

UNIVERSAL SERVICE IN THE GLOBAL TELECOMMUNICATIONS MARKET:
A STUDY OF THE 1997 FCC BENCHMARKING ORDER IN REFORMING THE
INTERNATIONAL ACCOUNTING RATE SYSTEM

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Abstract

In light of the growing importance of telecommunications (telecom) in the global economy, the divergence between “telecom haves” and “telecom have-nots” may lead to an unprecedented disparity in quality of life between them. Given liberalization of domestic telecom markets after the 1997 WTO Agreement on Basic Telecom Services, it is still not clear whether universal service is consistent with corporate profits. In an increasingly competitive environment, how can universal access be achieved so that consumers living in all rural and urban areas in the world can promote their liberty and improve their welfare in contemporary life?

In this thesis, I addressed this question by examining the effects of the 1997 FCC Benchmarking Order in reforming the international accounting rate system (IARS) – an international system of revenue sharing for international phone calls. In view of the theoretical and empirical findings, I argue that the 1997 FCC Order was designed to apply “incentive regulation” to the emerging global telecom market. While the FCC Order succeeded in increasing the efficiency of the international service sector in the global telecom market, it could not solve the most critical “non-market” problem – ensuring universal service worldwide.

Table of Contents

Abstract.....	ii
Acknowledgements	iii
Table of Contents	v
List of Tables and Figures.....	vii
1. Introduction: Overview of Issues	1
2. Expansion of Divergence between “Telecommunications Haves” and “Telecommunications Have-Nots” in the Global Telecom Market	8
<i>2-1. The Traditional Regulatory System of Telecommunications</i>	<i>8</i>
<i>2-2. Recent Drastic Changes in Domestic Telecommunications Markets.....</i>	<i>9</i>
<i>2-3. Telecom as a Vital Link in the Process of Economic and Social Developments in a Global Economy.....</i>	<i>12</i>
<i>2-4. Formation of the Global Telecom Market: The 1997 WTO Agreement</i>	<i>13</i>
<i>2-5. Changing Nature of Market: Evolution of Network Developments.....</i>	<i>16</i>
<i>2-6. Competition: A Device for Market Efficiency</i>	<i>19</i>
<i>2-7. Regulation: A Device for Ensuring Social Goals.....</i>	<i>21</i>
2-7-1. Rate-of-return regulation: Review of advantages and disadvantages.....	22
2-7-2. Incentive regulation: Definition and features.....	24
<i>2-8. Expansion of Divergence between “Telecommunications Haves” and “Telecommunications Have-Nots”.....</i>	<i>27</i>
<i>2-9. Critical Significance of Equitable Access to Telecoms in All Rural and Urban Areas</i>	<i>30</i>
<i>2-10. Changing Funding of Universal Service: The Issue of Cross-Subsidization ..</i>	<i>32</i>
<i>2-11. Security of Universal Service through Effective Competition</i>	<i>36</i>
Figure 1	39
3. The Reform of the International Accounting Rate System	40
<i>3-1. The IARS.....</i>	<i>40</i>
<i>3-2. The Traditional Regulatory System of International Telecommunications</i>	<i>42</i>
<i>3-3. The IARS in Danger of Collapse</i>	<i>44</i>
<i>3-4. Increasing “U.S. Deficit” and U.S. Service-Suppliers’ Profit-Maximization Activities</i>	<i>50</i>
3-4-1. Growth in retained revenues for U.S. service-suppliers	50
3-4-2. Increasing traffic imbalance by reverse-billed services of U.S. service- suppliers.....	52
3-4-3. Irrelevance of accounting/settlement rates reduction and U.S. collection charges	55

3-5. <i>The U.S. FCC's Cost-Oriented Approach</i>	57
3-6. <i>The 1997 FCC Order</i>	60
3-6-1. <i>Goals</i>	60
3-6-2. <i>Benchmarks</i>	63
3-6-3. <i>Enforcement</i>	67
3-7. <i>The Arguments of the Joint Petitioners for Nullifying the 1997 FCC Order</i>	69
3-7-1. <i>Overview</i>	69
3-7-2. <i>Unreliability of TCP approach</i>	71
3-7-3. <i>Inconsistency of U.S. stance toward foreign universal service policies</i> ...	72
3-8. <i>The Opinion of the U.S. Appeals Court on the FCC's Benchmark Rates</i>	73
<u>Figure 2</u>	76
<u>Figure 3</u>	77
4. The Effects of the FCC Order and Universal Service as a Non-Market Commitment	78
4-1. <i>Effects of the FCC's Cost-Oriented Approach by Benchmarking</i>	78
4-2. <i>Right of Universal Service under the 1997 WTO Agreement</i>	87
4-3. <i>Danger of Treating Universal Service as a Pretext to Distort Competition</i>	90
4-4. <i>Changing Conceptions of Universal Service: The Necessity of Democratic Governance</i>	94
<u>Table 1</u>	100
<u>Table 2</u>	101
<u>Table 3</u>	102
Bibliography	103