

CONSOLIDATED COMMENTS TO THE CHAIRMAN'S DRAFT OPINIONS
FOR THE WTPF98 SECRETARY-GENERAL'S REPORT

GENERAL COMMENTS ON DRAFT OPINIONS

TELIA:

1. The opinions draft an unduly gloomy picture of the challenges facing developing countries. While in a relation where there is a net traffic imbalance, it is true that a symmetrical lowering of settlement rates will reduce the net settlement payment transfer, it is also likely that there is a larger potential for lowering the settlement rate for traffic towards the country with lower real cost. This latter effect mitigates the effect of the former. This could be reflected in opinion B.
2. The opinions concentrate almost exclusively on the relations between operators, but neglect their relations with their customers. Lower rates between operators should be passed on to lower collection charges for customers, thus passing on the beneficial effects of liberalisation to society at large. This could be reflected in opinion C.
3. The opinions fail to reflect that telecommunications is not a zero-sum game. Lower collection rates are prone to induce customers to increase traffic and thus increase revenues for operators. This also mitigates the adverse effects of lower settlement rates for developing countries. An empirical study to analyse actual price elasticities in order to demonstrate this effect could be included in opinion D.

NETHERLANDS: Opinions B and D are quite close to each other. In an attempt to shorten the detailed text of the opinions (which together are 6 pages long!) it could be useful to take out those parts of the text which are doubled.

DRAFT OPINION A — The Implications of the WTO Agreement on Basic Telecommunication Services for the Membership of the ITU

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| a | <i>Recognizing:</i> that effective telecommunications networks and reasonably priced services are vital to the functioning of modern economies and for development, fundamental to business activity and a critical enabler of the emerging world of electronic commerce; | KENYA: ... functioning <u>and development</u> of modern economies ... |
| b | that increased trade in telecommunications has the potential to provide several benefits, such as new and improved services, lower prices for consumers, and lower costs of doing business; | GERMANY, FRANCE, PORTUGAL, EC: insert underlined text in point b: that increased trade in telecommunications, <u>within a transparent and relatively stable regulatory framework,</u> has the potential to provide several benefits, such as new and improved services, lower prices for consumers, and lower costs of doing business. |
| c | that policies which liberalize the telecommunications sector have proven to be successful in attracting considerable additional investment, much of the capital often coming from local or national sources; | GERMANY, FRANCE, EC and PORTUGAL: Omit point c and replace the text with the following : <u>that the implementation of a competition based telecommunications environment will encourage new investments in this sector, both from domestic and foreign sources;</u> KENYA: local <u>private</u> or national sources |
| d | that opening up telecommunications markets to foreign investment will often provide developing countries with additional capital to expand their telecommunications sector, as well as other sectors throughout the economy; | GERMANY, FRANCE, EC and PORTUGAL: Omit d and replace with the following; <u>that the overall economy, through the dual role of telecommunications both as a traded service and as a vehicle for trade in other sectors, will benefit from a competition based telecommunications environment.</u> NETHERLANDS: It is not only the developing countries who will profit from liberalisation; therefore we can support the text proposal of the European Commission. KENYA: that opening up telecommunications markets to <u>private</u> foreign investment ... |
| e | that all ITU Member States will be impacted either directly by participating in trade agreements or indirectly through commercial relationships with operators from liberalized regimes; | USA: That the trend to liberalize telecommunications <u>worldwide is irreversible</u> and all ITU Member States ... KENYA: that the <u>WTO agreement in trade in services will impact</u> all ITU Member States <u>and Sector</u> |

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| | | <u>Members ...</u> |
| | <i>Recalling:</i> the Buenos Aires Declaration on Global Telecommunications Development for the 21 st Century and, in particular, Resolution 4 of the 1994 World Telecommunication Development Conference on Telecommunication Policies and Strategies; | |
| | <i>Affirming:</i> that each Member State has the sovereign right to regulate its own telecommunications sector and to set its own timetable for taking advantage of market liberalization, subject to commitments made and disciplines accepted under the GATS; | |
| a | <i>Conscious:</i> that all members of the World Trade Organization (WTO) have committed, under its General Agreement on Trade in Services (GATS), not to discriminate against any WTO member (MFN obligation); | GERMANY, EC, NETHERLANDS, and PORTUGAL: replace “against” with “between”. USA: that all members of the World Trade Organization (WTO) <u>are obligated have committed</u> , under the General Agreement on Trade in Services (GATS), <u>to apply the principle of most-favoured nation treatment to services and service suppliers of other WTO members not to discriminate against any WTO member (MFN obligation)</u> ; |
| b | that WTO members that are signatories to the Agreement on Basic Telecommunications Services and that entered into additional commitments contained in the WTO Reference Paper undertook substantial obligations toward trade and liberalization of their telecommunications sector; | USA: that WTO members that are signatories to the <u>WTO Agreement on Basic Telecommunications Services ...</u> |
| 1 | <i>Encourages all ITU Member States:</i> to consider adopting the principles contained in the WTO Reference Paper (attached), and to apply principles such as Most Favoured Nation and National Treatment, when licensing new operators in their telecommunications sector; | USA: <u>Endorses the regulatory principles set out in the WTO Reference Paper (attached to this Opinion);</u> AUSTRALIA: we are concerned at the proposal that ITU members apply the principles only to “new operators” and note that the GATS does not discriminate between existing and new operators. We therefore propose the following amendment: “ <u>to consider adopting the principles contained in the WTO reference Paper (attached), and to apply principles such as Most Favoured Nation and National Treatment, on matters of market access for operators;</u> ” FRANCE, GERMANY, EC AND PORTUGAL: to consider adopting the principles contained in the WTO Reference Paper (attached), and to apply WTO principles such as Most Favoured Nation and National Treatment <u>when establishing a new regulatory framework and in particular when licensing new operators in their telecommunications sector;</u> NETHERLANDS: Since MFN and NT are defined within WTO and not in ITU, we propose “ <u>and to apply WTO-principles.</u> ” USA: to consider adopting the principles contained in the WTO Reference Paper (attached), and to apply principles such as <u>market access Most Favoured Nation and National Treatment, when licensing new operators in their telecommunications sector;</u> KENYA: to consider adopting the <u>basic principles contained in the WTO Reference paper (attached), and to apply all the six principles ...</u> |
| 2 | to implement their existing and planned commitments under the WTO Basic Telecommunications Agreement effectively and expeditiously and, for those that have not yet made commitments, to consider doing so; | USA: <u>to implement their existing and planned commitments under the WTO Basic Telecommunications Agreement effectively and expeditiously and—for those that have not yet formally accepted the Agreement or offered yet made</u> |

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| | | commitments, to do consider doing so; KENYA: 3. To consider new areas (or offers) for commitment or opening and for those that have yet to <u>make such commitments, to consider doing so urgently in the intervening period.</u> |
| 1 | <i>Invites the ITU Council, in consultation with elected officials:</i> to pursue further an agreement with the WTO on co-operation in areas of common interest, with particular emphasis on regulatory reform, trade and liberalization of telecommunications markets and in recognition of how these policies may assist in meeting national development goals; | FRANCE: Replace “Council” in title with <u>Secretary General</u> . PORTUGAL and GERMANY: In the heading, replace “Council” with “Secretary General” and it should read “in consultation with <u>the other</u> elected officials:” |
| | to prepare a report to the upcoming Plenipotentiary Conference regarding progress in this area and to identify any specific actions requiring a decision by that Conference. Attachment: WTO Reference Paper. | PORTUGAL, GERMANY and FRANCE: <u>to present this agreement</u> to the upcoming Plenipotentiary Conference and to identify any specific actions requiring a decision by that Conference... NETHERLANDS: It is the SG of the ITU (not the Council), who should 2) "present the agreement with WTO to the Plenipotentiary Conference... USA: <u>to encourage dialogue among regulators about ways to foster liberalization, including implementation of WTO commitments.</u> |

| DRAFT OPINION B — The Implications of the WTO Agreement for Developing Countries | | |
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| a | <i>Considering:</i> the successful conclusion in February 1997 of the landmark agreement among 69 WTO member countries to liberalize their basic telecommunications markets which account for more than 93 per cent of telecommunications revenue worldwide, estimated to be worth more than US\$600 billion; | |
| b | that many developing countries were party to this agreement and that the effects of the agreement will be widely felt in all countries that made market access commitments to liberalize their basic telecommunications markets, as well as in the countries with whom they trade; | KENYA: ... effects of the agreement will be widely felt in all countries that made market access <u>concessions</u> and commitments ... |
| c | that the WTO Agreement on Basic Telecommunications was agreed against a backdrop of other regulatory, technical, commercial and financial changes sweeping the telecommunications sector, all of which will also have a profound effect on developing countries; | USA: all of which will also have a profound effect on <u>developing countries;</u> |
| a | <i>Recognizing:</i> that these changes in the international telecommunication environment will affect developing countries profoundly, regardless of whether they made WTO commitments to liberalize their basic telecommunication markets; | USA: that these changes in the international telecommunication environment will affect <u>all ITU Member States</u> developing countries profoundly ... |
| b | that many developing countries are concerned that these effects will include a reduction in settlement payments received, difficulty in attracting foreign investment and pressure toward cost-based pricing for telecommunication services from their trading partners, and may reduce their ability to implement a sustained network infrastructure development plan, and to finance universal access to basic telecommunications; | GERMANY, EC and FRANCE: Insert under point b: many developing countries are concerned that these effects will include a reduction in settlement payments received, <u>which will not necessarily be compensated by increased revenues from domestic services.</u> Omit from point b: “ difficulty in attracting foreign investment and pressure toward cost based pricing for telecommunication services from their trading partners ” NETHERLANDS: Modify b: received <u>which will not necessarily be compensated by increased revenues from domestic services, difficulty in attracting foreign</u> |

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| | | investment and pressure toward cost-based pricing for telecommunication services from their trading partners, and may reduce their ability to implement a sustained network infrastructure development plan, and to finance universal access to basic telecommunications; Add separate point c: that some developing countries are also concerned that these changes and their effects may reduce their ability to sustain a network infrastructure development plan, and to finance universal access to basic telecommunications; |
| | <i>Believing:</i> that these developments in the international telecommunications marketplace must lead to a paradigm shift among developing countries and a new, market-oriented approach to financial, policy and regulatory strategies to ease their transition from the old order to the new environment within which their economies must now operate; | <i>USA:</i> ... a new, market-oriented approach to financial, policy, and regulatory strategies to <u>facilitate</u> ease their transition ... |
| 1 | <i>Urges ITU Member States, and in particular developing countries:</i> to continue taking appropriate steps to ease their transition to the new international telecommunication environment in a manner that respects their national realities and national economic development goals, for instance by actively considering the liberalization of their telecommunications markets, rebalancing national tariffs, encouraging private investment and developing effective policies for the funding of universal access obligations; | <i>GERMANY, EC and FRANCE:</i> for instance by actively considering <u>the appropriate policies and means to assure progressive the liberalization</u> of their telecommunications markets, rebalancing national tariffs, encouraging private investment and developing <u>alternative effective policies-solutions and regulatory mechanisms</u> for the funding of universal access- service obligations; <i>USA and AT&T:</i> ... taking appropriate steps to <u>facilitate</u> ease their transition to the new international ... for the funding of universal access obligations <u>that are transparent, non-discriminatory, and competitively neutral</u> ; |
| 2 | to share experience with one another in the implementation of WTO commitments and of the reference paper principles; | |
| 1 | <i>Invites the ITU:</i> to factor in the impact of the WTO Basic Telecommunications Agreement when planning its programmes and activities for the coming years; | |
| 2 | to continue and expand its programmes and information seminars which outline the impact of the WTO Agreement on Basic Telecommunications for developing countries and provide practical guidance to developing countries who have made, or are contemplating making, WTO market access commitments; | <i>KENYA:</i> to continue and expand its programmes and information seminars which outline the impact of the WTO agreement of basic telecommunications for developing countries <u>on a regional basis</u> and ... |
| 3 | to serve as a depository of information on the experience of Member States instituting market liberalization initiatives, focusing on how universal service issues are being addressed, the transition of their markets to the emerging international telecommunication environment, attracting foreign investment, effective sectoral restructuring, price reform and tariff rebalancing, the licensing of new operators, and implementing sound regulatory practices and frameworks; | <i>GERMANY, EC and FRANCE:</i> Insert the underlined sentence in point 3 and omit the text in bracket: <u>to facilitate, through appropriate means, the exchange</u> (serve as a depository) of information on the experience of member states...” |
| 4 | to invite the WTO to participate in and contribute its expertise and knowledge to these activities. | <i>TELESUR:</i> Add: 1. To introduce transition period programs based on models and case studies, following their WTO commitments, thus attempting to minimize the possible negative impact of the WTO agreement. 2. To address mechanisms other than liberalization and |

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| | | <p>competition to achieve universal service based case models and case studies.</p> <p>KENYA: to invite WTO to participate in <u>and to collaborate with Members and Sector Members individually or collectively through ITU in</u> the activities and contribute its expertise and knowledge in <u>any feasible way such as through direct technical assistance and/or through regional/country seminars/workshops.</u></p> |
| DRAFT OPINION C — The evolution of the international telecommunication environment, particularly the accounting and settlement system | | |
| | <p><i>Considering:</i> that ITU-T Recommendation D.140 calls for the establishment of rates for the settlement of accounts which are cost-oriented, applied in a non-discriminatory manner, and transparent;</p> | <p>KDD: The issues of accounting rate reform should be dealt with solely by ITU-T SG3. You can easily remember that at the press interview initiated by SPU and SG3 after the meeting of SG3 last May, the press was apparently confused with the relations of Informal Expert Group on settlements and SG3. The WTPF should not form entities other than SG3 to realize cost-orientated accounting rates. In addition, you should bear in mind that Rec D.140 does not provide the principle of ‘transparency’. The last meeting of SG3 last December confirmed it many times.</p> <p>GERMANY, EC and FRANCE: the establishment of <u>accounting rates</u> for the settlement of accounts ...</p> <p>AT&T and USA: Add a second paragraph to read, “that, while accounting rate levels generally have been decreasing, few administration have achieved cost-orientated rates as called for in Recommendation D. 140.</p> |
| a | <p><i>Recognizing:</i> that, following the implementation of the WTO Basic Telecommunications Agreement, the majority of global outgoing international traffic is now provided under competitive market conditions;</p> | |
| 2 | <p>that, given the uneven pace of market liberalization, the number of asymmetric relations between competitive, partially competitive and non-competitive markets is likely to increase in the short-term;</p> | |
| c | <p>that an increasing range of technical options are now available for the origination and termination of telecommunication traffic;</p> | <p>AT&T: .. an increasing rage of technical <u>and remuneration</u> options are now available ...</p> <p>USA: that an increasing range of technical options are now available for the origination and termination of telecommunication traffic <u>and, with increased competition in the global telecommunications market, several methods for settling international traffic will co-exist;</u></p> |
| d | <p>that these circumstances create additional urgency to the work of ITU-T Study Group 3 in reforming the international accounting rate system;</p> | <p>GERMANY, EC and FRANCE: ...in reforming the international <u>accounting and settlement</u> rate system.</p> |
| a | <p><i>Conscious:</i> that ITU-T Study Group 3 has proposed an expanded menu of remuneration options to include a settlement rate procedure, a termination charge procedure and other commercial arrangements, and has proposed a set of transitional arrangements to cost-oriented rates;</p> | <p>NETHERLANDS: The Netherlands could accept the proposal to bring accounting rates down below 1 SDR. However, we are not in favour of any sort of termination fee-system as long as this is not based on real costs and carried out within a competitive environment. As regards the creation of new groups: we urge the ITU to do everything possible to carry out the work within the existing ITU-study groups and to avoid duplication of work.</p> <p>AT&T: we believe strongly that paragraph a) should be broken into 2 separate points to portray more clearly the work of Study Group 3. Thus, we suggest the following language:</p> |

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| | | <p><u>“a) that ITU-T Study Group 3 has proposed a transitional arrangement as an initial step to cost oriented rates (in the form of a proposed new Annex to Recommendation D.140).</u></p> <p><u>b) that ITU-T Study Group 3 is also considering expanding the menu of remuneration options included in Recommendation D. 150.</u></p> <p>And we suggest adding an additional paragraph, as follows: <u>prices for terminating international traffic between competitive markets will more closely reflect actual costs.</u></p> <p><u>USA: a) that ITU-T Study Group 3, as an initial step to achieving cost-oriented rates, has proposed transitional arrangements that call for:</u></p> <ul style="list-style-type: none"> • <u>administrations/ROAs to reduce total accounting rates to less than 1 SDR per minute by the end of 1998, taking into account the fact that special provisions should be given to facilitate the transition by developing countries, in particular, the least developed countries;</u> • <u>administrations/ROAs whose accounting rates are below 1 SDR per minute to continue to take positive steps to reduce their accounting rates to cost-oriented levels;</u> <p><u>b) that ITU-T Study Group 3 has also proposed an expanded menu of remuneration options to include a settlement rate procedure, a termination charge procedure and other commercial arrangements;</u></p> <p><u>c) that prices for terminating international traffic in competitive markets will be close to cost;</u></p> <p>(Study Group 3 has two discrete proposals before it that are in different stages of completion. One proposal is for transitional arrangements and the other is to add additional remuneration options to Recommendation D.150. We also suggest adding text to describe the transitional arrangements, as we suggest deleting the attachment which provides the draft text of the transitional arrangements currently before Study Group 3.</p> |
| b | that within the European Union, and between the United States and certain other countries, best practice rates for the termination of international traffic are already below 0.05 SDR per minute; | <p><i>GERMANY, EC and FRANCE:</i> that within the European Union, and between the United States and certain other countries, best practice rates <u>some rates for the termination of international traffic in competitive routes</u> are already below 0.05 SDR per minute;</p> <p><i>NETHERLANDS:</i> b) the figure of "below 0.05 SDR" is only relevant on some competitive routes; therefore we'd like to suggest to refer here to <u>"some rates on competitive routes"</u>.</p> <p><i>USA:</i> between the United States and certain other countries <u>that have introduced competition in their international services market</u>, best practice rates for the termination ...</p> |
| c | that research conducted by the ITU Secretariat estimated that, in the majority of relations, a settlement rate of 0.18 SDR would cover costs. | <p><i>GERMANY, EC and FRANCE:</i> Omit point c.</p> <p><i>NETHERLANDS:</i> point c delete, or refer to the source from where this figure is taken.</p> <p><i>USA:</i> that research conducted by the ITU Secretariat <u>estimated concluded that, in all but a few cases, the majority of relations, a settlement rates should be priced below of 0.18 SDR per minute would cover costs.</u></p> |
| a | <i>Aware:</i> | <i>AT&T:</i> We are very concerned that the parenthetical |

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| | [that the Case Studies carried out for this Forum have revealed significant differences in the costs of terminating international traffic between countries and have demonstrated a lack of cost data;] <i>Note: Pending study of case studies.</i> | language in paragraph A may represent how the results of the Case Studies will be presented. In particular, while noting that there is a demonstrable lack of cost data, there seems to be a conclusion that “significant differences in the cost of terminating international traffic” exist – irrespective of the lack of evidence to support this claim. We hope that this conclusion will either be corrected or that data will be brought forward to support the claim. USA: If there is a lack of data, how can the case studies affirmatively establish that there are significant differences in the costs of terminating international traffic between countries? |
| b | that some developing countries fear that a sudden reduction in settlement rates would also lead to a reduction in settlement payments, which would endanger their ability to meet network development targets and fulfill universal service obligations, and therefore they need a longer transition period; | GERMANY, EC and FRANCE: Insert “...lead to a reduction in settlement payments, which would endanger <u>or reduce</u> their ability to meet network development targets...” USA: lead to a reduction in settlement payments, which <u>and, as a result,</u> would endanger their ability to meet network development targets and fulfil universal service obligations, <u>and they would therefore like to see they need a longer transition period</u> |
| c | that a cost-oriented accounting system may be asymmetric; that is, with higher costs for terminating calls in some countries than others; | USA: add d: <u>that cost-oriented settlement mechanisms will benefit end users of international telecommunication services;</u> |
| 1 | <i>Invites all ITU Member States and Sector Members:</i> to endorse the results of ITU-T Study Group 3 in developing new methods for setting cost-oriented rates for termination of international telephony traffic, and importantly developing transitional arrangements leading to cost-oriented levels (agreement to an initial target accounting rate of less than 1 SDR; i.e., a settlement rate of below 0.5 SDR where the 50- 50 arrangements applied), attached for information to this Opinion; | GERMANY, EC and FRANCE: (agreement to an initial target accounting rate of less than 1 SDR; i.e., a <u>settlement-remuneration</u> rate of below 0.5 SDR where the 50- 50 arrangements applied), NETHERLANDS: see new proposal below which refers to new entrants. AT&T: To more clearly reflect the results of the Dec. Mtg. of SG3, we recommend the following language changes: <u>“1. To endorse the work of the ITU-T Study Group 3 in its proposal of a new Annex to D.140 identifying transitional arrangements leading to cost-oriented accounting rates, and to consider the addition of additional remuneration options in D.150.</u> <u>2. to work toward achieving cost-oriented settlement rates as soon as possible as called for in D.140”.</u> USA: to endorse the <u>work</u> results of ITU-T Study Group 3 in <u>to developing additional new</u> methods for setting cost-oriented rates for termination of international telephony traffic, and importantly, <u>to developing</u> transitional arrangements <u>as an initial step to achieving</u> leading to cost-oriented levels (agreement to an initial target accounting rate of less than 1 SDR; i.e., a settlement rate of below 0.5 SDR where the 50- 50 arrangements applied), attached for information to this Opinion; |
| 2 | to work towards reducing effective settlement rates below 0.5 SDR per minute after 1998 in a transition towards cost-oriented levels; | GERMANY, EC and FRANCE: to work towards reducing effective settlement rates-remuneration rates below 0.5 SDR per minute after 1998 in a transition towards cost-oriented levels; <u>without prejudice to the specific needs of developing countries, and in particular least developed countries;</u> <u>to acknowledge that an increasing number of countries will be evolving to a multi-operator environment and, notwithstanding each ITU member’s domestic liberalization policies, to ensure that agreements to exchange international traffic with major suppliers can</u> |

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| | | <p><u>be extended to new entrants of these countries in accordance with principles of cost-orientation, transparency and non-discrimination as defined in recommendation D 140.</u></p> <p><u>USA: to continue to work towards reducing effective settlement rates below 0.5 SDR per minute after 1998 in a transition towards to cost-oriented levels, as called for in Recommendation D.140;</u></p> <p>Add additional point: <u>to make their rates for terminating international traffic, and the methodology for calculating those rates, transparent, as called for in Recommendation D.140;</u> All administrations/ROAs have an ongoing obligation under Recommendation D. 140, which is not affected by the transition arrangements proposal before SG3, to reduce their settlement rates to a cost-oriented level.</p> |
| | <p><i>Invites the ITU Secretary General, in liaison with the Directors of the TSB and the BDT</i> to respond positively to requests from service providers in developing countries for assistance in developing cost accounting systems for international telecommunications;</p> | |
| | <p><i>Urges Member states and Sector Members:</i> to introduce cost-accounting mechanisms in their network operations to allow them to establish real costs of terminating international traffic</p> | |
| 1 | <p><i>Invites the Director of the TSB:</i> to establish a group urgently to develop interim mechanisms to be applied pending the development of methodologies for determining cost-orientation, examining existing analytical and statistical studies;</p> | <p>EC: Alternative proposals?</p> <p>FRANCE: We have strong reservations concerning the proposition for the creation of a working group, apart from SG3, with the role to “develop interim mechanisms to be applied pending the development of methodologies for determining cost-orientation, examining existing analytical and statistical studies”. Therefore, we cannot accept the present wording under “Invites the Director of the TSB”. Replace text with the following: <u>“to provide the necessary resources to ITU-T Study Group 3 to urgently develop interim mechanisms to be applied for further reduction of the total accounting rates pending the development of methodologies and appropriate cost models for determining effective cost orientation of these rates.”</u></p> <p>AUSTRALIA: Australia does not agree to the establishment of a specialized group to develop interim measures to apply until costing methodologies are finalized:</p> <ul style="list-style-type: none"> • there are already transitional arrangements in place (as per the Attachment: Draft Text for the ITU Study Group 3 on Transitional Arrangements); • there are regional groups such as TAS, already addressing this issue; • unless the provision of “necessary resources” includes travel and accommodation, members low on resources and/or at some distance from the designated meeting place are likely to be excluded from the discussions (and we consider that providing resources for people to attend meetings is not a good use of resources); • if further work is required it could be progressed through white contributions to SG3 or by electronic communication. <p>Thus propose: <u>to encourage the urgent development of methodologies for determining cost-orientation.</u></p> |

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| | | <p><u>examining existing analytical and statistical studies through Regional Tariff Groups;</u> AT&T: First, we suggest that the title of this section be changed to “<u>Invites the Secretary General, in consultation with the Directors of the TSB and the BDT.</u>” Second, we suggest adding the following words to the end: “<u>and taking into account practices on competitive routes.</u>” USA: ... <u>examining existing analytical and statistical studies and taking into account current best practices;</u>(current language gives the impression that SG has already approved the proposed transition arrangements and additional remuneration methods. The parenthetical explanation is incomplete; we propose a more detailed description in the “conscious”section.</p> |
| 2 | to instruct this group to report back by the end of 1998 to the Council, the Director and ITU-T Study Group 3 with proposed mechanisms and recommendations for implementing transitional arrangements beyond 1998; | <p>FRANCE: <u>to instruct ITU-T Study Group 3 to report back to the 99 Council with proposed mechanisms and recommendations for implementing transitional arrangements beyond 1998.</u> GERMANY: delete Council reference; add: <u>to establish a group within ITU-T Study Group 3 with the assigned task to develop interim mechanisms to be applied pending the development of methodologies for determining cost-orientation, examining existing analytical and statistical studies.</u> AUSTRALIA: <u>to instruct the groups to report back by the end of 1998 to the Council.</u> AT&T and USA: We recommend changing the date to November 15, 1998, so that SG3 can consider the results of this work at its December 1998 meeting.</p> |
| | <i>Invites the Council</i> recognizing the urgency of the matter, to provide the necessary resources for the Group to meet regularly and to produce its report to Council, Director TSB and ITU-T Study Group 3 by end-1998. | <p>GERMANY, AUSTRALIA: Strike this paragraph. FRANCE: the text under “invites the Council” should be deleted</p> |
| | Attachment: Draft text from ITU-Study Group 3 on Transitional Arrangements [text follows] | <p>AUSTRALIA: Australia does not agree to the inclusion of the Draft text in Opinion C: it has already been agreed to by Study Group 3; and it is included in the Secretary-General’s paper. AT&T: We question the advisability of incorporating into the Opinion itself a proposed addition to an ITU-T Recommendation that has not yet been agreed. Since the text of this SG3 proposal is already included in the body of the Sec-Gen’s Report, perhaps that is enough to inform the WTPF participants on its contents. We would recommend removing it from the Opinion text. USA: Strike attachment. We suggest deleting the attachment because we believe it is inappropriate to attach text which has not yet been approved. We recognize that the draft Opinion clearly notes that the text is in draft form. Nonetheless, we believe that attaching the text gives it more authority than it deserves at this time. Additional edits to the “Conscious” section are intended to clarify that the transitional arrangement proposal before Study Group 3 is <u>an initial step</u> to achieving cost-oriented rates and to provide a more accurate characterization of the research conducted by the ITU Secretariat.</p> |
| DRAFT OPINION D — Cooperative Actions Between ITU Member States and Sector Members To Facilitate Adaptation to the New Telecommunication Environment | | |

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| a | <i>considering:</i> that the International Telecommunication Regulations and various ITU Recommendations constitute a framework, agreed among Member States of the Union, governing tariffs and accounting in international telecommunications; | |
| b | that the General Agreement on Trade in Services (GATS) and the basic telecommunications agreement confer a new status on telecommunication services, which are now viewed by many as a tradable commodity, while still remaining a means of delivery for other valuable services; | GERMANY, EC and FRANCE: that the General Agreement on Trade in Services (GATS) and the <u>WTO Agreement on Basic Telecommunications agreement</u> ... |
| a | <i>recognizing:</i> that many countries have liberalized their telecommunication markets and that significant volumes of traffic now flow outside the traditional settlement arrangements; | GERMANY, EC and FRANCE: replace ‘now’ with ‘ <u>are beginning to</u> ’ |
| b | that liberalization of the global telecommunications market is leading to a lowering of settlement rates and reform of the international settlements system; | GERMANY and FRANCE: that liberalization of the global telecommunications market is leading to a lowering of <u>accounting</u> rates and reform of the international <u>accounting and settlements</u> system; |
| c | that the arrival of new entrants can attract new investment resources, particularly in developing countries, and that a sustainable competition can, in the medium term, lower tariffs, making telecommunication services more accessible; | GERMANY, EC and FRANCE: and that a <u>sustainable competition</u> can, in the medium term, lower <u>collection charges</u> tariffs, making telecommunication services more accessible; USA: that the arrival of new entrants can attract new investment resources, particularly in developing countries, and that <u>development of a sustainable competition can, in the medium term, lower tariffs, thereby stimulating demand and increasing revenue making telecommunication services more accessible;</u> |
| | <i>conscious:</i> that many administrations are currently dependent on settlement revenues, which account for a significant proportion of overall resources, and are used for support of infrastructure development and in universal service goals, and that a sudden reduction in these resources could slow investment; | AUSTRALIA: As the point has been made in Opinion A (<i>Recognizing c</i>) “that policies which liberalize the telecommunications sector have proven to be successful in attracting considerable additional investment.....” Australia considers that, for the sake of consistency, a distinction should be made in Opinion D between liberalized and unliberalized developing countries. It proposes the following amendment: “ <u>that many administrations are currently dependent on settlement revenues, which account for a significant proportion of overall resources, for support of infrastructure development and in universal service goals, and that a sudden reduction in these resources could slow investment unless those administrations introduce policies to liberalize their telecommunications sectors.</u> ” USA: that <u>in some many administrations are currently dependent on settlement revenues, which account for a significant proportion of overall resources, and are used for support of infrastructure development and in universal service goals, and that a sudden reduction in these revenues/resources could slow infrastructure development in the absence of new sources of financing investment;</u> |
| | <i>believing:</i> that settlement rates between liberalized and non-liberalized markets will inevitably move towards levels dictated by effectively competitive markets and that dependence on settlement revenues for infrastructure development and universal service cannot be sustained, and that new sources of financing are necessary; | GERMANY, EC and FRANCE: that settlement rates between liberalized and non-liberalized markets will <u>tend gradually to will inevitably</u> move towards levels <u>determined/dictated</u> by effectively competitive markets and that dependence on settlement revenues for infrastructure development and universal service <u>will be difficult to maintain/cannot be sustained</u> , and that new |

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| | | <p>sources of financing <u>may consequently become</u> necessary; <u>Urges</u> developing countries to gradually implement tariff rebalancing policies with a view to increasing domestic revenues and reducing dependence on revenues from accounting rates;</p> <p><i>NETHERLANDS</i>: Wording is too radical. Replace by "...<u>determined</u> by effectively competitive markets and that dependence on settlement revenues only for infrastructure development and universal service <u>will be difficult to maintain</u>, and that new sources of financing are consequently becoming necessary;"</p> |
| 1 | <p><i>urges ITU Sector Members and Member States</i>: to make in-kind or financial contributions to support other Member States and Sector Members in adjusting to the new trade in telecommunication services environment, and for developing country members to make adjustments to increase domestic revenue and decrease dependence on revenues from accounting rates, and to ensure that the smooth growth of telecommunications is not hindered in countries which are likely to be severely affected by the changes;</p> | <p><i>GERMANY, EC, NETHERLANDS and FRANCE</i>: urges <i>invites</i> ITU Sector Members and Member States:</p> <ol style="list-style-type: none"> 1. to <u>further develop appropriate cooperation, particularly during a transitional period, make in-kind or financial contributions</u> to support developing countries other Member States and Sector Members in adjusting to the new trade in telecommunication services environment, and for developing country members to make adjustments to increase domestic revenue and decrease dependence on revenues from accounting rates, and 2. to ensure that the smooth growth of telecommunications is not hindered in countries which are likely to be severely affected by the changes and; 3. to encourage international ... <p><i>AUSTRALIA</i>: Australia does not consider that this point will be accepted as a convincing argument (and certainly not by carriers operating in a competitive environment). The following amendment is proposed: <u>to make in-kind or financial contributions to support other Member States and Sector Members in adjusting to the new trade in telecommunications services environment, and for developing country members to make adjustments to increase domestic revenue and decrease dependence on revenues from accounting rates, and to ensure that the smooth growth of telecommunications is not hindered in countries which are likely to be severely affected by the changes;</u></p> <p><i>USA</i>: urges ITU Member States and Sector Members and Member States to make in-kind or financial contributions to support <u>the resources required to help administration and/or ROAs that want to adjust to the new trade in telecommunications services environment, including support for the speedy establishment of the center of excellence proposed by Council 97. and for developing country members to make adjustments to increase domestic revenue and decrease dependence on revenues from accounting rates, and to ensure that the smooth growth of telecommunications is not hindered in countries which are likely to be severely affected by the changes;</u></p> <p><i>AT&T</i>: We recommend re-inserting language from the previous paragraph 1 as follows: "1. <u>To make available the resources required to help Administrations and/or ROAs adjust to the new trade in telecommunications services environment. This would include lending support to the speedy establishment of the Centres of Excellence proposed by Council '97.</u>"</p> |
| 2 | to encourage international carriers to mitigate the effects | <i>KDD</i> : I cannot catch fully the meaning of the section |

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| | <p>of settlement rate reform on developing countries by adopting transparent pricing mechanisms for transit traffic to allow developing countries to reap the benefits of a competitive market for transit services;</p> | <p>under <i>urges ITU Sector Members and Member States; especially 2) ---by adopting transparent pricing mechanisms for transit traffic to allow developing countries to reap the benefits of a competitive market for transit services.</i> I hope this point will be clarified and refined, as necessary, at the 2nd meeting of Informal Group of Experts, 5-6 February 1998.</p> <p>USA and AUSTRALIA: strike this paragraph.</p> <p>USA: Add new paragraph: <u>“to avoid henceforth making any new decisions that are liable to introduce or perpetuate a situation of monopoly over a type of telecommunication service or network.”</u></p> <p>USA GLOBALINK: <u>“To encourage international carriers to mitigate the effects of settlement rate reform on developing countries by encouraging competition for transit traffic in effectively monopolistic markets, thus allowing developing countries to reap the benefits of a competitive market for transit services.”</u></p> <p>AT&T: We strongly urge that paragraph 2 be deleted entirely. First, addressing transit issues is clearly out of place in this Opinion. Second, the global trend in this industry is toward a more commercial environment with less intervention by regulators. As the transit market is already a commercial marketplace, it would be inappropriate for the ITU to recommend another overlay or regulation upon it.</p> |
| 1 | <p><i>invites the ITU Secretary-General, in liaison with Directors of the BDT and the TSB:</i> to implement without delay, in liaison with the Director of BDT, the centres of excellence whose establishment was decided upon by Council 97,</p> | <p>FRANCE: Invites the ITU Secretary-General, in <u>close</u> liaison with Directors of the BDT and the TSB: Replace “To implement without delay ...” with <u>to prepare a report to the upcoming Plenipotentiary Conference regarding the implementation of centres of excellence in developing countries whose proposed establishment was noted by Council 97.</u></p> <p>GERMANY: to implement without delay, in liaison with the Director of BDT, the centres of excellence whose establishment was decided <u>noted upon</u> by Council 97,</p> <p>KDD: I am also not sure why the ITU Secretary General should be involved in activities of cost orientated tariff systems or assisting transitional process in the form of the centres of excellent. From that point of view, we propose to delete the section under <i>“invites the ITU Secretary-General, in liaison with Directors of the BDT and the TSB..”</i></p> |
| 2 | <p>to make every effort, in liaison with the Director of the TSB, to ensure that new, cost-oriented, transparent and non-discriminatory tariff systems are adopted in 1998 that will facilitate the transition to a trade regime, and to finalize and/or validate cost-models which can be used to assist the transitional process;</p> | <p>GERMANY, EC and FRANCE: to make every effort, in liaison with the Director of the TSB, to ensure that new, cost-oriented, transparent and non-discriminatory <u>accounting and settlement</u> tariff systems are adopted in 1998 that will facilitate the transition to a <u>fully competitive</u> trade regime ...</p> <p>AT&T: We do not understand the use of the term “tariff systems”. Perhaps clearer terminology would be “settlement rates.”</p> |
| 1 | <p><i>invites the ITU-D Sector, in cooperation with the TSB and the Strategic Planning Unit:</i> to develop a programme of regional seminars to support Member States in establishing independent regulatory bodies within their own governments;</p> | <p>GERMANY, EC and FRANCE: to develop a programme of regional seminars to support Member States in establishing <u>separate independent</u> regulatory bodies within their own governments;</p> <p>AUSTRALIA: Australia proposes that the programme of regional seminars about the establishment of regulatory bodies could be carried out by regional organizations such as the APT with the ITU contributing its expertise where necessary. It proposes</p> |

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| | | <p>the following amendment: “in cooperation with appropriate regional bodies, to develop a programme of regional seminars to support Member States in establishing independent regulatory bodies within their own governments;” KENYA: ... to support Member states in establishing independent regulatory bodies within their own governments during the transition period. USA: a. To work with the other sectors to develop a plan to assist Member States and Sector Members in implementing principle identified in ITU-D Recommendations, including:</p> <ul style="list-style-type: none"> • adjustment of the legal framework in order to create a competitive environment; • the prerequisite conditions for the establishment of a regulatory agency and for quaranteeing its independence; • the functions, structure, states and management procedures of an independent regulatory agency; source of revenue and charges for the services provided by an independent regulatory agency; <p>b. to widely disseminate the conclusions of ITU-D Study Group 1 and to support their application through workshops organized for countries that are undertaking the liberalization of their telecommunication markets;</p> |
| 2 | to extend the case studies carried out in connection with this Forum through detailed studies to develop possible models for progressive tariff rebalancing; | USA: to continue the use of extend the case studies such as those carried out in connection with this Forum through detailed studies to develop possible models for progressive tariff rebalancing; |
| 3 | to foster regulatory reform by facilitating effective collection and dissemination of data from all sources, especially with respect to settlement rate levels and trends, and issues relating to tariff rebalancing and interconnection and to support establishment of databases and Web pages for this purpose; | GERMANY, EC and FRANCE: to foster regulatory reform by facilitating effective collection and dissemination of data from all sources, especially with respect to settlement-accounting rate levels and trends, and issues relating to tariff rebalancing and interconnection and to support establishment of databases and Web pages for this purpose; USA: ... issues relating to tariff rebalancing and interconnection, regulation of dominant carriers, and universal access, and ... |
| 4 | to provide assistance to developing countries that wish to introduce analytical accounting and a cost-orientated tariff system; | |
| 5 | to assist countries most in need by: <ul style="list-style-type: none"> • facilitating relationships with the World Bank and other international development agencies on technical and financial assistance for developing countries during a specified transition period; • facilitating access to private capital markets by fostering the exchange of information on methods of privatization of national operators, promotion of private ownership and investment, and development of a competitive, multi-carrier environment; | |
| | <i>suggests to ITU Council 98:</i> to give favourable consideration to the need to find sufficient internal resources to support the above actions, and encouraging ITU's partners to do likewise. | FRANCE: Omit heading: <i>suggests to ITU Council 98:</i> and all the text underneath it. Replace with <i>invites WTDC'98 and PP'98 to assure that above actions are incorporated within working programmes of the ITU.</i> AUSTRALIA: Finally, in relation to Opinion D, Australia considers that reference should be made in the Opinion to the need to amend the International Telecommunications Regulations to ensure their |

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| | | continued relevance and consistency with WTO (paragraph 57 of the Secretary-General's paper refers). <i>GERMANY: strike this paragraph. Add: <u>invites WTDC'98 and PP'98 to assure that above actions are incorporated within working programmes of the ITU.</u></i> |
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