



MCI Telecommunications Corporation

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MAY 16 1997

Federal Communications Commission
Office of Secretary

May 16, 1997

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

Re: CC Docket 96-98: Implementation of the Local Competition Provisions of the Telecommunications Act of 1996

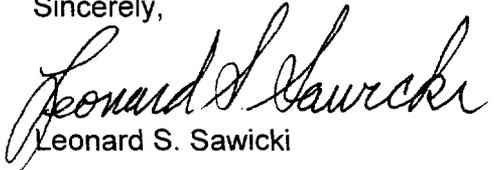
Dear Mr. Caton:

Today, Stuart Miller, Donna Roberts and I met with Kathleen Levitz, Gregory Forbes, Gregory Cooke, and Kent Nilsson of the Common Carrier Bureau. The purpose of the meeting was to review MCI's efforts to obtain directory assistance information from incumbent local exchange carriers.

The attached material was used during the meeting and details the topics discussed.

Please include this letter and the enclosed copy in the record of this proceeding.

Sincerely,


Leonard S. Sawicki

Attachment

cc: Mr. Cooke
Mr. Forbes
Ms. Levitz
Mr. Nilsson

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Directory Assistance



MCI Telecommunications

May 16, 1997

Overview

- MCI seeks to be a competitive provider of Directory Assistance services
- The Telecom Act and FCC Orders clearly require directory listings be made available from all LECs upon request - Enables MCI and others to compete
- States generally require access to directory listings, however not in non-discriminatory forms
- If carriers are unable to acquire data from LECs, they will be forced to use other less reliable sources of data
 - Results
 - Customer dissatisfaction
 - Increased cost to consumer
- Public should get the most accurate and up-to-date listing information available, regardless of underlying carrier

Overview (cont.)

- Request reinforcement of clear FCC directives
 - “Timely fashion” = upon request with daily updates
 - “Non-discriminatory access” = all information available to an RBOC operator including CLECs and independents and extended coverage areas
 - “Equal-in-quality” = non-published indicators, non-listed, caption sets, etc.
 - Type of access = any technically feasible means
- Implementation deadline for dialing parity is August 8, 1997 - All LECs
- Enforcement of dialing parity on 271 applications

The Telecom Act and FCC Orders

- 251 (b) (3) of the Act

Imposed on all providers of Local Exchange Service:

“DIALING PARITY --The duty to provide dialing parity to competing providers of telephone exchange service and telephone toll service, and the duty to permit all such providers to have nondiscriminatory access to telephone numbers, operator services, directory assistance, and directory listing, with no unreasonable dialing delays.”

- FCC Second Report and Order

51.217 Nondiscriminatory access: telephone numbers, operator services, directory assistance services, and directory listings.

“(ii) Access to directory listings. A LEC shall provide directory listings to competing providers in readily accessible magnetic tape or electronic formats in a timely fashion upon request. A LEC also must permit competing providers to have access to and read the information in the LEC's directory assistance databases.”

The Telecom Act and FCC Orders (cont.)

- FCC Second Report and Order

Paragraph 141

“ We conclude that section 251(b)(3) requires LECs to share subscriber listing information with their competitors, in "readily accessible" tape or electronic formats, and that such data be provided in a timely fashion upon request. **The purpose of requiring "readily accessible" formats is to ensure that no LEC, either inadvertently or intentionally, provides subscriber listings in formats that would require the receiving carrier to expend significant resources to enter the information into its systems.** We agree with MCI that "by requiring the exchange of directory listings, the Commission will foster competition in the directory services market and foster new and enhanced services in the voice and electronic directory services market."

- FCC First Report and Order

Paragraph 538

“... incumbent LECs must provide access to databases as unbundled network elements. We find that the databases used in the provision of both operator call completion services and directory assistance must be unbundled by incumbent LECs upon a request for access by a competing provider. **In particular, the directory assistance database must be unbundled for access by requesting carriers** ... We find that the arrangement ordered by the California Commission concerning the shared use of such a database by Pacific Bell and GTE is one possible method of providing such access.”

The Telecom Act and FCC Orders (cont.)

- FCC First Report and Order

Paragraph 313

“... we require incumbent LECs to provide access and unbundled elements that are at least **equal-in-quality to what the incumbent LECs provide themselves**, and allow for an exception to this requirement only where it is technically infeasible to meet. We expect incumbent LECs to fulfill this requirement in nearly all instances where they provision unbundled elements because we believe the technical infeasibility problem will arise rarely.”

Issues

- Although RBOC databases contain data for independent LECs, RBOCs do not want to provide this data to MCI
- Readily accessible magnetic tape and read-only electronic access
- Dialing parity
 - SNET, Cincinnati Bell, GTE fail to fully comply

Issue 1: RBOCs Denying Access to Entire Database

- **Nondiscriminatory access to DA databases as unbundled elements - access must include all listings available to RBOC operator**
 - Failure to provide complete access is a barrier to entry and results in reduced quality
 - RBOCs discriminate on access, providing all data if read-only, but only their own data if on mag tape
 - Access to all data does not convey ownership, license, or intellectual property rights

Issue 1: RBOCs Denying Access to Entire Database (cont.)

- RBOCs generally refuse to provide data “upon request” and stonewall, obfuscate and confuse clear FCC Order at all opportunities
 - Bell Atlantic
 - Early 1995, initial request, delayed at Bell Atlantic’s request
 - Jan 1996, Bell Atlantic formally indicated unwillingness to allow MCI to store DA data
 - Summer 1996, Bell Atlantic testified in Maryland that they had no idea MCI wanted to store data in its own system even though BA had formally rejected MCI’s request on several occasions
 - Mar 1997, Bell Atlantic witness testified in Virginia that it is technically infeasible to separate DA listings from search software. MCI pointed out that such “technically infeasible” action was already a practice within the state. Virginia State Corporation Commission forced Bell Atlantic to acknowledge in writing that data was currently being exchanged between BA and GTE and clearly technically feasible and ruled in MCI’s favor on this issue.
 - SBC - Refuses to discuss or negotiate until entire contract complete
 - Ameritech claims independents’ contracts do not permit access to ITC listings. MCI researched Ohio and none of the independents’ contracts prohibits data access.
 - Southern New England Telephone (SNET)
 - Summer 1996, MCI formally requested access to directory assistance data, SNET refused
 - SNET refers to state law in this area that only requires read-only access
 - State law implemented in March 1996 - prior to FCC Order
 - Cincinnati Bell
 - Summer 1996, MCI formally requested access to directory assistance listings
 - Arbitration hearing pending

Issue 2: Limiting Access To Read-Only Is Discriminatory Requires Complete Dependency On LEC Systems

- **Read-only access is discriminatory**
 - Imposes unreasonable dialing delays
 - RBOCS do not use their in-house EDA service for 411 Directory Service because it is too slow
 - Standard DA systems provide sub-second response times
 - Requires every carrier to comply with RBOC definition of 411 service in terms of coverage, search criteria
 - Opportunities to add to data value such as zip code information, etc. impossible
 - LEC has complete access to highly proprietary competitive DA information CLEC by CLEC (i.e. number of searches, type of searches, speed of search, accuracy of found ratio, etc.)
- **Read-only access creates barrier to entry**
 - Service is no longer platform independent
 - Requires each CLEC to implement different platform for each LEC they interface with
- **Read-only is inefficient, particularly for operation across multiple LECs**
 - Separate platform for each LEC means completely different operation for each of these
 - Different screens, different data search criteria/method of search (area code, book, etc.)
 - No control over response times

Issue 3: Limiting Access To Read-Only Inhibits New And Enhanced Services

- FCC defined “readily accessible” as ability to put data into own system in order to “foster competition in the directory services market and foster new and enhanced services in the voice and electronic directory services market”
- New services include
 - Reverse number search
 - Nationwide call completion
 - Zip code information

Issue 4: Dialing Parity

- If a LEC offers interstate or intrastate toll service within its region, it must provide dialing parity as defined by the Commission
 - Unbundled element
 - Dialing parity
- If a LEC offers payphone service, it must provide dialing parity
 - FCC Payphone Report and Order
 - “291. ... “accordingly affirm our tentative conclusion that the benefits of dialing parity requirements adopted pursuant to Section 251(b)(3) of the 1996 Act should extend to all payphone location providers.”
- Rural and other exemptions impact MCI’s ability to enter the market with local directory assistance service
 - Independent carriers contacted
 - Bona fide requests made
 - Some rural telcos say they do not want to risk exemption by negotiating with MCI

RBOC 271 Filings

- Checklist requires MCI have all data available to the RBOC operator to fulfill checklist items ii and xii
 - “(ii) Nondiscriminatory access to network elements in accordance with the requirements of sections 251(c)(3) and 252(d)(1).”
 - “(xii) Nondiscriminatory access to such services or information as are necessary to allow the requesting carrier to implement local dialing parity in accordance with the requirements of section 251(b)(3).”

Public Interest Is Best Served When Free and Open Access to Listings Is Available

- Clearly the Act and FCC Rulings require RBOCs, LECs, and ITCs to make available DA data in readily accessible formats
 - Including mag tape or electronic format
- DA data access is required to achieve dialing parity
- DA database is required to achieve dialing parity
 - Unbundled element
 - Technically feasible
- RBOCs fail (ii) and (xii) of competitive checklist if CLECs do not get complete access to DA listings in a readily accessible format

State-By-State Overview of Arbitration Decisions

States That Have Followed Commission's Lead

- Hawaii
 - PUC ruled that GTE must provide DA listings by mag tape
- California
 - PUC ruled that Pac Bell and GTE must provide listings at the cost of the media (e.g. mag tape or Network Data Movers (NDM))
- Texas
 - PUC ordered GTE and SWBT to provision listings via mag tape
- New York
 - Contradictory language occurred in Arbitration Decision and contract language
 - Commission approved contract language
 - NYNEX requested reconsideration
 - Commission ruled in MCI's favor stating that MCI had made the more compelling argument

States That Have Followed Commission's Lead

- Virginia
 - SCC ordered GTE and Bell Atlantic-VA to provide listings via mag tape
- Florida
 - PUC ordered GTE to provide listings via mag tape or Network Data Movers (NDM)
 - BellSouth already in compliance
- Minnesota
 - Commission ruled that US West must provide CLECS with the same access to customer name and address as US West has and the data may be electronically transferred
 - Commission also ruled that volume or term requirements on CLECs requesting access to directory assistance databases would constitute a barrier to entry
- Missouri
 - Arbitration Award, Paragraph 13, p.13 - "The Commission finds that all parties should supply their customer information to each other at no charge."

Hawaii Commission Ruling

- From the Hawaii Administrative Rules, title 6, chapter 80, Competition in Telecommunications Services, paragraph 6-80-63 states:

“All telecommunications carriers, including the incumbent carrier, shall provide customer list information gathered in their capacity as providers of telecommunications service on a timely and unbundled basis, under nondiscriminatory and reasonable rates, terms, and conditions, to any telecommunications carrier, or person upon request for the purpose of providing directory assistance or publishing telephone directories in any format. “

Minnesota Commission Arbitration Ruling

- Section VII - D - Access to Directory Assistance Databases

“The Act and FCC Interconnection Order are clear that US WEST must provide unbundled access to its directory assistance database at the request of a CLEC, with costs to be recovered through TELRIC-based rates established for the service.

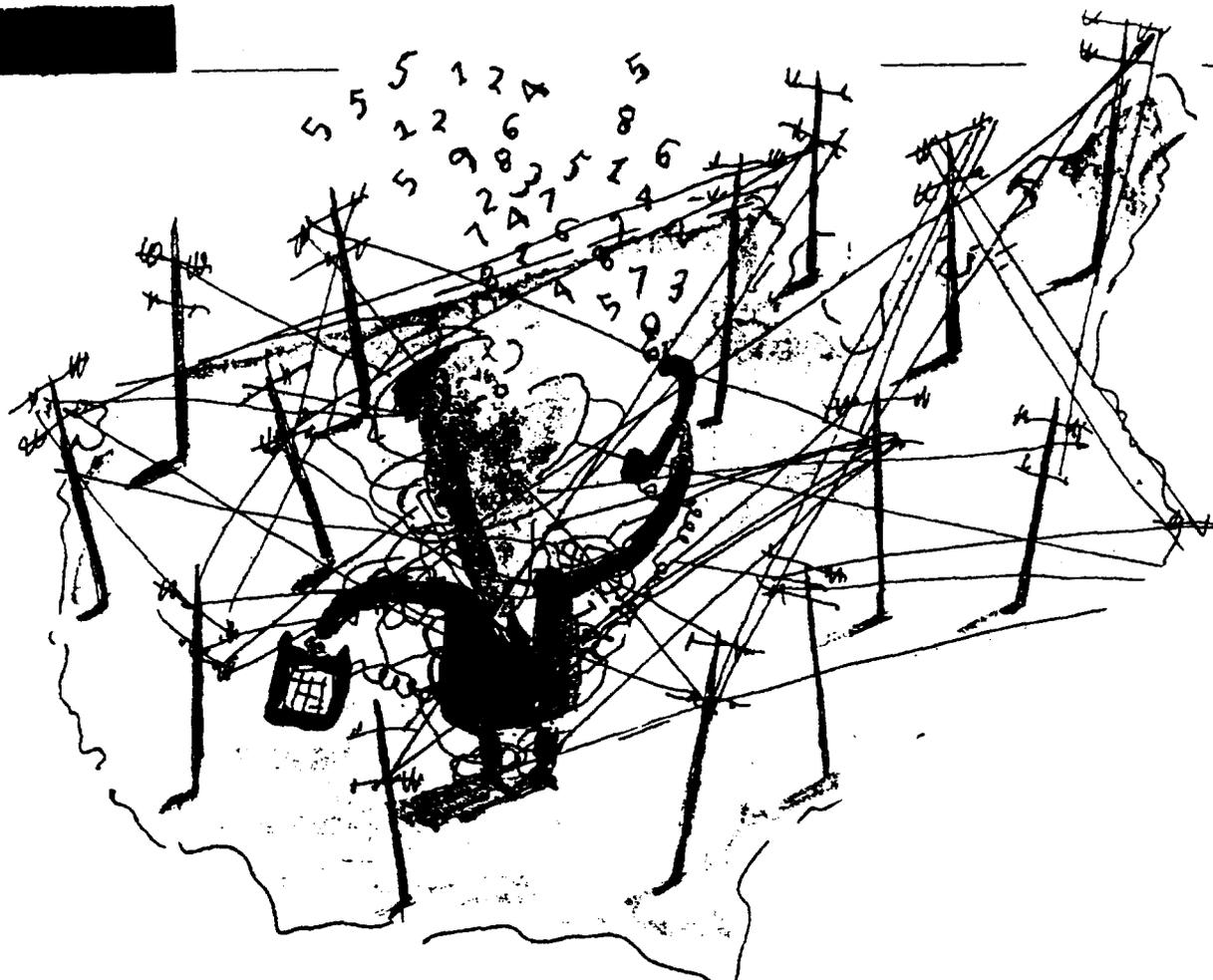
The Commission disagrees with the ALJs recommendation to limit the requirement to a read-only basis. The Act and the Interconnection Order contemplate the Incumbent's providing unbundled access on a nondiscriminatory basis, on the same terms it itself uses. The CLECs must have the same access to customer name and address as US WEST has, with one qualification: the database may be electronically transferred in a manner which will preclude CLECs from manipulating or changing information in the original US WEST database.

The Commission agrees with the ALJs that US WEST may not impose volume or term requirements on CLECs requesting access to directory assistance databases. These requirements are not contemplated in the Act or Rules and would constitute a barrier to entry. Further, a term requirement could lock a CLEC into the purchase of an unbundled network element, even when market place realities may otherwise indicate that facilities-based service may be preferable.”

Virginia State Corporation Commission Ruling

- Paragraph 13

" Means of Access to directory assistance Data. BA-VA is required to furnish MCI its basic directory assistance data, on magnetic tape or some other suitable medium provided that BA-VA's directory assistance database is not exposed to unreasonable risk of destruction. BA-VA shall work with MCI in an effort to provide directory assistance data without harm to BA-VA's database. BA-VA is required to provide daily updates to that data and MCI is required to pay BA-VA's efficiently incurred costs of providing the data."



Having problems with long distance directory assistance? You got caught in the crossfire of yet another phone company battle.

Directory unassistance

By Damon Darlin

GETTING WRONG LISTINGS, disconnected numbers or nothing at all happens a lot these days. Yet another chapter in the continuing battle among the phone Goliaths and smaller—but ferocious—competitors.

If you're an AT&T long distance customer and you dial directory assistance, you usually aren't getting AT&T operators. You rarely did. The calls were routed to a local Bell operating company, such as US West or Nynex. But now AT&T wants to sell local service, just as the regional Bells are encroaching on AT&T's long distance territory. That would mean a direct competitor would be handling AT&T's directory assistance service. Rather than "Thank you for using AT&T," you might be thanked for using Southwestern Bell or Pacific

Telesis. Not a silly concern when you realize that 1.5 billion long distance directory assistance calls are made each year. That's 3 billion possible impressions for a long distance carrier's brand name with an AT&T sprinkle tone at the beginning and another identification at the sign-off.

Worse, directing a directory assistance call to a local Bell company is putting good money in a competitor's pocket, anywhere from 23 cents per call to around 50 cents, depending on local regulations.

Enter the independent wholesaler of directory assistance. The odds are pretty good nowadays that if you are calling from Maine for a number in Oregon, you are reaching a directory assistance operator in Phoenix working for an upstart company called

Excell Agent Services. Daniel Evanoff and Daniel Pearce, two former Sprint Communications executives, started the company three years ago. Today their 3,300 "agents" handle a quarter of all the nation's long distance directory assistance calls from three centers in Phoenix and a new one in Florida.

Excell computers thank the caller on behalf of whichever long distance company directs the call to them. Excell charges the long distance carriers far less for its directory assistance services than the Bells do. Excell can afford to underprice. It pays its employees roughly half of the \$15 an hour unionized regional Bells pay.

Baby Bells lose more than \$100 million a year in revenue to closely held Excell. "Directory assistance is

not a [Bell company's] top priority," says Evanoff, 50. "You don't get to be president of a regional Bell by running a call-services center." Officials at several regional Bells acknowledge that because directory assistance was never a profit center, the corporations invested relatively little money there.

By contrast, Evanoff has invested heavily in making Excell's service reliable, with backup power suppliers and phone cables, and a well-tested diesel generator out back. Excell operators are armed with \$8,000 personal computer workstations that can call up listings stored on a mainframe computer in less than a second.

Reliable service? Alas, no. Just try to get the number for my office in Los Angeles. As a test, I dialed long distance directory assistance, area code 310 plus 555-1212, and asked for FORBES' West Coast bureau. The recorded voice read me an unfamiliar number in the 213 area code, not the 310 area code where our office is. It

was a disconnected number.

On a second call to directory assistance, I was told there is no FORBES office in Los Angeles. On a third call: no FORBES in the 310 area code. Each attempt, by the way, triggered a 95-cent charge.

Why do Excell's operators give out

"Directory assistance isn't a big priority. You don't get to be president of a Bell by running a call-services center."

so many wrong numbers? Evanoff blames the irritating errors on the databases Excell uses. It constructs its database of 120 million listings by scanning in newly published phone books—three months out of date the moment they're published—and compiling data from credit card applications, utilities billing records,

newspaper subscriptions and mortgage records. Excell is hostage to such imperfect information because most Baby Bells either refuse to sell their listings or demand extravagant prices. The Federal Communications Commission ruled that the lists must be offered for sale, but some regional Bells are fighting the ruling.

Some of the regional Bells are probably trying to delay things as long as possible to keep competitors like Excell at a disadvantage. US West has been consolidating call centers and asking its unions for a lower wage for entry-level operators. Ameritech offers nationwide directory assistance to its customers in Chicago and Detroit. "Directory assistance is going to be a profit center," says Michael Hollobow, directory assistance product manager for Ameritech.

Competition ultimately is going to sort this out. Meantime, steel yourself for a lot of wrong numbers. ■

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SETTING A HIGHER STANDARD

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to buy ranches and things," Malone says. "We haven't
sold any of ours."

But Turner says he hasn't sold and is "the largest
individual shareholder, by far." The last official tally,
in a Time Warner proxy last September, put Turner
first with about 64 million shares. Seagram had 57
million shares, TCI about 36 million.

Turner dismisses both potential rivals for the
crown. Malone, he says, has "only got a piece of Lib-
erty Media which has a piece of Time Warner," and the
Breadman family, which controls Seagram, also only
owns shares through the company. "My stock is held

corn CEO Summer Redstone, who once survived a ho-
tel fire. "One more heart attack for Eisner and one
more hotel fire for Redstone, and we're the champ-
ions," says Turner. "We're ready right now. We're go-
ing to kick everybody's ass — starting with (News
Corp. CEO Rupert) Murdoch. . . . His children are go-
ing to take over, and his wife is going to look after (the
company) in the meantime. That should make the
shareholders feel real comfortable."

Turner and Murdoch have been feuding since Sep-
tember when Time Warner declined to carry Mur-
doch's Fox News Channel on its cable systems.

Certified PUBLIC ACCOUNTANTS (AICPA).

Less than one-tenth of one percent of audits
are found to have missed a fraud, the AICPA esti-
mates. There is little that investors can do to pro-
tect themselves from out-and-out fraud. "If peo-
ple are going to step over the line, they're going
to do that whether they operate in a highly regu-
lated environment or a loosely regulated envi-
ronment," says Neal Sullivan, executive director
of the North American Securities Administrators
Association. Experts say current cases highlight
the need for investors to be cautious about rely-
ing on corporate projections.

Directory assistance peddles misinformation

By Del Jones
USA TODAY

Phone feuds create costly frustration for callers

COVER STORY

Long-distance information has become so unreliable over the past year that chambers of commerce as far-flung as San Antonio and Cape Cod, Mass., comb through local phone books to help desperate out-of-town callers.

Directory assistance gives "wrong answers, non-answers and poor answers," says Michael Frucci, executive director of the Cape Cod chamber. "It's a pain in the neck."

People call long-distance information 1.5 billion times a year, and more of those calls have been turning out like one recently placed by Jim Sanders of Winston-Salem, N.C. He dialed information at 1-907-555-1212 to request the number of the United Methodist Church in Unalaska, Alaska. Although 907 is Alaska's area code, Sanders reached an operator near Phoenix, who first asked him to spell Unalaska, then told him there was no listing for the church.

Assuming operator error, Sanders called back at a charge of nearly \$1 and was given the same response. Later, he called the same number from work, reached an operator in Alaska who was familiar with the town and easily found the

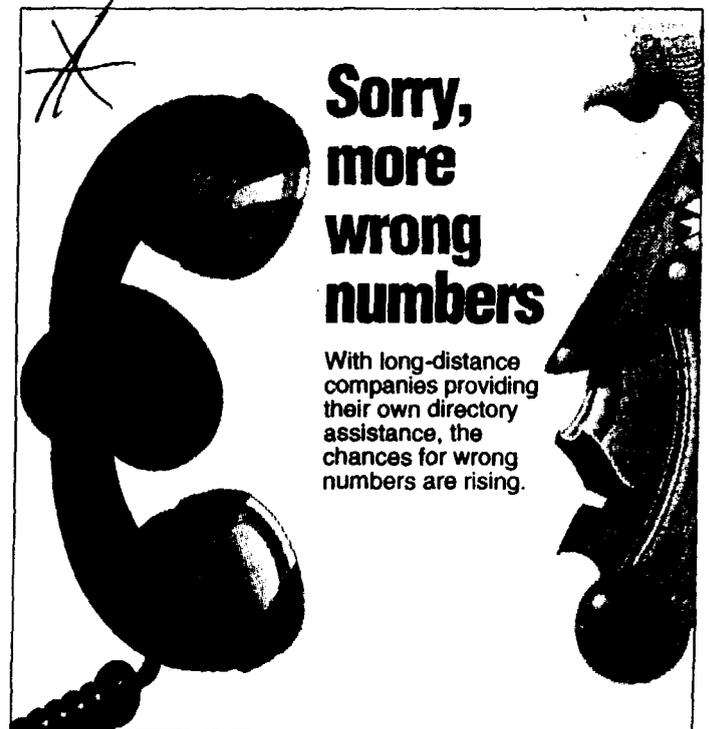
correct number. The difference: Sanders has AT&T long-distance service at home, while his office is served by LDDS Worldcom.

Long-distance information, never perfect, has deteriorated so much the past year that entire

towns have disappeared from the listings, say those who use the service regularly. It's another byproduct of the high-stakes feud between local phone companies and long-distance carriers as they gun for each other's business in the wake of the Telecommunications Act of 1996.

Until a year ago, a call to 1-(area code)-555-1212 would ring the same operators who handled local information calls in that area. Long-distance carriers paid local phone companies to handle the out-of-town requests. But large long-distance carriers, including AT&T, MCI and Sprint, now want to handle information calls for their customers and earn the 60-95 cents in revenue for an average 23 seconds of operator time per call. Trouble is, some regional phone companies are not selling them lists of numbers, often

Please see COVER STORY next page ▶



By Marcia Steiner, USA TODAY

MANAGING YOUR MONEY: EVERY FRIDAY IN THE MONEY SECTION

USA Today, 2/12/97, p. B1

Callers getting the ring-around

Continued from 1B

forcing long-distance carriers to scrape together less-reliable lists for much of the country from old phone books and the Internet.

Hence, a church in Unalaska ceased to exist for AT&T customers. Sales manager Ron Barfield of Arlington, Texas, and financial planner Ralph Sherman of Wellesley, Mass., say operators can't find a number, or give them a wrong one, 25% of the time. Michigan State University secretary Lisa Kobucar believes the error rate is closer to 33%.

Consumer cost: Millions

The biggest drain may be on the patience of both callers and those who are answering all the wayward calls. But information mistakes siphon millions of dollars from callers who first place long-distance calls to incorrect numbers, then call information back at another charge of 60-85 cents. It adds up. If 5% of the 1.5 billion information calls are inaccurate, it is costing callers more than \$50 million a year.

COVER STORY

Companies say they will credit bills to those who complain about erroneous information. But information operators aren't equipped to adjust billing, so avoiding a charge requires hanging up and dialing 00 to get a long-distance operator.

Many don't bother. AT&T says complaints are rare, and the Federal Communications Commission and consumer groups agree. "I hate to extrapolate a trend based on anecdotal evidence," says AT&T spokesman Mark Seigel.

Pacific Telesis says its complaints about long-distance information are up 10%. Spokesman Michael Ruzler figures most people accept it as an irritant. "like a fly buzzing around you."

But Lockheed Martin Missiles & Space in Sunnyvale, Calif., estimates it gets about 20-30 calls a day from people given incorrect numbers by information. The Greater San Antonio Chamber of Commerce says frustration with long-distance information is a major reason calls to its office were up 12% last year, a jump of 350 a month.

"They give me plenty of wrong numbers and I'm charged for every one of them," says telecommunications consultant Jeffrey Kagan.

Long-distance information can be more lucrative than the more-regulated local-information calls. More than four times as many local-information calls are placed, but many are free and the rest cost about 35-50 cents.

Information operators are expected to handle two or three calls a minute. But companies say that they monitor for accuracy and that operators have no incentive to dish out wrong numbers rather than take extra time to find a difficult listing.

MCI and Sprint are moving cautiously, but AT&T has already taken over long-distance information for its customers dialing to half the country. It expects to complete a nationwide rollout soon. AT&T's contractors employ almost 5,000 information operators in three states. Soon, information calls made by AT&T customers to anywhere in the country will ring an operator in Arizona, Virginia or Florida.

Sharing phone number lists

Long-distance carriers say the Telecommunications Act requires local phone companies to sell listings at a fair profit — about 15% return on invested capital. But Southwestern Bell says the act requires them to sell the numbers only to other licensed local providers, not to AT&T's contractors or other companies that are not licensed to provide local service.

But AT&T is planning to enter the local phone business, as CEO Robert Allen reiterated Feb. 4. Meanwhile, AT&T and contractor Excell Agent Services say they have filed a complaint against Southwestern Bell and are awaiting an FCC ruling.

Other local phone companies are turning over listings, but on their own terms:

► Bell Atlantic and Nynex won't turn over lists on magnetic tape, but instead allow contractors such as CFW Information Services to "dip" into its database just as Bell Atlantic and Nynex operators do. Compatibility requires a substantial investment in technology. And by not supplying magnetic tapes, local phone companies are making sure competitors doesn't come up with their own features.

On Jan. 23, the California Public Utilities Commission ordered local phone companies in that state to sell listings to all companies in magnetic tape format.

► Ameritech charges Excell double the 2-3 cents per number that Excell pays to other local companies. Excell operators give out 23 million numbers monthly, so that can add up, Excell CEO Dan Evanoff says. Ameritech says its service is worth more because numbers are supplied in a format that is easier for Excell and other companies to use. Evanoff says the actual cost to phone companies is less than a penny per number.

Ameritech is going head to head with long-distance companies, offering its customers in Chicago and Detroit national information for a 90-cent 411 call. Callers don't need to know the area code, just the city and state, which is handy because of the introduction of 55 new area codes since mid-1995.

But reaching an operator unfamiliar with the territory has its problems. Operators in Arizona are challenged by callers asking for a Massachusetts town pronounced "Pibiddy," but spelled Peabody, Evanoff says.

Excell operators are given regions, "so we build familiarity rapidly," Evanoff says. "I think it's a fleeting problem."

Many in the industry think information inaccuracy in general will be short-term. Number lists on the Internet are becoming increasingly reliable. As more companies compete for local telephone service, everyone will have to share listings or no one will have a complete list of accurate numbers.

Competition means information services will "take off" in the near future, says Ameritech spokesman Frank Mitchell,

making it possible for callers to request, say, the number of every amusement park in Florida or all the French restaurants in Dayton, Ohio.

Incremental improvements are underway. AT&T has added the United Methodist Church to its Unalaska listings.

of First Floor Software. "She was well-liked and had a great deal of spark."

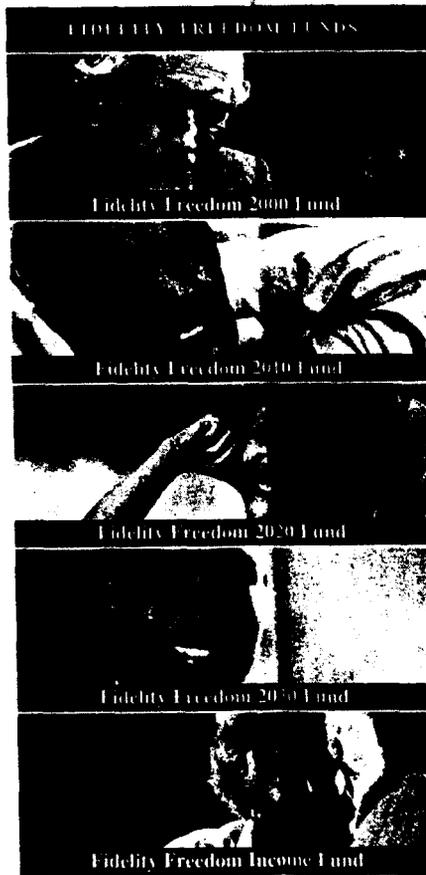
Roizen says she is resigning, effective Feb. 19, to spend more time with her children, ages 1 and 3. She also says she

didn't leave because of Apple's recent restructuring, which followed a \$120 million first-quarter loss. "The trend has been up the past month," she says.

But frustration was a probable factor. "Heidi signed up for

Observ- close water- len Hancock charge of system re- stripped of in last week

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