

CONSOLIDATED COMMENTS ON THE SECOND DRAFT OF THE SECRETARY- GENERAL'S REPORT TO THE SECOND WORLD TELECOMMUNICATION POLICY FORUM ON TRADE IN TELECOMMUNICATIONS

GENERAL COMMENTS

AT&T	<p>Given the outcome of Study Group 3's December meeting, AT&T remains very concerned that the Secretary-General not lose the opportunity presented by the WTPF to make meaningful progress on international settlements reform. We recognize the need for the ITU to conduct work on costing methodologies that could be used by Administrations and ROAs to identify the relevant costs for terminating international calls. Because such work will take years to complete, we remain convinced that the Secretary-General could make a significant contribution to reform by recommending an interim methodology that would utilize a surrogate for true economic costs. There are several such interim, surrogate methodologies available, including the "best current practices." This methodology recognizes that current rates on competitive routes are a reasonable approximation for true economic costs. Given the controversial nature of any type of activity that would significantly alter the current system, we remain hopeful that the WTPF can still recommend that the ITU begin this type of work.</p>
SWEDEN	<p>In view of the Secretary-General's report to the WTPF-98 we would like to make a few comments regarding the evolution of the international accounting and settlement system.</p> <p>Throughout recent history Sweden has promoted free trade in goods and services. That has clearly been beneficial for the development and the prosperity of the country. Looking at the telecommunications sector in Sweden, early in Europe in terms of liberalisation, it is quite clear that the open market has been of advantage to the users and to the national economy as a whole. It is therefore encouraging to see that the global experience of free trade and the benefits from liberalised competitive markets are emphasized in the report.</p> <p>Principles of free trade are now being expanded to basic telecommunications world-wide. Indeed, the very term "Trade in Telecommunications", as defined in the Secretary-General's report, suggests that termination of an incoming international call is in fact an exported service, and buying termination in another country similarly means importing the same service. In a liberalised environment it is clear that the ways and means of conveying calls and settling accounts between various actors will be multiple.</p> <p>The Secretary-General's report focuses on the international telephone service and is very clear on the problems at hand, especially in relations with a monopoly at the other end. Sweden has made its thinking on the evolution of the international accounting and settlement system clear in a contribution to SG 3 that:</p> <ol style="list-style-type: none"> 1. there will be a menu of options with regard to settling international accounts, such as bilaterally agreed settlement rates, termination charges, sender keeps all and national interconnection regimes; 2. bilateral negotiations will be the predominant basis for determining levels and other terms between carriers in all environments; 3. any ITU-T recommendations need only apply to asymmetrical relations and ITU should facilitate the transition into a new era as best it can, especially for the developing and least developed countries taking into account that the pace of market liberalisation will be different. <p>In the emerging competitive environment carriers will seek to reduce their costs for having calls terminated on another network and thus least cost routing will become increasingly common. Sweden does not favour any particular means of settling international accounts over others but acknowledges that operators will simply choose from a menu. However, recognizing that the telecommunications industry is changing to become more like any other industry, it is our belief that artificially high settlement rates will be circumvented through refile of traffic.</p> <p>In the liberalised world reform of the accounting rate system has an inevitable life of its own. In such an open environment ITU will have a limited role, perhaps as information collector. However, where steps towards liberalisation yet remain to be taken, ITU has a very important role to play in facilitating and assisting the transition in various ways.</p> <p>Despite strong efforts within SG 3 to adapt present international accounting rates to prevalent ITU recommendations regarding cost orientation only limited progress has been made. Countries face different situations and have expressed different views especially with regard to the pace of market liberalisation and the speed with which adaptation of settlement rate levels can take place. Therefore it has been difficult for SG3 to reach consensus on a way forward.</p> <p>Sweden is willing, to the best of our ability at the regulatory level, to support countries that pursue a policy towards liberalisation and to share experience, advice and information with those countries.</p>

PHILIPPINES	<p>Developing countries should be given some latitude to finish completing their telecoms infrastructures and attain universal access with the least negative effects possible from accelerated liberalization and globalization. We must keep in mind that the road toward full liberalization is a long process. It must be allowed to work and not undermine its natural course with violations to bilateral agreements on international traffic through “unfair practices” like call back and refile. We still believe that the new draft should also view how accelerated liberalization and globalization can impact on the Mainland Commission which recommends ways to bridge the telecommunications gap among countries and cited the “catalytic role” of the ITU in correcting the imbalance. The Philippines urges other developing countries to band together and play a major part in the WTPF so as to define and reflect the adjustments necessary for a smooth shift to a more competitive environment that is generally compatible with their respective national objectives, and with the least adversities possible in the transition. We believe that the Philippines and all developing countries will greatly benefit from provisions under Segment 5 of the draft report that seek to provide all the resources the ITU can muster to facilitate the transition of telecommunications to a market-based model.</p> <p>We are pleased to note that the reforms required to “shift to a new regime” can better take place in the context of multilateral agreement. The negotiations in this manner takes into account cost-divergence between operators from country of origin and destination and therefore, the agreed rates, in principle, are “asymmetric.” The draft report thus concluded that it would be better to pursue agreements in the framework of a voluntary multilateral agreement, rather than being imposed by operators from one or more countries. This declaration in the draft report is more attuned with the formal position submitted by our local telecom industry in reaction to the FCC benchmark proposal.</p>
NETHERLANDS	<p>The report could be further improved where the sections about WTO principles (e.g., 12 and 15) are concerned; texts on modes of supply and GATS principles should follow the specific language of the GATS agreement.</p>
TELE DENMARK	<p>In general the first draft report reflected in a very precise way the ongoing development towards greater liberalisation, the winding up of trade restrictions, excessive monopoly based accounting rates, etc.. In our opinion the second draft has further improved and Tele Danmark can support:</p> <ul style="list-style-type: none"> • in the main the recommendations from ITU SG 3 regarding accounting rates as summarised in the Report (Chapter 4) • the recommendations based on the WTO-agreements on cost orientation, non-discrimination of interconnection offerings – including publication of reference offers (Chapter 2) • the recommendation for further work enabling ITU to be conducive to the implementation of the WTO-principles (Chapter 4 and 5)
KENYA	<p>1. There is a need for ITU-BDT to continue analyzing the WTO and ITU provisions with a view to minimizing any conflicts and harmonizing provisions where necessary, to meet the expectations of the general ITU membership.</p> <p>2. For telecommunications sector liberalization to spur meaningful economic growth, ITU should urge member countries, especially governments, to undertake economic reforms together with liberalization of the telecommunications sector, and at the same time ensure that they provide a continuity in the implementation and achievement of Universal service in rural areas especially in the developing world.</p> <p>3. Given that most of the members of ITU who shall not have put the structures and procedures in place will be from the developing and least developed countries due to their existing weak institutions, there is need for ITU to ensure that those who are ITU members shall not be discriminated against when the WTO agreement comes into place.</p> <p>4. There is need to harmonize the various dispute settlement mechanisms existing within Regulatory regimes of various Member states, the ITU and the provision of Disputes Settlements understanding within WTO-GATS.</p> <p>5. Member states should be encouraged to mobilize first domestic private resources for investment/network roll-out in telecommunications prior to targeting foreign capital.</p> <p>6. ITU-BDT should endeavour to carry an in-depth study on the changing international telecommunications environment and especially the collapsing of existing international accounting and settlement rate regimes before doing away with Accounting and Settlement rate regimes and replacing it with a cost based tariff structure.</p> <p>Kenya supports:</p> <ul style="list-style-type: none"> • efforts to revise the ITU-T Recommendation D.150 to incorporate new methods of cost oriented rates for termination of international calls so long as it recognizes that legitimate cost elements may vary somewhat from country to country and that this should be recognized and allowed in any multilateral agreement in costing methodologies. • the need to have international and settlement rates agreed upon by ITU members and not imposed by operators. • The ITU-D action plan which aims at assisting countries and regions in managing cost-based tariffs, reforming accounting rates and addressing ITU issues and negotiations, including any other initiatives to assist Member countries especially from developing countries in reforming the accounting and settlement rates, in minimizing negative impact on the ability and capacity to continue providing telecommunications services. • extension of assistance by ITU or any Member State/Administration with experience in reforming the sector, as most developing countries will require all the support they can get as they undergo the process of building

	<p>policies, regulations and procedures to govern the provision of telecommunications services in a liberalized and competitive multi-operator environment.</p> <ul style="list-style-type: none"> • Cooperation between WTO and ITU in transforming and harmonizing international accounting rates and settlement rates system, and between regulatory bodies, telecommunications operators, suppliers and/or related multi-lateral institutions in the area of basic telecommunications.
GERMANY	<p>Comments on wording: WTO language does not foresee the <u>incumbent operator</u> - after long negotiations it was agreed upon the major supplier concept. Hence this language should be used in this report. GATS language does not foresee the <u>service provider</u> - use service supplier instead throughout the text.</p>

DETAILED COMMENTS

INTRODUCTION		
9.	<p>Trade in telecommunications</p> <p>The telecommunication sector is one of the major components of the world's economy. The value of telecommunication sales (equipment and services combined) is expected to exceed \$US 1 trillion in 1998. Furthermore, telecommunication networks are a major facilitator of trade in other goods and other services. For instance, the value of financial services transferred over the SWIFT international telecommunication network exceeds \$US 1 trillion <i>each day</i>. The WTPF theme - trade in telecommunications - involves applying, to the telecommunication sector, trade principles including non-discriminatory market access, fair and effective competition, and transparency in establishing rates and regulations. These principles apply to both international and domestic telecommunication services realized with or without local facilities.</p>	<p>TELIA: SWIFT makes financial transfers and it is their daily value which is stated.</p>
10.	<p>The level of telecommunication services which are currently traded between countries is low. International telecommunication traffic accounts for less than ten per cent by value and below five per cent by volume of global telecommunications. Comparisons with other sectors of the economy suggest that these figures should be closer to 30 per cent by value.</p>	
11.	<p>The two main, interrelated reasons why so little international telecommunication traffic is traded across borders are high prices for users and restricted market access for service providers:</p> <ul style="list-style-type: none"> • Consumers pay at least three times more for each minute of international telecommunication traffic than they do for domestic telecommunication traffic, even though the costs of service provision may be quite similar • Until the start of 1998, only a handful of countries permitted competitive provision of international telecommunication services. 	<p>NEW ZEALAND: Amend bullet 1: "Consumers <u>in many countries</u> pay" to reflect changing trend. The implementation date for the WTO basic telecommunications agreement will need to be amended.</p>
12.	<p>This situation is changing. The WTO basic telecommunications agreement, signed on 15 February 1997 and due to be implemented on 1 January 1998, commits some 69 countries to a programme of progressive opening of their basic telecommunication service markets to competitive entry and increased foreign investment. Trade in telecommunication services is conducted via four main modes of delivery:</p> <ul style="list-style-type: none"> • Cross-border supply: the delivery of a service, such as an international telephone call, from the territory of one country into that of another 	<p>AT&T: We suggest that the bullet on "cross-border supply" recognize that no local presence is required for this mode of delivery by adding, "<u>without actually establishing a presence in the territory of call completion.</u>"</p> <p>EC: Trade in telecommunication services is conducted via four main modes of delivery:</p> <ul style="list-style-type: none"> • Cross-border supply: the supplydelivery of a service, such as an international telephone call, from the territory of one WTO Member country into the <u>territory of any other WTO Member of another</u> (cross-border supply) • the supply of a service by a service supplier of one WTO Member, through commercial presence in the territory

	<ul style="list-style-type: none"> Commercial presence: the ability to establish a point of presence on foreign territory, for instance by locating a switch, setting up a representative office, acquiring full or partial ownership of a foreign service provider, or participating in joint ventures and alliances Movement of staff: the possibility for entry and temporary stay of employees in a foreign country Consumption abroad: the possibility for customers of a company to purchase its services when travelling in a foreign territory. 	<p>of any other WTO Member; the ability to establish a point of presence on foreign territory, for instance by locating a switch, setting up a representative office, acquiring full or partial ownership of a foreign service provider, or participating in joint ventures and alliances (commercial presence)</p> <ul style="list-style-type: none"> the supply of a service by a service supplier of one WTO Member, through presence of natural persons of a WTO Member in the territory of any other WTO Member Movement of staff: the possibility for entry and temporary stay of employees in a foreign country (presence of natural persons) the supply of a service in the territory of one WTO Member to the service consumer of any other WTO Member (consumption abroad) <p>Consumption abroad: the possibility for customers of a company to purchase its services when travelling in a foreign territory.</p> <p>FRANCE: Delete the first line regarding cross-border supply, as there is no agreed definition in the WTO Agreement in this respect.</p> <p>GERMANY: Here we find a definition of 'point of presence' - is this an agreed definition? The point of presence concept is used throughout the text - however, concerning interconnection we would like to refer to the WTO Reference Paper and insist on the possibility to interconnect with the major supplier at any feasible point of the network.</p> <p>KENYA: Modes of delivery should be re-arranged to conform with WTO schedule of commitments: 1. Cross border supply; 2. Consumption abroad; 3. Commercial presence; 4. Presence of natural persons: movement of staff - the possibility for entry and temporary stay of employees in a foreign country.</p>
13.	It is expected that competition in the provision of international and domestic telecommunication services will bring about a significant reduction in the level of prices as well as in the price differential between domestic long-distance and international telephone services. Competition is also expected to reduce the level of price differences charged between countries. The WTO agreement should also promote foreign and domestic investment in the telecommunication sector and, as a consequence, the development of each country's telecommunication infrastructure and services.	
14.	<p>The dual role of telecommunications as both a traded service and a vehicle for trade in other service sectors means that price reductions, improvements in the level of investment and the development of infrastructure and services brought about by liberalization should also have an impact on other sectors of the economy.</p> <p>Telecommunication services are essential to many businesses, and will become more critical as trading partners - such as suppliers, banks, insurance companies, financial institutions, government agencies, consumers, and the like - become increasingly dependent on telecommunication networks for commercial transactions.</p> <p>In addition, efficient, low-cost telecommunication networks will provide the necessary platform for the growth of electronic commerce, which many see as holding a high potential for growth. Thus, the implementation of liberalized telecommunication principles should produce significant benefits not only within the country's telecommunication sector but for the national economy as a whole.</p>	

<p>15.</p>	<p>Telecommunications in the context of a trade-in-services agreement</p> <p>The Uruguay Round trade negotiations, which began in 1986 and ended in 1994, were the first to cover services in addition to goods. At their conclusion in April 1994, 125 countries signed the Marrakech Agreement establishing the World Trade Organization, to which the General Agreement on Trade in Services (GATS) is annexed. There are now 132 WTO Members. The GATS covers trade in all commercial services and applies to all measures taken by a WTO Member including laws, rules, procedures, regulations, decisions and administrative actions at all levels in a country's administrative structure. It consists of the framework agreement (a basic set of articles to which all signatories adhere), its annexes (including the Annex on Telecommunications), the schedules of specific commitments and exemptions submitted by Members, and the reference paper on regulatory principles (see Annex A). General obligations of the framework agreement include the following:</p> <ul style="list-style-type: none"> • Most favoured nation (MFN), which requires that WTO Members treat all services and service suppliers in a way which is "no less favourable" than the way they treat "like" services and service suppliers of any other WTO Member. Specific exemptions to the MFN principle must be listed in the country's schedule of exemptions. • Transparency, which requires that WTO Members publish all measures, such as laws, tariffs, regulations or procedures, which can affect the trade in services covered by a WTO Member's commitments. • Domestic regulation, which ensures that WTO Members which have made market opening commitments do not nullify or impair those commitments by imposing licensing, technical standards or other requirements, and that any such requirements are transparent and objective. • Provisions relating to monopolies and exclusive service providers, which require that WTO Members maintaining monopolies ensure that they do not act in a manner inconsistent with the WTO Member's commitments, or abuse their monopoly position. • Fair business practices, which ensures that all competitors for services or service provision are treated in a "like" fashion. • National treatment, which provides that all WTO Members subject foreign service providers to conditions no more onerous than the conditions imposed on domestic providers. This rule only applies in certain service sectors, where individual Members have made a commitment to it in their schedules. <p>Telecommunications plays a significant role in the GATS, not least because of its dual role as a tradable service in its own right and as a mode of delivery of other services and goods.</p>	<p>JORDAN: bullet 2: There are two types of tariffs that are used in Telecom services business; one applied to end users while the other is applied between operators. It is not clear from the report what is meant by tariffs and to what extent transparency should be applied to both types? Transparency should be applied to end users but not to those charges negotiated between operators to deliver service because:</p> <ul style="list-style-type: none"> • Measures in GATS refer to legislative bills or acts but not to prices. • SG3 has not yet come to an agreement on the definition of transparency and how to apply it to accounting rate/access charges. • Transparency should not prejudice the legitimate commercial interest of enterprises. GATS article 111 bis. Accordingly tariffs should be clearly specified in the report to eliminate the misunderstanding of transparency. <p>Bullet 5: The current text has the same meaning as that of the first bullet point. The text can be replaced to read "<u>Fair business practice, which ensures the elimination of practices that restrain competition and thereby restrict trade in service.</u>"</p> <p>AT&T: In the last bullet on "National Treatment," the words "and services" should be added after "service providers" in both locations where it appears. National treatment applies to both services providers and to services themselves (e.g., when a service is provided without a local presence).</p> <p>EC:</p> <ul style="list-style-type: none"> • Most favoured nation (MFN), which requires that WTO Members treat all services and service suppliers in a way which is "no less favourable" than the way they treat "like" services and service suppliers of any other <u>country</u> WTO Member. Specific exemptions to the MFN principle must be listed in the country's schedule of exemptions. • Transparency, which requires that WTO Members publish all measures, such as laws, tariffs, regulations or <u>administrative guidelines</u> procedures, which can affect the trade in services covered by a WTO Member's commitments. <p>FRANCE: the new text proposed includes some errors as regards the precise wording of the WTO Agreement: -Second bullet: "tariffs" should be deleted; and "procedures" should be replaced by "administrative guidelines." -Sixth bullet: last line, read: This rule only applies in certain service sectors, <u>such as telecommunications</u>, where individual Members have committed</p> <p>BRAZIL: WTO Member should be replaced by <u>country</u>.</p> <p>GERMANY: The GATS covers trade in all <u>commercial</u> services (and applies to all measures taken by a WTO Member including laws, rules, <u>administrative guidelines</u>, procedures, regulations, decisions and <u>administrative</u> actions at all levels in a country's administrative structure...</p> <ul style="list-style-type: none"> • Transparency, which requires that WTO Members publish all measures, such as laws, tariffs, regulations, or procedures <u>administrative guidelines</u>, which can affect the trade in services covered by a WTO Member's commitments. • Domestic <u>R</u>egulation, which ensures that WTO Members who have made market opening commitments do not nullify or impair those commitments by imposing
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		<p>licensing, technical standards, or qualification^{other} requirements, and that any such measures^{requirements} are based on transparent and objective criteria.</p> <ul style="list-style-type: none"> • Provisions relating to m^{Monopolies} and e^{Exclusive} service suppliers/providers, which require that WTO Members maintaining monopolies ensure that they do not act in a manner inconsistent with the WTO Member's commitments, or abuse their monopoly position, while <u>competing in the supply of service outside the scope of its monopoly rights.</u> • Fair b^{Business} practices, which ensures that <u>other practices of service supplier than mentioned above do not restrict trade in services all competitors for services or service provision are treated in a "like" fashion.</u> • National treatment, which provides that all WTO Members subject foreign <u>services and service suppliers/providers</u> to measures^{conditions} no more onerous than the measures^{conditions} imposed on domestic <u>services and service suppliers/providers</u>. This rule only applies in certain service^{sectors}, <u>inscribed in where</u> individual Members' Schedules, and subject to any <u>condition and qualifications set out therein have committed to it in their schedules.</u> <p>KENYA: Add at end of sentence: as well as the establishment by all members of inquire points providing the above specific information upon request.</p>
16.	<p>Of the 125 countries which signed the GATS in 1994, about half made specific commitments to open their enhanced telecommunication service markets, but only a handful were prepared to allow entry into their basic telecommunication service markets, that is, the provision of voice telephone, telex, telegraph, data transmission and private leased circuits. Because of this, it was decided to extend the negotiations in the specific area of basic telecommunications. The agreement reached on 15 February 1997 was significant because 69 countries made commitments to open their markets to competition and foreign investment in basic telecommunication services, some immediately on entry into force of the agreement on 1 January 1998, and others progressively over the next few years. These 69 countries collectively provide some 94 per cent, by value, of global telecommunication services. Several other countries have made, or are planning to make, basic telecommunication commitments before the implementation of the agreement.</p>	<p>FRANCE: Replace 1 January 1998 with <u>5 February 1998.</u></p>
17.	<p>In addition to commitments made in individual country schedules regarding application of general GATT obligations to the telecommunication services sector, 63 of the WTO Members participating in the negotiations made at least a partial commitment to the reference paper (Annex A of this report) on regulatory principles (57 made full commitment). The reference paper commits those Members which signed on to a) establish competitive safeguards to prevent anti-competitive practices, b) provide for interconnection, c) apply universal service obligations in a neutral and transparent way, d) make licensing criteria publicly available, e) establish an independent regulator, and f) allocate scarce resources fairly.</p>	<p>EC, FRANCE: In addition to commitments made in individual country schedules regarding application of general GATST obligations.</p> <p>FRANCE: second line: maintain the former text (first draft) "countries made essentially two types of commitments..." The new text can be maintained after the former text, subject to slight editorial modifications to link both texts. We believe that it is essential to maintain reference to market access in the final report.</p> <p>GERMANY: In addition to commitments made in individual country schedules regarding application of general GATST obligations to the telecommunications services sector, 63 of the WTO Members participating in the negotiations made at least a partial commitment to the Reference Paper (Annex A of this report) on regulatory principles (57 made full commitment). The Reference Paper commits those Members who signed on to a) <u>maintain appropriate measures</u>establish competitive safeguards to prevent anti-competitive practices, b) provide for interconnection, c) apply universal service obligations</p>

		in a <u>competitively neutral, non-discriminatory and transparent manner</u> way, d) make licensing criteria publicly available, e) establish a separate <u>an independent regulatory body</u> , and f) allocate scarce resources [fairly/ in an objective, timely, transparent and non-discriminatory manner].
<p align="center">GENERAL IMPLICATIONS OF THE WTO AGREEMENT ON BASIC TELECOMMUNICATION SERVICES FOR THE ITU MEMBERSHIP WITH RESPECT TO THE TELECOMMUNICATION POLICIES, REGULATIONS AND REGULATORY STRUCTURES OF ITU MEMBER STATES</p>		
18.	<p>Direct implications</p> <p>WTO Members which have signed the WTO telecommunications agreement must now put in place the regulatory structures and procedures to meet their obligations and specific commitments, according to the negotiated deadlines (which differ in some cases). They may need to modify existing laws, regulations and administrative guidelines to bring them into line with these obligations and commitments and to benefit from the new environment that this agreement creates, or they may need to draft new laws and regulations where these do not exist. Some of these will be in areas such as competition policy, price regulation, interconnection and consumer protection in which the country may not traditionally have had any significant legislation and procedures.</p>	
19.	<p>The GATS, together with each country's schedule of commitments, specifies in considerable detail the regulatory framework that each WTO Member country has to put into place, depending on its level of commitment:</p> <ul style="list-style-type: none"> • All WTO Members, regardless of whether they made commitments in basic telecommunications, are bound under their general GATT commitment not to discriminate against any WTO Member (MFN obligation) in providing access to telecommunication services and must make available information on the country's laws, regulations, administrative procedures and the like pertaining to the basic telecommunication sector. • WTO Members which made commitments in basic telecommunications will need to put in place the structures and procedures to allow new operators and service providers to enter those segments of their telecommunication markets which they are committed to open on the date indicated in their commitments and under the conditions indicated. In the specific field of international telecommunications, this may involve permitting foreign-owned telecommunication service providers to establish a point of presence for purposes of direct interconnection with the network of the incumbent major supplier. • WTO Members which also committed themselves to abide by the reference paper need to establish regulatory agencies that are independent of operating companies and service providers (if not already in place), and establish a dispute settlement mechanism to resolve interconnection disputes between the incumbent operator and new entrants. One of the most immediate tasks to be fulfilled is to publish a description of the procedures applicable for interconnection to a major supplier and thereafter to publish actual interconnection agreements or a reference interconnection offer. 	<p>AT&T: In the 1st bullet, the words "<u>and use of</u>" should be added after "in providing access to". As paragraph 5.1 of the GATS Telecom Annex states that "Each Member shall ensure that any service supplier of any other Member is accorded access to and use of public telecommunications transport networks and services on reasonable and non-discriminatory terms and conditions, <i>for the supply of a service included in its schedule</i>", we suggest added the words "<u>for the supply of a service included in its schedule</u>" after the words "in providing access to (and use of) telecommunications services. . ."</p> <p>2nd bullet, we recommend adding an additional sentence to read, "<u>It may also involve permitting foreign telecommunications service providers to offer telecommunications services to customers located in the country without establishing an actual presence in the country, i.e., cross-border provision.</u>"</p> <p>EC:</p> <ul style="list-style-type: none"> • WTO Members which made commitments in basic telecommunications will need to put in place the structures and procedures to allow new operators and service providers to enter those segments of their telecommunication markets which they are committed to open on the date indicated in their commitments and under the conditions indicated. In the specific field of international telecommunications, this may involve permitting foreign-owned telecommunication service providers to establish <u>commercial</u> a point of presence for purposes of direct interconnection with the network of the incumbent major supplier. • WTO Members which also committed themselves to abide by the relevant parts of the reference paper need to establish regulatory <u>body</u> agencies that are independent of operating companies and service providers (if not already in place), and establish a dispute settlement mechanism to resolve interconnection disputes <u>involving at least a major supplier between the incumbent operator</u>

		<p>and new entrants. One of the most immediate tasks to be fulfilled is to publish a description of the procedures applicable for interconnection to a major supplier and thereafter to publish actual interconnection agreements or a reference interconnection offer.</p> <p>FRANCE: second bullet: the wording proposed “point of presence for purposes of direct interconnection” is not clear and should not be used in this report. We should only use concepts and definitions which have been formally agreed by the WTO. Therefore propose the deletion of this notion.</p> <ul style="list-style-type: none"> • third bullet: replace “agencies” by “bodies” • maintain the former text, page 8, which covers the issue of licensing. We insist on this point. <p>TELE DENMARK: (applicable to Article 40 also) Concerning so-called cross border interconnection, access to interconnection shouldn’t be restricted to companies having a Point of Presence (2nd bullet in Article 19) in a given country. While the right to establish commercial presence is an important part of the WTO-agreement, it might be useful to specify the right of a company having status as operator in its own country to terminate traffic in another (receiving) country’s major supplier at interconnection term and conditions similar to other companies being authorised to operate in this country.</p> <p>GERMANY: ... depending on its level of commitment:</p> <ul style="list-style-type: none"> • All WTO members, regardless of whether they made commitments in basic telecommunications, are bound under their general GATS commitment not to discriminate against any WTO Member (MFN obligation) in providing access to <u>and use of public telecommunications transport networks and services</u> and must make available information on the country’s laws, regulations, administrative procedures, and the like, pertaining to the basic telecommunications sector. • WTO Members who made commitments in basic telecommunications will need to put in place the structures and procedures to allow new <u>service suppliers</u> (operators and service providers) to enter those segments of their telecommunication markets which they were committed to open on the date indicated in their commitments and under the conditions indicated. In the specific field of international telecommunications, it may involve permitting foreign-owned telecommunication service [providers/suppliers] to establish a point of presence for purposes of direct interconnection with the network of the incumbent major supplier at any technically feasible point. • WTO Members that also committed to abide by the Reference Paper need to establish regulatory bodies/agencies that are <u>separated from independent of any [supplier of basic telecommunication services/operating companies and services providers (if not already in place)]</u>, and establish a dispute settlement mechanism to resolve interconnection disputes between the <u>major supplier incumbent operator</u> and new entrants...
20.	The principles of the Annex on Telecommunications, which supplements the GATS, require the country to allow access to and use of its public telecommunication transport network and services (PTTNS) on reasonable and non-discriminatory terms for the supply of any service in respect of which the country has made a commitment. Therefore, if the country has undertaken a commitment to allow entry into its financial services, insurance and tourism markets,	<p>AT&T: We recommend the additional of a sentence to read, “<u>Likewise, if a country has undertaken a commitment to allow entry into its basic telecommunications market, the provisions of this same Annex would apply.</u>”</p> <p>EC, GERMANY : Therefore, if the country has undertaken a commitment to allow entry into its financial services, insurance, <u>audio-visual</u> and tourism markets,</p>

	suppliers of these services must be given access to and use of the PTNS on reasonable and non-discriminatory terms and conditions in order to supply these services.	TELIA: line 3 "...networks and services..." Countries will increasingly have several public networks with liberalisation.
21.	Annex II to the Marrakech Agreement is the Understanding on Rules and Procedures governing the Settlement of Disputes. The understanding creates a dispute settlement body and sets out enforcement provisions whereby a WTO Member which considers that another Member has failed to fulfil its general obligations or specific commitments can bring the matter before the dispute settlement body, established to settle the dispute according to detailed procedures and well-defined timetables.	
22.	Indirect implications Implementation of the WTO telecommunications agreement implies liberalization of the telecommunication sectors in countries which have made commitments. However, because countries' plans and timetables differ (in some cases significantly - for example, Article IV of the GATS takes into account the specific situation of developing countries), the pace of market liberalization will be different.	
23.	<p>The changing international telecommunication environment will encourage many different types of relationships between service providers and countries. In general, there are likely to be three different types of relation between countries, albeit with many different shades or degrees of market openness:</p> <ul style="list-style-type: none"> • Monopoly-to-monopoly: Relations between monopoly environments will become increasingly few in number. Countries which choose to retain monopoly suppliers will be affected to some degree by the changing telecommunication environment even if they are not parties to the GATS or the basic telecommunications agreement. • Competitive-to-competitive: Between competitive markets, which will account for the major bulk of international traffic, it is likely that new arrangements will quickly emerge which will supersede the traditional correspondent relations. With liberalized market entry, individual carriers, or alliances of carriers, will be able to establish their own point of presence in foreign countries, obviating the need for settlement payments. Thereafter, they could interconnect with the network of one of the domestic carriers in the foreign country. Thus the settlement rate would be replaced by a market-based interconnection payment, call termination charge, or other arrangement. It is expected that the national regulations of each country would govern conditions for call origination and termination and that there would be little, if any, need for new internationally-agreed rules, such as those discussed within ITU. • Competitive-to-monopoly/Monopoly-to-competitive: In the short term, the number of asymmetric market relations will rise sharply. Carriers operating in a competitive market environment wishing to terminate traffic in a monopoly environment will be obliged to work with the incumbent monopoly carrier to deliver calls. These arrangements may be based on bilaterally-negotiated settlement rates, as now, or may take the form of other options. Carriers operating in a monopoly market environment wishing to terminate traffic in a competitive environment may be able to negotiate interconnection agreements at rates which 	<p>AUSTRALIA: bullet 3: "There may be a need for new arrangements to ensure that monopoly carriers or <u>dominant carriers</u> do not abuse their dominant market position in order to gain advantage over carriers in competitive markets. <u>Such arrangements could include the introduction of competitive safeguards involving a strong system of general law and regulation to promote competitive conduct in the telecommunications industry.</u>"</p> <p>AT&T: In the second bullet, penultimate sentence, change the word "would" to "<u>could</u>", and in the last sentence, we suggest adding the words "<u>consistent with the requirements of the GATS</u>" before the words "would govern conditions for call origination and termination. . ."</p> <p>EC: bullet 2: With liberalized market entry, individual carriers, or alliances of carriers, will be able to establish their own point of commercial presence in foreign countries, obviating the need for settlement payments...</p> <p>Add to bullet 3: <u>In any case, such arrangements needs to be fully compatible with the GATS principles.</u></p> <p>TELE DENMARK: When discussing relations between competitive-to-monopoly/monopoly- to-competitive and accordingly it might be useful to define more precisely what is meant by 'monopoly' and 'monopoly market environment' (2nd bullet). In some instances there is a tendency not to distinguish between monopoly – understood as a legal monopoly having exclusive right to provide certain services and/or infrastructure, and the existence of companies having a dominant position typical in the local loop, i.e. major supplier in the WTO terminology, but nevertheless being subject to competition as well as to regulatory requirements to interconnection tariffs etc. in accordance with the WTO agreements.</p> <p>Does 'monopoly environment' mean the existence of a proper monopoly or that the regulation of interconnection is not in line with the WTO-agreement?</p> <p>TELIA: 2nd bullet, line 6 "Thereafter they could <u>establish a national interconnection</u> with the network..."</p> <p>3rd bullet, last sentence: "there <u>is</u> a need for new arrangements to ensure that monopoly carriers do not abuse their dominant market position in order to gain <u>unfair</u></p>

	<p>are significantly below those which they themselves charge. They may also be entitled to establish their own infrastructures on the territory of the competitive market. There may be a need for new arrangements to ensure that monopoly carriers do not abuse their dominant market position in order to gain advantage over carriers in competitive markets.</p> <p>As liberalization spreads globally, monopoly carriers will not be able to avoid pressure from competitive markets as they seek to negotiate bilateral correspondent relations. Carriers operating in a liberal environment, with strong domestic and international pressure on tariffs, will become increasingly less willing to pay settlements arising from non- cost-orientated accounting rate levels.</p>	<p>advantage over carriers in competitive markets.”</p> <p>No carrier should suffer unfairly from abusive behaviour.</p> <p>GERMANY: See remark on 12 re 2nd bullet. Carriers operating in a liberal environment, with strong domestic and international pressure on <u>collection charges</u> tariffs, will become increasingly less willing to pay settlements arising from non cost-oriented accounting rate levels.</p>
24.	<p>In summary, the WTO agreement will mean, for countries representing 94 per cent of global telecommunication revenues, the introduction of competition into a sector which has traditionally not been subject to multiple suppliers. It will also mean private-sector entry (both domestic and foreign). What is certain is that this liberalization process will grow as more and more countries are encouraged to commit to opening their telecommunication service markets and as WTO Members improve their market-opening commitments. It is significant that the number of countries making such commitments in the area of basic telecommunications increased from eight at the end of the Uruguay Round in 1994 to 48 in 1996, and 69 in 1997. One of the main principles of the GATS is progressive liberalization, which ensures that WTO Members can and, indeed, must improve their commitments in the direction of greater liberalization. Once a market-opening commitment is made, there can be no return to more restrictive practices.</p>	<p>BRAZIL: There is a misinterpretation: In our understanding, the GATS agreement allows a member to return to a more restrictive practice if this member can offer compensations which can be accepted by the Council of trade in service of the WTO.</p>
25.	<p><i>WTPF-98 may wish to consider a draft opinion relating to implementation of the WTO basic telecommunications agreement:</i></p> <p><i>[Draft Opinion A to be inserted here]</i></p>	
<p align="center">IMPLICATIONS OF THE WTO AGREEMENT FOR DEVELOPING COUNTRIES, PARTICULARLY WITH RESPECT TO POLICIES, REGULATIONS AND FINANCIAL STRATEGIES TO PROMOTE THE DEVELOPMENT OF TELECOMMUNICATION NETWORKS AND SERVICES, AS WELL AS FOR THEIR NATIONAL ECONOMY</p>		
26.	<p>The experience of market liberalization</p> <p>For developing countries, adopting WTO rules provides an opportunity to be a part of, and benefit from, an emerging "single market" for telecommunication services. Countries not making commitments under the agreement may find difficulty in attracting foreign capital for infrastructure investment. Countries with underdeveloped telecommunication networks were initially reluctant to adopt more liberal sector structures for fear that this might compromise their long-term development plans. The government, it was thought, could exercise greater control and ensure that the network was built out to satisfy the needs of the country when there was a single—generally government-owned—operator. Experience, however, has shown this not to be the case. Where markets have been liberalized, the level of investment, particularly foreign investment, has generally increased and network development has proceeded more rapidly.</p>	<p>FRANCE: The title of this section is not in full accordance with the description given therein. We can support the proposals expressed to replace the present title by the following:</p> <p>“Implications of the liberalisation of telecommunications markets, notably as a result of the WTO Agreement, for developing countries”</p> <p>EC: 3. IMPLICATIONS OF THE liberalisation of telecommunications markets, notably the results of the WTO AGREEMENT FOR DEVELOPING COUNTRIES</p> <p>...</p>
27.	<p>Research presented in ITU's 1996/97 World Telecommunication Development Report shows that those emerging economies which have introduced some measure of competition in domestic and international markets, such</p>	

	as Chile, Malaysia and the Philippines, are now reaping the benefits in terms of higher rates of growth in international traffic per subscriber line. Furthermore, where private-sector participation has been introduced and markets liberalized, the experience has been one of accelerated network roll-out programmes, greater consumer choice and higher quality of service.	
28.	Technological advance is driving changes in the telecommunication environment as well, with rapid technological evolution bringing new opportunities to expand services and reduce costs. Technological advances give developing countries an opportunity to "leapfrog" to more advanced stages of network development, but they also alter the organizational dynamics and traditional conditions for entry into the telecommunication sector. In many cases, governments have neither the expertise nor the resources to develop the extensive array of telecommunication infrastructure and services the country requires if it is to participate in today's global economic activities. In the most highly-developed telecommunication markets, there are many operators and service providers, each specializing in certain areas.	
29.	Governments have found that a planned process of telecommunication market liberalization can work well in achieving their objectives for the telecommunication sector and overall economic development, and can do so faster than if monopoly provision had been maintained. The opening of telecommunication markets has facilitated the entry of domestic and foreign private capital, technology and skills, which has in turn accelerated network build-out, the provision of new services and improvements in quality of service. Market liberalization has also had a profound effect on promoting development in other sectors—such as financial services, information technology and computing, tourism, and transport—which depend heavily on good, reliable and low-cost telecommunications. Indeed, economic development in these sectors has been constrained in many countries because of the lack of an adequate telecommunication infrastructure to service them.	
30.	Liberalization is, of course, no magic formula for developing the sector. It must be well planned, and the government needs to put into place the necessary structure so that its long-term goals can be achieved. It needs to build a regulatory framework that will allow competition to work. It will need to establish an independent regulatory authority along with non-discriminatory and transparent licensing procedures. It will need to implement effective interconnection arrangements and ensure that the incumbents do not stifle the nascent competition.	FRANCE: It will need to establish <u>an autonomous or independent regulatory authority</u> . In the last line of the paragraph, instead of the word "incumbents" use " <u>major suppliers</u> ".
31.	The typical strategy for restructuring a country's telecommunication sector, the timing and manner of which can vary, may include some or all of the following steps: <ul style="list-style-type: none"> • high-level government commitment to commercialization and liberalization of the telecommunication sector, as exemplified by a policy declaration or strategic plan; • development and management of appropriate human resources; • separation of postal and telecommunication operations, as well as of operational, regulatory, and ownership functions; • granting of a higher degree of financial and management autonomy for the incumbent operator; • consideration of sale of shares in, or privatization of, the incumbent operator, if state-owned; 	AT&T: You may wish to consider the addition of another bullet to read " <u>measures to prevent abuse of dominant market position by the incumbent operator.</u> "

	<ul style="list-style-type: none"> establishment of measures to attract new investment, including investment from foreign sources; licensing of new entrants in some or all segments of the market. 	
32.	<p>The impact of new international arrangements</p> <p>The liberalization of trade in telecommunications and the reform of the international accounting-rate and settlement system are likely to have a markedly greater impact on developing countries than on developed ones because developing countries gain a proportionately greater share of revenue from international traffic. Even though some developing countries have not signed the WTO agreement, or have committed themselves to a less specific timetable for market liberalization, many of their major trading partners have made commitments and plan to operate in an increasingly competitive global environment. Developing countries, therefore, are likely to find bilateral pressure to reach cost-orientated tariff levels and settlement rates intensifying as their trading partners seek to negotiate lower rates.</p>	<p>FRANCE: Before last line, instead of “tariff levels and settlement rates...” it should read “<u>tariff levels and accounting rates...</u>”</p> <p>The term “settlement rates” is used with different meanings in the report: “settlement of accounts” “settlement rate procedure” versus “termination charge procedure”. We have to avoid confusion. The best solution is to keep the words “accounting rate” or “terminal accounting rate” used in Rec. D140.</p>
33.	<p>The majority of developing countries are net recipients of settlement payments which some fear may be reduced as a result of these changes. In 1996, estimated net settlement payments to developing countries amounted to some \$US 10 billion. More than half of this came from the United States, which has moved faster than other developed countries toward liberalizing its international telecommunication sector and permitting new modes of operation.</p>	<p>NEW ZEALAND, EC and GERMANY: ... More than half of this came from the United States, which has moved faster than other developed countries toward liberalizing its international telecommunication sector and permitting new modes of operation.</p> <p>FRANCE: In agreement with EC. The increase in US net settlement out-payments to foreign countries is based, to a large extent, on new operating modes such as call-back, refile and not necessarily on faster liberalisation of their international telecommunication market.</p> <p>TELIA: Figures should be verified. We have the impression that the stated net settlement figures refer to <u>all</u> countries, not only <u>developing</u> countries!</p>
34.	<p>For some developing countries, inward settlement payments provide more than half their total telecommunication revenue. In a few developing countries, settlement payments are the major source of foreign exchange and call termination is their biggest "export". The least developed countries receive less than four per cent of total net settlement payments. Nevertheless, it is these countries that are the most susceptible to a growing proportion of international traffic bypassing the accounting-rate system due to new modes of operation. As international traffic moves to least-cost routes, developing countries that rely on high settlement rates must assess their situations and identify new ways to benefit from the changes in the international telecommunication marketplace. Such approaches will likely require restructuring and rebalancing of national tariff structures.</p>	<p>NEW ZEALAND: Add to end of 3rd sentence: “<u>and the leverage opportunities which their accounting rates provide.</u>”</p> <p>EC: As international traffic moves to least-cost routes, developing countries that rely on high settlement rate payments must assess their situation,s and. <u>They may need to identify new ways to benefit from the changes and new opportunities</u> in the international telecommunication marketplace. Such approaches will likely require restructuring and rebalancing of national tariff structures.</p> <p>FRANCE: read the last two sentences as follows: “<u>As international traffic moves to least-cost routes, developing countries that rely on high accounting rate revenues should review their tariff policies and define new ways to assure the financial viability of their operators and the necessary level of investments. Such approaches will likely require gradual restructuring and rebalancing of domestic tariff structures, taking into account the national macroeconomic situation</u>”</p>
35.	<p>Some developing countries state that they have higher costs for terminating international telephone calls. In particular, those countries which are not able to achieve economies of scale in their equipment purchases, or which have high maintenance costs and high levels of indebtedness, may be expected to have unit costs for call termination which are higher than the average for developed countries. Where it is possible to demonstrate genuine cost differences, it may be that a move towards cost-orientated rates would result in termination charges that are asymmetric.</p>	<p>NEW ZEALAND: replace “a move toward cost-oriented rates” by “<u>reaching cost-oriented rates.</u>”</p> <p>AT&T: We recommend that the final sentence be rewritten to read, “Where it is possible to demonstrate genuine cost differences, it may be that a move towards cost-oriented rates may result in termination charges rates that are asymmetric.”</p> <p>TELIA: last sentence: “Where it is possible to demonstrate genuine cost differences, a move towards cost-orientated</p>

		rates <u>will</u> result in termination charges that are asymmetric.” There should be no element of doubt in this statement.
36.	A move towards cost-orientated settlement rates is likely to result in significant reductions in the rates currently in force. In the past, lower settlement rates have coincided with higher net settlement payments due to the increase in traffic volumes and because of the incentives that are created to reverse the direction of a call in order to offer lower prices to end users. Some developing countries have stated concerns that further reductions in settlement rates might lead to a reduction in settlement payments. This may reduce the ability of developing countries to sustain their network development programmes and universal service obligations, thereby limiting the positive impact telecommunication access can have on national health, education and good governance. For many developing countries, the inflow of revenue from accounting rates also provides for a portion of other national fiscal needs. In consequence, some developing countries would like to see a longer period of transition towards cost-orientated settlement rates and/or settlement-rate reductions that are triggered by increased traffic volumes.	NEW ZEALAND: Reference should be made to the need for alternative sources of finance for upgrading and developing the networks of the countries concerned, e.g., Development Bank funding. AUSTRALIA: It seems evident (and the paper makes this point) that technological advances (facilitating accounting rate bypass) and market liberalisation will have a major impact on the ability of developing countries to maintain historical and current accounting rate arrangements. Thus add to 36: “However, if developing countries wish to <u>remain part of the international telecommunications business, adapting to continually evolving technological and competitive market conditions in the shorter term may be a necessity</u> ” AT&T: We suggest the second sentence be rewritten as follows: “In the past, lower settlement rates have coincided with higher net settlement payments due to the increase in traffic volumes resulting from price decreases in liberalized markets. <u>Price decreases, themselves a result of increased competition, create incentives to build a business based upon the price differentials by reversing the direction of a call in order to offer lower prices to end users.</u> ”
37.	The developing countries likely to be hardest hit by any reduction in settlement payments are the least developed countries and other low-income countries with small populations, notably island economies. ITU has commissioned a series of case studies, in coordination with the Commonwealth Telecommunications Organisation, in order to study the likely impact of the changing international telecommunication environment. These case studies will be presented at an information session during WTPF-98.	
38.	<i>WTPF-98 may wish to consider a draft Opinion which discusses the implications of the WTO agreement for the policies, regulations and financial strategies of developing countries:</i> <i>[Draft Opinion B to be inserted here]</i>	
THE EVOLUTION OF THE INTERNATIONAL TELECOMMUNICATION ENVIRONMENT, PARTICULARLY THE ACCOUNTING AND SETTLEMENT SYSTEM, TAKING INTO ACCOUNT ACTIVITIES BEING UNDERTAKEN BY ITU-T STUDY GROUPS		
39.	Introduction The system of international accounting rates and settlements, as defined in the <i>International Telecommunication Regulations</i> and expanded upon in the ITU-T D-Series Recommendations, was not a topic of negotiation in the WTO proceedings on basic telecommunications. International accounting and settlement rates may be included in the agendas of future GATS negotiations, the next of which is due to begin in the year 2000. It is nevertheless clear that the provisions in the schedule of each country's existing commitments will have a profound influence on the way in which the accounting-rate system works.	EC: TIn the WTO Basic Telecommunications Agreement, it was specified that the system of international accounting rates and settlements, as defined in the <i>International Telecommunication Regulations</i> and expanded upon in the ITU-T D-Series Recommendations, would not give rise to dispute settlement action. This decision may be reviewed in future rounds of was not a topic of negotiation in the WTO proceedings on basic telecommunications. International accounting and settlement rates may be included in the agendas of future GATS negotiations, the next of which is due to begin in the year 2000. It is nevertheless clear that the provisions in the schedule of each country's existing commitments will have a profound influence on the way in which the accounting-rate system works.
40.	Increased competition in the provision of international as well as domestic telecommunications creates alternatives to the current arrangements for settling international telecommunication accounts. This is already having a profound impact on the accounting-rate system. In	EC: This is already having a profound impact on the accounting-rate system. In particular, the fact that operators which are able to establish commercial points of presence in other countries, will be able enables them to bypass the traditional correspondent relationship

	<p>particular, the fact that operators can establish points of presence in other countries enables them to bypass the traditional correspondent relationship arrangements and deliver their originating calls directly to the country of destination.</p>	<p>arrangements and deliver their originating calls directly to the country of destination.</p> <p>TELE DENMARK: Concerning the establishment of so-called cross border interconnection, access to interconnection shouldn't be restricted to companies having a Point of Presence (2nd bullet in Article 19) in a given country. While the right to establish commercial presence is an important part of the WTO-agreement, it might be useful to specify the right of a company having status as operator in its own country to terminate traffic in another (receiving) country's major supplier at interconnection term and conditions similar to other companies being authorised to operate in this country.</p> <p>TELIA: last line: "...arrangements delivering their <u>incoming calls directly to the country of establishment as well as accepting outgoing calls from it.</u>"</p> <p>GERMANY: See remark on 12.</p>
41.	<p>The result of these competitive alternatives will be to drive down the price of terminating international calls closer to the cost of providing this service. Competition should also drive down tariffs and these in turn will not sustain high settlement rates. The impact on the countries which have used this hard-currency income to invest in their networks may be harsh. As a result, it may be necessary to increase the price of domestic access and other services which can no longer be subsidized by above-cost international settlement rates. These countries should, however, consider that the WTO agreement produces other benefits. Opening and liberalizing markets, including inviting participation by foreign investors and strategic partners, is an effective way to mobilize more private capital and to provide far greater resources than settlement payments do now. There will also be increased revenues if operators deploy their resources more efficiently.</p>	<p>NEW ZEALAND: Reference should be made to the impact of lower prices to consumers as a contributor to overall growth in telecommunications traffic.</p> <p>AT&T: In the second sentence, substitute "<u>charges to end-users</u>" for "tariffs."</p> <p>EC: last sentence: There will also be increased <u>benefit</u>revenues if operators deploy their resources more efficiently.</p> <p>TELIA: last sentence: "increasing income if operators deploy their resources more efficiently". Efficiency tends to reduce costs not boost revenues, thus increasing income.</p> <p>GERMANY: Competition should also drive down tariffs and these in turn will not sustain high <u>accounting and settlement rates</u>. The impact on the countries which have used this hard-currency income to invest in their networks may be harsh. As a result, it may be necessary to increase the price of domestic access and other services which can no longer be subsidised by above-cost international <u>accounting and settlement rates</u>. These countries should, however, consider that the WTO agreement produces other benefits. Opening and liberalising markets, including inviting participation by foreign investors and strategic partners, is an effective way to mobilise greater private capital and to provide far greater resources than settlement payments do now. There will also be increased <u>[savings/benefits]</u>revenues if operators deploy their resources more efficiently.</p> <p>KENYA: Opening and liberalizing ... <u>local and foreign investors and strategic partners</u>, ...</p>
42.	<p>The Secretary-General's initiatives</p> <p>The ITU Secretary-General has made accounting-rate reform a priority issue. In a consultation paper¹ presented to ITU-T Study Group 3 in November 1996, seven principles were proposed to guide the process of reform of the international settlement arrangements. These are:</p> <ul style="list-style-type: none"> Continuity and viability of international telecommunication service 	<p>FRANCE: page 14: The two additional principles proposed by Study Group 3 are not very clear. Although we in principle, not going to discuss proposals from Study Group 3, it might be useful to clarify the meaning of these two additional principles:</p> <p>Any new accounting settlement regime should "require a minimum amount of regulation <u>to assure an appropriate application of principles such as cost-orientation, transparency and non-discrimination</u>" Furthermore, <u>any new accounting and settlement regime should be conducive,</u></p>

¹ A copy of the consultation paper can be found on the ITU website at <http://www.itu.int/intset/ITUpap/index.html>

	<ul style="list-style-type: none"> • Transparency • Non-discrimination • Cost-orientated tariffing • The value of market competition • The benefits of accounting rate reductions should be passed on to end-users • Ease of transition for developing countries, especially the least developed countries <p>These principles were endorsed by ITU-T Study Group 3, which subsequently proposed two additional principles, namely that any new regime should:</p> <ul style="list-style-type: none"> • Require a minimum amount of regulation • Be conducive to overall reduction of costs and improvement of efficiency. 	<p><u>in allowing certain competition</u>, overall reduction of costs and improvement of efficiency”</p> <p>Same comments as for prior sections: the use of the words “accounting rate” ”settlement rates” “accounting and settlement system” has to be harmonised in the report. In particular, the word “settlement rate” has to be used only to mention the “settlement rate procedure” under study by Study Group 3.</p> <p>KOREA: Support of Seven Principles for Improving the International Settlement System.</p> <p>Due to the unduly high accounting rates remote from actual costs and the ever-growing imbalance between incoming and outgoing international calls, the burden of deficit on outpaying countries is becoming heavier. Being aware of this problem, all countries agree that the reform of the current international settlement system is imminent. We highly appreciate the efforts of the ITU and its Member States to establish a new regime based on the mutual agreement that implements the undeniably self-succinct principles of cost-orientation, transparency and non-discrimination. At the same time, the Republic of Korea strongly supports the seven principles proposed by the Secretary General to improve the international settlement system.</p>
43.	<p>The Secretary-General’s informal group of experts</p> <p>On the recommendation of the World Telecommunications Advisory Council (WTAC), the Secretary-General established an Informal Expert Group to advise him on reform of the international accounting and settlement system. The Group, which was chaired by Mr. Robert Bruce, met from 24 to 26 March 1997 and prepared a report which was published in April 1997. The recommendations of the report are discussed in section 5 below.</p>	<p>AT&T: Given that the Informal Group of Experts’ report was a significant milestone, we are very surprised that more is not included in this paragraph on the substantive conclusions of this report (beyond those described in Paragraph 59 relating to transitional assistance for developing countries). Therefore, we recommend that this paragraph be expanded to at least make note of the Report’s recognition of the urgent need for settlements reform. Although controversial, we further recommend that this paragraph note the Report’s recommendation that the Secretary-General call for an immediate global reduction in settlement rates of 5-10%, as well as the Report’s reference to the ITU’s own cost studies estimating that in all but a few cases, settlement rates should be no higher than 25 US cents per minute.</p> <p>AT&T strongly believes that the work of this Experts Group cannot be omitted from the discussions at the WTPF. This 25 cents figure was the ITU’s first attempt at identifying what a “cost-orientated” settlement rate might look like. This should not be lost even though some might disagree with this figure.</p>
44.	<p>ITU-T Study Group 3</p> <p>For its part, ITU-T Study Group 3 has focused its work on the future of the international telecommunication settlement systems and accounting rates in a competitive market environment. At its meeting in May 1997, there was general agreement that the move toward cost-orientated accounting rates is inevitable and, indeed, desirable as a means for network operators to cope with the growing number of alternatives. Most countries attending the meeting endorsed the principles of ITU-T Recommendation D.140, i.e. that settlement rates should be cost-orientated, transparent and non-discriminatory</p>	
45.	<p>At its most recent meeting in December 1997, the Study Group focused its efforts on a revision of ITU-T Recommendation D.150 to incorporate new methods for setting cost-orientated rates for the termination of international telephone calls. This new regime, which</p>	<p>NEW ZEALAND: The first bullet should end at the words: “will be cost-oriented.” The last sentence of the second bullet point should be deleted. It is not our understanding that this was proposed by the last SG3 meeting. The final bullet point should be amended: “ROAs will bilaterally</p>

<p>would coexist with existing revenue-division methods, could include the following:</p> <ul style="list-style-type: none"> • A settlement rate procedure, which would be reached by bilateral negotiation between operators in originating and terminating countries. The settlement rates agreed will be cost-orientated and therefore, in principle, asymmetric, between the operators of the country of origin and the country of destination. • A termination charge procedure by which a transparent, cost-orientated call termination charge would be set by the regulator or operator of the destination country according to an agreed cost methodology and would be applied, in a non-discriminatory manner, to all incoming traffic. It is proposed that the termination rate should be set no higher than the existing lowest settlement rate (best practice rate), excluding sender keeps all relations. • Operators may, by bilateral agreement, agree to use any other commercial arrangement more suited to the nature of their relationship. <p>Study Group 3 agreed to include these three new methods in Recommendation D.150, but they will need to be developed in more detail at the next meeting of the Study Group in June 1998.</p>	<p>agree the remuneration procedure that is most appropriate to their needs. Additionally, for traffic originating and terminating between two liberal countries, ROAs may elect to use other commercial arrangements where these are more suited to the nature of their relationship.” The final sentence should be amended: “Study Group 3 <u>agreed to discuss</u> the inclusion of ...”</p> <p>AT&T: Paragraphs 45-46 don’t reflect the understanding of our representatives who attended that meeting. At the December meeting of Study Group 3, there was general consensus on the need to expand the menu of remuneration options listed in D.150. However, there was not agreement on what those options would be, and there was not agreement on the exact form or wording of those options. Thus, we recommend that this paragraph be scaled back to reflect this fact.</p> <p>We recommend that this paragraph now read,</p> <p><u>“At that same meeting, there was general consensus on the need to expand the menu of remuneration options listed in Recommendation D.150 in order to create the flexibility that a more competitive and diverse global telecommunications industry will require. Three new options were presented for further consideration that could co-exist with the existing revenue-sharing method; a settlement rate procedure, a termination charge procedure, and an option for operators to bilaterally agree to use any other commercial arrangement that is more suited to the nature of their relationship. It was agreed to explore further these options and discuss the specific terms and conditions which would apply before any agreement could be reached on their adoption”</u></p> <p>TELE DENMARK: Although the Study Group 3 has made good progress, the idea of introducing a ‘termination charge’ (2nd bullet) might need further consideration.</p> <p>A ‘termination charge’ defined by the operator (or regulator) does not necessarily reflect in a proper way the actual costs and it does certainly not reflect the actual market conditions.</p> <p>It is not quite clear what kind of benchmarks should be applied and the ‘termination charge’ approach might stifle the development of competitive prices.</p> <p>KOREA: Reform on a Multilateral Basis: the Unbundled Termination Charge System</p> <p>Such stopgap measures are, of course, provisional and the current discussions on the improvement of the international settlement arrangements should be continued in a long-run perspective on how to carry out the reform successfully.</p> <p>As to the call termination charge system, first, unbundling of cost elements is an indispensable condition for the accurate cost calculation, which is also compatible with transparency. Second, note that the cost of international transmission facilities has been significantly driven down owing to the rapid development of telecommunications technology. Even if one might argue that the cost shows a significant portion, such a problem as how to allocate it between relevant countries remains unsolved and implementing any method might entail the additional expenses. In addition, uniformity, i.e., non-discrimination of the termination charge may be violated, Third, to provide a “soft-landing” for less developed countries, subsidies may be indispensable. But those countries must provide reasonable grounds and specific sources on the usage of</p>
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		<p>subsidies for transparency. Fourth, though the setting of a call termination charge falls into the national sovereignty, it is still important to establish a multilateral standard that can ensure the relevant level of a termination charge, considering that the current arrangement for international settlement is based on bilateral negotiations and that the new system sought by the ITU is aiming at a multilateral agreement. Of course, in order to achieve this purpose, studies on adequate methods of both implementing call termination charge system and calculating the accurate costs should be continued concurrently.</p> <p>Impact of Exchange Rates</p> <p>The impact of exchange rates on the international settlement system must be taken into serious consideration. Recently, financial crises in Asia have unprecedentedly sent the value of national currencies plummeting. As is well-known, collection charges are set in the national currency, while international settlements are made in SDR, GF and dollars. Since most outpaying countries had already deregulated their telecommunications markets, competition among ROAs is fierce and under such circumstances raising the collection charges is impossible. Hence, the depreciation of the national currency encroaches on the profits of the common carriers. It also significantly hurts the national economy by aggravating the current account deficit. In this respect, the ITU should seriously consider the impact of exchange rate and, at the same time, do a thorough study on this matter.</p>
46.	<p>Study Group 3 also discussed transitional arrangements to the new regimes. Some 80 countries attended the meeting and they agreed (except China and India, which entered reservations) to the following text, which will be submitted to Members for approval as part of a revised Recommendation D.140:</p> <p><i>"Recognizing the change in the international telecommunication environment and the agreement to expand the menu of the remuneration arrangements to be incorporated into D.150, it is recommended that transitional arrangements to cost-orientated mechanisms be adopted as follows:</i></p> <ul style="list-style-type: none"> <i>As an initial step, agreement to a target for administrations/ROAs, through bilateral agreement, to reduce total accounting rates to a level such that after deducting transit traffic, where appropriate, the balance is less than 1 SDR per minute by the end of 1998. In so doing, special provisions should be given to facilitate the transition by developing countries, in particular least developed countries. In this regard, where circumstances are identified, through a transparent process, of the significant difficulties these administrations/ROAs may have in coping with the reduction, the target date may be deferred to a mutually agreed date. These provisions may include, as necessary, alterations of the 50/50 arrangement to cushion revenue reductions, provided that such alterations are made within the context of an agreement to achieve cost-orientated rates.</i> <i>Administrations/ROAs whose accounting rates are below 1 SDR per minute should continue to take positive steps to reduce their accounting rates to cost-orientated levels.</i> <i>Administrations/ROAs should seek to implement this proposal in an expeditious manner, recognizing that</i> 	<p>JORDAN: first bullet: We have agreed in the closing plenary session of SG3 (Last December) to change 'Traffic' to '<u>Charge</u>' to remove any misinterpretation of the text. Obviously we cannot deduct the units of traffic which is expressed in 'minutes' from the units of charges which is expressed in "SDR's". When updating the report, would you take that into consideration?</p> <p>AT&T: the only clear decision taken by Study Group 3 in December was to put out for "Resolution 1" voting procedure a proposed new Annex to D.140 that elaborates transitional arrangements toward cost-oriented mechanisms; not, as stated in Paragraph 46, "to the new regimes." The intent is to outline some first initial steps to achieving cost-oriented accounting rates, as called for in D.140. This intent is lost in Paragraph 46. Thus, we recommend that the first sentence be changed to read "At its most recent meeting in December 1997, Study Group 3 agreed upon text for a proposed new Annex D for Recommendation D.140 on transitional arrangements to cost-oriented mechanisms that will be voted upon under Resolution One procedures."</p> <p>Further, as this is actually the <i>only</i> clear decision reached by Study Group 3, Paragraph 46 should certainly proceed Paragraph 45.</p> <p>Second, the <i>only</i> agreement achieved by Study Group 3 during the discussion of D.150 was an agreement on the need to expand the menu of remuneration options listed in D.150. There was no agreement on adoption of these actual options, nor on the terms and conditions of any options. The current text implies that there was agreement on the options listed, and it further implies that cost-orientation would be achieved only with the adoption of these new methods. This is an incorrect portrayal of the conclusions of Study Group 3's December meeting.</p> <p>The proposed new Annex for D.140 that is reprinted in this</p>

	<p><i>this may need to be done on a scheduled basis where the levels of reductions are significant. Accordingly, administrations/ROAs should submit to ITU by March 2nd 1998 a schedule of reductions pursuant to (in) above.</i></p> <ul style="list-style-type: none"> • <i>Administrations/ROAs should utilize an appropriate costing methodology as soon as possible, but not later than the end of 1999, to determine their relevant costs.</i> • <i>ITU-T should collect data from administrations/ROAs to enable the measurement of progress in following these arrangements.</i> • <i>ITU should continue work to define cost models and methodologies for achieving cost orientation of the current and new remuneration arrangements on an ongoing basis in order to achieve timely implementation of D.140."</i> 	<p>paragraph was and is intended to be "transitional arrangements to cost-oriented mechanism" – <i>Not</i> transitional arrangements to any new regimes that might in the future be included in D.150. As the Chairman of Study Group 3 stated during the meeting plenary, we already have D.140 which must be implemented. We have separately agreed to consider expanding the menu of options in D.150.</p> <p>Thus, we recommend that the first sentence be changed to read "<u>At its most recent meeting in December 1997, Study Group 3 agreed upon text for a proposed new Annex D for Recommendation D.140 on transitional arrangements to cost-oriented mechanisms that will be voted upon under Resolution One procedures.</u>"</p> <p>TELE DENMARK: Before any decision is taken that ITU should launch attempts to define 'cost orientation', the substantial effort in this area made by institutions like FCC, OFTEL and the EU Commission should be considered.</p> <p>Acknowledging that cost orientation is a basic principle for interconnection in the WTO agreements when interconnecting with a 'major supplier', and that cost orientation is the only way to bring down the costs of terminating international traffic, it should be kept in mind that in the very long run regulated prices can't substitute the benefits of true market based pricing.</p> <p>It might therefore be useful for ITU that rather than to focus on development of further models for cost orientation then to develop methods to determine when the transition phase has come so far that prices should be market driven based on the general competition rules.</p> <p>TELIA: first bullet point, line 2-3: "...after deducting transit <u>charge</u> where appropriate..." It is the transit charge which is commensurate to the accounting rate.</p> <p>KOREA: Necessity and Support of Interim Arrangements</p> <p>However, different views among the Member States have kept them from reaching an agreement even on basic matters, and the discussions on the reform of the international settlement system does not show enough progress. If the discussions are prolonged, the ITU might not take the initiative in the reform. Even worse, the <i>raison d'être</i> of ITU might be significantly shattered. Therefore, we agree that there should be ITU-led tangible actions of interim arrangements such as the best price practice and/or an overall x% reduction of accounting rates, for which voluntary participation by Member States is necessary.</p>
47.	<p>Other initiatives</p> <p>It is generally recognized that a shift to a new regime based on call termination or interconnect arrangements can only take place in the context of a multilateral agreement on costing methodologies and on which cost elements can be legitimately included in the calculation of the charges. In the absence of competition, it may be necessary to set an upper ceiling on the level at which termination charges can be levied. The Informal Expert Group noted that, on the basis of work carried out by the ITU secretariat, few settlement rates should exceed 25 US cents per minute. The US regulator, FCC, has proposed benchmarks of between 15 and 23 cents per minute. It would be better if rate reductions could be agreed upon in the framework of a voluntary multilateral agreement, rather than being imposed by operators from one or more countries.</p>	<p>AT&T: We recommend breaking the first sentence into two and adding language to address the need to achieve cost-orientation even within the existing accounting arrangements. Thus, the first sentence would read, "It is generally recognized and agreed in Recommendation D.140 that <u>accounting rates should be reduced to cost-oriented levels. It has been difficult, however, for those countries where competition does not exist to identify what a cost-oriented settlement rate might look like. Moreover, any discussion to shift to a new regime based upon alternative remuneration arrangements</u> should only take place in the context of a multilateral agreement on costing methodologies and on which cost elements can legitimately be included in the calculation of charges."</p> <p>We recommend also expanding the second sentence to read, "In the absence of competition <u>or a multilateral agreement on costing methodologies, it may be necessary to utilize a surrogate approach to identify what a cost-oriented</u></p>

		<p><u>settlement rate would look like.”</u></p> <p>We recommend adding language to the fourth sentence to read “Recognizing that ITU Recommendations must be <u>implemented at the national level</u>, the US regulator, the FCC, has proposed benchmark <u>settlement rates utilizing the D.140 Recommendation as a guideline</u> that would be between 15 and 23 cents per minute.</p> <p>EC: <u>However, it would be more appropriate better-if rate reductions could be agreed upon in the framework of a voluntary multilateral agreementent, rather than being imposed by operators from one or more countries. In addition, considerations for a call termination charge regime should also be decided within a common multilaterally agreed framework.</u></p> <p>FRANCE: I have some reservations concerning the reference to the amount of 25 US cents per minute. This figure has not been discussed and might be misleading. Therefore, we propose its deletion.</p> <p>The last sentence should read as follows: “<u>Any implementation of an upper ceiling for the establishment of termination charges or remuneration rates for the termination of international telephone calls</u> should be agreed upon in the framework of a voluntary multilateral agreement, rather than being imposed by operators from one or more countries”</p>
48.	<p>ITU-D initiatives</p> <p>For its part, ITU-D has initiated an <i>Action Plan</i> to assist countries and regions in managing cost-orientated tariffs, reforming accounting rates and addressing WTO issues and negotiations:</p> <ul style="list-style-type: none"> • Colloquia have been held in five regions (Africa, Arab States, Asia-Pacific, Latin America, Caribbean and Europe) which debated the topics and formulated conclusions and recommendations • Four seminars on costs, tariffs and accounting rates have been already held and three are scheduled for 1998 • Direct assistance has been provided to respond to the countries' needs covering sector governance, accounting-rate issues and tariff issues and policies • A synthesized report has been prepared for submission to WTDC-98, for the adoption of operational follow-up/a plan of action. 	
49.	<p>Other ITU initiatives</p> <p>During 1997, ITU has also engaged in a number of other actions to assist countries in reforming the accounting rate system:</p> <ul style="list-style-type: none"> • Two major analytical and statistical reports were published dealing respectively with "Trade in telecommunications" (World Telecommunication Development Report 1996/97) and "Trends in international telephone tariffs" (Direction of Traffic, 1996, published in association with TeleGeography Inc.) • The World Telecommunications Advisory Council (WTAC) debated the topic at its meetings on 15-16 April and 22 October 1997 • ITU hosted a seventh meeting of the Regulatory 	

	Colloquium, from 3 to 5 December 1997, on transforming economic relationships in international telecommunications.	
50.	<i>WTPF-98 may wish to consider a draft Opinion on the evolution of the international telecommunication environment, particularly the accounting and settlement system:</i> <i>[Draft Opinion C to be inserted here]</i>	
<p align="center">ACTIONS TO ASSIST MEMBER STATES AND SECTOR MEMBERS IN ADAPTING TO THE CHANGES IN THE TELECOMMUNICATION ENVIRONMENT, INCLUDING ANALYSIS OF THE CURRENT SITUATION AND FORMULATION OF POSSIBLE COOPERATIVE ACTIONS INVOLVING ITU MEMBER STATES AND SECTOR MEMBERS TO FACILITATE ADAPTATION TO THE NEW ENVIRONMENT</p>		
51.	<p>Possible cooperative actions among the ITU membership</p> <p>ITU has traditionally provided a forum in which its membership can work together on achieving the goals set out in the Constitution and Convention. One of these goals is "to promote the extension of the benefits of the new telecommunication technologies to all the world's inhabitants". Given that ITU's membership is broader than that of WTO and that its mission is focused on the needs of the telecommunication community, it is logical that ITU's membership should play a major role in defining and adapting to the new telecommunication environment consistent with the WTO basic telecommunications agreement.</p>	<p>AUSTRALIA: Benefits to end users should be emphasised at every opportunity in the paper. The following text could be added to Paragraph 51: <i>The benefits of liberalisation to end-users has been shown in those countries that have adopted liberal telecommunications regimes. The positive effects that liberalisation has on the development of other business should be included in any country's considerations of the pros and cons of liberalisation".</i></p> <p>EC: ITU's membership should play a major role in defining and adapting to the new telecommunication environment consistent with the <u>principles agreed in the WTO reference paper on basic telecommunications_-agreement.</u></p>
52.	<p>ITU can and should facilitate the transition of telecommunications to a market-based model, and can best serve this objective by:</p> <ul style="list-style-type: none"> • coordinating its Members' access to existing international and regional resources (e.g., the World Bank, ITU-D, ITU Sector Members) that already provide needed expertise, consultation and support; • developing approaches and programmes to use its own and other available resources to mobilize provision of technical and regulatory consultation and support. 	<p>TELIA: first bullet point: "...improving its Members' access to..." A coordinated access mechanism may not be the most efficient one.</p>
53.	The WTO basic telecommunications agreement provides an excellent starting point for market liberalization. But the work of implementing the agreement has to take place within national governments, as its provisions are enacted in the form of national regulations. Countries with experience and expertise in drafting regulatory texts can provide assistance to others which are starting out on this process, or which are thinking of acceding to the agreements.	
54.	Developing countries face the daunting task of establishing new regulatory structures and initiating the process of reform in a very short space of time. They will need independent advice on the best policy to pursue for each country's particular needs, the drafting of new laws and regulations and the setting up of an independent regulatory body. ITU will, of course, not have the internal resources to provide such advice to all countries. It can, however, help to identify outside resources and can help in obtaining training and human resource development to best meet the needs of countries undergoing the difficult adjustment process. ITU can further help by gathering, analysing and disseminating the kind of information that will help policy-makers and regulators in their task, as well as by constructing databases and websites to provide regulators	

	with easier access to each other's regulatory procedures, decisions and information and by facilitating cooperative relationships between new and well-established regulators.	
55.	<p>Cooperation in implementing the WTO agreement</p> <p>ITU has an important role to play in the liberalization process. As countries begin to implement their commitments, they will increasingly be seeking the advice of other ITU Member States. Previously, when the first industrialized countries, such as the United States, the United Kingdom, Canada, the Scandinavian countries, Australia, New Zealand and Japan, were beginning their reforms, they had to rely on their own resources to implement and manage the process. They could compare among themselves within the framework of OECD, and had the necessary resources. This is not the case with some of the smaller, emerging economies that are now embarking on reform, which will in large part have to rely on the resources of others. ITU has a role to play in providing impartial information and advice through its membership. In this context, ITU's Regional Offices and its support for Centres of Excellence in human resources development can help.</p>	
56.	ITU, in keeping with its strategic plan, will need to take advantage of its expertise and knowledge base in order to provide its membership with the elements they need for decision-making. The regulatory, tariff, traffic, statistical and related databases which ITU is developing could become a very important tool to assist their decision-makers. In addition, ITU can play an important role in broadening and publicizing the WTO Agreement, especially among its private sector membership. ITU can also encourage its Member States to study the WTO Agreement and make commitments under it in order to benefit from its provisions and implementation.	<p>AUSTRALIA: Australia is concerned that some of the suggestions put forward in Paragraph 56 in respect of the WTO could be misconstrued. For example, suggesting that "...the ITU can play an important role in <u>broadening and publicizing the WTO agreement</u>" could suggest that the ITU can make additions to the agreement. Again in paragraph 56 it is stated that "...ITU can also encourage its Member States to study the WTO Agreement and make commitments under it in order to benefit from its provisions and implementation." While we applaud any country's commitment to implement the principles of the WTO Agreement, it is not clear to us that such a commitment would be recognised by the WTO (WTO members) if that country was not a member of the WTO. The ITU Secretariat may wish to clarify this point with the WTO . Add to paragraph 56: "The ITU can play an important role in broadening <i>the application of</i> the WTO Agreement and in <u>educating ITU Member States about the benefits to be had by adopting its principles, regardless of whether or not they are members of the WTO.</u>"</p>
57.	The ITU Constitution and the <i>International Telecommunication Regulations (ITR)</i> emphasize the sovereignty of ITU Member States in organizing their telecommunication sectors. The GATS "recognizes the right of [WTO] members to regulate and to introduce new regulations on the supply of services within their territories in order to meet national policy objectives". The development and application of standards in ITU and elsewhere will have to take account of the GATS requirement that technical standards and licensing agreements should not constitute unnecessary barriers to trade in services. The same will be true of orbital slot and frequency assignment and coordination of systems. ITU Members may wish to review the Union's process in this area to consider any possible conflicts with WTO rules.	<p>AUSTRALIA: Paragraph 57 recognises the importance of the ITU Constitution and the International Telecommunications Regulations (ITRs). Australia considers that it is important that the ITRs support actual administrative practices and believes that some of the ITRs do not currently do this. This situation should be addressed. We suggest the following text be added to paragraph 57 (and the ITU's work programme): "Members may also wish to review the ITRs with a view to amending or updating where necessary."</p> <p>AT&T: We suggest adding another sentence after the second full sentence on the GATS. "<u>However, those regulations may not be used as barriers to trade or impede the rights and obligations of the commitments made under the GATS.</u>"</p>
58.	The impact of the GATS telecommunication agreement will be felt acutely in the area of international telecommunication accounting and settlements. The introduction of competition in many countries has put tremendous pressure on the existing bilateral correspondent relationship arrangements, which are dominated by accounting rates. The result is that many countries will be	

	faced with tough decisions on what adjustments need to be made to adapt to a more competitive market environment. ITU has an important role to play in raising awareness about these changes as well as in providing hard data and sound advice that will be useful to developing countries in making the necessary adjustments.	
59.	<p>Cooperation in reform of the international accounting and settlement system - easing the transition for developing countries</p> <p>The report of the Informal Expert Group on reform of the international settlement system, published in April 1997, made recommendations in four specific areas to assist countries which would be most likely to need assistance in responding to reform of the accounting-rate arrangements:</p> <ul style="list-style-type: none"> • Countries should be assisted in making the adjustments needed to offset a reduction in international payments. This would include help in restructuring prices of telecommunication services, developing costing models and methodologies, expanding and increasing the efficiency of their telecommunication networks, developing new services, implementing the WTO agreement and dealing with universal services issues. Specifically, the Group argued the need to provide a "soft landing" for the countries likely to be hardest hit by potential settlement reductions. • ITU-T Study Group 3 should accelerate its efforts to reform the present international settlement arrangements by focusing its work on facilitating the transition to arrangements which are more compatible with a competitive and liberalized marketplace. • ITU should initiate and coordinate a series of independent case studies of network operators, primarily in low-income countries, to obtain a more realistic picture of the effect of a reduction in international settlement payments. • ITU should gather, organize and make widely available by electronic and other means timely information to assist policy-makers, regulators and operators involved in the transition process. 	<p>NETHERLANDS: The discussions of "a soft landing for developing countries" are no longer in accordance with opinion D. A reference could be made to transition periods in order to indicate what is meant by soft landing.</p>
60.	In order to achieve these objectives, the Group recommended that ITU take the initiative to structure a new cooperative relationship among national regulatory bodies, telecommunication operators and multilateral institutions, including the World Bank and WTO, with the aim of giving countries the multilateral support they need to make the necessary adjustments. The new cooperative relationship should include reciprocal commitments by national regulators with respect to the multilateral dimension of regulatory initiatives.	
61.	Developing countries will also need assistance with technology transfer, training, tariff rebalancing, revenue diversification, service introduction and the establishment of a neutral and independent regulatory process. These actions may be better provided through a multilateral framework than through bilateral relations.	
62.	<p><i>WTPF-98 may wish to consider a draft Opinion on cooperative actions between ITU Member States and Sector Members to facilitate adaptation to the new environment:</i></p> <p><i>[Draft Opinion D to be inserted here]</i></p>	
	ANNEXES	NEW ZEALAND: definition of Call termination charge

		<p>should be amended: <u>“A charge applied by a carrier for terminating a call, which is an unbundled termination charge broken down into the basic cost elements of international gateway and national extension, applied in a cost-oriented and non-discriminatory manner.”</u></p> <p>AT&T: <i>Annex B, Glossary of Terms, definition of “trade in telecommunications”:</i> We believe that this definition is incomplete without listing the four modes of supply identified in the GATS Basic Telecommunications Agreement and recommend adding them.</p> <p>Further, we suggest removing the words “In the context of trade in telecommunications services, a country which terminates a call may be considered as “exporting” a call termination services. Similarly, a country which originates a call may be considered as “importing” a call termination service.”</p> <p>Whether or not these are classified as “exports” or “imports” is <u>not</u> addressed by the GATS, and we see no reason to address these classifications at this time. Moreover, it is unclear what relevance such discussion would have for the WTPF and, therefore, recommend that it be removed.</p>
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