

MEMORANDUM CIRCULAR
NO. 9-7-93

**SUBJECT: IMPLEMENTING GUIDELINES ON THE INTERCONNECTION
OF AUTHORIZED PUBLIC TELECOMMUNICATIONS
CARRIERS**

Pursuant to the provisions of Executive Order No. 59 series of 1993 mandating interconnection and the power of the Commission to encourage a larger and more effective use of communication facilities and to maintain effective competition, the National Telecommunications Commission (NTC) by virtue of the powers vested upon it by law do hereby promulgate the following guidelines:

ARTICLE
SCOPE AND DEFINITION OF TERMS

Section 1. These guidelines shall be applicable to all duly authorized public telecommunications carriers.

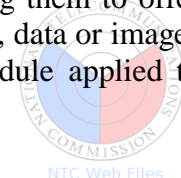
Section 2. For the purpose of this circular, the following terms and phrases shall be defined as:

Access Charge – a remuneration paid to the local exchange carrier by the interconnecting carriers for accessing the facilities and/or customer base of such local exchange carrier which is needed by the interconnecting carriers for the origination and/or termination of all types of traffic derived from the interconnection.

Commission – shall refer to the National Telecommunications Commission

Interconnection – shall refer to the linkage, by wire, radio, satellite or other means, of two or more existing telecommunications carriers or operators with one another for the purpose of allowing or enabling the subscribers of one carrier or operator to access or reach the subscribers of the other carriers or operators.

Inter-exchange Carrier (IXC) – a public telecommunications carrier providing transmission and switching facilities which connect local exchanges as well as IGFs within the Philippines enabling them to offer telecommunications services of any type, whether of voice, data or images for which there is a charge separate from the rate schedule applied to subscribers within a local exchange area.



Interface – shall refer to facilities consisting of but not limited to equipment, devices and materials required to make two telecommunications systems or networks interwork with each other.

International Gateway Facility (IGF) – a facility consisting of international transmission, switching and network management facilities which serve as point of entry and exit in the Philippines of international traffic between the national network and point/s outside the Philippines.

International Gateway Facility (IGF) Operator – a public telecommunications carrier providing IGF services.

Local Exchange Carrier (LEC) – a public telecommunications carrier offering telecommunications services, primarily but not limited to voice-to-voice service within a contiguous geographic service area furnished to individual subscribers under a common local exchange rate schedule

Point of Interconnection – shall refer to the point where signals are conveyed from one telecommunications network to another telecommunications network.

Point of Presence – a specific point as defined on the network where point of interconnection shall occur in such a way that interconnection between and among local exchange carriers, inter-exchange carriers and international gateway facilities operations can be made efficiently and effectively.

Public Telecommunications Carrier (PTC) – shall refer to a duly enfranchised and NTC certificated telecommunications carrier and/or any entity duly authorized by law including the government to provide public telecommunications services.

ARTICLE II GENERAL PROVISIONS

- Section 3. All authorized public telecommunications carriers shall be interconnected into a universally accessible and fully integrated nationwide telecommunications network for the benefit of the public.
- Section 4. All IXCs and IGFs shall interconnect with all LECs to provide freedom of choice to toll facilities.
- Section 5. Authorized public telecommunications carrier requesting for interconnection shall submit to the party with whom interconnection is requested all information necessary to effect interconnection copy furnish the Commission.



Section 6. Interconnection among authorized public telecommunications carriers in accordance with Section 3 shall be compulsory and may be effected through the following process.

6.1 Negotiation

6.1.1 Subject to existing technical/operational and settlement rules or which may hereafter be promulgated by the Commission, public telecommunications carriers, may on their own initiative negotiate and enter into an interconnection agreement, upon the request of the party seeking interconnection.

6.1.2 The interconnection agreement entered into by parties through negotiation shall be submitted to the Commission within ten (10) days from date of execution of the Agreement for approval by the Commission within thirty (30) days.

6.1.3 The start of the negotiation shall be from the time the party requesting interconnection shall have submitted to the other party of the complete data or information, to wit:

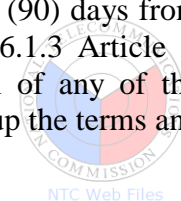
1. Copy of the CPCN/PA and franchise
2. System or network configuration
3. Proposed point of connection
4. Trunk requirements
5. Proposed traffic routing
6. Traffic forecast and assumptions used (at least five years)
7. Traffic types and services covered
8. Proposed compensation/settlement
9. Proposed interface
10. Proposed implementation schedule

Both parties shall provide each other basic information such as:

1. Description of existing and future network relevant to interconnection.
2. List of exchanges (existing and planned) suitable for interconnection including number of lines available.

6.2 Submission by Parties to the Commission

6.2.1 Should parties fail to reach an agreement in ninety (90) days from start of negotiations in accordance with Section 6.1.3 Article II hereof, the Commission shall, on the application of any of the parties involved, formally hear the parties to draw up the terms and conditions of the Interconnect Mandate.



6.2.2 The Commission shall resolve the issue of mandating interconnection within thirty (30) days from the time the same is filed with the Commission. The resolution made by the Commission on the terms and conditions of any interconnection mandate is immediately executory.

Section 7. Interconnection shall at all times satisfy the requirements of fair competition and shall be effected in a non-discriminatory manner.

Section 8. All parties to an Interconnect Agreement or Interconnect Mandate shall be obligated to comply with all the terms and conditions as approved by the Commission and shall be subject to the penalties herein prescribed pursuant to EO 59.

ARTICLE III TECHNICAL/OPERATIONS REQUIREMENTS

Section 9. The interconnecting parties shall maintain and operate their facilities in accordance with their respective obligations in the Interconnect Agreement/Interconnect Mandate approved by the Commission and shall comply with the provisions of NTC MC No. 10-17-90 (Service Performance Standards) and NTC MC No. 10-16-90 (Technical Standards) and such other standards that the Commission shall prescribe upon consultation with the industry.

Section 10. Interconnecting parties shall:

10.1 Cooperate and provide facilities in their respective system for testing, agree on a standard on trouble reporting, testing and restoral and see to it that information are shared between them to facilitate the efficient routing of messages over all points of connection.

10.2 Maintain over all grade of service as defined in MC 10-17-90

10.3 Exchange traffic and facility forecasts on a semi-annual basis to facilitate allocation of facilities for future requirements, as well as provide basic information such as the description of the existing and future network relevant to interconnection and list of exchanges (existing and planned) suitable for interconnection including number of lines available.

10.4 Provide additional circuits based on traffic measurements and studies to be conducted covering a period of thirty (3) days separately but simultaneously by both parties. Parties shall compare study results and agree on the number of circuits to be added. In the event that the parties cannot reach an agreement, the matter shall be brought to the Commission for final action. Implementation of the additional circuits shall be done

within the next fifteen (15) days after the number of circuits has been agreed unless acquisition of additional facilities is involved which were not included in the facility forecasts exchange on a semi-annual basis. In the event that the interconnection trunks are underutilized with reference to the mandated grade of service, the excess trunks may be deactivated within fifteen (15) days from receipt of notice in writing from either party; provided, that a party requesting disconnection of underutilized interconnection trunks can show by convincing evidence that either the disconnected circuits are urgently needed for other purposes by the requesting party or that the measured traffic and the historical growth of the affected circuit has shown a consistent record of underutilization over a period of at least six (6) months.

- Section 11. Public telecommunications carriers which do not meet the prescribed service performance and technical standards shall be required to upgrade their facilities to comply with said national standards within reasonable period.
- Section 12. The transmission link/s and terminating facilities needed to effect interconnection shall be provided by each of the interconnecting parties in accordance with the traffic requirements of each of the parties.
- Section 13. The interconnection Agreement and/or Interconnect Mandate approved or prescribed by the Commission may be revoked, revised or amended by the Commission for just and valid cause in the interest of public service strictly observing due process.
- Section 14. PTCs shall provide as many points of presence as necessary to effect an efficient interconnection.
- Section 15. The inter-exchange carrier shall provide interconnecting facilities up to the main distribution frame (MDF) of the local exchange carriers with 5000 exchange lines or less per local area. For LECs with more than 5000 exchange line Section 12 shall apply; provided that the pending application for local telephone service in a particular local area is less than 25% of the number of working direct exchange lines. The international gateway operator shall provide the interconnecting trunks up to the MDF of the LEC when the IXCs cannot provide the required toll facilities. In case an LEC also provides an IXC facility, all types of traffic shall be routed via the trunk level.
- Section 16. Interconnection shall be for a reasonable time frame and for sufficient capacity and in sufficient number to enable messages conveyed to conveniently meet all reasonable traffic demands for conveyance of messages between the system of the parties involved in the interconnection.

Section 17. Pursuant to Sect. 4 of Executive Order 59 local exchange provider or carrier (LEC's) shall agree with the interexchange carrier and/or the IGF operator interconnecting with the former to provide an exclusive fixed carrier access code with prior coordination and subject to the approval of the Commission, in order that any subscriber of the LEC may access the long distance carrier of choice.

Ultimately, as the Local Exchange Carrier (LEC) upgrades to stored-program-control (SPC) exchanges they may implement equal access preprogrammed option and still allow the subscriber at the time of his call freedom of selection of any other interexchange or international gateway carrier.

ARTICLE IV OPERATION OF AN INTERNATIONAL GATEWAY

Section 18. Interconnection among public communications carriers shall be effected in such a manner that permits rerouting of calls from an international gateway operator which is rendered inoperative whether in whole or in part in the event of strikes, lockouts disasters, calamities and similar caused to other international gateway operators.

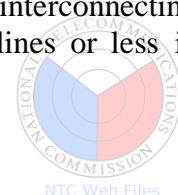
Section 19. The subsidiaries as defined in EO 109 of a public telecommunication carrier operating an authorized international gateway shall not be allowed to operate another gateway.

Section 20. The technical/operating rules shall whenever applicable, be in accordance with duly approved and adopted International Telecommunications Recommendations.

ARTICLE V CHARGES AND SETTLEMENTS

Section 21. Settlement shall be effected through bilateral negotiations between interconnecting parties and shall conform with the following:

21.1 The reasonable cost of interconnection shall be shared by the interconnect parties in accordance with the traffic requirements and the terms and conditions of the Interconnect Agreement or Interconnect Mandate, as the case maybe; provided, however that when one of the interconnecting parties is a local exchange carrier with 5000 exchange lines or less in which case Article III Section 15 shall apply.



- 21.2 For networks interconnected at the local exchange level, the LEC shall charge a network access charge based on the volume of traffic either on a per minute or volume of information with appropriate day and night differentiation.

In case of store and forward facsimile, data and voice mail, paging, trunked radio and other services interconnected to the local exchange network, and where the services derived from such interconnection would generate local traffic, the settlement shall be on the basis of the equivalent monthly trunk lines charges as generally charged by the LEC to the customer owning their own PABXs. However, where toll traffic are derived from such services, Section 21.3 shall apply for settlement purposes.

- 21.3 For networks interconnected at the trunk exchange level, the network access charge shall be determined as follows:

Each LEC shall develop a standardized procedure, hereafter known as a "Cost Manual," for calculating the costs of the facilities used in the provision of toll carrier interconnection service.

1. The starting point for calculation of LEC costs shall be the total company books that conform to generally accepted accounting principles.
2. Individual companies with more detailed accounting structures can use that information to develop their costs of service, provided that the account detail conforms to generally accepted accounting principles.
3. Investments or expenses that can be identified as directly attributed to toll carrier interconnection service can be directly assigned to that service category.
4. An investment or expense which is utilized in the production of toll carrier interconnection service and one or more other services (e.g., basic local exchange service) shall be allocated using a methodology which most appropriately reflects the cost-causative characteristics of the services. To the extent feasible, LECs should use existing records/reports to allocate the investment or expense into the appropriate service categories. If existing carrier records do not provide sufficient detail, it may become necessary to perform a "special study" (recognizing cost-causality) to allocate investments and expenses among the appropriate service categories. If a carrier can demonstrate that allocation on the basis of cost causation is impracticable or unreasonable for certain

investments or expenses, it may allocate those costs using an explicit allocation formula subject to approval by the Commission.

5. A portion of common “overhead” costs of the LEC, such as general administrative costs, shall be allocated to the toll carrier interconnection service category based on a specific allocation formula that will be subject to review by the Commission.

Within one hundred and eighty (180) days of the effective date of this Circular, each LEC shall furnish the Commission with a copy of its Cost Manual and a full reporting of the costs determined in accordance with the Cost Manual, for review and final approval by the Commission.

Section 22. In the course of the bilateral negotiations process, each LEC shall develop network and end user access charges for toll carrier interconnection, based on the costs of providing toll interconnection service as defined by the LEC’s approved Cost Manual and associated cost study results, in the following manner:

- 22.1 Network access charges applicable to the toll provider on a per minute basis, that recognize the volume of traffic carried, the distance covered, and an appropriate differential between the day and night rate periods. The access charge rates for inbound vs. outbound calls may be deaveraged as negotiated by the parties, subject to the approval of the Commission.
- 22.2 An operator surcharge for operator-assisted toll calls shall be collected and kept by the service provider employing the operator.
- 22.3 An end user access charge shall be collected monthly and kept by the LEC, which recovers a portion of the non-traffic-sensitive costs of the local exchange switching facilities used jointly in the provision of basic local service and toll carrier interconnection service. The end user access charge shall in no case exceed ten percent (10%) of the end user’s recurring monthly charge for basic local exchange service subject to the approval of the Commission.
- 22.4 For each LEC, the total annual revenue generated by the network access charges, operator surcharge, and end user access charge under reasonable estimates or forecasts of associated demand shall be equal to the total costs determined for the toll carrier interconnection service category in accordance with the LEC’s Cost Manual.
- 22.5 All access charges, whether end user, operator surcharge, network access charges, shall be subject to approval of the Commission.



Section 23. Access charge scheme of revenue shall be fully implemented not later than two (2) years from the effectivity of this Circular.

Section 24. The interconnecting parties shall submit to each other monthly settlement reports and other reports needed for the settlement within ninety (90) days following the end of each month. The party with balance after reconciling their settlement reports shall pay the other party said balance not later than thirty (30) days after the reports have been received by both parties. Amounts due which are not paid within the said period shall bear interest at mutually agreed rate.

ARTICLE VI TRANSITORY PROVISION

Section 25. Interconnecting parties may agree that existing PTCs who do not presently comply with the prescribed standards, may enter or maintain their existing Agreement whereby they shall use technical standards other than those specified in NTC MC No. 10-16-90 for a period not exceeding three (3) years from the effectivity of this circular.

Section 26. Existing settlement shall remain in force for a period not exceeding two (2) years from the approval of this circular.

Section 27. Interim settlement agreements using the revenue sharing scheme pursuant to NTC Case No. 88-145 may be entered into by the interconnecting parties for a period not exceeding two (2) years from the approval of this circular.

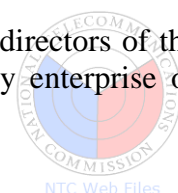
ARTICLE VII PENALTIES FOR VIOLATIONS

Section 28. Any violation of the order promulgated by the Commission pursuant to Executive Order 59 and its Implementing Guidelines shall, upon due notice and hearing, be subject to any or combinations of the following penalties.

28.1 Imposition of such administrative fines, penalties and sanctions as may be allowed or prescribed by existing laws.

28.2 Suspension of further on all pending and future applications for permits, licenses or authorizations of the violating carrier or operator.

28.3 Disqualification of the responsible employees, officers or directors of the violating carrier or operator from being employed in any enterprise or entity under the supervision of the Commission.



- 28.4 Suspension of the authorized rates for any service or services of the violating carrier or operator without disruption of its services to the public.

**ARTICLE VIII
FINAL PROVISIONS**

- Section 29. Any portion or section of this circular which maybe declared to be invalid or unconstitutional shall not affect the validity of the other remaining portions or sections.
- Section 30. All existing memoranda, circulars, rules and regulations inconsistent with the provisions of this circular are hereby repealed or amended accordingly.
- Section 31. This circular shall take effect fifteen (15) days after its publication in the official gazette or newspaper of general circulation, provided further that at least three (3) certified copies thereof shall be filed with the University of the Philippines law Center.

Done in the City of Quezon, this 23rd day of July, in the year of our Lord, nineteen hundred and ninety three.

(SGD.) SIMEON L. KINTANAR
Commissioner

