resolution proceedings and are better resolved elsewhere.[120]

IPSPCC alleges that MCI is currently under contract to Bell Atlantic to serve as the exclusive provider of long distance services to Bell Atlantic payphones, and that MCI is colluding with Bell Atlantic in an illegal and anticompetitive scheme to keep payphone providers from choosing other long distance carriers. MCI vigorously denies IPSPCC's allegations, and is contesting them in a pending lawsuit that IPSPCC has brought against Bell Atlantic. In that proceeding, the federal district court has denied a preliminary injunction sought by IPSPCC on the basis that plaintiffs "have not demonstrated a substantial likelihood of success on the merits." *See* IPSPCC Comments Attachment 4 (*Independent Payphone Service Providers for Consumer Choice v. Bell Atlantic Corp.*, D.D.C. Civ. 98-0127(TFH), Order, March 4, 1998). Given the fact that the court was evidently unimpressed with IPSPCC's legal arguments, it is somewhat curious that it tries to shoehorn that argument in this merger proceeding where Bell Atlantic is not a party to the merger.

In any event, these matters are not relevant to the merger. IPSPCC has not shown how the merger would increase the incentives or the ability of MCI to engage in the conduct it alleges, or the ability of this Commission and the courts to enforce Section 276 of the Act and the implementing regulations. In addition, because this dispute is already pending in another forum, the Commission should not duplicate the efforts there by making this matter an issue here.

TMB simply repeats the allegations it made in its Petition to Deny that MCI has engaged in anticompetitive conduct to the detriment of TMB. TMB Comments 3-4. TMB takes exception with

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[120] *See MFS Communications, Co. Inc.*, 11 FCC Rcd. 21164, 21169, ¶ 16 (Int'l Bur. 1996) (finding that unrelated commercial disputes are not relevant in a merger proceeding).

the Applicants' characterization of this matter as a "private contractual dispute." *Id.* at 6, *quoting* Joint Reply at 96. Yet, TMB does not deny that this is a private contractual dispute, and it does not show that its alleged harms are representative of problems that others have with MCI, or that any such problems would be aggravated were the Commission to consent to the merger. TMB alleges that MCI has impaired the ability of small businesses to compete, yet completely ignores the fact that WorldCom is clearly recognized, even among opponents to this merger, as the primary carrier and platform for small long distance carriers seeking entry to the market.[121] As stated in the Joint Reply, the Commission generally does not consider these individual grievances in merger proceedings, and encourages parties to resolve their contractual disputes in appropriate fora. *See, e.g., MFS Communications, Co. Inc.*, 11 FCC Rcd. 21164, 21169, ¶ 16 (Int'l Bur. 1996).

D. The Commission should not require submission of confidential documents submitted under the Hart-Scott-Rodino Act

Several parties have asked the Commission to order WorldCom and MCI to make the voluminous documents that the Applicants have filed with the Department of Justice ("DOJ") pursuant to the Hart-Scott-Rodino Antitrust Improvement Act of 1976 ("HSR Act") available for public inspection. 15 U.S.C.§ 18a(h). Telstra has even asked the Commission to reconsider its Order establishing this comment cycle in order to allow for public comment once the HSR documents are made available to the participants. Telstra Comments at 1-2.

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[121] *See* GTE Comments at 32, *quoting* Schmalensee/Taylor Aff. at 16 ("While the Big Three invested in setting up these [retail]operations and in developing their brand names through billions of dollars in marketing expenses, WorldCom chose to focus on the wholesale market *on which smaller resellers depend for inputs to serve residence and low-volume business customers.* WorldCom's growth has gone hand in hand with these entrants[.]") (Emphasis added).

These requests are inappropriate and unnecessary. The Protestants' clear objective is to delay the Commission's deliberations and to obtain improper access to confidential business plans of the Applicants. The HSR Act establishes a strong policy to protect sensitive confidential documents. 15 U.S.C. § 18a(h); *see Mattox v. Federal Trade Commission*, 752 F.2d 116, 124 (1985) (denying disclosure to a state attorney general). Absent a compelling need for these documents, which protestants fail to make, the Commission should not require their disclosure and thereby subject the Applicants to a significant risk of disclosure of sensitive information to its competitors.

The Commission itself has found no reason to examine the extensive HSR documents for its own purposes in considering this transfer of control application between two non-dominant carriers.[122] In the instant situation involving the merger of two non-dominant carriers, inspection of these documents is not necessary to enable the Commission to reach an informed decision. Significantly, the protestants have been unable to articulate any sound specific rationale for the release of this massive volume of confidential materials. Nor are the Applicants aware of any instance where the Commission has examined such documents in connection with a merger of non-dominant carriers.[123]

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[122] *See* Telstra Comments at 3, n.3, *citing* Letter to R. Edward Price, Koteen & Naftalin, from Gregory A. Weiss, Deputy Chief Enforcement Division, Common Carrier Bureau, FCC, February 13, 1998, p. 1 (in response to Telstra FOIA request, advising Telstra that the FCC had not received any protected, confidential, or Hart-Scott-Rodino materials).

[123] In fact, Applicants are aware of only two transfer of control proceedings before the Commission where confidential HSR documents were made available to participants. Both proceedings, *Bell Atlantic/NYNEX* and *McCaw/AT&T*, involved dominant carriers and concerns of anticompetitive aggregation of market power simply not present here.

E. Allegations of redlining or discriminatory conduct are without merit.

In its Petition to Deny filed in January, Rainbow/PUSH criticized the Application because the Applicants had failed to promise "not to discriminate based on geography" and not to avoid or delay marketing of services to low-income and minority customers. Rainbow/PUSH Petition to Deny at 22. The Greenlining Institute now echoes that prospective concern in its recent filing. Greenlining Petition to Deny at 2.[124] In response to Rainbow/PUSH, the Applicants stated in their Joint Reply that, in the operation of their long distance and nascent local businesses, both MCI and WorldCom have demonstrated a strong commitment to serve consumers of all socioeconomic levels. Joint Reply at 91-92. The Applicants also provided examples of this commitment. *Id.* Moreover, as stated before, there is no economic, operating, or business incentive for the combined company not to pursue these customers. It is economic reality that urban businesses will enjoy choices for local service before most residential customers of any socioeconomic level will, and that urban and suburban households will enjoy choices sooner than most rural consumers or businesses will. But Rainbow/PUSH attempts to make a different point.

Rainbow/PUSH reiterates its opposition to the Application in its Further Comments by attempting to draw various unfounded conclusions from the placement of WorldCom and MCI fiber routes in the Atlanta metropolitan area. Further Comments at 6-8. Rainbow/PUSH alleges that

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[124] The Applicants note the procedural deficiencies of The Greenlining Institute's filing of March 13, 1998. While styled as a "Petition to Deny," the filing period for submission of Petitions to Deny expired on January 5, 1998. *See* World Com, Inc. and MCI Communications Corporation seeks FCC consent for proposed merger, Public Notice, DA 97-2494 (rel. Nov 25, 1997). Accordingly, Applicants regard The Greenlining Institute's filing as comments regarding the Applicants Joint Reply as was requested in the Order establishing this additional comment cycle.

because these existing fiber routes "skirt the fringes of the African-American community" and because these networks are "virtually nonexistent" in "the areas where African-American businesses are concentrated,"[125] this suggests that WorldCom and MCI "have sought to exclude customer bases based on racial or economic criteria." Further Comments at 7.

WorldCom and MCI draw quite the opposite conclusion from this historical placement of its network. The fact that MCI and WorldCom network and switching facilities to date tend to be in and around city centers is instructive. In effect, this means that those low-income and minority communities located in and around these city centers are well positioned to receive the benefits of local competition from MCI WorldCom. MCI and WorldCom are eager to expand their combined networks and provide service to residences and businesses of all socioeconomic levels. This expansion, however, is limited by the circumstances created by the incumbent carriers that have delayed the development of local competition through insufficient resale discounts, stonewalling in the provision of unbundled network elements, and deficiencies in OSS provisioning.

Importantly, the WorldCom network was originally built as a competitive access provider (as opposed to a CLEC) network to serve IXC POPs, multi-tenant office buildings, and similar traffic-intensive locations. The network can access all tenants in connected buildings, including minority-owned businesses and those that have minority officers and directors. In fact, at the time this network was built, in 1992, local switching competition was not lawful in Georgia, and the

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[125] Rainbow/PUSH provides no demographic evidence whatsoever as to the placement of African-American businesses. In fact, many African-American businesses are in the central city, the area presently served by WorldCom and MCI.

network was not designed or constructed to serve any residential or small business customer who did not have sufficient traffic volume to qualify for private line service. Accordingly, the network was designed to serve only business customers with special access and private line needs and was not designed to provide local switching to *any* group of business or residential customers.

The commitment by the Applicants in marketing to minority communities has been substantial in the case of long distance services and will likely be expanded in the local service areas, particularly if unbundled network elements are more reasonably priced.[126]

In addition to the programs described in the Joint Reply -- namely, MCI's recent innovation "Five Cent Sundays," and MCI Family Assist, a service available to low-income consumers across the country -- MCI offers some of the lowest intrastate toll rates in the country. For example, in California, MCI One Savings is a service that offers all California's residential customers $0.10 per minute for intrastate interLATA calls and only $0.04 per minute for intraLATA toll calls.[127]

Rainbow/PUSH's unsubstantiated concerns do not give rise to allegations of past impropriety. *See* Joint Reply at 92. Moreover, as stated in the Joint Reply, there is no precedent in

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[126] By way of illustration, on March 9, 1998, MCI announced a new joint venture with Telefonica de Espana to be managed by MCI to provide customized telecommunication products, marketing and customer service programs targeting the U.S. Hispanic consumer and small business markets. The Hispanic market in the U.S. is the fastest growing demographic segment, estimated at over 29 million people, and represents approximately 8 percent of the total U.S. long distance market. "Telefonica Partners with WorldCom and MCI," PR Newswire, Mar. 9, 1998, at 2. As is the case with any minority group, the Hispanic community is clearly a market that MCI and WorldCom as a combined company will continue to find attractive and will devote time and effort and marketing dollars to serve.

[127] This service has a $5.00 minimum usage charge per month.

a common carrier merger, let alone one involving two non-dominant carriers, for the Commission to adopt a prospective remedy to guard against a theoretical future concern about potential discrimination. The claims of Rainbow/PUSH and Greenlining simply have no basis in fact.[128]

F. The Applicants' opposition to RBOC provision of in-region interLATA service is wholly supportable.

Greenlining also complains that MCI "openly and unabashedly fights to keep potential competitors out of the long-distance business." Greenlining Petition to Deny at 3. Greenlining refers, of course, to MCI's opposition to BOC provision of in-region interLATA services, which is limited by statute until the BOCs open the local exchange markets to competition. The appropriateness of MCI's advocacy cannot seriously be questioned, especially since the Commission has agreed in the four applications on which it has ruled that the BOCs have not satisfied the statutory requirements.

G. The Board of Directors of MCI WorldCom Reflects the Diversity of the Population.

Greenlining repeats the issue raised by Rainbow/PUSH in its Petition to Deny, Greenlining Petition to Deny at 4-5, that the public interest can be served only if minorities and women are placed in control positions of the merged company. On March 11, 1998, the shareholders of WorldCom and MCI voted in favor of the merger in an overwhelming demonstration of approval. On the same day, the composition of the Board of Directors of the combined entity was announced.

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[128] Greenlining also criticizes, without substantiation, the extent of the Applicants' charitable contributions. Greenlining Petition to Deny at 6. Greenlining's allegations are completely unfounded. The Applicants have a long tradition of involvement and participation in a wide variety of local and national charities.

WorldCom and MCI are pleased that Clifford J. Alexander, Jr., of Alexander & Associates, Inc., and Dean Judith Areen, of the Georgetown University Law Center, have agreed to serve on the MCI WorldCom Board of Directors.

H. The proposed transaction will enhance universal service.

Greenlining also asserts that the merger "would bring few benefits to residential consumers" and "would bring no benefits to the residents of low-income communities of color that are a major focus of universal service Greenlining." Petition to Deny at 4. Greenlining is simply wrong. As stated in the Joint Reply, the proposed transaction will not only further universal service through the pressure of strong competition, *see* Joint Reply at 23-26, but the presence of the combined company in the local exchange markets will provide a competitive spur to the incumbent LECs. The result of this new competitive presence will be all of the benefits of competitive markets: reduced prices, improved service, and new products. These competitive benefits will be shared equally by all consumers, including the communities Greenlining represents. Moreover, as prices fall and competitive providers proliferate (including additional telecommunications carriers eligible to receive universal service funding), telecommunications services will become more widely affordable and more universally available. As stated in the Joint Reply, as the second-largest provider of interstate telecommunications services in the country, MCI WorldCom expects to be a major contributor to state and federal universal service funds. *Id.* at 25.

I. CWA's concerns about job loss are misplaced.

In the previous round of comments, the Communications Workers of America, in addition to concerns raised by other commenters, argued that the merger would result in a loss of jobs. That

concern has no basis. CWA's calculations are wrong, and it totally ignores the employment growth that must occur if the merger is successful and the combined company increases its sales and market share. Nor is there a valid concern for the premium WorldCom is paying for MCI. As pointed out in our Joint Reply (at pp. 26-27 n.33), the premium reflects both the opportunity for significant savings and the recognition that the merged company will be a more formidable competitor in efforts to break the local exchange monopolies.

VII. THE APPLICANTS HAVE DEMONSTRATED THAT THE PROPOSED TRANSACTION WILL HAVE SIGNIFICANT PUBLIC BENEFITS

In the Order establishing this additional comment cycle, the Commission encouraged parties to discuss, among other things, "the potential competitive effects and efficiencies resulting from the merger and other possible effects that may be relevant to the Commission's public interest assessment" within the framework established by the *Bell Atlantic/NYNEX Order*. *Order* at ¶ 2. The synergies, efficiencies, and competitive effects that will result from this merger are substantial, and they serve to further the public interest in several significant respects. See attached Affidavit of Sunit Patel, Treasurer of WorldCom, discussing various cost savings generated by the merger and the manner in which those savings were determined.

A. The Commission's standard is not the rigorous demonstration suggested by the commenters.

As discussed above, *Bell Atlantic/NYNEX* and *Motorola* require that Applicants the demonstrate that the proposed transaction is in the public interest by demonstrating that the transaction will enhance and promote competition. As discussed *supra* in grater detail, the Commission then weighs the potential benefits from the transaction against the putative harms, if

any. Benefits flowing from the merger may include operational efficiencies and savings. As the Commission stated in *Bell Atlantic/NYNEX*:

> [P]ro-competitive benefits include any efficiencies arising from the transaction if such efficiencies are achievable only as a result of the merger, are sufficiently likely and verifiable, and are not the result of anticompetitive reductions in output or increases in price.[129]

As *Bell Atlantic/NYNEX* makes clear, although efficiencies are certainly one type of benefits, it is not the only type of benefit. In particular, generating increased competition in a highly concentrated market is another type of benefit that is particularly relevant here since the merger promises to create, for the first time, a company with the ability to mount a successful competitive challenge to the incumbent local telephone monopolies and bring enormous benefits to consumers who are presently paying monopoly margins in a $108 billion market.

BellSouth obfuscates this fairly straightforward balancing test by claiming that the Commission may *only* weigh the benefits of the merger within one particular market against the alleged harms resulting from the merger to that particular market. BellSouth Comments at 4. BellSouth's argument is clearly contrary to Commission precedent and common sense. In *Bell Atlantic/NYNEX*, the Commission considered the totality of the costs and benefits in several related product and geographic markets. *Bell Atlantic/NYNEX Order* at ¶ 158. Under the Commission's analysis, local exchange customers in New York City were harmed by the merger, but Bell Atlantic and NYNEX customers in different geographic markets within the Bell Atlantic/NYNEX region were found by the Commission to have benefitted more. As a result, the merger was, on balance,

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[129] *Bell Atlantic/NYNEX*, ¶ 157.

determined by the Commission to be in the public interest. *Id.* at ¶ 178.

The Commenters also seek to impose a standard of proof on the Applicants that is not found in the *Bell Atlantic/NYNEX Order.* Although that Order states that the efficiencies must be "sufficiently likely and verifiable" rather than "vague or speculative," or which "cannot be verified by reasonable means," *id.* ¶158, this does not mean that the efficiencies must be individually quantifiable and audited. It would be implausible for Applicants to be held to this unrealistic standard: the efficiencies that will result from the merger are based on reasonable projections. *See* Patel Affidavit at 1. The Commenters, however, would have the Applicants prove unconditionally certain outcomes that have yet to happen.

It is worth noting that, within the past week, the Commission staff has considered the efficiencies of a proposed merger of non-dominant carriers, as is the case in the instant situation. In *Motorola,* the Chief of the Wireless Telecommunications Bureau determined that the applicants' narrative description of four merger-specific efficiencies was sufficient to satisfy their burden. No audited quantitative analysis was required. Under the *Motorola* precedent for non-dominant carriers equally applicable here, Applicants here have certainly provided adequate information to confirm that the expected efficiencies are "sufficiently likely" to occur and are reasonably verifiable.

B. The applicants have demonstrated specific public benefits

It is clear that Applicants have satisfied their burden under *Bell Atlantic/NYNEX* and *Motorola.* In the Application and the Joint Reply, the Applicants identified numerous benefits that will result from the merger. The test is whether the benefits are "sufficiently likely" to occur and reasonably verifiable. Obviously, future synergies are based on reasonable predictions, and are

necessarily subject to some uncertainty. WorldCom has traveled this road before, and it has established a record of fulfilling, if not exceeding, its estimated synergies related to its acquisitions.[130] It is particularly significant that, in estimating these projected savings, Worldcom relied on its substantial experience in acquiring other telecommunications carriers. Patel Affidavit at 2. As has been the case with the series of other acquisitions by WorldCom in recent years, telecommunications customers, shareholders, and the general public will realize substantial benefits from a merger between MCI and WorldCom. The combination of advanced fiber-based local city networks, high capacity transoceanic cables, and state-of-the-art global long distance and data networks will position the combined company to become a pre-eminent provider of advanced one-stop-shopping telecommunications services.

Local exchange: In the local exchange market, the combined company will achieve significant cost savings and efficiencies, and possess greater financial strength and enhanced ability to raise capital. These efficiencies include (1) reduced domestic network costs, (2) reduced costs in MCI's local activities, (3) capital expenditure savings, and (4) savings in core sales, general and administrative cost savings. *See* Joint Reply at 11-12; Attachment G at 41-43.

As a result of these savings, significant facilities-based competition has a real prospect of success. *See* Application Volume I at 32-34. Because many of these savings will reduce the cost and enhance the efficiency of providing local service, they will accelerate local market entry and

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[130] *See* Credit Suisse First Boston Corporation, WorldCom, Inc--Company Report, November 18, 1997, p. 3. *See also* Patel Affidavit, "For example, WorldCom substantially exceeded its projected cost savings estimates after acquiring MFS . . ." p. 2, n.1.

make it more economically feasible for the combined company to offer local service to a broader base of business and residential customers in markets across the nation. In addition, these cost savings should make the combined company able to build and operate additional local network facilities faster and more expansively than the two companies could do separately. In addition, the combination of MCI's marketing experience and diverse customer base with the extensive WorldCom and Brooks Fiber local exchange networks presents a singular opportunity for the combined company to immediately capture local market share from the incumbents and offer meaningful customer choice for local services and innovative packaged offerings.

The Applicants' witnesses have characterized the benefits to the local exchange market as potentially "enormous." First Carlton/Sider Decl. ¶ 7. Once MCI WorldCom leads the way into local markets as an "icebreaker," the path toward local exchange competition will be cleared so that other CLECs may follow. *See id.* ¶ 16. As the history of competition in the long distance market demonstrates, the success of one entrant will inevitably lead to entry by others. Successful entry into the local market by MCI WorldCom will lower entry barriers for other competitors, which will serve to benefit all customers.

Interexchange: Substantial synergies are expected to be realized by combining the long distance and local operations of MCI and WorldCom to achieve better utilization of the combined network and other operational savings. *See, e.g.,* Application Volume I at 28-32. These savings are further explained in the attached affidavit of Sunit Patel, WorldCom's Treasurer. The expanded and accelerated local reach of the merged company will benefit its long distance customers by producing significant access charge savings that will result in lower long distance prices, and by enabling MCI

WorldCom to provide integrated packages of innovative services including local, long distance, data, wireless, and international telecommunications services. Moreover, integration of the long distance operations will permit MCI WorldCom to achieve savings in designing and operating its long distance network and in procuring and installling the requisite equipment and facilities. Lower costs, including lower costs of capital,[131] mean lower prices and increased ability to make the investments needed for further innovation and continued growth. Moreover, because MCI's and WorldCom's retail businesses are largely complementary, with MCI strong in direct residential and large business sales and WorldCom strong in small and mid-sized business sales, the merger of these two companies will blend and reinforce their respective strengths. Application Volume I at 26-27. *See* First Carlton/Sider Decl. ¶¶ 12-14; Hall Decl. ¶¶ 95-99.

International: The combination of WorldCom and MCI will also enhance the ability of these U.S.-based carriers to penetrate formerly closed overseas markets and take advantage of opportunities abroad that the U.S. government so strongly advocated in achieving the WTO Agreement. *See* Application Volume I at 35-37. A driving force behind the merger of MCI and WorldCom is the desire to create the first truly global end-to-end competitive carrier.[132] As a fully

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[131] The Commission has repeatedly recognized the public interest benefits of improved access to capital that can "fuel investment in state-of-the-art infrastructure that leads to economic growth and job formation in the U.S. economy and facilitates competition among U.S. carriers both at home and abroad." Sprint Corporation, *Declaratory Ruling and Order*, DA 96-1560, File No. ISP-96-003 at ¶ 12 (Chief Int'l Bur. Sept. 18, 1996) (permitting increased foreign ownership of Sprint).

[132] The Commission has recognized that "[a]n important purpose of the WTO Basic Telecom[munications] Agreement is to enable carriers to provide international service on an end-to-end basis." *BT/MCI,* at ¶ 4 (citation omitted).

integrated company, MCI WorldCom will offer a comprehensive range of local, long distance, wireless, and international communications services. The merged company plans to move as aggressively as regulatory conditions permit to offer competitive choices to consumers on a global scale. By combining the expertise and resources of the two companies, MCI WorldCom will be a strong and efficient competitor to incumbent carriers worldwide.

WorldCom and MCI have complementary international competitive strategies, which the combined company will expand upon. WorldCom has constructed and operates metropolitan fiber optic networks in London, Frankfurt, Paris, Stockholm, Amsterdam, and Brussels, as well as resale operations in other major foreign markets. WorldCom is now connecting those city networks through the construction of its high capacity, pan-European network, Ulysses. The WTO Agreement presents even further competitive opportunities for MCI WorldCom, particularly in Asia, where WorldCom's operations are already rapidly expanding. Likewise, MCI currently is an active participant in competitive strategies abroad, including "second operators" in Mexico and New Zealand. Together, MCI WorldCom will become a potent competitor to incumbent carriers world-wide and help fulfill the promise of the WTO Agreement. U.S. consumers will be among the primary beneficiaries of this new competition.

Internet: The combination of WorldCom and MCI will also bring significant benefits to consumers of Internet services. ISPs and their customers must generally rely on the monopoly ILECs not only to connect the customer to the ISP, but also to connect the hubs within local calling areas. This merger holds the promise to create competition for these facilities over which Internet traffic must flow. Joint Reply at n.112; Application Volume I at 33. Moreover, the deployment of

broadband local network services in the local exchange market will improve the least technologically advanced and most vulnerable element in the Internet communications system.

All of these benefits are credible, specific, and based upon clearly verifiable information for the Commission to conclude that the proposed transaction further the public interest. In regard to these efficiencies, Applicants note the following remarks from a March 16, 1998 research report prepared by Jack B. Grubman of Salomon Smith Barney (WorldCom's investment banker):

> [W]e believe that the synergies that will be realized and the integration of the companies are much more straight forward than the size of this merger would suggest. The bottom line is that MCI and WorldCom have very complementary customer bases, sales forces, and even network assets (MCI's network has a broader reach in the traditional long distance sense in that it connects deeper into Bell networks, has more points of presence and has operating agreements to more countries whereas WorldCom's network assets are much better represented in newly opened markets such as US local and international). Of the $2.5 billion in likely synergies in 1999 going up to $5.6 billion in year 2002, 60% of the 1999 synergies and 80% of the 2002 synergies are in network areas that we would describe as optimizing each other's networks to take advantage of each other's known and existing traffic flows and anticipated growth of specific services. *In other words, there is very little guess work associated with the vast majority of synergies here. It is simply regrooming one another's network to optimally carry the combined traffic loads of the two companies.*[133]

With respect to international services, Grubman goes on to note that "it is clear that the synergies are not only well identified but actually will be rather straight forward to execute since we are really talking about the basic elements of network engineering -- namely, regrooming networks to handle traffic loads which is when one thinks about it, the business that WorldCom and MCI are

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[133] Jack B. Grubman, Salomon Smith Barney, "WorldCom--Reinitiating Coverage with 1M & 12 Mo. Price Target of $60," Part II of IV, Page 4 of 6 (emphasis added).

in every day."[134] And, with respect to the Applicants' estimates of core sales, general, and advertising expenses, Grubman concludes that the Applicants' may have *underestimated* the total savings generated by the merger: "Given that the SG&A savings in total only account for about 7% to 8% of total expense savings, we believe that this is a figure that will likely be surpassed given WorldCom's past track record."[135] As for the combination of WorldCom's and MCI's sales forces, "the combined sales force fits like a glove in covering the complete gamut of business customers from the low end to the very major level accounts."[136]

C. Conclusion

This merger represents a pivotal moment in the history of telecommunications. The hopes for competition that went into the drafting of the Telecommunications Act of 1996 have the potential to become reality when the combined forces of MCI and WorldCom are focused on the incumbent local exchange monopolies. The benefits of this proposed transaction are enormous, while there are no adverse effects on competition. The Applicants have clearly demonstrated specific, credible, verifiable benefits that are "sufficiently likely" to be achieved.

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[134] *Id.*, Page 2 of 6.

[135] *Id.*

[136] *Id.*, Page 3 of 6.

VIII. CONCLUSION

WorldCom and MCI respectfully request that the Commission grant the applications, as amended.

Respectfully submitted,

MCI COMMUNICATIONS CORPORATION

Larry A. Blosser

Michael H. Salsbury
Mary L. Brown
Larry A. Blosser
MCI COMMUNICATIONS CORPORATION
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006-3606
(202) 872-1600

Anthony C. Epstein
John B. Morris
Ian H. Gershengorn
JENNER & BLOCK
601 Thirteenth St., N.W.
Washington, D.C. 20005
(202) 639-6000

WORLDCOM, INC.

Andrew D. Lipman

Andrew D. Lipman
Jean L. Kiddoo
Michael W. Fleming
SWIDLER & BERLIN, CHARTERED
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
(202) 424-7500

Catherine R. Sloan
Robert S. Koppel
WORLDCOM, INC.
1120 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 424-1550

Dated: March 20, 1998

CERTIFICATE OF SERVICE

I, Mark T. Pasko, hereby certify that on March 20, 1998 a copy of the foregoing "SECOND JOINT REPLY OF WORLDCOM, INC. AND MCI COMMUNICATIONS CORPORATION" was sent by First Class United States Mail, postage prepaid, to the following:

Chairman William E. Kennard*
Federal Communications Commission
1919 M Street, N.W.
Room 814
Washington, D.C. 20554

Commissioner Susan Ness*
Federal Communications Commission
1919 M Street, N.W.
Room 832
Washington, D.C. 20554

Commissioner Harold Furchtgott-Roth*
Federal Communications Commission
1919 M Street, N.W.
Room 802
Washington, D.C. 20554

Commissioner Michael Powell*
Federal Communications Commission
1919 M Street, N.W.
Room 844
Washington, D.C. 20554

Commissioner Gloria Tristani*
Federal Communications Commission
1919 M Street, N.W.
Room 826
Washington, D.C. 20554

Magalie Roman Salas* (Orig.+4+diskette)
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

John T. Nakahata, Chief of Staff*
Office of the Chairman
Federal Communications Commission
1919 M Street, N.W.
Room 814
Washington, D.C. 20554

A. Richard Metzger, Chief*
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W.
Room 500
Washington, D.C. 20554

Regina M. Keeney, Chief*
International Bureau
Federal Communications Commission
2000 M Street, N.W.
Room 800
Washington, D.C. 20054

Daniel B. Phythyon, Chief*
Wireless Telecommunications Bureau
Federal Communications Commission
2025 M Street, N.W.
Room 5002
Washington, D.C. 20554

Thomas C. Power*
Office of the Chairman
Federal Communications Commission
1919 M Street, N.W.
Room 814
Washington, D.C. 20554

James Casserly*
Office of Commissioner Ness
Federal Communications Commission
1919 M Street, N.W.
Room 832
Washington, D.C. 20554

Kyle Dixon*
Office of Commissioner Powell
Federal Communications Commission
1919 M Street, N.W.
Room 844
Washington, D.C. 20554

Paul Gallant*
Office of Commissioner Tristani
Federal Communications Commission
1919 M Street, N.W.
Room 826
Washington, D.C. 20554

Melissa Waksman*
Office of Commissioner Furchtgott-Roth
Federal Communications Commission
1919 M Street, N.W.
Room 802
Washington, D.C. 20554

Lawrence Strickling, Chief*
Competition Division
Office of the General Counsel
Federal Communications Commission
1919 M Street, N.W.
Room 658
Washington, D.C. 20554

Kent Nilsson, Deputy Chief*
Network Services Division
Common Carrier Bureau
Federal Communications Commission
2000 M Street, N.W.
Room 235
Washington, D.C. 20554

Rebecca L. Dorch*
Competition Division
Office of General Counsel
Federal Communications Commission
1919 M Street, N.W.
Room 650-F
Washington, D.C. 20554

Office of the Chief* (2 Copies+diskette)
Network Services Division
Federal Communications Commission
2000 M Street, N.W.
Room 235
Washington, D.C. 20554

Anna M. Gomez, Deputy Chief*
Network Services Division
Common Carrier Bureau
Federal Communications Commission
2000 M Street, N.W.
Room 235
Washington, D.C. 20554

Greg Cooke*
Common Carrier Bureau
Federal Communications Commission
2000 M Street, N.W.
Room 235
Washington, D.C. 20554

Janice Myles*
Common Carrier Bureau
Federal Communications Commission
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Richard E. Wiley
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Feceral Communications Commission
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Ramsey L. Woodworth
Robert M. Gurss
Rudolph J. Geist
WILKES, ARTIS, HEDRICK & LANE, Chartered
1666 K Street, N.W., Suite 1100
Washington, D.C. 20006

John Thorne
Sarah Deutsch
Robert H. Griffen
Attorneys for Bell Atlantic
1320 North Court House Road
8th Floor
Arlington, VA 22201

William B. Barfield
Jonathan Banks
BELLSOUTH CORPORATION
Suite 1800
1155 Peachtree Street, N.E.
Atlanta, GA 30309-3610

George Kohl
Senior Executive Director, Research and Development
Communications Workers of America
501 Third Street, N.W.
Washington, D.C. 20001-2797

John J. Sweeney
President
American Federation of Labor and Congress of Industrial Organizations
815 16th Street, N.W.
Washington, D.C. 20006

Janice Mathis
General Counsel
Rainbow/PUSH Coalition
Thurmond, Mathis & Patrick
1127 W. Hancock Avenue
Athens, GA 30603

David Honig
Special Counsel
Rainbow/PUSH Coalition
3636 16th Street, N.W., #B-366
Washington, D.C. 20010

Matthew R. Lee, Esq.
Executive Director
Inner City Press/Community on the Move &
Inner City Public Interest Law Project
1919 Washington Avenue
Bronx, NY 10457

Andrew Jay Schwartzman
Gigi B. Sohn
Joseph S. Paykel
Media Access Project
Suite 400
1707 L Street, N.W.
Washington, D.C. 20036

Thomas A. Hart, Jr.
M. Tamber Christian
Amy E. Weissman
GINSBERG, FELDMAN AND BRESS
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1250 Connecticut Avenue, N.W.
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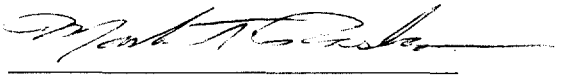

Mark T. Pasko

* VIA HAND DELIVERY

ATTACHMENTS

A. LETTER TO CHAIRMAN KENNARD FROM BERNARD EBBERS AND BERT ROBERTS

B. PATEL AFFIDAVIT

C. SECOND CARLTON/SIDER DECLARATION

D. WORLDCOM PEERING POLICY

E. MCI PEERING POLICY

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Leonard S. Sawicki
Director
FCC Affairs

RECEIPT

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JAN 27 '98
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

January 27, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

Re: CC Docket 97-211: WorldCom / MCI Merger

Dear Ms. Salas:

The attached letter was delivered to the FCC yesterday evening. Please add it to the record of this proceeding.

Sincerely,

Leonard S. Sawicki

Leonard S. Sawicki

Attachment