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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: MCI Petition for Declaratory Ruling Regarding the Joint Marketing Restriction in Section 271(e)(1) of the Act, CC Docket No. 96-149; and Ameritech Corporation v. MCI Telecommunications Corporation, File No. E-97-17

Dear Ms. Salas:

MCI Telecommunications Corporation (MCI) wishes to bring to the Commission's attention the attached MCI announcement bearing directly on the issues raised in MCI's Petition for Declaratory Ruling in CC Docket No. 96-149 and Ameritech's formal complaint in File No. E-97-17 challenging the legality of an MCI advertisement. On January 22, 1998, as the attachment states, MCI President and Chief Operating Officer Timothy F. Price announced that because of the continued monopoly pricing by local exchange carriers of local service for resale, MCI will focus its local service marketing efforts exclusively on facilities-based offerings and will cease marketing local resale service to new customers. He stated that "We'll go with the only business case that makes economic sense. We'll build facilities to businesses first - then leverage those switches to provide local service to residential customers where it's possible and where local loops are affordable."

The significance of this announcement to these proceedings cannot be overstated. Ameritech's complaint, as well as the other complaints referenced in MCI's Petition, are based on the implicit theory that any joint marketing of local and long distance services by one of the large interexchange carriers (IXCs), even if directed at customers to whom they provide facilities-based local service, can violate Section 271(e)(1) of the Communications Act if the IXC offers or might someday offer resold local service to a customer who might be aware of the marketing. Ameritech's view apparently is that if an IXC's joint marketing advertisement might be seen by a customer receiving or who might in the future receive resold local service from the IXC -- even if the ad is explicitly addressed to large business customers that the IXC provides with local service only through

its own facilities -- the advertisement can be considered the joint marketing of resold local and long distance services and therefore a violation of Section 271(e)(1). Ameritech has sought detailed discovery of MCI's possible plans to provide resold local service in pursuit of its theory that a certain MCI joint marketing ad, although ostensibly aimed at "larger businesses," was really intended to elicit the interest of potential local service customers that MCI would eventually provision through resale.

MCI has explained at length the factual, statutory and constitutional defects of Ameritech's case in prior pleadings. Even aside from all of those considerations, however, the attached announcement is the final nail in the coffin. At this point, whatever Ameritech may have imagined MCI was intending when the challenged joint marketing ad was run, MCI is not actively marketing any resold local service now and will not be doing so for the foreseeable future, at least as long as local resale remains uneconomic. It is therefore impossible to characterize any MCI joint marketing ad, particularly one aimed at "larger businesses," as the joint marketing of resold local and long distance services in violation of Section 271(e)(1), even under Ameritech's extreme approach of assessing the legality of a marketing campaign on the basis of subsequent events. In fact, as explained in the attached announcement, MCI does not want new local resale customers, since it loses money on them.

Accordingly, MCI's Petition for Declaratory Ruling should be granted and Ameritech's complaint dismissed as moot. There is no longer any conceivable justification for the Commission to entertain Ameritech's attempt to micromanage MCI's marketing efforts and its demands that the Commission psychoanalyze MCI as to its marketing plans for the ostensible purpose of ensuring compliance with Section 271(e)(1). At the very least, Ameritech's Motion to Compel Discovery in its complaint case, having been overtaken by events, should be denied.

The original and three copies of this letter and attachment are being submitted for inclusion in the public records of both of these proceedings in accordance with Sections 1.1206(a)(1) and (a)(3), Note 2, of the Commission's Rules. Please direct any questions about these matters to the undersigned.

Yours truly,

Frank W. Krogh

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FOR IMMEDIATE RELEASE

LOCAL PHONE MARKET REMAINS MCI'S NUMBER ONE STRATEGIC OBJECTIVE FOR 1998 AND BEYOND

MCI WorldCom Merger Best Way To Fulfill Promise Of The Telecom Act

WASHINGTON, DC, January 22, 1998 – MCI President and Chief Operating Officer Timothy F. Price today announced MCI will focus its resources and investment into the local phone market exclusively through a facilities-based approach.

"We'll go with the only business case that makes economic sense," said Price. "We'll build facilities to businesses first – then leverage those switches to provide local service to residential customers where it's possible and where local loops are affordable."

In an address to members of the National Press Club discussing the changing telecom climate since the passage of the 1996 Telecommunications Act, Price said "spending money on resale, or where network elements are overpriced, is not an investment. It's throwing money down a rat hole."

Price added that as long as the current regulatory environment continues, MCI will not offer resale service to any new residential customers. He reaffirmed however that MCI will continue to service its current base of local residential customers.

Price described the MCI WorldCom merger as the best way to fulfill the promise of the Telecommunications Act of 1996 and bring to all Americans choice for their local phone company.

"Our proposed merger with WorldCom is the very best hope for competition in the local market because it increases our speed and ability to bring local competition to business and residential customers," said Price.

Price called for an end to the incumbent monopolies' egregious overpricing of resale and network elements. He said the monopolies have garnered huge profits from local networks bought and paid for by captive local phone customers who have no choice but to enrich local monopolies' coffers.

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"The problem isn't that local service is an unprofitable business," said Price. "It's terrifically profitable for the local monopolies who enjoy those 40-plus percent margins. However, they've managed to ensure that the business is not a profitable one for new entrants, who don't have government protected territories, who don't have guaranteed revenue from access charges and can't charge exorbitant one-time fees."

Noting the upcoming second anniversary of the Telecommunications Act, Price emphasized that "the Telecommunications Act can't be successful until new entrants can be successful in local markets."

Price said one of the most important reasons MCI agreed to merge with WorldCom was the ability to expand the company's reach into the local phone market. Upon completion of the MCI WorldCom merger, MCI's local presence will triple -- bringing from 31 to 100 the number of markets the merged company will be facilities-based.

"WorldCom is the ideal partner for a company determined to become the number one competitor in facilities-based local service," concluded Price. "The approval of the MCI WorldCom merger will be the first real step to genuine competition in local markets."

Copies of Price's remarks can be obtained through MCI's News Bureau, 1-800 MCI-NEWS.

MCI, headquartered in Washington, D.C., offers the industry's most comprehensive portfolio of communication services. With 1996 revenues of $18.5 billion, MCI ranks as one of the world's largest telecommunications companies. MCI is also the world's second largest carrier of international traffic and operates one of the world's most advanced Internet networks. Since its founding in 1968, MCI has been a leader in bringing the benefits of long distance competition to businesses and consumers and is now leading the charge to open U.S. local calling markets to competition. On November 10, 1997, MCI announced a definitive merger agreement with WorldCom, Inc. to form a new company called MCI WorldCom.

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