dkt 94-129, FCC 00-255, that among, other things, amended the current carrier change authorization and verification rules to expressly permit the use of Internet Letters of Agency (Internet LOAs) in a manner consistent with the new *Electronic Signatures in Global and National Commerce Act*, S.761, and required each carrier to submit a bi-annual report on the number of slamming complaints it receives; and expanded the existing registration requirement on carriers providing interstate telecommunications service to the Commission to include additional facts that will assist our enforcement efforts.

Slamming Enforcement: On June 6, 2000 the Commission released an order adopting a Consent Decree between the Commission and MCI WorldCom Communications, Inc. (MCI WorldCom) that terminated a Commission investigation into unauthorized conversion (slamming) of consumers' preferred carriers by MCI WorldCom. MCI WorldCom agreed to restructure significantly its telemarketing and other business practices to protect consumers against slamming.

Under the terms of the Consent Decree, MCI will make a voluntary contribution to the United States Treasury in the amount of $3.5 million. MCI WorldCom has also agreed to take major actions to deter slamming, including, among others: 1) to implement a significantly revised slamming prevention program which will include financial disincentives and strict disciplinary provisions for its employees and agents found to be engaged in slamming; 2) to establish a new credit policy which will require the issuance of credits to those consumers who claim to have been slammed; 3) to establish an Executive Review Panel to conduct quarterly reviews of quality control; and, 4) to report to the Commission on the progress of its anti- slamming program and its record of compliance with the Consent Decree.

The Consent Decree with MCI is in addition to six other slamming enforcement actions by the Commission since February 2000: 1) a $1.36 million forfeiture imposed on Amer-I-Net Services Corporation; 2) a $2 million forfeiture imposed on Long Distance Direct, Inc.; 3) a $1 million forfeiture imposed on Brittan Communications International, Inc.; 4) a Consent Decree entered into between the FCC's Enforcement Bureau and Sprint Communications Company, LP, resulting in a voluntary contribution to the U.S. Treasury of $250,000; 5) a Consent Decree entered into between the Enforcement Bureau and Excel Telecommunications Company, Inc., resulting in a voluntary contribution to the U.S. Treasury of $400,000; 6) a $2.4 million forfeiture imposed on Business Discount Plan, Inc.; and 7) a $1.5 million voluntary contribution to the Treasury pursuant to a Consent Decree between the Enforcement Bureau and Qwest Communications International, Inc.

(5) Equipment Certification: CC Dkt. 99-216, *Notice of Proposed Rulemaking* (FCC 00-171). On May 15, 2000, the FCC adopted a Notice of Proposed Rulemaking (NPRM) to privatize the process for developing technical standards for and approval of customer telephone equipment also known as customer premises equipment (CPE). CPE is telecommunications equipment, such as telephones, faxes and modems, operating on a customer's premises to originate, route or terminate telecommunications over the Public Switched Telephone Network (PSTN).

The proposals, which would reduce the FCC's involvement in the setting of technical criteria and approval of CPE, are expected to expedite the process for bringing innovative telephone equipment to the marketplace, thereby increasing the choices available to consumers. Additionally, CPE manufacturers are expected to save millions of dollars a year from the proposed streamlined process. Currently, it takes the FCC typically two to four weeks to approve a CPE application showing that the equipment meets the technical requirements that ensure the product does not harm the telephone network. The proposals do not affect the Commission rules that ensure access to telecommunications and services by persons with disabilities, nor the Commission rules that deal with network demarcation and inside wire.

The Commission is proposing that its rules continue to require that local exchange carriers (LECs) allow CPE that meets technical criteria for network protection to be connected freely to their networks. The Commission proposes to streamline and privatize two of Part 68's functions. First, rather than continuing to establish and maintain such technical criteria, the Commission is proposing to rely on one of several potential industry standards-setting processes. These processes include:

1. Commission identification of a "gatekeeper" Standards Development Organization SDO) that will establish and publish binding technical criteria for CPE, developed pursuant to merican National Standards Institute (ANSI) procedures for consensus bodies;

2. Adoption of a presumption that CPE that complies with technical specifications established by any national standards-setting organization will not cause harm and that local exchange carriers must permit its connection to the PSTN; or,

3. Incorporation into this Commission's rules by reference, through the rulemaking process, of specific standards developed by national standards organizations.

Second, the Commission is proposing to privatize and streamline the registration process used to determine whether a particular model of equipment meets those technical standards. The Commission is proposing three methods of equipment approval that would reduce or eliminate the Commission's role. These proposals include:

1. Relying on private certification bodies called Telecommunications Certifications Bodies or TCBs (an alternative to Commission registration that will already exist early this summer) to certify that equipment is in compliance with the technical criteria;

2. Allowing manufacturers and importers to use a process called declaration of conformity, whereby the equipment is tested by an accredited laboratory to show that the equipment complies with specific technical parameters; and,

3. Allowing manufacturers and importers to use a verification process, whereby parties choose a responsible entity to make measurements of equipment performance with regard to specific technical parameters.

(6) Biennial Review: Section 11 of the Communications Act requires the Commission to review all of its regulations applicable to providers of telecommunications service in every even-numbered year, beginning in 1998, to determine whether the regulations are no longer in the public interest due to meaningful economic competition between providers of the service and whether such regulations should be repealed or modified. Section 202(h) of the Telecommunications Act of 1996 also requires the Commission to review its broadcast ownership rules biennially as part of the review conducted pursuant to Section 11. In 1998, the Commission determined that the first biennial regulatory review presented an excellent opportunity for a serious top-to-bottom examination of all of the Commission's regulations, not just those statutorily required to be reviewed. Beginning in January 1998, the Commission initiated a series of rulemaking proceedings as part of the 1998 Biennial Regulatory Review.

(7) Submarine Cable Landing License Streamlining Efforts: IB Dkt. No. 00-106, *Notice of Proposed Rulemaking*, (FCC No. 00-210). On June 8, 2000, the Commission adopted a Notice of Proposed Rulemaking (NPRM) that would speed up the authorization process for many international submarine cable providers and enable these firms to compete more effectively in today's market — a market that is at the core of the global information revolution.

The NPRM recognizes the need to move with the swift pace of the market and to tailor FCC licensing processes to encourage rapid, facilities-based entry by multiple firms that can bring new capacity to keep up with increased demand.

In its 1999 Japan-U.S. Order, the Commission stated that it would commence a broader proceeding to examine how the Commission's policies regarding licensing submarine cables might best promote competition and benefit consumers. The Commission's International Bureau developed many of its recommended proposals to the Commission based upon recommendations made at a Public Forum held by the Bureau in November 1999 and individual meetings with market participants and Bureau staff. The NPRM proposes streamlining measures to balance three key concerns: (1) the need for an expedited licensing process to speed the deployment of cable capacity to the market; (2) the need for careful Commission review of certain applications to guard against anticompetitive behavior; and (3) the need for the Commission to establish a model approach that could be used around the world.

The NPRM proposes the following three options, any one of which would qualify an applicant for streamlined review. The first streamlining option is a demonstration that the route on which the proposed cable would operate is competitive. A route is "competitive" under the proposal when at least three independently controlled cables, including the proposed cable, serve the route. The second streamlining option is a demonstration that the proposed cable system will be controlled predominantly by new entrants. An applicant that is providing service on the route for the first time could satisfy this proposed streamlining criterion simply by certifying that the "key applicant group" of the proposed cable does not control any existing wet link capacity on the route to be served by the proposed cable. Alternatively, for a proposed cable whose "key applicant group" controls existing capacity on the route to be served by the proposed cable, the applicant could make a showing that it controls less than 50 percent of the existing wet link capacity on the route. The third streamlining option is a demonstration of pro-competitive arrangements regarding landing stations and competitive backhaul (transit between cable landing stations and the public network), as well as capacity upgrades and use of capacity.

Although noting that cable landing licenses are conditioned on obtaining approval from the Secretary of State, the NPRM proposes that, if an application qualifies under one of the three streamlining options, the Commission will grant the application within 60 days. Separate from streamlining, the Notice also proposes to continue its private submarine cable policy in order to further stimulate competition in the market, but would not abandon the distinction between submarine cable systems which operate on a common carrier and a non-common carrier basis. It also seeks comment on the routine conditions imposed on submarine cable licensees. The Notice also proposes to provide clarity and regulatory relief by proposing a definition of "applicant" for a submarine cable landing license that exempts any owner of less than a 5 percent interest (other than landing station owners).

(8) Line Sharing: CC Dkt. No. 98-147, *Advanced Services Third Report and Order* (FCC 99-355). The Commission on November 18, 1999, adopted rules to promote competition for advanced services, by directing local telephone companies to share their telephone lines with providers of high speed Internet access and other data services. This Order was intended to ensure that as many companies as possible will be able to deploy new technologies on a faster, more cost-effective basis and should accelerate the ability of residential and small business customers to access competitive broadband services from their choice of providers.

The *Advanced Services Third Report and Order* permits competitive carriers to obtain access to the high-frequency portion of the local loop from the incumbent LECs over which the incumbent LEC provides voice services. This will enable competitive carriers to provide Digital Subscriber Line (DSL)-based services over the same telephone lines simultaneously used by incumbent LECs to provide basic telephone service, a technique referred to as "line sharing."

Line sharing will permit consumers to obtain innovative data services from either incumbent or competitive carriers, without having to forego the traditional voice services from their provider of choice. Since line sharing allows customers to receive both services on the same line, it eliminates the need for consumers to procure a second line. This allows for more efficient use of the existing telephone network.

Incumbent LECs are already using line sharing technology to offer basic telephone service and DSL services over the same line. Thus the Commission's action places competitive carriers on a more equal footing with incumbent LECs, while at the same time not affecting the incumbent LEC's ability to offer its DSL service or its voice service.

The Commission also established policies intended to ensure the compatibility of advanced services and traditional phone service and to minimize the risk of harmful interference among services. The policies adopted in this order ensure that American consumers will not face undue delay in receiving the benefits of technological innovation.

The Order gives states and the Commission an opportunity to work together to ensure that competitive carriers can begin providing innovative data services as quickly as possible, thereby fulfilling the mutually shared goal of expediting the deployment of advanced services to all Americans.

As a result of this order, line sharing arrangements have been established between a number of incumbent LECs and competitive carriers. For example, Rhythms NetConnections has arranges with incumbent LECs GTE and Bell Atlantic; and Covad and NorthPoint have arrangements with incumbent LEC Bell Atlantic.

(9) Cable Stations – Nationwide Ownership: *Time Warner Entertainment Co., L.P. v. United States of America*, No. 96-5272 (D.C. Cir., May 19, 2000). The U.S. Court of Appeals for the District of Columbia upheld the constitutionality of Commission rules limiting nationwide ownership of cable television systems. The Court has not yet ruled on whether the FCC's rules are appropriate pending completion of a further rulemaking proceeding by the Commission. Pursuant to the 1992 Cable Act, the Commission established rules that prevent any one company from serving more than 30 percent of the nation's cable subscribers. The court rejected the arguments that the ownership limits and rules limiting the number of channels on a cable system that may be devoted to video programming in which the operator has a financial interest violated the First Amendment to the U.S. Constitution. The Court found the subscriber limits provision was not "unnecessary or unnecessarily overburdensome" on its face.

(10) INTELSAT Notice of Proposed Rulemaking (NRPM): IB Dkt. No. 00-91, *Notice of Proposed Rulemaking*, FCC No. 00-186. The Commission initiated a rulemaking pursuant to the Open-Market Reorganization for the Betterment of International Telecommunications Act (the ORBIT Act or Act), which was enacted into law on March 17, 2000. The ORBIT Act amended the Communications Satellite Act of 1962 (1962 Satellite Act) to promote a fully competitive global market for satellite communications services by fully privatizing INTELSAT and Inmarsat. The ORBIT Act also provided for users or providers of telecommunications service to obtain Level 3 direct access from INTELSAT. Section 641(b) of the Act required the Commission to complete a rulemaking within 180 days of enactment to determine whether "sufficient opportunity" exists for users and service providers "to access INTELSAT space segment capacity directly to meet their service or capacity requirements." It also required the Commission to take "appropriate action" if the Commission finds that sufficient opportunity does not exist and otherwise to "take such steps as may be necessary to prevent circumvention" of the section.

In its 1999 *Direct Access to the INTELSAT System, Report and Order,* 14 FCC Rcd 15703 (1999), the FCC permitted users and service providers in the United States to obtain Level 3 direct access to INTELSAT space segment capacity. Level 3 direct access permits non-signatory users and service providers to enter into contractual agreements with INTELSAT for space segment capacity at the same rates that INTELSAT charges its Signatories. In its Report and Order, the Commission concluded that Level 3 direct access would result in substantial benefits, including: (1) creating operational efficiencies and cost savings for U.S. customers in accessing INTELSAT satellites; (2) exerting competitive pressure on other satellite operators in terms of service quality and rates, as well as on Comsat with respect to services for which Comsat has a substantial mark up over INTELSAT rates; and (3) enabling U.S. service providers to be more competitive in the global telecommunications market with their foreign counterparts.

The purpose of the current NPRM is to: (1) obtain the information necessary to make the determination required by the ORBIT Act; (2) seek comment on potential Commission action should the Commission conclude that sufficient opportunity does not exist for users and service providers to directly access INTELSAT space segment capacity; and (3), if necessary, take such actions as may be appropriate to facilitate direct access. In reaching conclusions in this proceeding, the Commission will take into account the fact that INTELSAT is currently seeking to privatize its commercial operations. As part of the privatization, INTELSAT will redefine existing distribution relationships with its Signatories and direct access users. Post-privatization distribution arrangements are currently being negotiated as part of the privatization process. The Commission intends to make the determination required by Section 641(b) of the ORBIT Act no later than September 13, 2000, as required by the Act.

(11) Paging License Auction: The Federal Communications Commission's concluded on March 2, 2000, a paging auction resulting in 78 winning bidders and 985 licenses being sold for a total of $4,122,500 in net high bids. These licenses can be used by companies to provide both traditional paging and advanced messaging and data services. The auction, which began on February 24, ended after 28 rounds of bidding. Of the winning bidders 57 claimed small business status and those companies won a total of 440 licenses.

The auction consisted of 20 kilohertz paging licenses located in both the 929 megahertz (MHz) and 931 MHz bands. Licenses were auctioned in 51 Major Economic Areas across the United

States (including cities such as New York City, Boston, Philadelphia and Chicago), the Northern Mariana Islands, Guam, American Samoa, the U.S. Virgin Islands, and Puerto Rico.

License winners were required to make down payments on licenses ten business days after the close of the auction. Winning bidders were also required to file their "long form" applications with the FCC within the same period.

(12) Ultra-wideband: Technology NPRM: ET Dkt. No. 98-153, *Notice of Proposed Rulemaking*, FCC No. 00-163. The Commission on May 10, 2000, adopted a proposal to consider permitting the operation of ultra-wideband (UWB) technology on an unlicensed basis, which could have enormous benefits for public safety, consumers and businesses. UWB devices appear to be able to operate on spectrum already occupied by existing radio services without causing interference. It could permit scarce spectrum resources to be used more efficiently, a core responsibility of the Commission in its role as the nation's spectrum manager.

In the NPRM, the Commission is seeking comments on its UWB proposal, which would pave the way for a vast array of new products incorporating UWB technology. Recent advances in UWB technology have resulted in its potential use for a variety of applications such as radar imaging of objects buried under the ground or behind walls and short-range, high-speed data transmissions suitable for broadband access to the Internet. UWB communications devices can also be used by police, fire and rescue personnel to provide covert secure communications. UWB devices can be used for a variety of communications applications involving the transmission of very high data rates over short distances without interference. Such devices can be used to distribute wirelessly services such as phone, cable and computer networking throughout a building or home.

In its consideration of proposals for the authorization of UWB technology, the Commission is committed to ensuring that safety services, such as the Global Positioning System (GPS), are protected against harmful interference. To ensure this protection, the Commission noted that further testing and analysis would be needed before UWB technology could be authorized to operate in the bands used for these services. The Commission stressed, in particular, the need for further testing and analysis in bands below 2 GHz. Such testing is already being planned by a number of organizations, including the Department of Transportation and the National Telecommunications Information Administration. The Commission will provide ample opportunity to complete these tests and ensure that the analysis of the test results are submitted in the record for public comment before adopting any final rules.

(13) Reciprocal Compensation: CC Dkt. Nos. 96-98 and 99-68, *Declaratory Ruling and Notice of Proposed Rulemaking*, FCC 99-38, 14 FCC Rcd 3689, and *Comment Sought on Remand of the Commission's Reciprocal Compensation Declaratory Ruling by the U.S. Court of Appeals for the D.C. Circuit*, Public Notice, FCC 00-227, 15 FCC Rcd 11311 (rel. June 23, 2000). Reciprocal compensation is the mechanism by which local exchange carriers, both incumbents and their competitors, reimburse one another for completing local calls that originate on each other's networks. Local exchange carriers have a strong interest in this issue since these carriers carry traffic between end users and Internet service providers (ISPs). More traffic flows from end users to ISPs than the other way. End users make thousands of calls to connect with ISPs via their local exchange carrier. ISPs originate very few calls that are directed to local end users. Instead, the ISPs usually make interstate calls in order to link end users to the Internet.

Generally, new competitors contend that calls to ISPs are local traffic, and this traffic is subject to reciprocal compensation. Incumbent local carriers argue that the calls are interstate in nature, and these calls fall beyond the scope of reciprocal compensation.

Carriers requested that the Commission clarify how local telephone companies should compensate one another for delivering traffic to ISPs. Specifically, the Commission had been asked by parties to determine whether local telephone companies are entitled to receive reciprocal compensation for delivering calls to their customers that are information service providers, particularly ISPs. The Commission on February 25, 1999 concluded that carriers are bound by their existing interconnection agreements, as interpreted by state commissions, and thus are subject to reciprocal compensation obligations to the extent provided by such agreements or as determined by state commissions.

The Commission declared that Internet traffic is jurisdictionally mixed and appears to be largely interstate. But the decision preserved the rule that exempts information service providers and other enhanced service providers from interstate access charges. This means that those consumers who continue to access the Internet by dialing a seven-digit number will not incur long distance charges when they do so. In a notice of proposed rulemaking, the Commission also asked for comment on proposals governing future carrier-to-carrier compensation for handling this traffic.

In its decision, the Commission noted that it traditionally has determined the jurisdictional nature of communications by the end points of the communication. Accordingly, the Commission concluded that the calls at issue in this proceeding do not generally terminate at the ISPs' local servers, but continue to their ultimate destinations, specifically at websites that are often located in other states or countries. As a result, the Commission found that, although some Internet traffic is intrastate, a substantial portion of Internet traffic is interstate and therefore subject to federal jurisdiction.

The Commission's jurisdictional decision did not, however, determine whether calls to ISPs are subject to reciprocal compensation in any particular instance. The Commission noted that parties may have agreed that ISP-bound traffic should be subject to reciprocal compensation, or a state commission, in the exercise of its statutory authority under sections 251 and 252 of the Act to arbitrate interconnection disputes, may have imposed reciprocal compensation obligations for this traffic. In either case, the Commission noted that carriers are bound by their existing interconnection contracts, as interpreted by state commissions.

The Commission also stated that adopting a federal rule to govern reciprocal compensation in the future would serve the public interest. As a general matter, the Commission tentatively concluded that commercial negotiations are the ideal means of establishing the terms of interconnection contracts, and reciprocal compensation agreements in particular. The Commission, therefore, asked for comment on two alternative proposals for implementing such a regime in the future.

The Commission tentatively concluded that inter-carrier compensation for this interstate traffic should be governed prospectively by interconnection agreements negotiated and arbitrated under sections 251 and 252 of the Act. Resolution of failures to reach agreement on inter-carrier compensation for interstate ISP-bound traffic then would occur through arbitrations conducted by state commissions, which are appealable to federal district courts. The Commission also asked for comment on an alternative proposal, under which inter-carrier compensation would be governed by a set of federal rules, and disputes would be resolved by federal, state, or third-party arbitrators.

On March 24, 2000, the U.S. Court of Appeals for the District of Columbia vacated and remanded the Commission's February 25, 1999, declaratory ruling and questioned the agency's use of "end-to-end" analysis to determine whether local exchange carriers were entitled to receive reciprocal compensation payments for ISP-bound traffic under section 251(b)(5) of the Act. The Court found it unusual for the FCC to use the "end-to-end" test for reciprocal compensation "without explaining why such an extension made sense in terms of the Telecom Act or the Commissions own regulations." The Court also cited confusion over the Commission's conclusions regarding ISP-bound traffic and whether it qualifies as "telephone exchange service," "exchange access" or a third category. The Court found that the FCC had not provided a satisfactory explanation as to why LECs that terminate calls to ISPs are not properly seen as terminating local telecom traffic and why such traffic is "exchange access" rather than "telephone exchange service." In the interim, the Commission's ruling leaves the incumbents free to seek relief from state-authorized compensation that they believe to be wrongfully imposed.

Although most states that have re-visited the issue since the FCC issued its declaratory ruling in 1999 continued to find that reciprocal compensation rules apply to ISP-bound traffic, a few (e.g., Massachusetts and South Carolina) have concluded that the rules do not apply to such traffic.

Legislation is pending before the House Commerce Committee, the Reciprocal Compensation Adjustment Act, (HR 4445) that would preclude dial-up calls to ISPs from being subject to future reciprocal compensation agreements between local exchange carriers.

(14) Unbundled Network Elements: CC Docket No. 96-98, *Third Report and Order and Fourth Further Notice of Proposed Rulemaking*, FCC 99-238, *Supplemental Order*, FCC 99-370 (rel. Nov. 24, 1999), and *Supplemental Order Clarification,* FCC 00-183 (rel. June 2, 2000). In this proceeding, the FCC adopted rules that specify the portions of the nation's local telephone networks that incumbent local telephone companies must make available to competitors seeking to provide competitive local telephone service. Unbundling allows competitors to lease portions of the incumbent's network to provide telecommunications services.

The order responds to a U.S. Supreme Court decision which generally affirmed the FCC's implementation of the pro-competition goals of the Telecommunications Act, but which required the Commission to re-evaluate the standard it uses to determine which network elements the incumbent local phone companies must unbundle.

The order adopts a standard for determining whether incumbents must unbundle a network element. Applying the revised standard, the Commission reaffirmed that incumbents must provide unbundled access to six of the original seven network elements that it required to be unbundled in the original order in 1996:

(1) loops, including loops used to provide high-capacity and advanced telecommunications services;
(2) network interface devices;
(3) local circuit switching (except for larger customers in major urban markets);
(4) dedicated and shared transport;
(5) signaling and call-related databases; and,

(6) operations support systems.

The Commission determined that it is generally no longer necessary for incumbent LECs to provide competitive carriers with the seventh element of the original list -- access to their operator and directory assistance services. The Commission concluded that the market has developed since 1996 to where competitors can and do self-provision these services, or acquire them from alternative sources.

The Commission also concluded, in light of competitive deployment of switches in the major urban areas, that, subject to certain conditions, incumbent LECs need not provide access to unbundled local circuit switching for customers with four or more lines that are located in the densest parts of the top 50 Metropolitan Statistical Areas (MSAs).

The Commission also addressed the unbundling obligations for network elements that were not on the original list in 1996. The Commission required incumbents to provide unbundled access to subloops, or portions of loops, and dark fiber optic loops and transport. In addition, the Commission declined, except in limited circumstances, to require incumbent LECs to unbundle the facilities used to provide high-speed Internet access and other data services, specifically, packet switches and digital subscriber line access multiplexers (DSLAMs). Given the nascent nature of this market and the desire of the Commission to do nothing to discourage the rapid deployment of advanced services, the Commission declined to impose an obligation on incumbents to provide unbundled access to packet switching or DSLAMs at this time. The Commission further noted that competing carriers are aggressively deploying such equipment in order to serve this emerging market sector.

The Commission subsequently modified the rules to include more stringent limits on the use of combinations of unbundled loops and transports, the so-called enhanced extended links (EELs).

The Commission also adopted a Further Notice of Proposed Rule Making (FNPRM) seeking comment on issues surrounding the ability of carriers to use certain unbundled network elements as a substitute for the incumbent LECs' special access services.

On November 24, 1999, the FCC released a *Supplemental Order* that modified the *Third Report and Order and Fourth FNPRM* with regard to the ability of requesting carriers to use combinations of unbundled network elements to provide local exchange and exchange access service prior to our resolution of the Fourth FNPRM. On June 2, 2000, the FCC took three actions to extend and clarify the temporary constraint that it adopted in the *Supplemental Order*. First, we extended the temporary constraint identified in the Supplemental Order while we compile an adequate record for addressing the legal and policy disputes presented here. Second, we clarified what constitutes a "significant amount of local exchange service." Third, we clarified that incumbent local exchange carriers (LECs) must allow requesting carriers to self-certify that they are providing a significant amount of local exchange service over combinations of unbundled network elements, and we allow incumbent LECs to subsequently conduct limited audits by an independent third party to verify the carrier's compliance with the significant local usage requirements.

(15) Detariffing: CC Dkt. 96-61, *In the Matter of Policy and Rules Concerning the Interstate, Interexchange Marketplace Detariffing Order*, 11 FCC Rcd 20730 (1996) (*Detariffing Order*),

Order on Reconsideration, 12 FCC Rcd 15014 (1997) (*Order on Reconsideration*), and Second Order on Reconsideration and Erratum, 14 FCC Rcd 6004 (1999) (*Second Order on Reconsideration*). On October 31, 1996, the Commission released the *Detariffing Order* directing all nondominant IXCs to "cancel their tariffs for interstate, domestic, interexchange services on file with the Commission within nine months of the effective date of the order and not to file any such tariffs thereafter." The Order was published in the Federal Register on November 22, 1996 and was effective on December 22, 1996. A number of carriers requested reconsideration of the *Detariffing Order* and requested review from the Court of Appeals for the District of Columbia Circuit. On February 13, 1997, the court stayed the *Detariffing Order* pending judicial review. On reconsideration, the Commission modified its decision so as to allow (1) tariffing of dial around 1+ services using the carrier access code, and (2) tariffing of new customer services for a limited period of 45 days. On further reconsideration, the Commission adopted public disclosure requirements regarding the rates, terms, and conditions governing detariffed services. On April 28, 2000, the court of appeals upheld the Commission's orders requiring detariffing for interstate, domestic, interexchange services (*MCI WorldCom, Inc. et al v. FCC*, Opinion, 2000 WL 390520, No. 96-1459 [D.C. Cir. 2000]). On May 1, 2000, the court lifted the stay, and the rules adopted in this docket are now in effect (*MCI WorldCom, Inc. et al v. FCC*, Opinion, No. 96-1459, Order [D.C. Cir. May 1, 2000]).

The nine-month transition period that the Commission adopted in the *Detariffing Order* began on December 27, 1996 but was interrupted after less than two months by the stay. In the *Order on Reconsideration*, the Commission declined to address any transition issues, and delegated authority to the Common Carrier Bureau to determine the appropriate transition period and to address other transition issues when the detariffing rules became effective.

By Public Notice released May 9, 2000, (DA 00-1028) (Notice) the Common Carrier Bureau established a new transition period beginning May 1, 2000 and ending January 31, 2001.

Carriers may file new and revised tariffs for mass market interstate, domestic, interexchange services during the transition period.

Carriers may not file new or revised interstate, domestic, interexchange tariffs for contract tariff offerings and other long-term service arrangements. Pending public comment and further consideration by the Bureau, this prohibition applies to arrangements that bundle domestic and international services.

Carriers must cancel, by the end of transition period, the tariff offerings that are subject to the *Detariffing Order*.

Carriers are allowed to cancel their tariffs for interstate, domestic, interexchange service at any time during the nine-month period. Tariffs may be cancelled by replacement, supplement, or expiration. Carriers may cancel the portions of "mixed" services tariffs that are subject to detariffing by either: (1) canceling the entire tariff and refiling a new tariff for only those services that remain subject to tariff filing requirements; or (2) issuing revised tariff pages canceling the material in tariffs that relate to services subject to forbearance.

As provided in Sections 64.1900(a) and (b) of the Commission's rules, carriers must still file a certification that carriers are providing services in compliance with geographic rate averaging and rate integration obligations on an annual basis.

Rates must be publicly disclosed pursuant to Section 42.10 (a) and (b) of the Commission's rules.

Section 42.10 (a) of the Commission's rules requires that: "[a] nondominant interexchange carrier shall make available to any member of the public, in a least one location, during regular business hours, information concerning its current rates, terms and condition for all of its detariffed interstate, domestic, interexchange services. Such information shall be made available in an easy to understand format and in a timely manner. When responding to an inquiry or complaint from the public concerning rates, terms and conditions for such services, a carrier shall specify that such information is available and the manner in which the public may obtain the information." 47 C.F.R. § 42.10(a).

Section 42.10 (b) of the Commission's rules states that: "a nondominant IXC that maintains an Internet website shall make such rate and service information specified in paragraph (a) of this section available on-line at its Internet website in a timely and easily accessible manner, and shall update this information regularly. 47 C.F.R. § 42.10(b).

The Notice also seeks comment on whether permissive tariffing (the continuation of tariffing bundled domestic and international services) should be permitted during all or part of the transition period and also seeks comment on how quickly the IXCs that currently have websites should be required to come into full compliance with the web posting requirement. The Notice also seeks comment on whether other modifications to the transition plan are needed.

(16) FCC Electronic Document Management System: In June 2000, the FCC announced that its new Electronic Document Management System (EDOCS) is available to obtain documents and conduct interactive online research. EDOCS lets users search a database of Daily Digest entries for FCC documents posted to the FCC web site since March 1996. EDOCS displays information about documents in three formats: full record, condensed record, and Citator. The full record displays all indexing information contained in the system for each retrieved document, while the condensed format displays an abbreviated version of the same information. The Citator format displays citations to the FCC Record Index, FCC Reports 2nd Series, and the Federal Register. The database contains citations for documents back to 1982. The EDOCS query works with any data element or combination of data elements. Using more search terms will give a more precise result. Presently, the query searches on words that appeared in the Daily Digest title and in the description for each document, not on the full text of each document.

(17) Cable System – Open Access for Internet Service Providers (ISPs): In June 2000, AT&T announced that it is planning a six-month trial in Boulder, Colorado, enabling up to 500 people to access multiple ISPs. The trial is expected to begin in November 2000, and AT&T says it has invited a collection of large and small ISPs to join the trail, including American Online, Microsoft's MSN, and others. AT&T currently has an exclusive agreement with Excite At Home to provide high-speed Internet access services, but the agreement ends in mid-2002 and AT&T has promised to then open up its cable-TV systems to multiple ISPs. AT&T expects the trial to provide information about the technical feasibility of allowing multiple ISPs to offer service on the network.

In July 2000, Time Warner announced that it is expanding its trial of multiple ISPs in Columbus, Ohio. Technical trials began during the summer of 2000 and are being enlarged to include other, independent ISPs. The trial, which has 100 users and is the first public test of cable open access in the United States, already features Time Warner's Road Runner and AOL and AOL's CompuServe service.

(18) Regional Bell Operating Companies Approved to Provide Long Distance: On December 22, 1999, the FCC gave its first approval of a Regional Bell Operating Company's (BOC) application to provide long distance telephone service. The decision to authorize Bell Atlantic's operation in New York State fulfilled one of the key pro-competitive goals of the 1996 Telecommunications Act, and promised substantial benefits for consumers in the form of new service providers, lower prices, tailored and bundled service packages, and better customer service. On June 30, 2000, the FCC also approved SBC Communications' application to provide long distance telephone service in Texas.

In the 1996 Act, Congress envisioned fundamental pro-competitive changes in the telecommunications environment by making a BOC's entry into long distance contingent on the BOC first opening its local service monopoly to competition. A BOC satisfies this contingency by demonstrating compliance with section 271 of the Act.

In granting Bell Atlantic's and SBC's applications to enter the long distance market in New York State and the State of Texas, respectively, the Commission found that Bell Atlantic and SBC had taken the statutorily required steps to open their local telecommunications markets to competition, including compliance with the 14-point checklist described in Section 271(c)(2)(B) of the 1996 Act. Congress specified that unless the Commission finds the checklist has been satisfied by the BOC that the Commission "shall not approve" the requested authorization. Since the passage of the 1996 Act, the FCC had denied five section 271 applications finding that each contained serious deficiencies before approving the Bell Atlantic and SBC applications.

There were a number of elements that were particularly important in opening the New York and Texas local markets to competition consistent with the terms of the 1996 Act. These include:

(1) full and open participation by all interested parties;
(2) extensive independent third party testing of the operations support systems (OSS);
(3) development of clearly defined performance measures and standards; and,
(4) adoption of performance assurance measures to ensure future compliance with the section 271checklist.

AT&T Corporation challenged the FCC's approval of Bell Atlantic's application, and the United States Court of Appeals for the District of Columbia Circuit on August 1, 2000, affirmed the FCC's order in all respects. *See AT&T Corp. v. FCC*, Nos. 99-1538, rel. Aug. 1, 2000 (D.C. Cir. 2000)

6. **Please provide a brief description of the responsibilities of the national regulatory authorities for public telecommunication services. Please highlight any changes over the last 12 months.**

Please provide details:
The telecommunications sector in the United States is regulated by both federal and state governments. The FCC was created by the Communications Act of 1934, as amended, to regulate interstate and international communications. The FCC is responsible to Congress and its five commissioners are appointed by the President. Intrastate services are under the jurisdiction of each state, usually through the state's public utility commission. The FCC regulates use of the electromagnetic spectrum by the private sector (including broadcasting) and state governments. The National Telecommunications and Information Administration (NTIA) within the Department of Commerce manages the federal government's use of radio spectrum. In addition, NTIA serves as principal advisor to the President on telecommunications and information policy matters and enunciates broad telecommunications policies.

The Department of Justice is responsible for telecommunications matters that raise possible antitrust issues. The Department of State is responsible for formulation and coordination of foreign policy related to international communications and information policy. In addition, other agencies, such as the Federal Trade Commission (FTC) have responsibilities for issues that fall within their jurisdiction (e.g., consumer protection).

Major telecommunications laws are made by the U.S. Congress and the President. The FCC implements the laws through rulemaking proceedings. The President can also propose telecommunications legislation to the Congress and sponsor and develop initiatives regarding telecommunications policy through the executive branch.

7. **Are there any foreign ownership, size of shareholding or other ownership restrictions on individuals and corporations investing in the incumbent PTO(s) in your country? Yes/ No**

If 'yes', please provide details:

Section 310(b)(3) of the Communications Act provides that persons who are not citizens of the United States may make direct investments up to 20 percent in U.S.-chartered corporations that hold common-carrier radio licenses. Section 310(b)(4) provides that, where the U.S. common carrier that holds a radio license is a corporation owned or controlled by another U.S.-chartered corporation (called a "holding company") non-U.S. citizens may hold up to 25 percent of the equity of that holding company. The section further provides that the FCC may allow foreign persons to hold more than 25 percent of the holding company's stock if the FCC determines that such ownership would serve the U.S. public interest. There are no restrictions on the percentage of investment that foreign persons may make in U.S. common carriers that do not hold radio licenses (*eg.,* those that operate wireline facilities). The FCC has long allowed foreign-owned carriers to be authorized to provide services within the United States (interstate services) or between the United States and foreign points (international services). The FCC has traditionally regulated foreign-owned carriers providing interstate wireline services the same as U.S.-owned carriers. The FCC has regulated providers of international services that are affiliated with an overseas provider of telephone services as "dominant" on those routes where they interact with their affiliates with market power.

In November, 1995, the FCC adopted rules governing the entry of foreign-owned carriers into U.S. markets. A key component of these new rules was the addition of the "effective competitive opportunities" (ECO) analysis to the FCC's public interest review of common carrier radio licenses. In the

1997 *Foreign Participation Order*, the Commission replaced its ECO test, as applied to foreign investment from WTO Member countries, in common carrier radio licenses with the open entry policies adopted in that proceeding. Thus, the Commission presumes that such foreign investments from WTO Member countries are in the public interest, and will not apply an ECO analysis to investments in radio licenses pursuant to Section 310(b)(4) from WTO Member countries. The Commission, however, concluded that its review of Section 310(b)(4) requests would include consultation with the appropriate Executive Branch agencies regarding national security, law enforcement, foreign policy, and trade policy concerns.

8. **Are there any communication infrastructures or services** *(e.g. mobile, cable television, terrestrial broadcasting, satellite broadcasting)* **that PTOs in your country are not permitted to provide directly? In addition, please specify any restrictions on PTOs investing in companies that provide such infrastructure or services. Please include information on requirements by the incumbent PTO to divest cable networks.**

Please provide details:
There are no PTOs in the United States in the sense of telecommunications providers that are owned by the government. Rather, the United States relies upon privately-owned telecommunications providers called "common carriers." Telecommunications services in the United States are broken down into local, typically intrastate services (offered by carriers known as "local exchange carriers" or "LECs"); domestic, intra- or inter-state services (known as "interexchange carriers" or "IXCs"); and services between the United States and foreign points (known as "international services" provided by international service carriers or "ISCs"). In recent years competition to the monopoly local exchange carrier has been introduced in an increasing number of local markets. These new entrants are typically referred to as "competitive access providers" or "CAPs."

Section 271 of the Communications Act, as amended by the Telecommunications Act of 1996, maintains the pre-1996 Act prohibition against a regional bell operating company (RBOC) providing inter-LATA long-distance service originating in a state within its local service region until the FCC approves an application demonstrating that the RBOC's local telephone market is open to competition. Under this section, the FCC "shall not approve" a RBOC application to enter long-distance markets unless it finds that the RBOC has concluded agreements with one or more facilities-based competitors to provide access or interconnection (which satisfies a "competitive checklist") as well as a public interest test. Alternatively, if the RBOC has not received a qualifying interconnection request within a designated period of time, the Section 271 test can be satisfied by providing a statement of generally available terms and conditions that complies with the competitive checklist and that "has been approved or permitted to take effect by the [relevant] state commission."

Incumbent local exchange carriers currently may not own more than 10 percent of the cable operator in their local calling area. Likewise, cable operators may not own more than 10 percent of the local exchange carrier in their cable franchise area. LECs are permitted to offer cable services to subscribers in its local telephone service area through an open video system.

9. **What selection procedures are used to grant licences for new Wireless Local Loop (WLL) and IMT-2000 services? (e.g. spectrum auctions, calls for tenders, government appointments, licence on request)?**

Please provide details: Almost all mutually exclusive initial applications are currently assigned through competitive bidding (a.k.a. auctions). The exceptions are applications for licenses in the public safety radio services, digital television service, Private Mobile Radio Services (PMRS), and for noncommercial educational and public broadcast stations. In addition, the FCC rules provide for unlicensed operations on spectrum that can be used for WLL or wireless Internet access. 47 C.F.R. § 15(A).

10. **Under the communication regulation existing in your country how would national and international voice telephony services provided over the Internet, by <u>entities other</u> than a PTO, be defined and treated? Please mention any restrictions or obligations that may apply.**

Please provide details: There are no restrictions on the provision of voice or other services over the Internet. The FCC does not regulate provision of Internet access or the provision of services over the Internet.

<u>Pricing (Questions 11 -12)</u>

11. **What, if any, conditions are applied to the tariffs set by PTOs?** (Please include any price control information such as price caps or approvals and specify for which services they apply).

Please provide details: See "Detariffing" in answer to question number 5.

12. **If communication discount schemes are available in your country please provide information on one or more popular schemes applicable to low users and dial-up Internet access users from the incumbent PTO.** In the space below please indicate the main features:

Low User Discount for Financially Disadvantaged Consumers: In 1984, the FCC, in conjunction with the States and local telephone companies, established a Lifeline program to promote universal service by helping low-income residential customers afford the monthly cost of local telephone service. In 1987, the FCC adopted Link-Up America, designed to help low income households pay the costs of connection and installation. Through fees assessed on long-distance service, the FCC ensures that all states receive basic federal support of $5.25 per month for each customer qualifying for lifeline assistance. Many states provide additional support to low-income consumers and receive some matching federal support. (Source: Trends in Telephone Service, March 2000, Industry Analysis Division, Common Carrier Bureau.)

The Lifeline program will allow about 5.6 million low-income subscribers to pay reduced local rates in 1999. The Link-Up program has added 9.3 million new telephone subscribers since 1987. Federal support of these programs will total about $437 million in 1998. Total support (state and federal support combined) is somewhat higher. (Source: Trends in telephone Service, March 2000, Industry Analysis Division, Common Carrier Bureau.)

Internet Access Discount: Under FCC rules, calls via a PC with a modem to access the Internet over the public switched network are considered local calls. Therefore, local rates apply. Local rates and rate structures vary substantially by locale and are regulated by each State's public utility commission. In most cases, residential customers can choose between various local service plans, including flat monthly fees for unlimited calling, or some form of measured service. Local residential rates in sample cities for October 15, 1998 are available on the FCC's web page. (Source: Table 1.3 of FCC Reference Book of Rates, Prices Indices, and Expenditures for Telephone Services, July 1999, Industry Analysis Division, Common Carrier Bureau.)

(Additional pamphlets from the PTO in English or French, or with the main points translated into one of these languages, would be most appreciated. Please provide data in local currency).

Note: Low user schemes is a term sometimes applied by PTOs to schemes designed for segments of the community that are financially disadvantaged. A dial-up Internet user refers to a consumer accessing the Internet via a PC with a modem over the local public switched telecommunication network.

Numbering/Domain Names (Questions 13 - 14)

13. Please describe the numbering policy in your country. Please mention the responsible authority and whether portability (including geographic portability) has been introduced and for which services (e.g. 800 numbers, cellular numbers, local PSTN numbers).

The FCC has exclusive jurisdiction over the administration of telephone numbers in the United States pursuant to section 251(e)(1) of the Communications Act, as amended by the Telecommunications Act of 1996. Section 251(e)(1) allows the Commission to delegate any of its jurisdiction to the states or other entities. The FCC has given the state commissions authority over all matters related to the implementation of new area codes subject to FCC guidelines. In the past, the administration of the North American Numbering Plan (NANP) was carried out by Bellcore and the local exchange carriers. In 1997, the FCC affirmed the recommendation of the North American Numbering Council (NANC), a federal advisory body, to select Lockheed Martin IMS as the NANP and the National Exchange Carriers Association (NECA) as the Billing and Collection Agent.

In 1993, the FCC required that 800 numbers become portable between service providers.

In 1996, the FCC adopted rules that will permit both residential and business consumers to retain their telephone numbers when switching from one local service provider to another. The rules governing number portability will remove a significant impediment to the development of vigorous competition in the local exchange markets. The FCC ordered all LECs to begin the phased deployment of a long-term service provider portability method in the 100 largest Metropolitan Statistical Areas (MSAs). Number portability must be provided in these areas by all LECs to all requesting telecommunications carriers, including commercial mobile radio services (CMRS) providers. The Commission determined that the new law requires LECs to provide number portability for 500 and 900 numbers, but directed the NANC to address the technical feasibility of LECs providing 500 and 900 portability. NANC issued its recommendation to the Commission on June 11, 1999. The NANC recommendation concluded that strong demand for 500/900 portability does not exist and that the Commission should suspend consideration of the issue due to lack of demand for such capability, and that to design, develop, and operate such a system would be costly. On August 3, 1999, the Commission issued a Public Notice seeking comment on the NANC recommendation although the NANC recommendation has gone into effect.

On March 6, 1997, in the *First Memorandum Opinion and Order on Reconsideration*, the FCC generally affirmed, with a few modifications, its rules governing the deployment of local telephone number portability earlier set forth in the *First Report and Order* in this docket. Telephone number portability refers to the ability of residential and business consumers to retain their telephone numbers when switching from one local telephone service provider to another. The provision of local number portability is one of the obligations that the 1996 Act imposed on all local exchange carriers in order to promote a pro-competitive, deregulatory national telecommunications policy framework.

14. **Which organisation is responsible for the administration of your Internet country code top level domain names.** (An example of a country code top level domain name is .be for Belgium). Please provide any details of any recent policy initiatives relating to country code domains.

Please provide details: The .us domain is currently administered by the University of Southern California, Information Sciences Institute under a subcontract of a U.S. Department of Commerce Cooperative Agreement. The U.S. domain is organized as a deeply hierarchical naming structure based on U.S. geography. The domain has typically been used by branches of state and local governments, although some commercial domains have been assigned. Since 1998, U.S. Department of Commerce, National Telecommunications and Information Administration (NTIA) has been soliciting comments from the public on how the domain could be expanded or augmented in order to increase the commercial attractiveness and use of the domain. The U.S. Department of Commerce expects to complete a recompetition for the management and administration of the .us domain by December, 2000. It is also expected that new policies and procedures for the .us domain, as well as contractual arrangements, will adhere, as closely as possible, to the document "Principles for the Delegation and Administration of Country Code Top Level Domains," issued by the Governmental Advisory Committee (GAC) of the Internet Corporation for Assigned Names and Number (ICANN) in February, 2000.

Interconnection (Questions 15)

15. Interconnection between fixed networks.

	Yes /No	**Details**
Are PSTN interconnect or access charges a matter for commercial agreement between operators? And if so, is there provision for arbitration and by whom?		See Attached
Is there a requirement on the incumbent to publish the rate for PSTN interconnect or access charges?		Long distance and international traffic is terminated and originated at tariffed access charge rates filed with the Commission. All long distance carriers will pay the same rate, but Competitive Local Exchange Carriers will charge different rates than those charged by Incumbent Local Exchange Carriers.
For the purpose of establishing interconnect or access charges is accounting separation used?		See Attached
Once the interconnection or access charge of the incumbent has been established, is it available as a standard rate for other service providers (including other PTOs and resellers)?		In most cases, yes. Access charges are required to be tariffed and must be offered on a nondiscriminatory basis to all carriers. The same is true, in most cases for local service interconnection charges.
Does regulation specify that competitive service providers can collocate facilities on the same site as incumbent PTOs? (Please indicate whether resellers and Internet Service Providers can collocate equipment under the same terms and conditions as PTOs without being designated as a PTO?)		See Attached
What kind of interconnection accounting methodology (e.g. LRIC, FDC, etc.) is used for calculating the incumbent's interconnection charges?	Accounting rate methods vary by interconnection charge components. For example, intrastate access charges use an underlying FDC accounting method with a price cap regime and targeted switched access rates for the largest providers. Unbundled network element charges, on the other hand, use the total service LRIC accounting method.	
Is carrier pre-selection implemented? If so, please describe the coverage of carrier pre-selection (e.g. local, long-distance and international).		Carrier pre-selection is in place. Customers can choose among various long distance providers, and, depending on the amount of competition in a given area, can choose among several local carriers. One cannot select a different international carrier from one's long distance carrier. However, using dial-around (e.g., 10-10-XXX) on a per-call basis, one can have any one of a number of carriers route a long-distance or international call, regardless of the identity of the presubscribed carrier.

16. Fixed to Mobile Network Interconnection

	Details
Are termination rates to mobile networks published?	Termination to rates to mobile networks are not published. However, because rates to terminate fixed and mobile calls are symmetrical, rates published for wireline termination are the same as the rates for termination to mobile networks.
How are the termination rates for fixed-to-mobile calls determined in your country (e.g. commercial negotiated between operators, determined by mobile operator or other)?	Termination rates for fixed-to-mobile calls are determined primarily by commercial negotiations between the carriers, subject to arbitration or approval by the appropriate state public utilities commission.
Are these rates subject to any regulation (e.g. must they be cost orientated if operators have significant market power)?	Section 51.705 of the Commission's Rules (47 C.F.R. § 51.705) provides that an incumbent LEC's rates for transport and termination of local telecommunications traffic shall be established on the basis of: (1) forward-looking economic costs, using a cost study pursuant to §§ 51.505 and 51.511 of the Commission's rules; and (2) a bill-and-keep arrangement (where neither of the two interconnecting carriers charges the other for the termination of local telecom traffic that originates on the other carrier's network), as provided in § 51.713. In the event both carriers are incumbent LEC's, then state commissions establish the rates of the smaller carrier on the basis of the larger carrier's forward-looking costs.

Unbundling (Questions 17 -18)

17. Please describe initiatives for local loop unbundling and indicate when unbundling policies were put in place or the expected date of implementation.

Please provide details: See "Unbundled Network Elements" in to Question 5.

18. Please provide the prices for access to unbundled local loops and specify the service on offer (e.g. raw copper, DSL subscriber line).

Please provide details: The Federal Communications Commission does not track this information because it varies from state to state as well as by service and carrier.

Consumer Issues (Questions 19 -20)

19.

	Details
In the context of universal service policies, which elements of telecommunication service are considered as part of universal service in your country?	In the FCC's May 8, 1997, *Universal Service Report and Order*, the FCC defined the services that will be supported by universal service support mechanisms in the United States. These include voice-grade access to the public switched telephone network, with the ability to place and receive calls; Dual Tone Multifrequency (DTMF) (also known as touch-tone) signalling or its functional equivalent; single-party service; access to emergency services, including access to 911 and enhanced 911 (E911), where available; access to operator services; access to long distance (interexchange) services; access to directory assistance; and limits on basic long distance service fees for qualifying low-income consumers.
Please provide details of any explicit funding mechanism for addressing universal service and its coverage (this can include initiatives related to infrastructure in respect to addressing digital divide issues).	See attached
Is the cost of providing universal service calculated? If so please provide the latest annual costing.	Carriers with only international revenues do not contribute. Contributions to all of the universal service support mechanisms are based on carriers' interstate and international end-user telecommunications revenues. However, a provider of interstate and international telecommunications shall not be required to contribute based on its international revenues if its interstate revenues constitute less than 8% of its combined interstate and international revenues. The estimated cost of the high-cost program for calendar year 1999 is US$1.75 billion. The estimated cost of the low-income program for calendar year 1999 is US$500 million. The cost of the schools and libraries program is limited to US$2.25 billion for the 12-month period from July 1, 1999 to June 30, 2000. The cost of the rural health care program is limited to US$12 million for the 12-month period from July 1, 1999 to June 30, 2000. Thus, total support for all universal service programs is roughly US$4.5 billion per year.
What percentage of telephone subscribers do not have access to an Internet service provider's point of presence with a local call?	60% do not have access to an ISP's point of presence with a local call; this figure is predicted to decline to 36% by 2003.
What is the average monthly online time for a subscriber to the largest PTO's Internet access service (e.g. number of hours).	American home users spend an average of more than 13 hours per month online. Source: Media Metrix Inc. survey reported in *The Washington Post*, Aug. 3, 2000.
What is the average household consumption expenditure of telecommunication services in your country? Please provide the data in local	By type of provider (expenditures for 1998): Local Exchange Carriers: $398

currency and specify the year of the survey. Please indicate which of the following telecommunications services are included or excluded -- fixed PSTN services, cellular mobile services and Internet access -- or provide a definition of the indicator used in your country.	Long Distance Carriers: $270 Wireless Carriers $119 Total Expenditure $787* NOTE: Data shown above is a report for all households with wireline service (therefore, there would presumably be households with $0 wireless expenditures). US$488.88 is the average expenditure for mobile telephone service for those households with wireless service. **

*Source: Table 4.2, Trends in Telephone Service, March 2000., Industry Analysis Division, Common Carrier Bureau.
**Source: Cellular Telecommunications Industry Association (CTIA) Semi-Annual Wireless Industry Survey, June 1999 and December 1999.

20.

	2000	**2001**	**2002**	**2003**
Please report any estimates of the potential coverage of access lines with DSL by the end of the following years (as a % of total subscriber lines) by the incumbent(s):	**36%***	**49%***	**65%***	**75%***

* Source: Morgan Stanley forecast of the percentage of U.S. households passed by DSL upgrades. Jeff Camp, Richard Bilotti, *The Broadband Report, Reaping What you Sow: ROI in the Broadband Market:* Morgan Stanley Dean Witter, Apr. 4, 2000.

Attachment

Responses to Question 15

Are PSTN interconnect or access charges a matter for commercial agreement between operators? And if so, is there provision for arbitration and by whom?

Long distance and international traffic is terminated and originated at tariffed access charge rates filed with the Commission. All long distance carriers will pay the same rate, but Competitive Local Exchange Carriers will charge different rates than those charged by Incumbent Local Exchange Carriers. These rates apply, however, only to traffic delivered to the LEC's tandem switch located in the region of the terminating end of the call. If the traffic is delivered to another location, the situation is different. For instance, if an international carrier does not possess domestic facilities, and wants to deliver all of its international traffic to a single switch in the U.S. for termination throughout the country, it must negotiate with an interexchange carrier to carry the traffic to each LEC's tandem switch throughout the country. These deals are concluded at negotiated rates for a small markup over the access charge. The market is quite competitive for this service. Spot rates for national interconnection (fob New York) were 4.1 cents as of September 1998. These rates are not regulated by the FCC, as the market is already very competitive.

For the purpose of establishing interconnect or access charges is accounting separation used?

The United States has separate rates for local, interstate, and intrastate interconnection. Rates for local service interconnection (i.e. rates for a competitive local service provider to terminate traffic on a competing carrier's network) are set pursuant to commercial negotiation under pricing guidelines established by the state commission, in most cases these prices have been set at total element long run incremental cost (TELRIC) rates. Interstate rates (access charges) are tariffed by the FCC under a price caps formula. Intrastate rates are set by the state commission under price caps or rate return regulation. Carriers are subject to detailed accounting requirements to ensure that costs are allocated appropriately among services.

Does regulation specify that competitive service providers can collocate facilities on the same site as incumbent PTOs? (Please indicate whether resellers and Internet Service Providers can collocate equipment under the same terms and conditions as PTOs without being designated as a PTO?)

Section 251(c)(6) of the Telecommunications Act requires incumbent local exchange carriers to allow a competitive local exchange carrier to collocate equipment necessary for interconnection or access to the network in order to provide telecommunications services. Where the incumbent local exchange carrier lacks sufficient space for such collocation of equipment, virtual collocation must be provided. This section does not require the collocation of switching equipment or equipment necessary to provide enhanced services, such as Internet access. Carriers may only collocate equipment necessary for interconnection or access to the telecommunications network. Necessary equipment includes multiplexing and concentration equipment but does not include switching equipment.

Responses to Question 19

Please provide details of any explicit funding mechanism for addressing universal service and its coverage (this can include initiatives related to infrastructure in respect to addressing digital divide issues)

The FCC's *Universal Service Report and Order* also addresses the influence of affordability on subscribership; the criteria for designating telecommunications carriers eligible for universal service support; service areas and unserved areas; support for both rural and non-rural high cost local exchange carriers; universal service support for low income consumers; issues unique to insular areas; methods of supporting and enhancing deployment of telecommunications services to schools and libraries and rural health care providers; interstate subscriber line charges and carrier common line charges; and administration of universal service programs.

On July 18, 1997, the FCC released a *Further Notice of Proposed Rulemaking* seeking comment on the mechanism the FCC should adopt to estimate the forward-looking economic costs that non-rural carriers would incur to provide universal service in rural, insular, and high cost areas. The FCC sought comment on the platform design and input values it should adopt in the selected mechanism to estimate the cost of each of the elements of the telephone network necessary for non-rural LECs to provide universal service to high cost areas.

On July 18, 1997, the FCC released a *Report and Order* in CC Docket No. 97-21 and *Second Order on Reconsideration* in CC Docket No. 96-45 directing the National Exchange Carrier Association, Inc., (NECA) to create an independently functioning not-for-profit subsidiary (the Universal Service Administrative Company) through which it would administer temporarily certain portions of the federal universal service support mechanisms. The FCC determined that the USAC Board of Directors will consist of 17 members representing contributors to an beneficiaries of the universal service support mechanisms, as well as a representative of state telecommunications regulators. As a condition of its appointment as temporary Administrator, the FCC further directed NECA to create the Schools and Libraries Corporation and Rural Health Care Corporation to perform all functions associated with administering the schools and libraries and rural health care programs, respectively, except those directly related to billing and collecting universal service contributions and disbursing support. The FCC also established requirements by which the FCC will calculate and approve the quarterly universal service contribution factors.

On August 15, 1997, the FCC released an *Order* directing the National Exchange Carrier Association to perform certain functions on behalf of the universal service administrative companies to the extent that the performance of such functions was necessary to meet the January 1, 1998 starting date for the new universal service support mechanisms.

On September 4, 1997, the FCC issued a *Further Notice of Proposed Rulemaking* addressing whether the $0.53 presubscribed interexchange carrier charge for Lifeline customers who elect toll blocking should be waived and whether these waived charges should be supported by the low income program of the federal universal service support mechanisms and recovered in a competitively neutral manner through contributions from all telecommunications carriers.

In an Order released by the Commission on November 20, 1998 (November 20th Order), the Commission directed the Schools and Libraries Corporation (SLC) and the Rural Health Care Corporation (RHCC) to merge into the Universal Service Administrative Company (USAC) by January 1, 1999. See Changes to the Board of Directors of the National Exchange Carrier Association, Inc. and Federal State Joint Board on Universal Service, Third Report and Order in CC Docket No. 9721, Fourth Order on Reconsideration in CC Docket No. 9721 and Eighth Order on Reconsideration in CC Docket No. 9645, CC Docket Nos. 9721 and 9645, FCC 98-306 (rel. November 20, 1998). The November 20th Order directed USAC, SLC, and RHCC to submit merger documents to the Commission by December 1, 1998. The November 20th Order further directed USAC to submit to the Commission revised articles of incorporation and revised bylaws by December 1, 1998. The Commission delegated to the International Bureau the authority to review and approve the merger documents, revised bylaws, and revised articles of incorporation.

Upon review of the documents submitted to the Commission by USAC, SLC, and RHCC on December 1, 1998, the International Bureau has determined that the merger documents and the revised certificate of incorporation and revised by
laws comply with the requirements set forth in the Commission's November 20th Order. The International Bureau therefore has directed USAC to file, on behalf of USAC, SLC, and RHCC, the merger agreement, or an appropriate certificate in respect thereof, with the Secretary of State of the State of Delaware as soon as possible, but no later than necessary to ensure that the merger takes place by January 1, 1999. The International Bureau also directed USAC to file the revised certificate of incorporation with the Secretary of State of the State of Delaware on behalf of USAC, SLC, and RHCC as soon as possible, but no later than necessary to ensure that the merger takes place by January 1, 1999.

In the November 20th Order, the Commission also directed SLC and RHCC to dissolve their respective corporations upon consummation of the merger, in accordance with Delaware state law. Accordingly, upon their dissolution, SLC and RHCC shall submit evidence of such dissolution to the Commission.