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THE FCC'S INTERNATIONAL AGENDA: ACCOMPLISHMENTS AND CHALLENGES

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Thank you for coming this morning. I would like to thank Bill Garrison and CSIS for hosting this program today. And I would also like to thank Scott Harris for his assistance in planning today's program.

I have been at the FCC's International Bureau for about seven months now, and I am pleased to report that we accomplished a lot last year -- both prior and subsequent to my arrival -- and that we have an ambitious agenda for 2000 and beyond.

The beauty of the International Bureau is that unlike the other "fictional" bureaus at the Commission, we work across technologies which, I think, gives us a particularly interesting perspective in this increasingly converged world.

There is no doubt that we are in the midst of a telecom. and information revolution that is as profound in many respects as was the Industrial Revolution. It is also true that the society that is

developing today both at home and abroad is shaped in no small measurably the decisions we make at the Commission on a daily basis.

Just as the Telecom Act of 1996 ushered in a new era of competition in the US market, the commitments on basic telecom services agreed to by 70 WTO countries in 1997 - which reflect many of the Telecom Act's basic tenets - ushered in a sea change in the international arena where competition, liberalization and privatization were generally relatively unfamiliar concepts.

Since the Agreement in the WTO, we at the Commission have adopted new rules for entry that are consistent with the United States' significant market access commitments; we have licensed a number of foreign-licensed providers based on those new rules; and we have worked with our colleagues around the world to ensure faithful and effective implementation of the Agreement. I believe that the WTO commitments, while imperfect, are working and that we have made huge strides in the two years since they entered into force. This is evident in the progress we have made, and are continuing to make, in promoting Chairman Kennard's principal goals for his tenure, which can be characterized as A, B, C: ACCESS, BROADBAND and COMPETITION:

1. Access:

Let me start with increased access. Just as the FCC has worked to bring the Internet to classrooms, to bring network access to Americans with disabilities, and to promote universal service at home, we have been equally determined to encourage the growth of a truly global information infrastructure that will provide access to the millions of unserved customers around the world.

One of the Chairman's highest priorities is to promote development of the information infrastructure worldwide. In June of 1999, Chairman William Kennard announced his development initiative -- the first such program executed on behalf of developing countries by an FCC Chairman. The Initiative reflects a commitment by the FCC to work with developing nations in Africa, Latin America, Asia and Central Europe toward achieving universal service through implementing the U.S. goals for the WTO: promoting competition, liberalizing markets, and adopting transparent, pro-competitive regulatory policies.

Under the development initiative, the FCC is providing selected developing nations with non-financial technical assistance, including expert training on how to develop and implement pro-competitive, transparent regulatory regimes to support the full integration of developing nations into the global information society.

In tandem with the launch of the development initiative, the Chairman released the publication "Connecting the Globe: a Regulator's Guide to building a Global Information Community." This document has been posted on the Internet at "www.fcc.gov/connectglobe" and highlights major issues facing telecom regulators around the globe.

Shortly after the Chairman announced the development initiative, he traveled to southern Africa to begin implementation of the initiative. During the trip, the Chairman addressed and met with representatives from 12 of the 14 member nations of the Southern African Development Community (SADC), a region with a population of 187 million and a GDP of roughly \$180 billion, and signed a work program between the FCC and the South African Telecommunications Regulatory Authority (SATRA). Subsequently, work plans have been signed with Uganda and Ghana. Plans are now being finalized for starting work in Latin America in mid-March and in Asia in early summer.

Lower international calling prices are also essential to increased access.

Although we are less than two years into the implementation of the WTO basic telecom commitments and the FCC's August 1997 Benchmarks Order, we have already started to see dramatic declines in international calling rates. The increase globally in

liberalization, privatization, and competition has led to significantly lower international accounting rates, which in turn have resulted in lower international calling rates. In 1996, the year just prior to Benchmarks and the WTO, the average price of an international long distance call originating from the United States was 74 cents per minute. It has since fallen to 54 cents/minute - a 25% decrease -- and these rates are steadily declining. By the time the FCC's Benchmarks Order is fully implemented in 2003, we expect to see much deeper reductions in international calling rates. Prices on competitive routes have fallen even more dramatically. For example, rates on the US - UK route are as low as 10 cents/minute.

I am also happy to report that as of year-end 1999, the FCC will have achieved benchmarks compliance for 99% of the net settled minutes for upper income countries (those that were scheduled to be in compliance by 1-1-99) and 86% of net settled minutes for upper middle income countries (those scheduled to be in compliance by 1-1-2000).

The Commission also adopted sweeping reforms of the longstanding international settlements policy, deregulating inter-carrier settlement arrangements (a) between U.S. carriers and foreign non-dominant carriers and (b) between U.S. carriers and all foreign carriers on competitive routes. The reforms reflect the new realities that exist in the international telecommunications market, in particular, the increased competition brought about by the 1997 WTO Agreement on Basic Telecommunications. The revisions will give greater opportunities to smaller carriers and will allow the market, rather than government regulations, to govern settlement arrangements between carriers in competitive markets.

Moreover, the fears expressed by many in the developing world that the Commission's benchmarks policy would adversely affect their settlement revenues have proven unwarranted in many cases. In fact, many developing countries have actually

experienced an increase in settlement revenues from U.S. carriers despite a reduction in the accounting rate because there has been a corresponding increase in traffic. Between 1995 and 1998, for example, 62 out of 107 developing countries that implemented one or more accounting rate reductions with U.S. carriers saw their net settlement revenues rise.

If we are to increase access, we must also continue to simplify our licensing processes to make it easier for carriers, both foreign and domestic, to provide service in the United States.

Last year, the Commission streamlined its 214 licensing procedures, saving thousands of hours of processing time and increasing the categories of applications eligible for streamlined processing. As part of this streamlining, the Commission adopted a series of measures that remove unnecessary obstacles to the expansion of service by authorized carriers and give carriers more flexibility to organize their operations more efficiently. Under the new streamlined rules, 99 percent of international Section 214 applications will qualify for streamlined processing.

We have also just marked the first anniversary of the International Bureau's electronic filing system, or IBFS. IBFS is a consolidated licensing system used to process all incoming applications; it also allows for electronic filing of most types of applications, resulting in considerable time savings for both the agency and its customers. For example, based on applications filed electronically in Fiscal Year 99, the time saving associated with

satellite earth station licenses was 68%; satellite space stations - 92%; and Section 214 non-streamlined applications - 88%.

On the satellite side, we have also streamlined our earth station licensing processes. In December 1999, the Commission made it much easier for non-U.S. licensed fixed satellites to obtain authority to serve the U.S. market. This decision enables non-U.S. satellites to be placed on a "Permitted Space Station" list once they have been authorized to provide service in the United States. Before the FCC's action, only U.S.-licensed satellites could be placed on this list. Earth stations with ALSAT licenses are allowed to access any satellite on the "permitted list". This is beneficial to foreign satellite

operators, because they can more easily market their services to prospective earth station customers.

Using this new procedure, we have added foreign-licensed satellites operated by

Canada's Telesat to this "permitted list", and anticipate that others will be added shortly. We are also continuing to process and grant individual requests by earth station operators to access foreign satellites - most recently, for example, we granted a request to access Eutelsat.

It has also been essential that we advance FCC interests at the ITU. 113 staff have participated in several important meetings at the International Telecommunications Union (ITU) where issues of concern to the Commission were addressed. Through participation in the ITU reform process, IB staff is encouraging the ITU to become more responsive to industry needs by streamlining its processes and permitting greater input from the private sector. Also as part of the ITU reform process, and through participation in Study Group meetings, IB staff is encouraging the ITU to adopt a hands-off approach to Internet regulatory issues; we were successful in derailing attempts to assign a country code for IP telephony, to adopt an Internet cost sharing regime, to prematurely define Internet "broadcasting", and to permit a greater role for the ITU in Internet numbering, naming, and addressing.

IB staff also led Commission participation on the U.S. delegation to ITU Study Group 3, at which the United States opposed a proposed plan for reform of the accounting rates system. United States opposition to the plan precluded its adoption. The proposed plan would have established unacceptably high target settlement rates and equally objectionable lengthy transition times for meeting those targets - both of which are at odds with the Commission's Benchmarks Order.

Throughout the year, IB staff played a lead role in developing guidelines in the ITU Development Sector on tariff issues, interconnection, and IP/Internet. These guidelines are particularly helpful to developing countries, many of whom look to the ITU for assistance in adopting and implementing procompetitive regulatory policies.

IL Broadband:

Now let's turn to broadband. We in the International Bureau have been equally

concerned with promoting the buildout of the fat broadband pipe. Here's what we've done on that front:

The Commission has authorized more undersea cable capacity, an essential conduit of broadband around the globe. Approximately 80% of international traffic originating in the U.S. is carried by undersea cables, increasing capacity and lowering the cost of capacity. As a result, the capacity of undersea cables on the Atlantic route has increased from less than one million 64 kbps circuits in 1997 to what is projected to be over 100 million 64 kbps circuits in 2001. Moreover, the cost of cable capacity has dropped precipitously. The cost per circuit equivalent has fallen from about \$90 million in 1988 to approximately \$2 million in 2000. This in turn is likely to put significant

downward pressure on the price of international calls and the cost of providing international Internet and other broadband service.

In 1999, we authorized a near-sevenfold increase in cable capacity over the previous year. IB granted authority for 10 new cables with a total of 39 million kbps circuits, or 20,560 STM-I's. This marks a significant increase from 1998, when we issued 7 cable approvals with a total of 6 million kbps, or over 3,200 STM-Ps. We recently conducted a forum with industry on this issue and will be looking further at the issue of submarine cables in the coming months.

The Commission also approved the AT&T and British Telecommunications joint venture - specifically, it approved the transfer of licenses and authorizations in connection with their proposed joint venture to provide international telecommunications services. The approval granted the joint venture Section 214 authorizations to provide international telecommunications services, and authorized AT&T to transfer to the joint venture AT&T's existing ownership interests in submarine cable stations and facilities and certain earth station licenses. With the imposition of limited conditions, the Commission found that the joint venture to be in the public interest.

On the satellite side, the Commission has also facilitated the deployment of new services, including those capable of providing rural and broadband services. In March 1999, the Commission proposed rules to license a new generation of mobile satellite service (MSS) at 2 GHz in the United States. We hope that a final Order will be acted on by the Commission early this year. The Commission has also proposed rules to facilitate ubiquitous fixed satellite terminals in the Ka band.

Those and other satellite services represent excellent technologies for providing service to rural areas -- a matter of great concern at the FCC and elsewhere. Whether the service is basic telephony or broadband Internet access, satellites have a key role to play in providing service to all Americans and to consumers around the globe.

III. Competition:

Now, we are more than ever convinced that the best way to promote universal access and to deploy broadband is through the big "C" - Competition. Few things we do in the International Bureau are as important as our ongoing effort to ensure effective implementation of WTO commitments. We conduct regular dialogues with our regulatory counterparts and, in particular, have focused on Mexico, Europe and Asia. As part of this effort, IB regularly consults with its regulatory counterparts around the world. IB staff met last year with officials from RegTP, the German regulator, a number of times, including an intensive two-day seminar in June. Talks with RegTP focused on interconnection, provisioning, dominant carrier safeguards, and other regulatory issues.

IB also led the preparation for Commission participation in deregulatory talks with Japan, hosted by USTR. Those talks focused on dominant carrier regulation and

interconnection. Just last month, Chairman Kennard held extensive talks with his counterparts in Portugal, Spain and France.

In addition to their work with regulators in Mexico, Europe and Asia, IB held talks with regulators from scores of other countries through the International Visitors Program

(IVP) and other bilateral fora. The IVP, which offers foreign Delegations an opportunity to interact with FCC staff and share information and perspectives on a wide range of telecommunications issues, hosted over 350 visitors from more than 90 countries.

Of course to effectively promote the WTO abroad, we have had to lead by example, and that we have certainly done. In the last year alone, we have authorized several foreign-licensed systems:

First, New Skies. In August 1999, the Commission authorized certain U.S. earth stations to provide fixed-satellite services (FSS) to, from, and within the United States via New Skies Satellites, N.V. (New Skies). New Skies is the spin-off of the International Telecommunications Satellite Organization (INTELSAT). This grant ensures continuity of service to those operators using the New Skies satellites prior to the transfer from INTELSAT and, provides domestic and international fixed satellite service in the United States via the New Skies satellites for the first time.

Second, ANIK. In the ANIK Order, the Bureau added two satellites operated by Telesat Canada, ANIK E1 at 111.10 W.L., and ANIK E2 at 107.3 W.L., to the "Permitted Space Station" list created in the Commission's DISCO II First Reconsideration Order. This was the first Order to add satellites to the Permitted Space Station list. This Order strengthened competition for certain fixed satellite services in the United States, by giving earth station operators two additional service provider options.

Third, TMI/SATCOM, In November as part of its on-going effort to increase

competition the Commission granted two satellite companies, TMI Communications and Company, L.P. (TMI), a Canadian company, and SatCom Systems (SatCom), a U.S. company, blanket authority to operate mobile earth terminals to provide mobile satellite service in the United States using a Canadian-licensed satellite.

The Commission found that grant of the earth station applications was consistent with the market access policies and procedures established in the Commission's DISCO II Order,

which implemented the U.S. satellite commitments under the World Trade Organization Agreements on Basic Telecommunications Services.

Our goal of increased competition has also led us to promote DBS as a viable alternative to cable. FCC Approval of DBS Mergers and Streamlining of DBS Rules -- coupled with significant action by Congress to enable DBS to transmit local broadcast channels -- have made this the year of DBS.

Last year, the FCC approved DirecTV's acquisition of USSB and EchoStar's acquisition of the MCI/News Corp channels at 110 degrees. We approved DirecTV's acquisition of Primestar's assets at 119 degrees. These transactions have freed up the Primestar channels that were tied up for two years and put them into the hands of strong competitors, enabling DBS to emerge as a true competitor to cable in the MVPD market. Increased competition in the MVPD market will benefit consumers through improved product offerings at lower prices.

We have been equally pro-competition in promoting the privatization of INTELSAT and INMARSAT.

The International Telecommunications Satellite Organization (INTELSAT), an intergovernmental satellite organization (IGO), is a treaty-based organization with 143 member governments. In 1999, INTELSAT, in creating a spin-off company, New Skies, took the first step toward privatization. Since the creation of New Skies, INTELSAT has turned its attention to developing and implementing a comprehensive restructuring of the entire organization.

INTELSAT's various governing bodies committed this year that INTELSAT will become a private corporation with a fiduciary board of directors replacing the current intergovernmental organization and will not have privileges and immunities. The INTELSAT Board of Governors will submit to the Assembly of Parties a comprehensive plan for privatization. It is anticipated that this plan will be implemented in 2001.

The privatization of INTELSAT will mark a fundamental shift in the global satellite communications arena, away from the government-controlled companies of the past and towards a market controlled and consumer oriented future.

In August 1999, the Commission authorized Level 3 direct access to the INTELSAT satellite system for the first time, an action that will benefit U.S. consumers and industry. By authorizing direct access to INTELSAT, the Commission has enabled U.S. companies to compete on a level playing field with companies in 94 other countries that already allow direct access. Already, over 80 companies have applied for direct access. Competitive pressure will give such firms the incentive to pass on much of these savings to consumers. This in turn will lower the cost to end users of INTELSAT service from between 10 to 71 percent, meaning substantial savings to consumers who use those services.

Turning now to INMARSAT -- Inmarsat was created in 1979 as an intergovernmental satellite organization (IGO) to own and operate a global satellite system for the purpose of providing commercial and safety maritime communications services. Inmarsat is based in London and operates eight satellites in the L-band now providing aeronautical and land mobile services as well as maritime services. More than 140,000 terminals of various types are in use. Inmarsat revenues for 1999 are projected to be \$450 million. On April 15 of last year, Inmarsat transferred its assets (satellites, associated facilities, headquarters building, etc.) to a newly created private company incorporated in the United Kingdom. Existing Inmarsat interests were allotted shares in the corporation. The newly created company now owns and operates the satellites previously owned and operated by Inmarsat and provides commercial, maritime, aeronautical and land mobile, and safety services. Inmarsat's privatization will allow it to be more responsive to customer needs in terms of service quality and price.

Promoting competition in the international satellite services market was also the driving force behind the Commission's decision to approve the first stage of the proposed acquisition of Comsat by Lockheed Martin.

On September 15, 1999, the Commission approved the first phase of Lockheed Martin's planned acquisition of Comsat Corporation. Commission review of the full merger will be subject to a future application that Lockheed Martin can only submit upon Congressional action amending the Communications Satellite Act of 1962.

Our belief in competition extends to the area of technical standards, in particular standards for third generation wireless services and equipment. The International Bureau has worked closely with industry to ensure that the standards work being conducted in the ITU and regional standards bodies will allow all technologies to compete on a level playing field. The FCC and its Executive Branch colleagues have worked cooperatively with counterparts in Europe and elsewhere to ensure that certain technologies are not favored through standards work or government regulations. The FCC believes that market forces should decide which technologies best serve consumers.

Lastly, competition is critically served by our work in the spectrum area. As the FCC's representative at regional and international spectrum-related meetings, the International Bureau's responsibilities extend globally. The FCC is currently engaged in intense preparatory activities for the World Radiocommunication Conference-2000 in Istanbul, Turkey.

The International Bureau will work to ensure that the United States protects its defense, space research and safety services at V@RC-2000 and future conferences. At the same time, the Bureau will work to ensure that service operators and equipment manufacturers have the necessary spectrum available to compete globally, and that spectrum is made available for new services. At V@RC-2000, the International Bureau will work as a part of the U.S. delegation to:

Protect the integrity of the Global Positioning System (GPS);

Agree on sharing criteria that will protect incumbent geostationary satellite orbit systems against harmful interference while allowing non-geostationary satellite orbit systems to enter the market;

Develop mechanisms for earth stations on U.S. Navy vessels and cruise ships to use in coordinating with terrestrial services on shore;

Establish agreement on sharing between the fixed service and fixed satellite service around 40 Gigahertz while safeguarding Radio Astronomy above; and

Examine requests for additional spectrum for International Mobile Telecommunications-2000, also known as 3' Generation Wireless.

The International Bureau has actively engaged its counterparts throughout the Americas and around the world. As a result, the United States has already developed most of its proposals for WRC-2000. The Bureau will continue to work within the U.S. process and internationally to bring successful resolution to the many issues that will be addressed at WRC. Success at the WRC is one of our highest priorities for 2000.

IV. Looking Ahead

So our agenda for 2000 is quite ambitious. Again, applying the ABC's of Chairman Kennard's agenda, the International Bureau will redouble its efforts to:

Promote Universal Access - through the Chairman's Development Initiative;

through vigorous enforcement of our benchmarks policy in order to bring about lower calling prices for consumers around the globe; and through continued streamlining of our rules in order to make it easier to bring new services to the marketplace.

We will continue our efforts to get broadband to consumers around the world by -increasing capacity and facilitating the deployment of new services;

And we will promote competition by continuing to champion the faithful implementation of the WTO Agreement both at home and abroad; by promoting pro-competitive privatization of the intergovernmental organizations; by ensuring an open and transparent standards process; and by ensuring that spectrum is made available on a competitive basis for new entrants and new technologies.

I look forward to continuing to work with you this year and beyond to make sure that we have a successful international agenda.

Thank You.