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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

February 7, 1997

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, NW Room 222
Washington, DC 20554

Re: Ex Parte Presentation in CC Docket No. 96-262 and CC Docket No. 97-1.

Dear Mr. Caton:

On Thursday, February 6, 1997, Tim Price, President and Chief Operating Officer of MCI Telecommunications Corporation, Jonathan Sallet, Chief Policy Counsel of MCI, and I, also representing MCI, met with Commissioner Quello and Jim Coltharp. The purpose of the meeting was to discuss MCI's position with respect to premature BOC entry into in-region long distance markets and to discuss MCI's position that access charges must be reduced to cost before RBOCs are allowed into in-region long distance markets, as stated in MCI's comments in CC Docket 96-262 and as filed in previous Ex Parte presentations in CC Docket 97-1.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules the next business day.

Sincerely,

Kimberly M. Kirby

Kimberly M. Kirby

cc: Commissioner Quello
Jim Coltharp

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List ABCDE

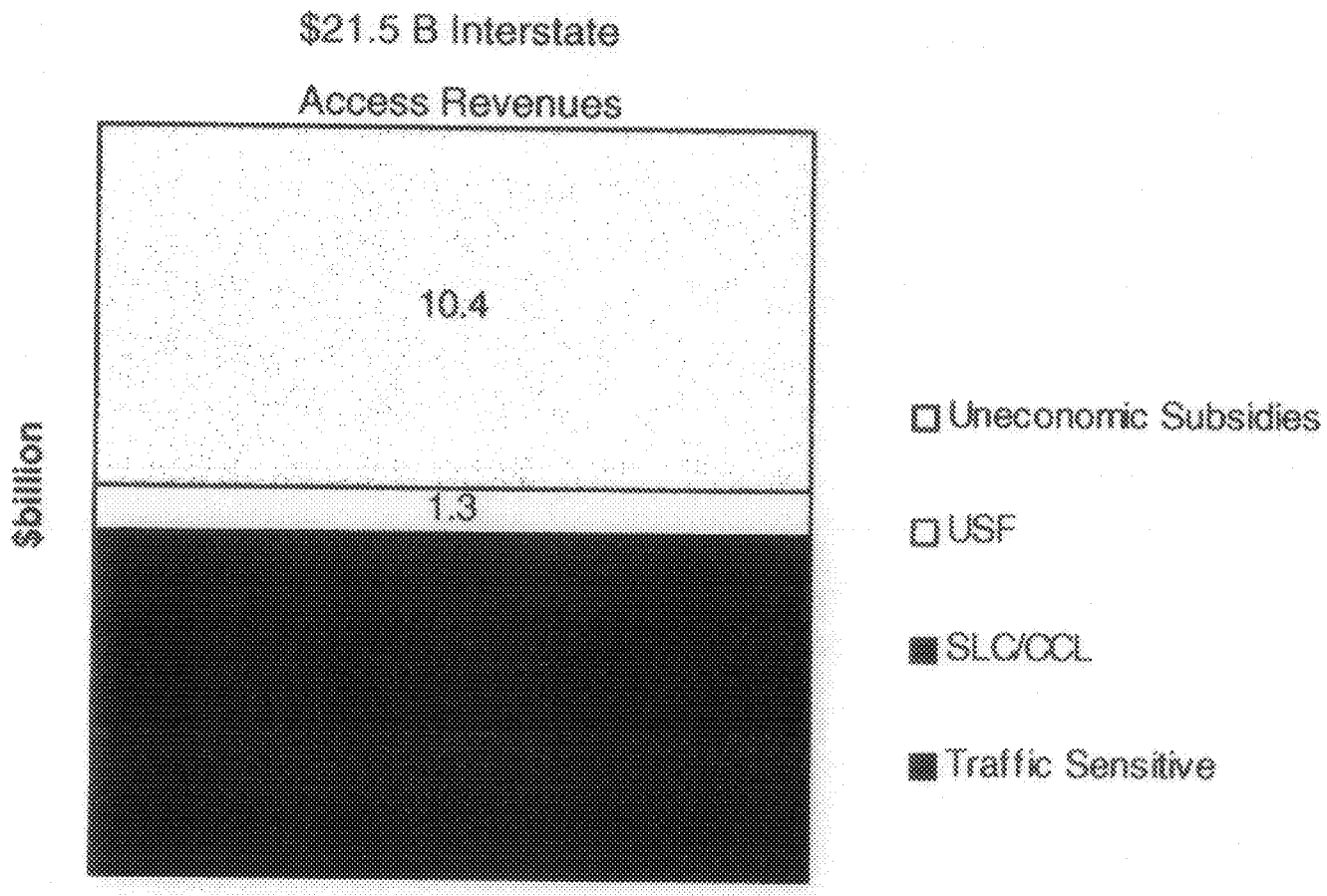
Roadmap to Competition

MCI Communications Corporation

February 6, 1997

MCI

Distribution of Interstate Access Revenues



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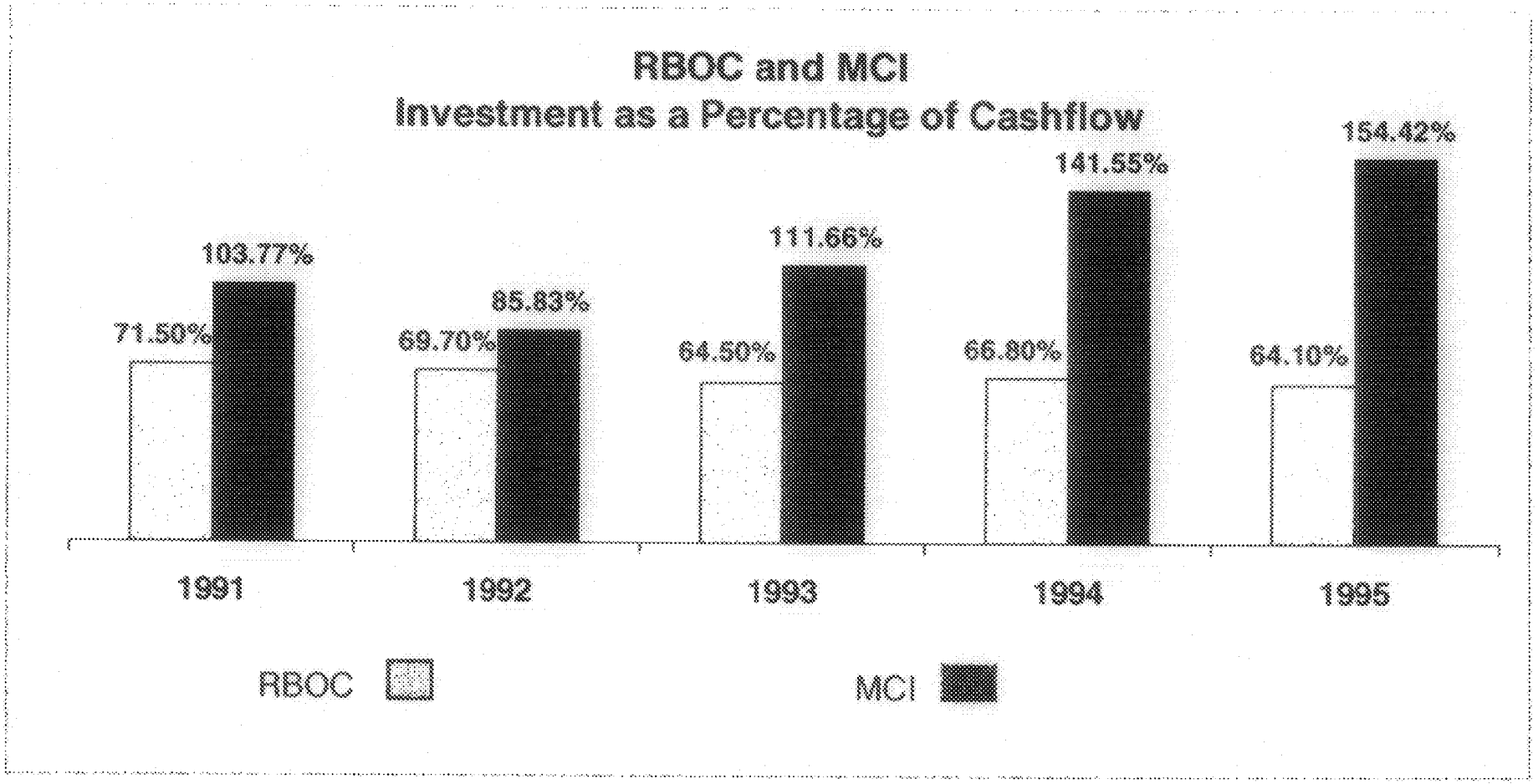
RBOC and MCI
Investment as a Percentage of Cashflow
71.50%
103.77%
69.70%
85.83%
64.50%
111.66%
66.80%
141.55%
64.10%
154.42%
1991
1992
1993
1994
1995
RBOC
MCI

MCI

COMPARISON OF 1996 FINANCIAL RESULTS

NYNEX	$13.5 billion	$1.5 billion	11.1%	37.9%
Ameritech	$14.9 billion	$2.1 billion	14.1%	39.4%
SBC	$13.9 billion	$2.9 billion	20.9%	30.8%
Pacific Telesis	$9.6 billion	$1.1 billion	11.5%	38.2%
Bell South	$19.0 billion	$4.8 billion	25.3%	44.7%
Bell Atlantic	$13.1 billion	$1.9 billion	14.5%	42.2%
GTE	$21.3 billion	$2.8 billion	13.2%	43.5%
US West*	$10.1 billion	$1.2 billion	11.9%	44.6%
MCI	$18.5 billion	$1.2 billion	6.5%	21.5%
AT&T	$52.2 billion	$5.9 billion	11.3%	22.1%

*Fourth quarter estimates used. US West releases its results on February 12

** EBITDA

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RBOC versus Long Distance
Higher Operating Cash Flow

	Net Revenue	Operating Cash Flow	Operating Cash Flow Margin*
RBOCs			
Long Distance	$75.0B	$15.0B	20%

*EBITDA

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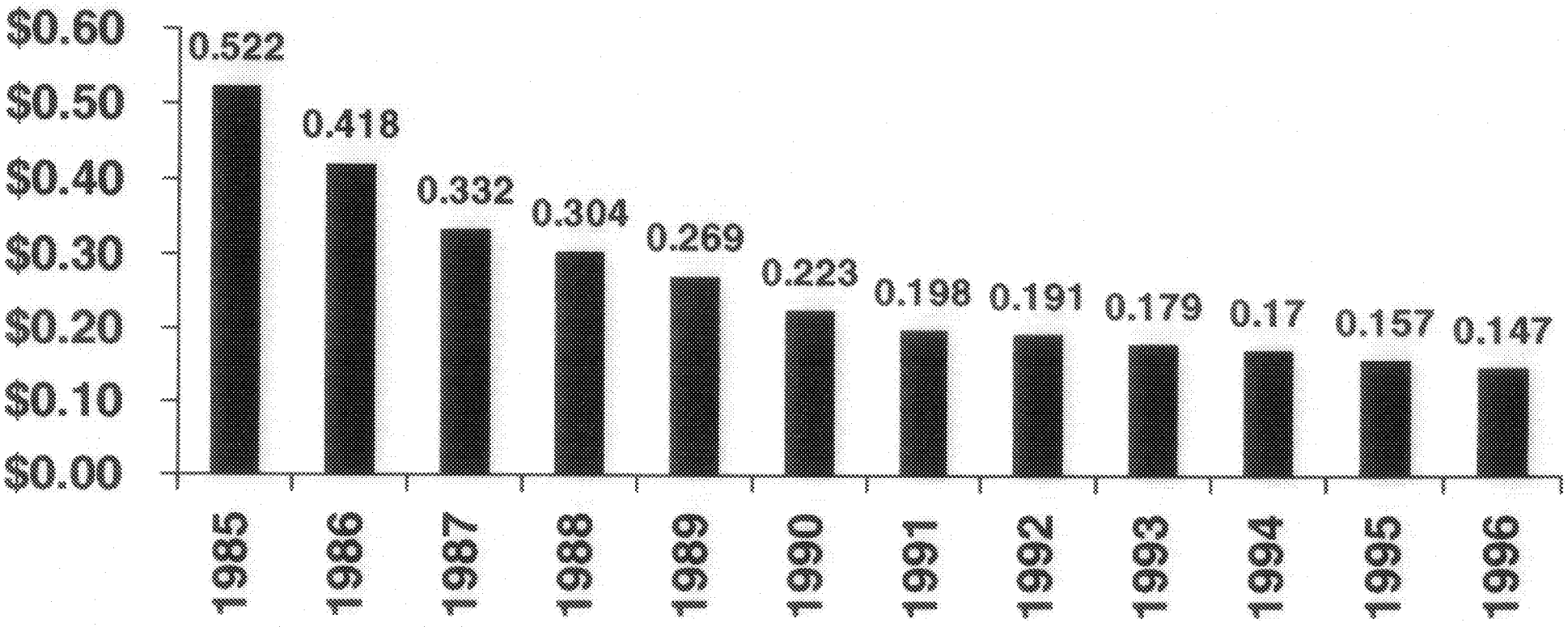
Long Distance Industry Pricing (Rev/Min)



*Source: "Long-distance: Public Benefits from Increased Competition," study by Robert E. Hall, Stanford University, October 1993, updated in 1995; MCI estimates for 1996

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Estimates of Decline in Toll Rates and Access Costs					
*All values are real	1992	1993	1994	1995	$ Change
Revenue/Minute	$0.1663	$0.1550	$0.1439	$0.1346	$ (0.0317)
Access Charge/Minute	$0.0651	$0.0598	$0.0568	$0.0519	$ (0.0132)

*Source: FCC: Telecommunications Industry Revenue; TRS Fund Worksheet Data, 12/96, adjusted for inflation using CPI

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Access Reductions Have Been Flowed Through To Long Distance Consumers.

- Local Telephone Monopolies Claim that During the Past Five Years, Access Charges Have Declined by about $9 Billion.*

- Actual Savings Passed on to Consumers During the Same Period Have Been Approximately $51 Billion.**

*"*USTA Comments on FCC Access Charge NPRM," The United States Telephone Association, December 23, 1996*

***"*Long-distance: Public Benefits from Increased Competition," Robert E. Hall, Stanford University, October 1993, updated 1994.*

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State Regulators Support Prescriptive Approach

- "[W]e believe carrier access charges reductions of 50% or more over the next few years should be achievable over the next few years without any transfer of costs to local service." New York Department of Public Service

- "We agree that a prescriptive approach, in the form of phased reductions to access charges, would move prices towards economic costs more quickly." Florida Public Service Commission

- "In general, Texas PUC advocates use of a prescriptive approach initially, with transition to a market-based approach when true competition exists." Texas Public Utility Commission

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Consumer Representatives Support a Prescriptive Approach

- "State advocates recommend that this Commission take a prescriptive approach where significant market power exists." State Consumer Advocates from CA, DC, FL, IN, IA, MD, MO, NJ, MN, PA, WA

- "It is unrealistic, however, to believe that efficient prices will be accomplished without immediate, prescriptive steps to eliminate the anti-competitive and inefficient pricing of access." AARP, CFA, CU

- "If the Commission fails to prescribe an efficient pricing structure for access, it will prolong and delay the advent of full and effective competition in both the access and local exchange markets." Texas Office of Public Utility Counsel

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A Market-Based Approach Cannot Work to Reduce Access Charges:

- **Where There Is No Competition: Terminating Access**

- **Where Competition Has Not Yet Arrived**
  - **Difficulties in Obtaining Interconnection and Access**
  - **Time and Capital-Intensive Steps Needed to Provide Competitive Local Service**
  - **ILECs Can Charge Higher Access Rates for Consumers Without A Competitive Alternative**

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A Market-Based Approach Will Not Work: Difficult to Make Local Competition Happen

- **Operations Support Systems (OSS)**
  - Manual v. Electronic Bonding
  - Non-Industry Standard Interfaces For Resale
  - Not Operationally Ready
- **Non-Recurring Charges (NRCs)**
  - Anti-Competitive Penalty Charge
  - Non-Cost-Based
  - PacBell California NRC=$150 per loop
- **Collocation:**
  - 72 Collocation Requests Made/Only 7 Filled
  - NYNEX - No Physical/No Virtual Collocation

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A Market-Based Approach Will Not Work: Difficult to Make Local Competition Happen - Cont'd

- **No Tariffed Unbundled Switching**

- **Interim, Non-Cost-Based Rates - Unbundled Network Elements**
  - AZ, GA, KY, NJ, TX, MI, NY, NC, TN, VA, OH, IL, CA, PA, UT, DC
  - Only FL has set permanent rates for UNEs

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CONCLUSION

- Without Mandated Reductions In Access Charges Competition In The Local And Long Distance Markets Will Be Impaired

- With Mandated Access Charge Reductions Consumers Will Benefit Now And Competition Will Come More Quickly

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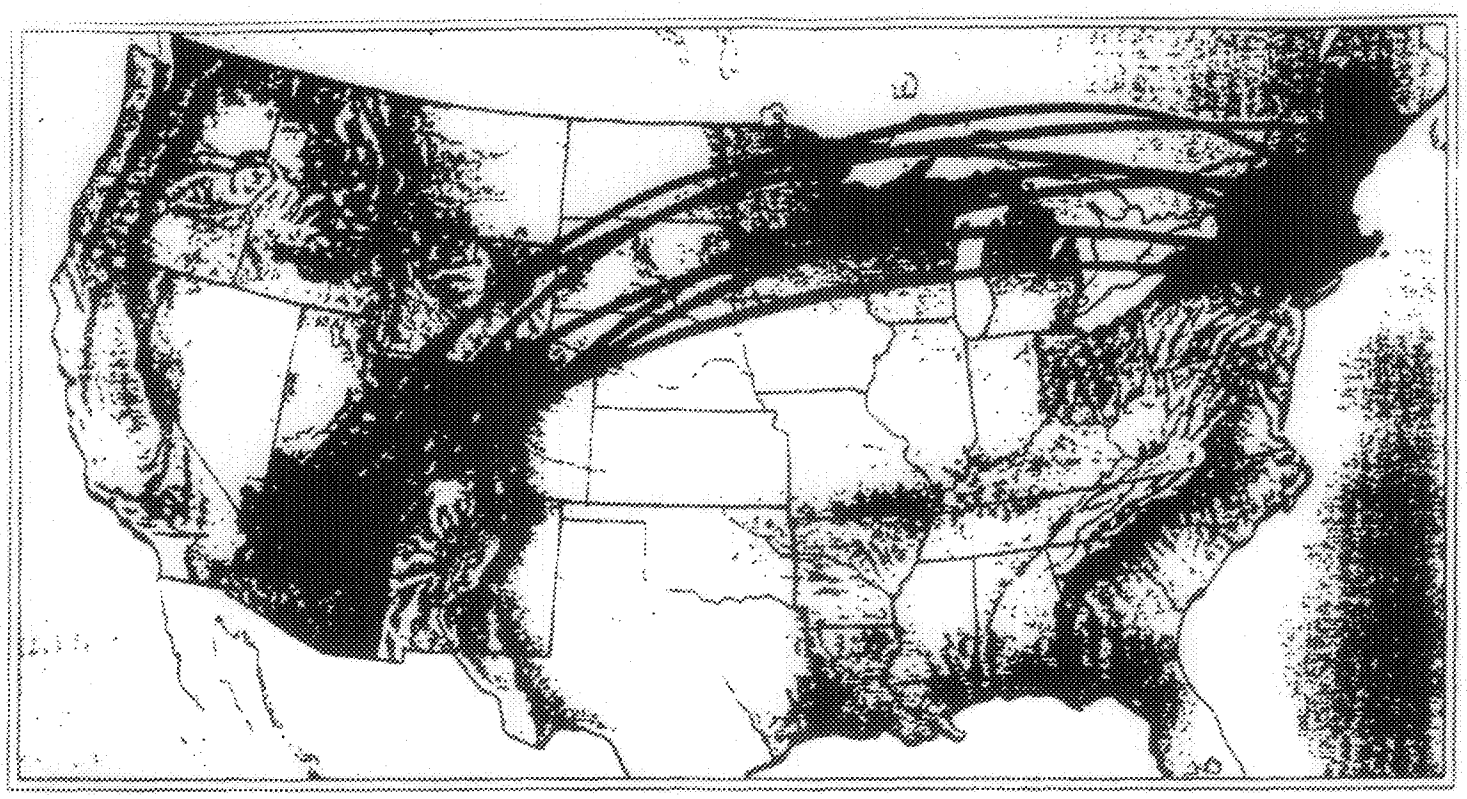

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MCI News

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IMMEDIATE RELEASE

ONE YEAR AFTER TELECOM ACT: MCI AGGRESSIVELY EXPANDS LOCAL SERVICE

--Brings Local Networks to Six New Cities,
Plans Local Service for Residential Customers in More States --

-- MCI Committed to Serving Local Customers Nationwide --

WASHINGTON, DC, February 6, 1997 -- A year after President Clinton signed the Telecommunications Act of 1996, MCI announced today that it is significantly expanding its local telephone service offerings throughout the nation.

At a Washington press conference, MCI President and Chief Operating Officer Timothy F. Price said the company this year will offer customers switched local service in six new markets. They are Washington, DC, Dallas, Houston, San Antonio, Cincinnati and Fort Lauderdale. The additions will bring to 31 the number of major markets where MCI offers customers a choice for facilities-based local telephone service.

In addition, Price said MCI will dramatically broaden the reach of its local switched networks in New York City, Baltimore and Seattle. And MCI will inaugurate statewide resale service to residential customers in Illinois and New York, adding to its current residential offering in California.

"MCI is committed to serving local customers throughout the country as soon as regulatory conditions allow real competition," Price said. "Today's announcement is strong evidence of MCI's belief that government will do the right thing: cut access charges and force incumbent monopolies to really open their local markets.

"MCI will continue to build our own local switched networks and offer statewide residential service first in those markets and states that actively promote local competition."

In addition to moving into six new markets, MCI will expand the reach of its existing switches in Seattle, Baltimore and New York City to reach suburban areas in Tacoma, WA, Rockville, MD and Brooklyn, Queens, lower Westchester County and Nassau County, NY.

-more-

MCI also will offer local resale service for residential customers on a statewide basis in Illinois and New York. MCI currently offers local service for residential customers throughout Pacific Bell territory in California and for business customers throughout SNET territory in Connecticut.

MCI has invested $1 billion to date -- and will spend another $700 million by year-end -- in building its own state-of-the-art local switched networks. Today, the company offers local service over its networks in 19 markets, and is scheduled to add another six markets by Spring. Today's announcement boosts to 31 the number of markets where MCI will offer facilities-based local service in 1997.

"We will get into local service just as we got into long distance," said Price. "MCI now serves 20 million long distance customers across America, and we want every one of them to enjoy the benefits of choice in local service, too.

"We plan to serve residential customers with our local networks," Price said. "But we're constrained right now by the unwillingness of the local telephone monopolies to negotiate reasonable terms for leasing the monopoly network elements that we need to bring service to residential customers."

One year later: The competitive climate

At its signing on February 8, 1996, the Telecommunications Act of 1996 promised a future in which local and long distance companies would compete in each other's markets, wireless and cable companies would become part of the mix, and consumers would reap the rewards of competition.

"Today the promise of the Act remains largely unfulfilled, primarily because of resistance by the local telephone monopolies," said Price. "At every turn, the regional Bell companies, GTE and the other local monopolies are opposing FCC rules intended to open local markets. They're dragging out negotiations on interconnection agreements at the state level and resisting the steps needed to resell local service.

"We didn't expect the local monopolies to be cooperative. On the other hand, we didn't expect that, after four months, they'd have fulfilled only seven out of our 72 requests for co-location.

"Having a local telephone monopoly is like having a license to print money. And asking a monopoly to open up its market is like trying to take away that printing press. It's a very tough proposition. Nevertheless, MCI is leading the way to bring competition to local markets for business and residential customers."

-more-

MCI announced a strong commitment to enter the local service arena more than two years ago. Today, MCI local service is available in Atlanta, Baltimore, Boston, Chicago, Cleveland, Detroit, Hartford, Los Angeles, Miami, Milwaukee, New York, Orlando, Philadelphia, Pittsburgh, Portland, Ore., San Diego, San Francisco, Seattle and Tampa. The next six markets to be turned up are Denver, Memphis, Minneapolis, Newark, N.J., Phoenix, and Raleigh, to be followed by the six new markets announced today.

MCI, headquartered in Washington, DC, provides a full range of integrated communication services to more than 20 million customers. Credited with opening up the U.S. long distance market for competition, MCI is now leading the charge to bring competition to the $100 billion local market, offering American consumers for the first time the freedom to choose their local carrier. With 1996 revenue of $18.5 billion, MCI is one of the largest and fastest growing telecommunication companies in the world. On November 3, 1996, MCI announced a definitive agreement to merge with BT to form Concert plc, the world's first global communications company.

# # #

MCI

Information

Fact Sheet
MCI Local Service

One year after the signing of the Telecommunications Act of 1996, MCI continues to move ahead with its aggressive commitment to offer competitive local telephone service to business and residential customers across the United States. MCI plans to deliver a comprehensive range of local communications products through the construction of its own network facilities, partnerships with other providers, leasing network capacity and resale agreements with the Bell companies.

MCI's Local and Switched Networks

MCI currently offers:

o **Local service through its own fiber-optic digital networks covering more than 2,600 route miles in 19 cities:**

Atlanta	Cleveland	Miami	Philadelphia	Seattle
Baltimore	Detroit	Milwaukee	Pittsburgh	Tampa
Boston	Hartford (CT)	New York	Portland (OR)	San Francisco
Chicago	Los Angeles	Orlando (FL)	San Diego	

o **Local service via resale agreements** with the local phone monopolies to business and residential customers throughout the Pacific Bell territory in California, and for business customers throughout SNET territory in Connecticut.

By spring, 1997, MCI will:

o **Build local switched networks in six additional cities:** Denver; Memphis, Tenn; Minneapolis; Newark, NJ; Phoenix; and Raleigh, NC.

By year end 1997, MCI will:

o **Build local switched networks in six more cities:** Dallas, Houston, San Antonio, Texas.; Cincinnati; Ft. Lauderdale, FL.; and Washington, DC.

o **Expand its service area in three more cities:** Tacoma, WA; Rockville MD; and Brooklyn/Queens/lower Westchester and Nassau counties, NY.

o **Begin offering residential local service via resale in Illinois and New York.**

MCI's Investment in Local Service

MCI announced a strong commitment to enter the local service arena more than two years ago.

o **$1 billion to date**
o **Additional $700 million by the end of 1997**

MCI Local Service for Business

MCI Local Service is a comprehensive, integrated offering that provides business customers with the convenience of a single bill for all communications services including:

- inbound and outbound local calling
- domestic and international long distance
- data services
- cellular and paging
- toll free (800 and 888)
- and Internet access

One-Stop Shopping:

- one contract for all services
- one point-of-contact for all services
- one invoice for all services
- 24-hour customer service, seven-days-a-week

Robust Features:

o MCI provides business customers with local lines and 17 of the most widely used features including:

- call forwarding
- call waiting
- speed calling
- conference calling
- accounting codes

o Full service features include:

- operator and directory services
- emergency 911
- service access codes
- universal calling
- intraLATA toll calling
- voice messaging services

o The company also provides flexible local trunk service including:

- central office trunks
- direct outward dial trunks
- direct inward dial trunks and
- high-capacity trunks via T-1 connections

o Dedicated access services include Digital Signal Level 0, DS1 Service, DS3 Service and OC3 Service.

o Advanced Technology = Performance and Reliability

All of MCI's Local Service networks for business customers are built on **Synchronous Optical Network (SONET)** rings that ensure the highest levels of performance and reliability. This feature alone gives MCI the edge over Regional Bell Operating Companies, which have yet to universally adopt SONET technology. With this technology, customers benefit from instant traffic restoration in the event of an outage.

MCI Home Phone Service for Consumers

MCI has redefined local calling with MCI Home Phone service, a first-of-its-kind local product that provides a phone line plus unlimited local and local toll calling for one simple flat monthly fee.

Simplifies Local Calling

- expanded local calling area eliminates confusion over local toll calls (intraLATA)
- flat monthly fee eliminates worry over extra cost for local toll calls
- phone bills are predictable and easy to understand

Feature-Rich

- access to popular calling features
    - call waiting
    - 3-way calling
    - speed dialing
    - call forwarding
    - caller ID
    - call blocking
    - 900/976 blocking
- operator and 411 directory services
- emergency 911

Backed by Exceptional Customer Service

- 24-hours a day, seven days a week
- representatives available to answer billing maintenance and repair questions at any time

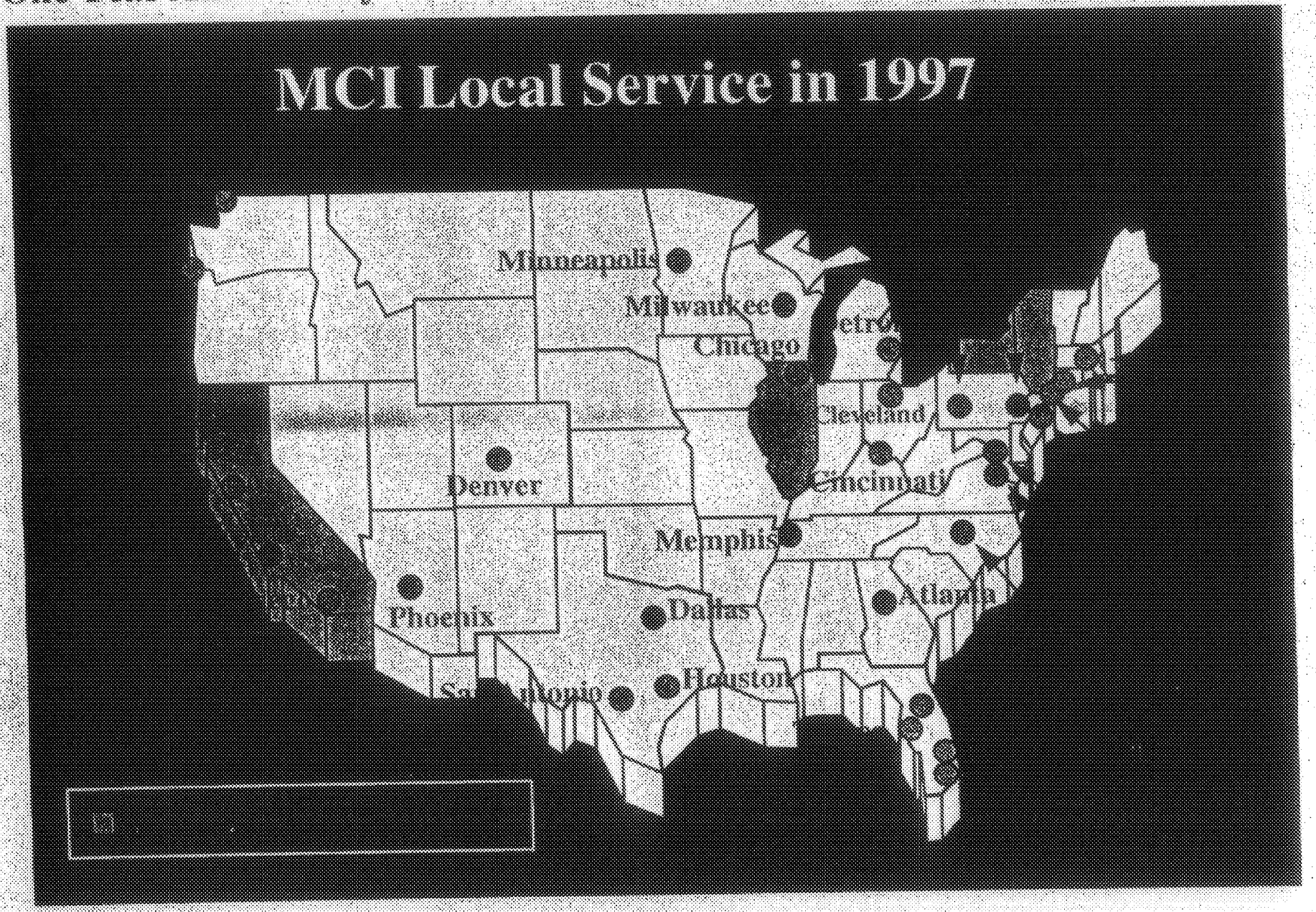
Residential Service Availability

- currently available throughout Pacific Bell territory in California
- statewide service soon to be available in Illinois, New York and other states

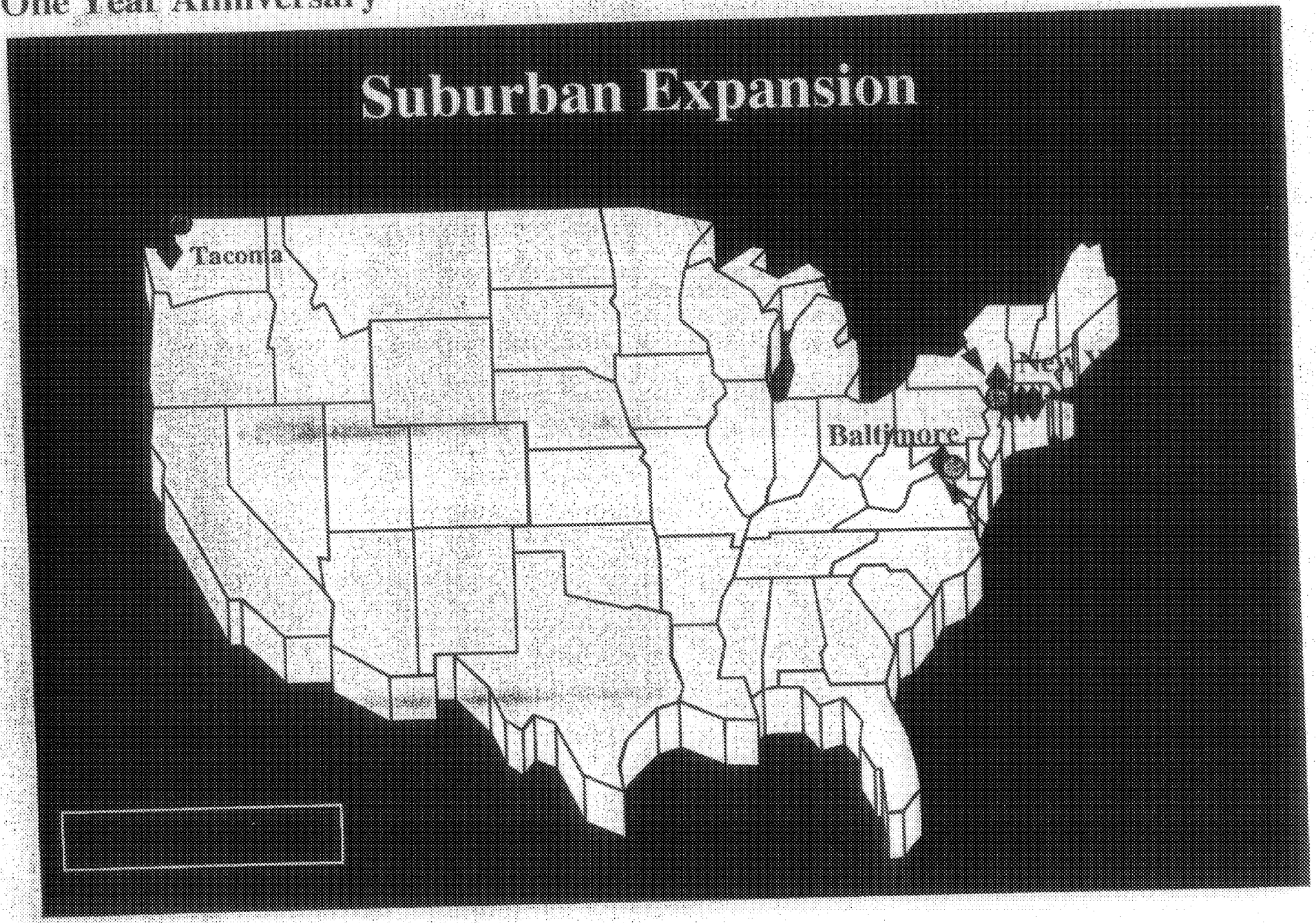
NOTE: An innovative plan for small business customers, MCI Business Phone Service, is also available.

# # #

One Year Anniversary



One Year Anniversary



What They Say . . . Versus the Facts

- They Say . . .
  - "The long distance industry likes to talk about competition . . . America's local phone companies aren't just talking, we're getting it done."
- The Facts are . . .
  - Not one Baby Bell is offering local service in another Bell's territory
  - GTE has filed 16 separate suits in the last two months against public utility commissions to block them from allowing local competition
  - RBOC's maintain local market share of about 99%