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Federal Communications Commission
Office of Secretary

Gary R. Lytle
Vice President
Federal Relations

Ex Parte

CC Docket 96-149



October 30, 1996

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

EX PARTE OR LATE FILED

Dear Chairman Hundt:

I am writing to call to your attention what Ameritech believes to be persistent and flagrant violations of section 271(e)(1) of the Telecommunications Act of 1996 by MCI. Ameritech asks that the FCC take appropriate action immediately to address this matter.

Section 271(e)(1) prohibits interexchange carriers serving more than 5 percent of the nation's access lines from jointly marketing in any state interLATA services and resold local exchange services procured from a Bell operating company until the earlier of: (1) February 8, 1999, or (2) the date the Bell operating company is authorized to provide in-region interLATA services in that state.

Although the language of section 271(e)(1) is clear and unequivocal, MCI apparently has repeatedly violated this provision, and continues to do so despite Ameritech's request that it cease such violations. The attached newspaper advertisement (Exhibit 1), which touts the advantages and availability of one-stop shopping for multiple MCI services, including local and long-distance services, has been running on a regular basis in the Chicago Tribune. Television advertisements (Exhibit 2), which likewise promote MCI's local and long-distance services, have been running during prime time viewing hours on Chicago stations. MCI is also sending direct mailings to Chicago-area households (Exhibit 3).

MCI's illegal joint marketing activities are not limited to the Chicago area. Since September 12, 1996, MCI has been advertising on the Internet the availability of a "fully integrated package of services," including local, long-distance, and other services, as part of a strategy to offer "one-stop shopping to all its customers" (Exhibit 4). Moreover, as a recent article, entitled "Bundle Up" in Crain's Detroit Business shows, MCI is, in fact, offering bundled packages of local and long-distance services to business customers in

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Michigan through its "networkMCI One" program. In commenting on this program, Glenn Moore, MCI's local-service director in the Ameritech region, remarked that "bundling services gives MCI a key advantage by allowing customers to combine local, long-distance, cellular, Internet and paging services." (Exhibit 5).

Ameritech believes that MCI will serve many of the customers reached by these advertisements and mailings by reselling Ameritech exchange services. While MCI metro has its own exchange facilities in Chicago and other urban centers in Ameritech territory, those facilities are heavily concentrated in the downtown business districts, such as the Chicago Loop. They do not reach most business and residential customers outside these business districts. Indeed, it has been reported that MCI plans to resell Ameritech services to residential customers in the Chicago area (Exhibit 6). Moreover, MCI has asked Ameritech to negotiate arrangements for the resale of Ameritech exchange services in all five Ameritech states, and it has stated during arbitration hearings that it plans to begin reselling such services as soon as they are available (Exhibit 7).

Because of MCI's apparent violation of section 271(e)(1), Ameritech sent a letter to MCI on September 20, 1996, asking MCI to formally clarify whether it is reselling or intends to resell Ameritech exchange service in the Chicago area. (Exhibit 8) MCI refused to respond to Ameritech's inquiry, claiming that such information is "highly sensitive." MCI did, however, admit that "MCI will acquire local exchange service for resale or seek to provide facilities-based local exchange service, as it is now doing in certain areas throughout the country" (Exhibit 9).

MCI should not be permitted to escape section 271(e)(1) by stonewalling Ameritech through this specious claim of confidentiality. Section 271(e)(1) is an integral part of the delicate balance crafted by Congress in the 1996 Act. It reflects Congress' understanding of the potency of joint marketing as a competitive tool and the fact that the ability to offer one-stop shopping for multiple telecommunications services and/or products provides a powerful advantage in the marketplace. The Commission must vigilantly enforce this provision, no less than the other measures of the 1996 Act that are intended to promote competitive fairness.

The Honorable Reed E. Hundt
Page 3

Ameritech, therefore, urges the Commission to investigate this matter immediately and take any and all appropriate actions. The shared vision of Congress and the FCC of fair rules of competition and a level playing field in the critical joint marketing arena cannot be realized if MCI is permitted to ignore section 271(e)(1) of the Act.

Sincerely,

A handwritten signature in cursive script that reads "Amy R Fyffe".

cc: The Honorable James H. Quello
The Honorable Rachelle B. Chong
The Honorable Susan Ness

EXHIBIT 1

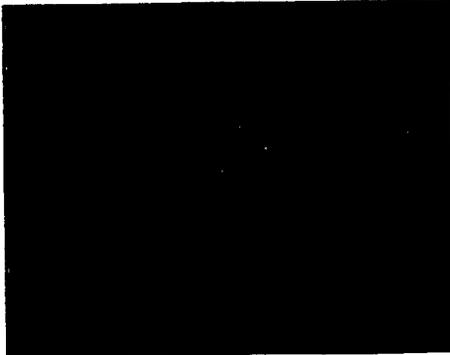
EXHIBIT 2



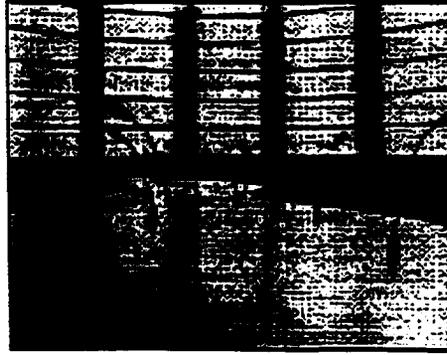
Ad Detector

BRAND: MCI+NETWORK MCI
TITLE: Network MCI, Biggest idea today, 30
COMMERCIAL: Network MCI, Biggest idea today, 30 1 of 1
LENGTH: 30
FRAMES: 14

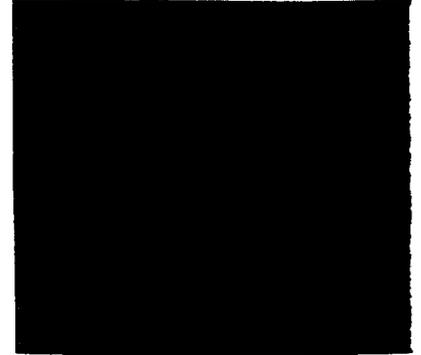
A003QI2P.ESB



VO: This is about the biggest idea in business communication today.



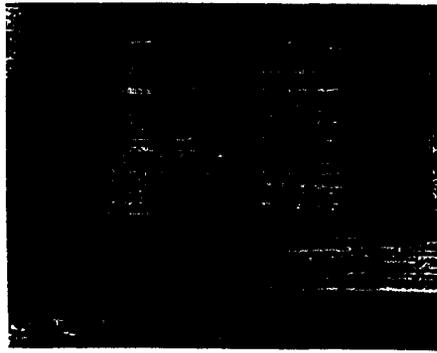
About simple being smart.



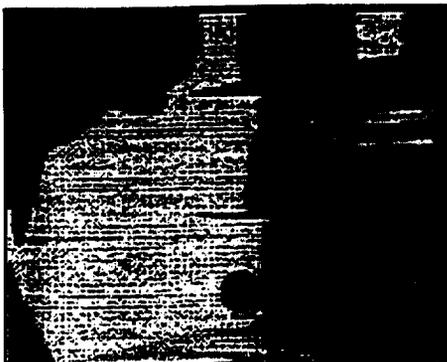
Less being more.



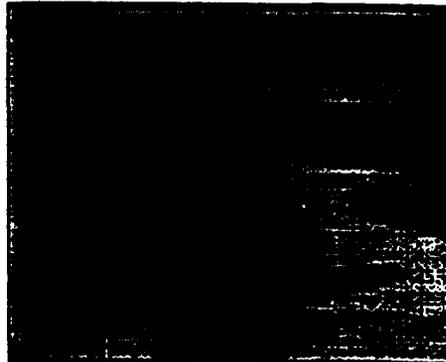
About how your business can get local and long distance calling.



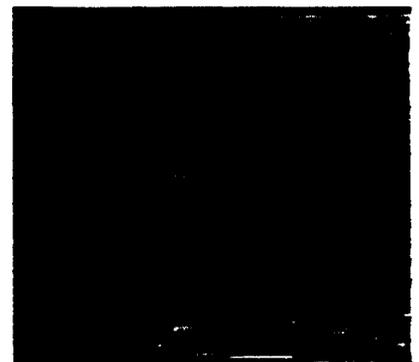
Plus everything from paging to conferencing...



Global to cellular



The whole menu.

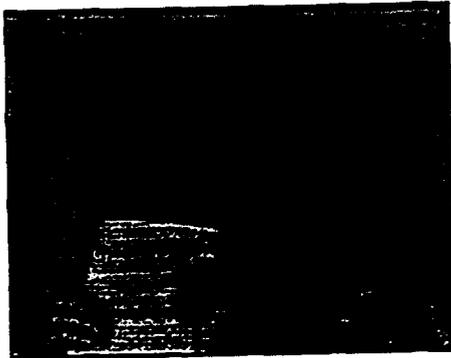


Soup to nuts.

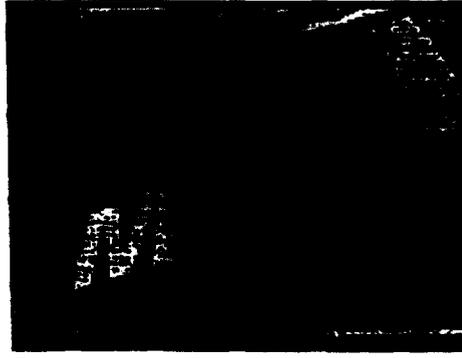


Ad Detector

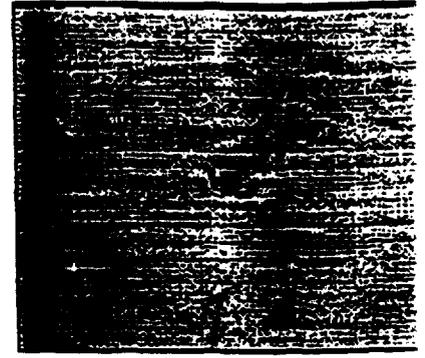
BRAND: MCI+NETWORK MCI
TITLE: Network MCI. Biggest idea today. 30
COMMERCIAL: Network MCI. Biggest idea today. 30 1 of 1
LENGTH: 30
FRAMES: 14



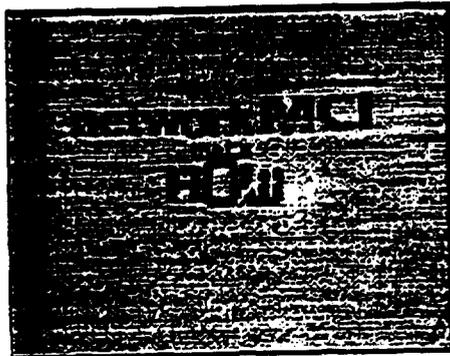
From one team...on one bill.



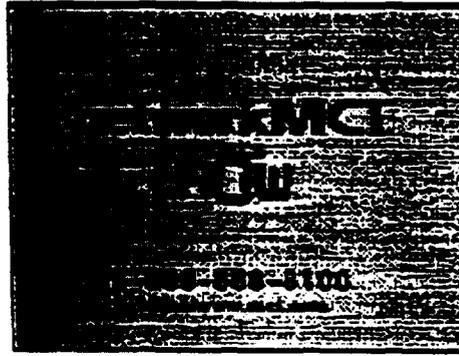
From the one and only company in America,



with the power to put it all together.



Network MCI.



That's How.

EXHIBIT 3



10/21 RLV -- FYI.

With W. 10/17

MCI Telecommunications
707 17th Street Suite 3900
Department 3247
Denver, CO 80202

Jim Kearns
719 OAKTON ST
EVANSTON IL 60202-2905

September 23, 1996

|||||.....|||||.....|||||.....|||||.....|||||.....|||||.....|||||.....

Dear Jim Kearns:

We are excited to announce that MCI will bring competition to your area, and want to thank you for your interest in MCI Local™.

MCI home phone service is a new way to communicate without boundaries! Now MCI has removed the zones and restrictions that tend to make local AND LOCAL TOLL calling complicated and expensive. MCI Local provides you with unlimited calling throughout an expanded local calling area (ZONE 1,2,3 and local toll calls). It will be available for one simple, low monthly charge of \$24.95 that includes your home phone line, unlimited local calls, plus all the local toll and zone calls you pay extra for today.

No matter how many local toll calls you make, you know they will be covered with MCI Local.

MCI Local

- One home phone line
- ✓ • Unlimited local and unlimited zone or local toll calling
- All for one low monthly fee of \$24.95
- Additional Line for only \$19.95 a month

There will be no obligation to have MCI for both local and long distance services. However, if you should decide to select MCI for all your communications needs you will reap the benefits of:

- One call for all Customer Service
- One phone bill to pay each month
- One company to consult on all your communications needs

MCI offers all of the features you currently receive from your local provider, many of which are a low monthly rate of just \$3.25 per month.* We also back up ✓ MCI Local with 24 hour Customer Service plus advanced technology that will support your communication needs into the next century.

Isn't it time you had a choice? Say "Yes" to competition and "No" to business as usual. Select MCI Local.

Sincerely,

Brad Richards
MCI Analyst

*Votemail and Caller ID not included.

EXHIBIT 4

MCI DELIVERS INDUSTRY'S FIRST FULLY INTEGRATED COMMUNICATIONS PACKAGE FOR BUSINESSES -- Will Offer Long Distance, Local, Internet, Wireless and More--All On One Bill --

-- Company Turns Industry Rhetoric into Reality; Next Step in MCI's Strategy to Offer One-stop Shopping in New Age of Competition --

DALLAS (Sept. 12, 1996) -- While other communications companies are promising a future of integrated products and services on a single bill, MCI delivered it to American businesses today: networkMCI One(sm). A feat of billing, engineering and marketing sophistication, this fully integrated package of services will immediately allow U.S. businesses in 13 major markets to receive local, long distance, international, data, conferencing, paging, Internet, cellular and more -- from one company and pay for it through a single, customized bill . As MCI expands its wireless and local footprint, the number of markets will grow.

The 13 markets where networkMCI One is available today, include:

- o New York o Atlanta o Pittsburgh
- o Chicago o Cleveland o Milwaukee
- o Philadelphia o Seattle o Portland, Or.
- o Detroit o Baltimore o Hartford

o Boston networkMCI One is the next step in MCI's strategy to offer one-stop shopping to all its customers. Earlier this year, the company launched the industry's first and only integrated, single-source services package for consumers and small businesses -- MCI One(sm) . Both offerings solidify the company's lead in the race to provide end-to-end services and reinforce MCI's mantra that integration and simplicity yield greater customer stability and higher revenues.

"MCI's strategic and competitive imperative is to offer customers integrated services and single-billing convenience," said Brian Brewer, MCI's senior vice president of business marketing. "Businesses no longer have to take a multiple choice test when deciding their communications needs. MCI gives them a clear and single choice -- networkMCI One."

A Brand for the Future

With the passage of telecom legislation, communications companies are fiercely competing on one another's turf. The ability to offer integrated services and one-stop shopping for customers will be a critical market differentiator.

In preparation for this new era of competition, MCI has invested years building and developing sophisticated and flexible billing systems, a multi-city local network, the world's largest and fastest Internet backbone, and an aggressive wireless strategy. networkMCI One leverages all of these developments as well as other products and services.

MCI -- whose local presence is unrivaled by any other long distance carrier -- will be providing local service to companies in 25 major markets by first quarter 1997 -- which translates to 45% of all businesses in the country. Cellular service will be available in 34 leading markets by year-end, blanketing 54% of the nation's population -- giving MCI the largest cellular footprint in the industry. MCI already offers paging services to customers nationwide and dial-up Internet access is available in 300 cities -- the most coverage offered by any long distance company. With its acquisition of SHL Systemhouse -- now known as MCI Systemhouse -- the company added global systems integration and outsourcing capabilities to its comprehensive portfolio of offerings.

MCI's global network extends to more than 250 countries and places worldwide, allowing networkMCI One customers to receive international services -- including long distance calling and toll-free services -- as part of their integrated package. Business customers also benefit through global alliances MCI has in

place with BT, Banacci, Stentor, News Corp., Microsoft, Intel and Digital Equipment Corp., among others.

In addition to long distance, local, Internet, cellular and paging, customers can choose from a variety of products and services for their integration package, including:

- o call center services
- o dedicated access
- o data services
- o remote access
- o conferencing
- o calling cards
- o toll-free services
- o fax
- o international toll-free
- o e-mail
- o international long distance

"No other company offers so many communications services and consolidates them on one single bill," added Brewer. "Many telecom companies are just beginning to catch on -- frantically merging and spending billions of dollars in acquisitions to get where MCI is today. While these companies go through the difficult and time-consuming process of integrating their corporate cultures, marketing, sales and service operations -- MCI will be working on its next product offering."

Marketing Meets Billing Ingenuity

networkMCI One offers U.S. businesses an information management tool through integrated invoices that can be tailored to each company's needs. For instance, a corporate level monthly report summarizes overall expenditures and then segments them by location, overall usage and service type, making telecom and cost tracking a simpler process for a company with multiple offices.

Integration also yields better bottom-line value through maximum volume discounts. The more products and services a company purchases through networkMCI One, the greater their overall discount. In addition to integrated invoicing capabilities, MCI's flexible billing system will be able to calculate special pricings and promotions based on each business' needs.

"Gone is the one-size-fits-all mentality that other businesses are peddling their customers," added Brewer. "With networkMCI One, businesses can now have one contact and one contract for all their communications needs -- from local to global, voice to data, wireless to conferencing, and a whole lot more."

Offering Unique Resources

One of the unique facets of networkMCI One is the ability to take advantage of the networkMCI Fund -- a special account for larger business customers who sign a term agreement. The networkMCI Fund allows customers to choose from a broad selection of "best-of-breed" MCI and partner products and services with no out-of-pocket investment. They can even choose to apply the fund to offset the cost of their integrated telecommunications services. The more services they choose from MCI, the greater their fund grows.

MCI, headquartered in Washington, DC, is one of the world's largest and fastest growing diversified communications companies. With annual revenue of more than \$15 billion, MCI offers consumers and businesses a broad portfolio of services including long distance, wireless, local, paging, messaging, Internet, information services, outsourcing, and advanced global communications.

EXHIBIT 5

Crain's Detroit Business, October 21, 1996, Page 15

BUNDLE UP

BY ART BRIDGEFORTH JR.
CRAIN'S DETROIT BUSINESS

Providers of telephone service are offering numerous services in a neat bundle of one-stop billing.

The offerings encompass local, long-distance, cellular and paging services. Some companies are offering Internet access as well.

The challenge for customers is to distinguish one deal from another. The challenge for the telecommunications companies is making sure they can deliver the service as promised. The field appears wide open.

Boyd Peterson, a telecommunications analyst for the Boston-based Yankee Group, predicted these battles will be fought on three fronts: technological, regulatory and marketing.

The result of consolidating telecommunications services is supposed to mean more effective management of costs for business consumers. The companies are trying to prove they are the one to provide those services in the highly competitive environment.

"Currently the advantage is that it makes the accounting simpler, making out one check," said Fred Trapnell, president of AMT Telecom Group L.L.C. in Farmington Hills.

While smaller and medium-size companies are more likely to benefit from one bundle, larger companies may not, Trapnell said.

"You're going to pay a bit of a premium because it's bundled together," he said. "They may have a

Phone firms package many services, but it may not be that simple

good program for long distance but not for cellular."

Delivering bundled services isn't the problem, but some companies may go overboard and offer too many services, Peterson said.

"The company that wants to be a single-source provider needs to spend time checking to make sure (it has) the infrastructure," he said. Otherwise, companies that fail to provide good service risk losing customers.

Legal, regulatory fights

Congress passed the Telecommunications Act of 1996 earlier this year. The new law paved the way for telecommunications companies — AT&T Corp., MCI Communications Corp., the Baby Bells and even smaller regional companies — to get involved in all facets of the business.

For example, the traditional long-distance providers, such as MCI and AT&T, are taking advantage of the law to provide local phone service. MCI began offering local service in Detroit in August, and its bundled service program for business customers is called networkMCIOne.

AT&T has filed with the Michigan Public Service Commission to offer local service, but it doesn't have an interconnection agreement with Ameritech Corp., said Mike Pruyn,

AT&T public-relations director. A final agreement must await an arbitration ruling by the PSC.

AT&T expects to begin offering local service by early 1997, Pruyn said, and also plans to offer bundled services.

Glenn Moore, MCI's local-service director in its five-state region including Michigan, said bundling services gives MCI a key advantage by allowing customers to combine local, long-distance, cellular, Internet and paging services.

"Our approach is we give customers a choice," Moore said.

Although MCI is focusing on the Detroit area for now, it sees the entire state as a critical market.

On a related front, MCI and other long-distance carriers entering Michigan contend Ameritech maintains a monopoly on local phone service. Among those complaints has been the lack of access to zone, or short long-distance, calls.

Although Ameritech eventually will have to provide that access, the battle now has been taken to the federal courts.

Regional Bell companies like Ameritech contend they are at a disadvantage.

Harry Samerjian, vice president of corporate planning for Ameritech, said the company favors competition and originally pushed for the Telecommunications Act.

But it won't have an opportunity to offer a full bundle of services, he said.

Ameritech can't offer long-distance service in its own markets until it meets a 14-point checklist established by the Federal Communications Commission as part of the new law. Included in that list is arbitration that establishes fair rates for interconnection agreements with companies that provide local telephone service.

"We're hoping by early next year we will have gotten through this process and be in long distance," Samerjian said. "Shortly we will be able to offer bundled services that will include long distance."

The FCC continues to work on ways to keep competition fair.

Room for other players?

The traditional long-distance carriers are using high-profile marketing and advertising to lure customers. The medium-size and smaller players are concentrating on the one-to-one sales approach.

However, some aren't rushing to provide bundled services.

Roy Gameo, senior vice president of marketing for McLean, Va.-based LCI International Inc., said LCI eventually will offer local service in Michigan. It is negotiating an interconnection agreement with Ameritech.

EXHIBIT 6

Technology

Computers • Telecommunications • Science • Entrepreneurs

MAJOR PLAYERS IN THE COMING BATTLE FOR LOCAL TELEPHONE MARKET

1995 revenues: \$5 billion

Key strengths: Strong brand recognition, deep pockets

Bridget B. Manzoni, Vice President

1995 revenues: \$15.3 billion

Key strengths: Marketing and product savvy, experience cracking a monopoly, the long-distance business

Lynn Coker, national director of local service marketing for MCI in Washington, D.C.

1995 revenues: \$12.7 billion

Key strengths: Strong Cellular One brand recognition, expertise in local service

1995 revenues: \$13.4 billion

Key strengths: Owns local telephone lines and switches

Protscher, president of sales and marketing

Hanging up a monopoly

Firms ring Ameritech's home market

By JOSEPH B. CAHILL

Invaders are massing for an assault on Chicago's local telephone service market.

AT&T Corp., MCI Communications Corp. and SBC Communications Inc. (parent of Cellular One Chicago) are deploying troops to challenge Ameritech Corp. in the recently deregulated business.

Competition for residential customers could begin as early as this fall. In the already competitive business market, Ameritech soon will encounter rivals far more powerful than the entrepreneurial companies that picked off some plum accounts in recent years.

AT&T boasts strong brand recognition and \$50 billion in annual revenues—nearly four times Ameritech's sales. MCI brings the marketing and pricing savvy learned when it opened the long-distance market to competition in the 1980s. SBC, the Baby Bell company that last week an-

nounced plans to merge with West Coast sibling Pacific Telesis Group combines the familiar Cellular One brand with expertise providing local telephone service.

Prices are sure to fall as the new entrants entice Ameritech customers with lower rates. Competitors will offset the impact of price cuts by pushing an array of new services. And marketing budgets will soar as the players try to build images as providers of packages including everything from local telephone service to satellite-broadcast television.

"Will we be advertising like crazy? Sure. Will we be offering free sign-up? Sure," says Bridget Manzoni, named last month to run AT&T's local service business in the Midwest from the company's Chicago office.

Chicago will be a focal point of MCI's campaign.

"We're going commercial in Chicago within the next few weeks," says Lynn Coker, national director of local service marketing for MCI in Washington, D.C. He declines to give details of MCI's marketing strategy for Chicago, but says spending here will be in the "tens of millions of dollars" in 1996.

Competing with Ameritech on its home turf is nothing new for SBC, which entered the cellular telephony market last year. See Monopoly on Page 18.

1995 revenues of 2000- to be sold-off equipment and computer businesses. CRAIN'S CHICAGO BUSINESS

Technology

Despite the hoopla surrounding the telecommunications reform law and the bold pronouncements of the new players in the local telephone market, competition is more likely to come in a trickle than a torrent.

Monopoly

Continued from Page 17

business here a decade ago. Operating under the name Cellular One Chicago, it has a slight marketshare advantage over Ameritech Cellular.

'Outgunned Ameritech'

"We've come in and outgunned Ameritech in its own backyard," boasts Brad Brown, vice-president of sales for Cellular One Chicago. Using the familiar Cellular One brand to market local landline service will give SBC a marketing advantage, he predicts.

Ameritech is preparing for the onslaught by expanding its offerings and adding staff in marketing and customer service. In anticipation of the telecommunications deregulation law signed in February by President Clinton, the company began seeding its ranks with executives from more competitive businesses, such as long-distance and consumer products.

Mitch Wienick, a former Kraft General Foods Inc. executive, is president of Ameritech Consumer Services, the company's residential service arm. His second-in-command, Bob Froetscher, came to Ameritech two years ago, after a decade as a sales executive at MCI.

Ameritech executives say they welcome competition, downplaying the inevitable loss of marketshare.

"While our share will drop, the overall pie will grow," says Mr. Froetscher.

Trickle of competition

Despite the hoopla surrounding the telecommunications reform law and the bold pronouncements of the new players in the local telephone market, competition is more likely to come in a trickle than a torrent.

Issues such as wholesale prices must be worked out between Ameritech and rivals planning to enter

the market by reselling service on Ameritech lines. Competitors building their own local calling infrastructure will enter the market gradually as they install switches and snake wires into buildings across the Chicago area.

"You're not going to see true competition in the local market for about 18 months," predicts tele-

See Monopoly on Page 20

Technology

Monopoly

Continued from Page 19
communications analyst Fred Voit of Yankee Group Inc. in Cambridge, Mass.

AT&T has a more aggressive timetable.

"We're hoping by this fall to be able to offer local service (to consumers)," says Ms. Manzi, who oversees about 40 employees in a five-state region corresponding to Ameritech's service area.

Power to exert control

As the regional Bell operating company, Ameritech can exert a measure of control over the development of competition. It has a virtual monopoly on local telephone service in Illinois, Michigan, Ohio, Indiana and Wisconsin, where it generated \$5.5 billion in sales in 1995.

Competitors that want to break out quickly with local service will have to buy it from Ameritech at wholesale rates and then resell it.

Negotiations between Ameritech and AT&T over wholesale prices have been contentious and slow-moving. After nine months of talks, they are duking out their price dispute before the Illinois Commerce Commission.

Although the opening of the local market means the end of Ameritech's monopoly, the company has an incentive to resolve the resale price dispute: Ameritech can't get into the long-distance business until it satisfies the Federal Communications Commission that its local ser-

vice market is open to competition.

"It's in their interest to open up the (local) market as fast as possible," says Mr. Voit.

Ameritech has reached resale agreements with two smaller competitors focusing on the business segment of the local service market: MFS Communications Co. of Omaha and U.S. Network Corp. of Chicago.

Negotiations with more powerful competitors are bogged down in price hickering. That's delaying marketing blitzes in the consumer market by the likes of AT&T and MCI.

Both are ready to unleash ad campaigns touting their metamorphosis from long-distance companies to full-service telecommunication providers. Neither would provide details on planned advertising spending, but AT&T said it will devote 75% of its ad dollars to local service.

AT&T spent \$675 million on advertising in 1995, while MCI spent \$323 million, according to New York-based Competitive Media Reporting, which tracks ad spending. As regional Bell operating companies, SBC and Ameritech advertised in more limited territories, spending \$45 million and \$71 million, respectively, in 1995.

'Bundled' service offerings

All the players, including Ameritech, plan to woo customers with "bundled" service offerings.

"Our desire is to offer a very robust package of services," says Cellular One's Mr. Brown. Cellular One has regulatory approval to offer

Continued on Page 2

Technology

MCI recently installed a telephone switch in downtown Chicago that will enable it to directly serve thousands of businesses with high call volumes. In the widely dispersed residential market, MCI will resell Ameritech service.

Continued from Page 20

for local telephone service, long-distance, cellular and paging. AT&T, MCI and Ameritech are assembling similar packages, which also could include cable or satellite broadcast television.

While wrangling over resale terms may slow competition in the consumer market, business customers already are seeing the benefits of deregulation. New entrants are building their own facilities to serve the business market, where capital investment yields more revenue.

"The concentration of opportunity is most immediately available to us in the business market," says MCI's Mr. Coker.

MCI recently installed a telephone switch in downtown Chicago that will enable it to directly serve thousands of businesses with high call volumes. In the widely dispersed residential market, MCI will resell Ameritech service.

In the business market, the new competitors join lesser-known contenders that have been nibbling at Ameritech's lunch for a few years. The most established is MFS, a \$700-million-a-year operation officially based in Omaha but with most of its headquarters staff in Oak Brook and Westmont.

MFS network

Since it began operations here in 1988, MFS has built a network that enables it to serve business customers from the Loop to the western and northern suburbs. MFS offers savings of about 15% on local calls, according to Daniel Caruso, vice-president of local services.

"We're in this to be a facilities-based competitor" with its own lines and switches, says Mr. Caruso. "It allows you to control your own destiny."

Another facilities-based competitor is TCG Chicago, the local affiliate of New York-based Teleport Communications Group. A joint venture of cable television companies Continental Cablevision Inc., Tele-Communications Inc., Cox Cable Inc. and Comcast Corp., TCG has operated its own network here since 1991.

Vice-president and General Manager James Synios predicts that competition will produce a glut of local service capacity, driving prices down.

"It's almost becoming a commodity," he says. "That's a real problem."

Others don't see it that way. Ameritech's Mr. Froetscher says consumers will use telephone lines more as competing providers offer additional services.

'Substantial growth'

"I think you will see substantial growth in the local service market," he says.

Telecommunications consultant Mark Langner of TeleChoice Inc. in Verona, N.J., agrees. While he predicts that Ameritech could see a

marketshare loss similar to the 35% decline that AT&T suffered when competition came to the long-distance market, he says Ameritech will still see revenues climb.

"The growth in the market as a whole provides plenty of opportunity to make up that lost marketshare," he says.

EXHIBIT 7

NETWORK IMPLEMENT:

**REQUIREMENT FOR
INTERCONNECTION,
ACCESS TO UNBUNDLED ELEMENTS,
AND COLLOCATION**

by

**David Agatston
Laura Ajani
Drew Caplan
Anne Cullather
Maria Marzullo
Jerry Murphy
Paul Powers**

August 29, 1996

**96-AB-006
MCI Exhibit 5.0**

**Witness: Robert W. Traylor, Jr.
MCI Metro
2250 Lakeside Boulevard
Richardson, TX 75082
(214) 918-5089**

networks, nationwide, consist of approximately 2,600 route miles of fiber rings and 13 switches.

While MCI's local network is growing, it is still small compared to the ubiquitous reach of the ILECs' networks. While MCImetro has been building local networks for just over 2 years, the ILECs have been building local networks for over one hundred years. While MCI's local network passes by several thousand buildings in mostly urban areas, the ILECs' networks reach into practically every building and home in the country. While MCImetro has installed 13 local switches, the ILECs collectively own over 23,000 local switches. It is not an overstatement to say that the ILECs' networks are practically everywhere.

MCI's goal is to reach a broad array of customers, business and residential, to provide local services that are consistent across geographic areas and are differentiated from today's monopoly offerings. Thus, while total service resale is part of MCI's local efforts and will in some circumstances be MCI's vehicle for initial entry into the local market, resale alone will not allow MCI to differentiate its service or develop consistent services across geographic areas. In order to reach that goal, and enable true competition in the local services market, MCI and other competitive local exchange carriers (CLECs) must be able to create and offer their own services. The primary means of achieving this is through deployment of MCI's own local facilities. This has been the path that MCI has chosen to date. However, as mentioned earlier, MCI's significant investment in switching and network construction over the past two plus

EXHIBIT 8



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Marc I. Lipton
Assistant General Counsel
Marketing and Product Development

September 20, 1996

Mr. Christopher P. Abod
Senior Attorney
MCI Telecommunications Corporation
1133 19th Street, NW
Washington, DC 20036

Dear Mr. Abod:

It has come to Ameritech's attention that MCI is running advertisements in the Chicago Tribune which state:

With the arrival of MCI Local Service in Chicago, you can now take advantage of the efficiencies and economies of getting a long list of services - local, long distance, international, data, conferencing, cellular, paging, and Internet - all on one bill. All from one company. A company that will bring the same sort of dedicated customer service to local calling that we bring to everything else.

Section 271(e)(1) of the Telecommunications Act of 1996 provides that a major carrier, such as MCI, cannot "jointly market ...telephone exchange service obtained from [a Bell operating company] pursuant to Section 251(c)(4) with interLATA services offered by" such a carrier.

Ameritech believes the above-quoted advertisement constitutes joint marketing as that term is used in Section 271 (e) (1) of the 1996 Act. Please advise the undersigned by September 27 whether MCI is purchasing or intends to purchase telephone exchange service (under 251(c)(4)) from Ameritech in the Chicago area. If MCI is now purchasing such service, or intends to purchase such service, the advertisement violates the 1996 Act and must not run again. In the event MCI continues to run the advertisement, or otherwise delivers a "one stop shop" message to current or potential customers,