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June 11, 1997

William S. Caton
Acting Secretary
Federal Communications Commission
1919 M St. NW
Washington, D.C. 20554

Federal Communications Commission
Office of Secretary

Re: Merger of British Telecommunications plc and MCI Communications Corporation,
General Docket No. 96-245

Dear Mr. Caton:

James Graf of BTNA, and MCI representatives Ann LaFrance, Jack Scorce, and myself, met with Diane Cornell, Kerry Murray, and Joanna Lowry of the International Bureau today to discuss several issues that have been raised in the merger docket.

The items discussed were: (1) the corporate structure and the entities within Concert that would hold U.S. or U.K. licenses; (2) FCC and Department of Justice reporting obligations for proportionate return as a safeguard against potential discrimination in favor of Concert; (3) legal requirements to protect carrier confidential data; (4) legal requirements and pending FCC rulemakings that protect customer proprietary network information; (5) status of the sale of capacity on TAT 12/13 to new international facilities operators in the U.K.; and (6) provisioning of digital cross-connects to new international facilities-based entrants.

In reference to the last item, BT provided the enclosed briefing paper, providing the status of interconnect provisioning for new international facilities-based entrants.

Sincerely,

Mary L. Brown

cc: Diane Cornell
Kerry Murray
Joanna Lowry

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INTERNATIONAL FACILITY OPERATOR INTERCONNECTION ARRANGEMENTS: BT INTERNATIONAL FACILITIES ACCESS

Three ways in which an International Facility Operator (IFO) can interconnect with BT in order to obtain access to its own submarine cable capacity are:

- 1) In Span Handover (ISH) at a cable landing station to which the IFO will provide its own backhaul;
- 2) In Span Handover at an International Transmission Centre (ITC) (normally in London) - BT provides backhaul, IFO brings its domestic network to meet BT on the inland side of the ITC; and
- 3) Customer Site Handover (CSH) at the IFO's own premises - BT provides backhaul and extension from the ITC to the IFO's switch.

In Span Handover

Where the IFO and BT are interconnecting for the first time either at the cable landing station or at the ITC, the maximum leadtime for ISH is six (6) months.

Under its Int. Facilities Access contract with BT, the IFO is required to provide BT two (2) year rolling forecasts of its cross-connect capacity requirements. The first 6-month period of any forecast is known as the Advance Capacity Order (ACO) and binds the operator to pay connection charges for 80% of the capacity, whether or not it is subsequently purchased. BT commits contractually to meeting capacity requirements below 140 Mbit/s called off against the ACO within its standard 35-day lead time. Any capacity in excess of the ACO is potentially subject to a 12-month lead time. The forecast for any period beyond the ACO (i.e., in the 6-month - 2-year range of the rolling forecast) can be changed without penalty.

The reason for the potential 12-month period is that in the extreme case, where BT has no other expedient means of meeting a short-term increase in demand, it would have to order additional cross-connect equipment from its supplier. The equipment which BT uses is now supplied only to BT and is not therefore in ordinary production and has to be manufactured specifically for BT. The manufacturer's current lead time is such that a 12-month interval for supply and installation is required. From March 1998, BT will be procuring from the same supplier second generation equipment for which there is a wider customer base and which should be available on significantly improved lead times.

It should be emphasised that the 12 months is an extreme case which would only arise in circumstances where an operator exceeded its ACO by an order of magnitude and at a site where BT was not planning to install additional equipment to meet previously forecast growth within the following 12 months. In practice these circumstances have never arisen and are not expected to. BT would normally expect to meet small increments of demand beyond an operator's ACO from existing spare capacity or by other expedient means. Large increments, or a proportion of a large increment, might have to await the installation of the next tranche of digital cross-

connect capacity, but at a large site, such as Land's End, where capacity is regularly increased to meet forecast demand, this would normally take place well within the 12-month period.

BT has already provided ISH at Land's End to two (2) IFOs. BT has no pending orders from competing backhaul providers for ISH at Land's End, or for ISH at an ITC for connection via BT backhaul to Land's End. The majority of IFOs' current backhaul requirements are in fact being provided by competing suppliers.

Customer Site Handover

The maximum lead time for CSH is three (3) months. BT currently has 10 outstanding requests for CSH from three (3) operators, all but one of which will be fulfilled by the end of August; (the majority of these are for European routes) -

IFO market entry is not determined only by what BT will provide. IFOs using backhaul obtained from other providers can obtain access to their cable capacity without having any contract at all with BT; BT's only involvement would be in the activation of digital cross-connect capacity at the cable landing station. BT's lead time for this activity is seven (7) weeks (35 working days), but BT's contract is with the backhaul provider, not with the "end user" IFO. There are at least eight (8) IFOs who are obtaining access to their capacity in this way and whose requests via their backhaul provider for digital cross-connect activation have already been met or will be met before the end of July.

In addition, IFOs who also hold International Simple Resale (ISR) licences and who have International Private Leased Circuit (IPLC) contracts with BT will be able to convert the IPLCs into Indefeasible Right of User (IRU), plus backhaul obtained from BT or another provider. Conversion will take place within seven (7) weeks of contract signature, and contracts are now ready to be signed. BT has eight (8) customers with UK-US IPLCs used for ISR; at least six (6) of these have also obtained IFO licences and will therefore be able to convert their IPLCs. BT believes that Mercury Communications Limited (MCL) also has ISR customers and will be undertaking a similar conversion programme, but BT has no information about numbers or timescales. IFOs with ISR licences are of course already active in the market and are not dependent on BT for initial entry.

IFOs who will obtain TAT 12/13 capacity from BT/MCI in accordance with undertakings given to the European Commission will be smaller operators who are likely to want CSH from BT (if they buy an all-BT service), or a similar product from other backhaul providers. Any such IFOs who are not already in the market (through ISR licences) will therefore face a maximum lead time of three (3) months from date of order before they enter into service.