

# FCC stops settlement payments to LDI carriers

By Jawwad Rizvi

LAHORE: The Federal Communications Commission (FCC) Washington, D.C, has stopped settlement payments to Pakistan's long distance international (LDI) carriers due to anti-competitive behaviour adopted by the Pakistani regulator after the implementation of the International Clearing House (ICH).

According to the orders passed by the FCC, D.C, a copy of which is available with The News, "We find that recent actions by certain Pakistani LDI carriers to set rate floors over the previously negotiated rates with US carriers for termination of international telephone calls to Pakistan are anticompetitive and require action to protect US consumers in accordance with FCC's policy. We, therefore, grant the petition filed by Vonage Holdings Corp. (Vonage), modified as recommended by AT&T, Inc. (AT&T), and order all US carriers with commission authorisations permitting the provision of facilities-based international switched voice services on the US-Pak route to suspend all US carrier payments to Pakistani LDI carriers for termination services that are in excess of the rates that were in effect immediately prior to the rate increase on or around October 1, 2012."

Vonage is a provider of international communications services from the US, using third party US and international carriers, to terminate its traffic overseas. US carriers separately negotiate rates with Pakistani LDI carriers for the termination of telephone traffic. On October 3, 2012, Vonage filed a petition requesting that the commission issue an order stopping US settlement payments to certain Pakistani LDI carriers.

In its petition, Vonage states that Pakistan's LDI carriers have established a new ICH exchange for all international incoming calls to Pakistan. Consequently, there has been a 400 percent increase in termination rates to be paid by international telecom-

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—FCC orders

munications carriers for terminating calls into Pakistan to more than \$0.088 per minute.

Vonage notes that the increase in termination rates has forced it to charge its customers significantly more for calls to Pakistan, thus harming US consumers.

Pakistan's LDI carriers submitted in 2011 to the Competition Commission of Pakistan (CCP) an application seeking an exemption from the Competition Act of 2010 to allow them to create the ICH exchange.

Pakistan's LDI carriers later withdrew the application and the CCP subsequently issued an order in February 2012 disposing off the application. In that order, the CCP outlined the following details of the agreement to create the ICH exchange (ICH plan). It assigns the rights of 13 Pakistani LDI carriers to terminate incoming international traffic to Pakistan Telecommunication Company Limited (PTCL), each Pakistani LDI carrier is to suspend all interconnection capacities in relation to incoming international traffic to Pakistan, PTCL is to act as the sole LDI operator to exclusively terminate all incoming traffic to Pakistan, PTCL is to sell its call terminating services to foreign carriers at the

approved settlement rates of the Pakistan Telecommunications Authority (PTA); and each Pakistani LDI carrier will get a predetermined fixed quota from PTCL to terminate calls on its network, and receive a fixed share of revenues generated from all incoming international traffic.

On August 28, 2012, the CCP sent a policy note to the PTA and the Ministry of Information Technology of Pakistan (MOIT), warning that the ICH plan was illegal under the Competition Act.

Vonage states in its petition that the MOIT, despite CCP's order, issued a directive calling for the implementation of the ICH plan. Subsequently, Pakistan's LDI carriers, PTA and MOIT moved forward with the ICH plan and have implemented the rate increase to more than \$0.088 per minute as of October 1, 2012.

AT&T contends in its reply to the FCC that the Pakistani carriers' actions violate the commission's policies protecting US consumers against anti-competitive conduct by foreign carriers to force above-cost settlement rate increases. However, AT&T suggests that, instead of issuing a full stop payment order as requested by Vonage, the commission issued an order prohibiting increased US settlement payments above the rates that existed before October 1, 2012, prior to the anti-competitive conduct.

In response to AT&T's reply comments, Vonage stated it supports the issuance of an order prohibiting payment of any amount over the settlement rates that prevailed prior to ICH plan's implementation.

The record reflects that the new \$0.088 per minute rate is the minimum settlement rate for all inbound international telephone traffic for Pakistan, and this rate floor is significantly above the previous levels of \$0.02 per minute. Moreover, the rate floor does not permit additional commercial negotiation below that level.