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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of	)	
	)	
MCI TELECOMMUNICATIONS CORPORATION	)	
	)	RM ______
Billing and Collection Services Provided	)	
By Local Exchange Carriers for Non-Subscribed	)	
Interexchange Services	)	

PETITION FOR RULEMAKING

MCI TELECOMMUNICATIONS CORPORATION

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May 19, 1997

SUMMARY OF PETITION

In this petition for rulemaking, MCI requests that the Commission begin a proceeding to address the threat posed by local exchange carriers to the continued delivery of interexchange services to customers with whom IXCs do not have pre-existing subscription relationships, *i.e.*, collect, 10XXX, third-party, LEC "joint use" calling card, and 900 service calling. This market sector is now imperiled by the imminent interruption of billing and collection services provided by LECs to the IXCs that offer these services to non-subscribed customers.

As discussed herein, non-subscribed services compose a substantial portion of the overall interexchange services market (accounting for $11.6 billion in revenues in 1996) and serve the public interest by promoting greater access to long-distance services, consumer choice, competition, and network reliability. A reduction in the availability of non-subscribed services would have a disproportionate impact on lower income Americans, who utilize these services more frequently than those with higher incomes. Non-subscribed services, such as 10XXX calling, have also provided a market entry opportunity for smaller IXCs. The threat to terminate billing and collection arrangements by LECs appears to be designed to force such unaffiliated IXCs from the market, removing one source of competition as the LECs enter interexchange markets themselves.

In addition to anticompetitive moves by incumbent LECs, many CLECs have no billing and collection agreements in place with unaffiliated IXCs, which greatly complicates the delivery of non-subscribed services to these CLECs' subscribers. Moreover, unscrupulous subscribers to CLEC services have determined that 10XXX and collect calls charged to their telephone numbers are likely not to be billed. The result is massive fraud by a relatively small number of customers.

As described below, there are no realistic alternatives at present to LEC-provided billing and collection for non-subscribed services, although a "clearinghouse" approach presents a possible long-term solution. MCI is not seeking a return to common carrier regulation of billing and collection. Instead, MCI requests that the Commission initiate a rulemaking to craft an appropriate nondiscrimination rule that can be equally applied to ILEC and CLEC provision of billing and collection services offered to providers of interexchange services to non-subscribed customers. If an LEC, for whatever reasons, chooses to terminate billing and collection to unaffiliated non-subscribed services providers, this LEC should not be permitted to provide a billing and collection service to itself or to its affiliate for non-subscribed services. Nor should LECs be permitted to provide themselves with billing and collection for non-subscribed services on more favorable terms or on terms that constitute *de facto* discrimination because of their unreasonableness when applied to unaffiliated providers. This transitional safeguard would be based on the Commission's Title I jurisdiction, and would ensure reasonable, nondiscriminatory treatment by all LECs, consistent with legal precedent and the Telecommunications Act of 1996. The Commission should move expeditiously to institute a rulemaking for this purpose, so as to ensure that the many public interest benefits of non-subscribed services can be preserved.

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PETITION FOR RULEMAKING

Pursuant to Section 1.401 of the Commission's rules, 47 C.F.R. ¶ 1.401, MCI Telecommunications Corporation ("MCI") hereby requests that the Commission initiate a proceeding on an expedited basis to promulgate rules governing the provision of billing and collection services provided by local exchange carriers ("LECs") to interexchange carriers ("IXCs") that offer interexchange services to end-users on a non-subscribed basis. As discussed below, MCI seeks a minimally intrusive, transitional safeguard based on the Commission's well-settled legal authority to ensure nondiscriminatory treatment of unaffiliated entities in the LECs' provision of Title I communications services.

I. INTRODUCTION

Non-subscribed services account for a significant portion of the interexchange market. Comprising collect services, long-distance service charged to "joint use" calling cards offered by Bell Operating Companies ("BOCs"), toll calls billed to third-party billing numbers, 900 services, and long-distance service offered through 10XXX access, MCI estimates that non-subscribed services represented approximately $11.6 billion in gross revenues in the $75 billion long-distance market in 1996. A substantial portion of these services is offered by IXCs to customers that are not pre-subscribed to those same IXCs for their "normal" long-distance service. In MCI's case, due in part to the popularity of its "1-800-COLLECT" and other products, almost 90 percent of its revenues from non-subscribed services are derived from customers that have not selected MCI as their primary interexchange carrier ("PIC").

Non-subscribed services are important for customers and competitive carriers alike. Non-subscribed services fulfill a significant "universal service" role in making long-distance service available to low-income consumers. Approximately seventy-five percent of collect callers, for example, reside in households with less than $30,000 in annual income. Non-subscribed services also make competitive opportunities available to market entrants -- MCI estimates that 10XXX calling through carriers other than AT&T, MCI, and Sprint accounted for $1.5 billion in traffic in 1996. These substantial benefits are explained in more detail below.

Despite these benefits, this marketplace is now in jeopardy because of looming changes in LEC billing and collection ("B & C") practices. Some LECs are proposing to re-write their billing and collection agreements in ways that would greatly increase the cost of these services for IXCs, and backing up these proposals with a "take it or leave it" negotiating stance. While these LECs are not compelled to explain their motivation for this position, it is evident to MCI that these efforts, including the threat of total cut-offs, constitute nothing more or less than an attempt to secure an unparalleled competitive advantage as these LECs enter interexchange markets. As discussed below, the outcome will be a reduction in competition and consumer benefits provided through non-subscribed services. These developments thus require this petition for rulemaking.

II. THE COMPETITIVE MARKET FOR NON-SUBSCRIBED INTEREXCHANGE SERVICES IS ENDANGERED BY THE THREATENED CUT-OFF OF BILLING AND COLLECTION SERVICES PROVIDED BY LOCAL EXCHANGE CARRIERS.

A. The Non-Subscribed Services Market Serves the Public Interest by Promoting Greater Access to Long-Distance Services, Consumer Choice, Competition, and Network Reliability.

MCI uses the term "non-subscribed services" to describe a set of interexchange services provided to customers where the use of such services is the result of event-generated customer choice, rather than the result of a previous decision, perhaps made by other parties, choosing the primary interexchange carrier for the telephone number from which the call originates. Thus the availability of 10XXX long-distance service enables a customer pre-subscribed to one IXC to try the service offered by another, simply by dialing five digits. Similarly, a party making a collect call can choose, at the moment of the call, between "0+," "1-800-COLLECT," "1-800-CALL-ATT," or other services. Other non-subscribed services make possible other kinds of consumer choices: billing calls to verified third-party numbers or through BOC "joint use" cards allows customers to consolidate and direct their long-distance bills as they choose; 900 service provides access to a variety of reputable information services, such as 1-900-THEPOPE, 1-900-WEATHER (the Weather Channel), Dow Jones stock service, and TV consumer voting on networks such as MTV, VH-1, and NBC. This exercise of consumer choice is not only something that many American long-distance users have come to expect, but it also can help fulfill critical consumer needs.

Collect calling is a major element of non-subscribed services. Collect services are not only part of the landscape of American telephone calling habits, but they also meet consumer needs that may not be readily apparent. Collect calling means greater access to long-distance service: MCI's surveys indicate that collect calling is approximately 40 percent higher in U.S.

households with an annual income of less than $30,000 (roughly the median household income) when compared with remaining U.S. households. Seventy-five percent of collect callers are from such low- and moderate-income households. Besides providing access to long-distance service to low-income consumers and persons without residential telephone service, collect calling provides less quantifiable benefits. The call from the student family member away from home is a stereotypical example. Perhaps a more critical use of collect calling occurs in an emergency situation (*e.g.*, a lost or stolen wallet) when credit cards and coins are not available.

The value of non-subscribed services is also illustrated in the case of 10XXX long-distance service, which is by definition the use of non-PIC IXC services. 10XXX is a rapidly growing sector in the long-distance market: numerous new entrants in interexchange services have capitalized on 10XXX access. MCI estimates that $1.5 billion in 10XXX traffic was carried in 1996 by carriers other than AT&T, MCI, and Sprint. With 10XXX access, a caller can "dial around" the PIC assigned to the originating telephone number, and utilize the services of a competing IXC. If the PIC is experiencing network failure, call blockage, or simply poor transmission quality, 10XXX access to other IXCs may be critical to the PIC's subscribers.

In addition to this "network reliability" benefit, universal access to 10XXX long-distance provides important competitive benefits. Without the encumbrance of the PIC change procedures, PIC subscribers are free, through 10XXX access, to sample the services of competing IXCs. Such instant availability of competitive alternatives helps to counteract consumer resistance to competitive price signals and the "inertia" effect of term rate plans. Moreover, 10XXX access encourages the development of "niche" competition though special rate offerings and focussed marketing where competition has been sluggish (*e.g.*, short-haul and intraLATA markets).

MCI strongly believes that the competitive value of non-subscribed services and their other consumer benefits must not be lost. As explained below, however, the benefits of non-subscribed services are in a large part dependent on the ability of non-subscribed services providers to ensure effective and low-cost billing and collection. Recent actions by the LEC providers of billing and collection services cast doubt on this situation.

B. The Non-Subscribed Services Market and the Resulting Benefits Are Dependent on LEC-Provided Billing and Collection Services.

1. LEC-provided billing and collection, which has promoted the growth of non-subscribed services, may soon be terminated.

Since 1986, when the Commission determined that billing and collection services were not common carrier services subject to Title II of the Communications Act and thus ordered their detariffing,[1] the LECs have provided billing and collection to IXCs for non-subscribed services under contractual arrangements. Under these arrangements, an IXC presents the appropriate LEC with the recorded Automatic Number Identification ("ANI") information and call rating information for completed non-subscribed services calls. In the case of 10XXX and 900 service calls, this information is presented to the LEC for the origination point of the call; for collect services, this information is presented to the terminating LEC; for third-party and BOC card calls, the IXC forwards the information to the LEC for the billed number. The LEC includes these charges as addenda to its regular local telephone bill, collects these charges, and transfers the remittance from customers to the IXC. The charges for this billing and collection service average roughly 12 to 13 cents per invoiced call, and per-call charges vary depending on the number of calls billed to a specific customer. This cost structure and the ubiquitous and effective

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[1] *Detariffing of Billing and Collection Services*, 102 FCC 2d 1150 (1986).

nature of the LECs' billing and collection "reach" have enabled MCI and other IXCs to make non-subscribed services available on a universal and economical basis.

This situation, which has been more or less stable since the 1986 detariffing order, appears to be on the verge of significant changes. Very recently, a major LEC told MCI that it would exercise the "termination for convenience" clause in its B & C contract and that it was undertaking an "across-the-board" approach to terminate, or renegotiate on much more favorable terms, all of its B & C arrangements with IXCs. As discussions continue, many of MCI's remaining B & C contracts with LECs are due to expire over the next two years, and there are indications that these contracts will either not be renewed on comparable terms, or will not renewed at all.

The implications of the termination of LEC-provided billing and collection are serious enough when pre-subscribed customer arrangements are at issue. These customers are presented with two bills (the LEC's and the PIC's) instead of one consolidated bill -- for no apparent reason from their perspective -- creating confusion, irritation, and the potential for lower collectibility. In the case of non-subscribed services, termination of LEC billing and collection has even more significant consequences for costs and collectibility.

2. There are no feasible alternatives to LEC-provided billing and collection currently available for non-subscribed services.

MCI has identified three alternatives to LEC-provided billing and collection services in the event these services are terminated: (1) direct remittance; (2) third-party billing and/or billing partnerships with non-communications companies; and (3) the creation of an all-carrier billing and collection clearinghouse. The first two options are not practical for non-subscribed services. The third, while it offers the possibility of a long-term solution, will require substantial negotiations and industry consensus.

Direct remittance is an expensive undertaking. Direct remittance for non-subscribed services necessarily entails the submission of Billing Name and Address ("BNA") queries to the LECs, usually on a per-call basis pursuant to tariff, followed by the presentation of a bill from an IXC other than the customer's PIC. Tariffed BNA services are not a reasonable substitute for LEC-provided billing and collection services, especially with respect to non-subscribed services. Current BNA rates range from 4.5 cents per query (SNET) to 80 cents per query (Pacific Bell, for queries that result in no BNA match). Many LECs (*e.g.*, Ameritech, BellSouth, U S West, GTE, Southwestern Bell) charge per-query rates of 20 cents or more. In addition to BNA costs, direct remittance entails postage, billing materials, customer service, and internal processing costs. These high fixed costs must be compared with the variable revenue situation and low call volume per customer for non-subscribed services. For MCI's non-subscribed services taken as a whole, the average billed amount per invoice is only $6.82. When the above fixed costs are combined with costs of bad debt -- a substantial problem for non-subscribed services because of low collectibility margins -- MCI estimates that the costs of sending an invoice to a non-subscribed services customer average $3.47 per invoice. Because of the fact that high billed amounts per invoice originate from only a small percentage of non-subscribed services customers, less than half of such invoices would be profitable.

The use of non-subscribed services is occasional and episodic. Sixty percent of the bills MCI sends out for its "1-800-COLLECT" product, for example, are for one call. In these one-call cases, MCI would actually suffer a significant loss in revenue through direct billing, estimated as averaging over $1.50 per invoice, assuming a stable non-subscribed services pricing policy. Utilizing a quarterly, rather than a monthly, billing policy improves this situation only marginally, because of the increased time lag between the rendering of the service and the arrival of the bill, which further reduces collectibility. By contrast, LEC-provided billing and collection for low-volume non-subscribed services customers results in a positive revenue stream, even for the average one-call customer.

It is because of these practical economic reasons -- high fixed costs, low volumes and revenues per customer, and poor collectibility -- that a competitive, third-party billing market such as that envisioned in the Commission's 1986 *Billing and Collection Detariffing Order* does not exist for non-subscribed services. Moreover, the continued availability -- up until now, that is -- of LEC-provided billing and collection, based on economies of scale and collection capabilities unavailable to any other potential provider, has ensured that no market for third-party billing and collection could develop.

The development of third-party billing for non-subscribed services would require a substantial reduction in costs, particularly BNA costs. The current tariffed BNA rates are largely unreasonable and bear no relationship to the LECs' actual costs in providing this service. In addition, it is by no means clear under current rules that BNA has to be provided for most 10XXX calling,[2] which accounts for a significant portion of non-subscribed services. Moreover, the restrictions on BNA use, specifically the requirement that the BNA be used only for the single call queried and not re-used for repeated calls charged to the same telephone number, simply multiply IXC billing costs and result in an unjustified windfall for the LECs based solely on their custody of their subscribers' private BNA information.

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[2] *See Policies and Rules Concerning Local Exchange Carrier Validation and Billing Information for Joint Use Calling Cards*, 8 FCC Rcd. 8798, 8805 (1993) (¶ 42) (telecommunications service providers may obtain BNA for calls using 10XXX access if they are calling card, third-party, and collect calls); *see generally* 47 C.F.R. § 64.1201(e)(1); *Policies and Rules Concerning Local Exchange Carrier Validation and Billing Information for Joint Use Calling Cards*, 8 FCC Rcd. 4478, 4486 (1993) (¶ 39) (LECs must explain to their customers that BNA will be released for calling card, third-party, and collect calls).

The provision of untariffed, "bulk BNA" information provides no solution, either. The automated systems necessary to ensure timely and accurate delivery of bulk BNA are simply not in place. Under current conditions, the transfer of bulk BNA would not provide sufficient timeliness and accuracy of necessary information for third-party or direct IXC remittance, even if the other obstacles to IXC/ third-party billing could be overcome.

MCI has also examined billing partnerships with non-carriers, such as cable companies, public utilities, waste collection agencies, credit card companies and banks. None of these industry sectors, by themselves, provide the necessary ubiquity for effective and economical billing and collection for non-subscribed services. Cable reaches at most only 65 percent of American homes, and only 60-70 percent of American homes have credit cards. (As discussed above, many of the users of non-subscribed services are from low-income households and their access to credit cards is likely to be lower than average.) Utilities and waste collection agencies constitute hundreds of companies, many of them municipally owned. The complexities of matching MCI's billing system for non-subscribed, long-distance customers to these parties' billing and collection capabilities are immense. Customer acceptance and collectibility are unresolved issues and the difficulties with BNA described above remain a factor. Billing partnerships thus remain at the theoretical stage at present.

One long-term solution for billing and collection for non-subscribed services could be the creation of a viable and efficient clearinghouse for charges to, and payments from, non-subscribed customers. MCI intends to explore the creation of such a clearinghouse under the auspices of the Ordering and Billing Forum ("OBF") at the earliest opportunity. MCI does not underestimate the complexities entailed in creating such a system. For example, the International Air Transport Association's Revenue Accounting Manual used by the airlines for their billing and settlements clearinghouse is issued every year. The 1997 edition is 308 pages long and addresses such varied issues as contested charges and changes in exchange rates. Similarly, there are a multitude of issues that would have to be addressed and negotiated by IXCs, LECs, and other interested parties before a similar settlements process could be implemented for telecommunications services provided to non-subscribed customers. In the meantime, the Commission must take action to forestall the damage to the non-subscribed services market that will surely ensue if LEC-provided billing and collection is no longer available.

3. Termination of LEC-provided billing and collection will have severe consequences for the non-subscribed services market and the public interest.

With any significant termination of LEC-provided billing and collection, the current ubiquitous availability and low rate structures for non-subscribed services would become untenable. Initially, there will be an increase in unbilled and uncollected charges for non-subscribed services. The opportunities for fraud and service theft will increase. MCI and other IXCs will thus be forced to implement "B & C surcharges" to cover the increased costs of billing and collecting for non-subscribed services, including the costs of bad debt and fraud. Increased rates will likely reduce volumes and profitability for non-subscribed services, prompting market exit by some IXCs and cut-backs in service availability by others.

Some indications of the consequences of the termination of LEC-provided billing and collection have already come to MCI's attention in residential areas now served by competing LECs ("CLECs") that have no B & C agreements in place with unaffiliated IXCs, and lack either the willingness or the ability to provide timely and accurate BNA information. Billing and collection for non-subscribed services provided to these CLECs' subscribers have thus become problematic. In addition, unscrupulous subscribers to CLEC services have determined that

10XXX and collect calls charged to their telephone numbers are likely not to be billed. The result is massive fraud by a relatively small number of customers. IXCs risk millions of dollars of exposure within days of disclosure of the opportunity for unbillable 10XXX calling through CLEC access.

The billing and collection situation for non-subscribed services can only deteriorate as CLECs obtain more market share and the number of unscrupulous consumers that have the opportunity for unbillable calling grows. MCI and other IXCs must respond by reducing the availability of their non-subscribed services in areas served by these CLECs, thereby eliminating the consumer choices and conveniences made possible by non-subscribed services for many honest and innocent customers. Even incumbent LEC customers will be affected, as there is no way to screen unbillable calls originating from CLEC subscribers from other traffic presented across jointly used facilities. This structural failure in the delivery of efficient and economical, non-subscribed long-distance services is likely to be increased by several orders of magnitude when major LECs terminate billing and collection for non-subscribed services. A transitional and minimally intrusive regulatory solution is necessary to avoid this outcome.

III. THE COMMISSION MUST TAKE APPROPRIATE ACTION TO PROTECT THE NON-SUBSCRIBED SERVICES MARKET.

A. Commission Action is Justified As a Matter of Sound Public Policy and is Consistent with Legal Precedent and the Telecommunications Act of 1996.

In 1992, the Commission clarified that LEC billing and collection for an unaffiliated IXC is "incidental to the transmission of wire communications and thus is properly considered a communications service under Section 3(a) of the [Communications] Act."[3] The circumstances of LEC termination of billing and collection services to unaffiliated IXC providers of non-subscribed services warrant the exercise of this jurisdiction.

In the information services context, the Commission has stated that Title I permits it to exercise jurisdiction "where necessary to ensure the achievement of our statutory responsibilities."[4] After determining that information service providers ("ISPs") have alternative means of billing and collection for their services (*e.g.*, credit card companies) and the public interest would not be harmed by an IXC's refusal to provide such service to a "900" service-based audiotext provider,[5] the Commission cited a Ninth Circuit decision, *Carlin Communications v. Mountain States Tel. & Tel.*, 827 F.2d 1291 (1987), which held that the appropriate nondiscrimination standard for an LEC's cut-off of service to a "976"-based ISP did not preclude distinctions based on reasonable business classifications.[6] The Commission also recited the court's three-part test for assessing whether a carrier's actions constitute unreasonable discrimination under Title I: (1) is the carrier's refusal to provide service directed arbitrarily at the ISP?; (2) does the carrier have a legitimate interest in protecting itself from the consequences that might arise from serving the ISP?; and (3) is the carrier's refusal to provide service furthering a state policy? Finding that the IXC in the billing and collection case before it met this standard, the Commission found no reason to exercise its Title I jurisdiction.

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[3] *Policies and Rules Concerning Local Exchange Carrier Validation and Billing Information for Joint Use Calling Cards*, 7 FCC Rcd. 3528, 3533 n.50 (1992).

[4] *Audio Communications, Inc. -- Petition for a Declaratory Ruling that the 900 Service Guidelines of US Sprint Communications Co. Violate Sections 201(a) and 202(a) of the Communications Act*, 8 FCC Rcd 8697, 8700 (1993) (citations and quotations omitted).

[5] *Id.* at 8700-02.

[6] *Id.* at 8702.

As demonstrated above, no practical alternatives for LEC billing and collection exist at present for non-subscribed services, and the public interest will be harmed if such billing and collection become unavailable to the IXCs that provide non-subscribed services. There is no indication that the billing and collection services provided by LECs to IXCs heretofore have been anything but profitable for the LECs. Moreover, MCI strongly contends that any "reasonable business classification" must attach more importance to essential billing and collection for universally available, common carrier non-subscribed services than to rendering such service to particular audiotext providers. In any event, any discrimination between LEC-affiliated non-subscribed services providers and unaffiliated IXCs in the availability of billing and collection would not meet the *Carlin Communications* standard. Such discrimination can only be seen as an arbitrary means to secure an anticompetitive advantage to bolster LEC entry into interexchange services, by driving up the costs of competing providers, promoting market exit, and establishing the LECs as the only parties capable of providing non-subscribed services bills consolidated with local telephone bills. No harm or unwarranted burden is placed on the LECs in providing billing and collection services, as evidenced by the experience of the past decade when such services have been provided, and there is obviously no state policy to discourage the provision of non-subscribed services by providers unaffiliated with the LECs. It is thus a basic nondiscrimination rule that the Commission must adopt in a proceeding initiated for this purpose.

The creation of a nondiscrimination safeguard for billing and collection for non-subscribed services is not only a warranted exercise of the Commission's Title I jurisdiction, but it is also an action required under Section 272© of the Communications Act, as amended by the Telecommunications Act of 1996, at least insofar as BOC activities governed by that section are concerned. The Commission has made it clear that billing and collection services are within the ambit of the "goods, services, facilities, and information," the provision or procurement of which are subject to a strict nondiscrimination standard under Section 272(c)(1).[7] There is a pressing need to implement this statutory requirement in the context of non-subscribed services.

B. The Commission Can Protect and Promote Competition In Non-subscribed Services Through Minimal Modifications In Its Billing and Collection Policies.

MCI is not requesting that billing and collection services should be re-regulated. Instead, MCI requests that the Commission initiate a rulemaking to craft an appropriate nondiscrimination rule that can be applied to LEC provision of billing and collection services offered to providers of interexchange services to non-subscribed customers. If an LEC, for whatever reasons, chooses to terminate billing and collection to unaffiliated non-subscribed services providers, this LEC should not be permitted to provide a billing and collection service to itself or to its affiliate for non-subscribed services. Moreover, the terms and conditions for billing and collection services, when offered, should not in themselves constitute *de facto* discrimination against unaffiliated carriers. For example, a major LEC has offered, in "take it or leave it" fashion, to continue billing and collection service if MCI will guarantee that upwards of 85 percent of all of its interexchange traffic will be billed through this service. Such a condition, combined with a substantial increase in charges for the service, would not only substantially increase MCI's costs, but would also preclude MCI's continuing efforts to develop alternative sources of billing and collection service, including direct remittance. Such a condition would not be considered onerous by an LEC affiliate, however, because that carrier has no interest in finding an alternative source for billing and collection.

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[7] *Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended*, CC Docket No. 96-149, FCC 96-489 ¶ 217 (released Dec. 24, 1996); *see generally id.* ¶¶ 202-212.

For purposes of this petition for rulemaking, MCI is also not requesting that billing and collection nondiscrimination rules should be formulated for any interexchange services other than non-subscribed services, although a broader application of nondiscrimination standards to the BOCs' billing and collection operations may indeed be required by Section 272(c). With general rules in place to implement Section 272, enforcement actions are sufficient at present to secure IXC statutory rights. The nondiscrimination rule MCI proposes here would encompass all LECs -- including CLECS, to curb the abuses described above -- and would not be limited to a comparison of transactions with affiliates to those with unaffiliated entities. LECs provide many non-subscribed services directly, including the BOCs, which, although still barred from interLATA operations, offer non-subscribed services on an intraLATA basis.

MCI also does not request a permanent rule, but rather a transitional safeguard that could be removed once the dependence of non-subscribed services on LEC-provided billing and collection has been lifted. MCI intends earnestly to propose the alternative solutions described above, and is hopeful that the continued progress of local competition will stir interest in an industry consensus to create a cooperative settlements procedure for billing and collection for non-subscribed customers. Once the safeguard that MCI requests is enacted, the need for the nondiscrimination rule could be reviewed on a periodic basis.

IV. CONCLUSION

For all the reasons given above, MCI respectfully requests that the Commission grant this Petition for Rulemaking and initiate a proceeding to create rules governing the provision by local exchange carriers of billing and collection services to providers of non-subscribed interexchange services at the earliest opportunity.

Respectfully submitted,

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May 19, 1997

CERTIFICATE OF SERVICE

I, John E. Ferguson III, do hereby certify that copies of the comments on Billing and Collection Service Provided By Local Exchange Carriers for Non-Subscribed Interexchange Services were sent, on this 19th day of May, 1997, via first-class Mail, postage pre-paid, to the following:

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