NEWS

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INTERNATIONAL BUREAU TAKES ACTION TO PROTCT U.S. CONSUMERS AND U.S. CARRIERS ON THE U.S.-PHILIPPINES ROUTE

Washington, D.C. – Today, the International Bureau issued an order to protect U.S. consumers and U.S. carriers from potential harm resulting from anticompetitive and retaliatory behavior against U.S. carriers offering telecommunications services between the U.S. and the Philippines. The International Bureau issued an Order directing all U.S. carriers providing facilities-based service on the U.S.-Philippines route to suspend all payments for termination services to six carriers pending restoration of all circuits and service on the U.S.-Philippines route. These carriers are Philippines Long Distance Telephone Company ("PLDT"), Globe Telecom, Inc. ("Globe"), Bayan Telecommunications Company ("BayanTel"), Digitel Telecommunications Philippines, Inc. ("Digitel"), Smart Communications, Inc. ("Smart"), and Subic Telecom (collectively referred to as "Philippine carriers").

The Bureau found that the Philippine carriers' behavior constitutes "whipsawing" of U.S. carriers, which is contrary to the public interest and violates the purpose of the Commission's longstanding International Settlements Policy ("ISP"). The ISP is a framework intended to protect U.S. carriers from the abuse of market power by carriers on the foreign end of a U.S.-international route. "Whipsawing" generally involves the abuse of market power by a foreign carrier to play U.S. carriers against one another in order to gain unduly favorable terms and benefits. This type of anticompetitive behavior could lead to higher costs for U.S. carriers and result in higher calling prices and poorer service quality for U.S. consumers.

According to the record, on February 1, 2003, Philippine carriers began to disrupt the U.S.-Philippines networks of AT&T Corp. ("AT&T") and WorldCom, Inc. ("WorldCom"). The record shows that the Philippine carriers' actions were taken in retaliation for AT&T's and WorldCom's refusals to agree to the Philippine carriers' demand for rate increases for termination services on their networks in the Philippines. The record shows that the Philippine carriers have not engaged in retaliation against the networks of carriers that have agreed to the demanded rate increases.

As a result of the Philippine carriers' actions, the International Bureau, in addition to suspending all payments, enforced the provisions of the ISP on all U.S. carriers providing facilities-based service on the U.S.-Philippines route in order to ensure nondiscriminatory treatment of U.S. carriers. Today's action also removed the Philippines from the Commission's list of approved routes for more flexible International Simple Resale ("ISR") agreements, pending U.S. carrier compliance with the conditions set forth in the Order and absence of further anticompetitive behavior.

Copies of the Order are available electronically on the Commission's web site at www.fcc.gov.

Action by the International Bureau, March 10, 2003.

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