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FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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OFFICE OF THE SECRETARY

In the Matter of )  
 )  
Applications of WorldCom, Inc. and )  
MCI Communications Corporation )  
for Transfer of Control of )  
MCI Communications Corporation to )  
WorldCom, Inc. )

CC Docket No. 97-211

To: The Commission

EX PARTE PRESENTATION ON REDLINING  
RAINBOW/PUSH COALITION AND THE GREENLINING INSTITUTE, ET AL.

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**EX PARTE PRESENTATION ON REDLINING  
RAINBOW/PUSH COALITION AND THE GREENLINING INSTITUTE, ET AL.**

Pursuant to §1.1206 of the Rules, Rainbow/PUSH Coalition ("Rainbow/PUSH") and the Greenlining Institute ("Greenlining"), et al. (collectively, "Petitioners") submit these ex parte materials in support of their Petitions to Deny the applications of WorldCom, Inc. ("WorldCom") and MCI Communications Corporation ("MCI") (collectively, the "Applicants") in the above-captioned proceeding.<sup>1</sup>

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<sup>1</sup> Rainbow/PUSH and Greenlining are joined in this submission by the following parties: American G.I. Forum, Asian Enterprise Magazine, Black Business Association, California Coalition of Hispanic Organizations, Communications Workers of America, Counsel of the Asian American Business Associations, Latino Issues Forum, Mexican American Grocers Association, Mexican American Political Association, Minority Business Counsel of Orange County, National Asian Pacific Publishers Association,

(Continued...)

SUMMARY

WorldCom and MCI have engaged in a pattern of redlining and exclusion in the buildout of their local fiber networks in cities across the United States. Research demonstrates that while the companies have pursued aggressive construction of their fiber-optic networks and switches, their facilities in New York, Los Angeles, Chicago, San Francisco and Atlanta have been built in a clearly gerrymandered fashion.<sup>2</sup> As a result, concentrations of the African-American population in many urban centers have been bypassed by WorldCom and MCI and thus denied access to their competitive local phone service.

Considering this pattern of discrimination in the provision of local service, the Applicants' repeated commitments to open a new era in local phone competition must, at best, be viewed with a jaundiced eye. To date, WorldCom and MCI have failed to reconcile the contradiction between their halcyon claims for the

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(...Continued)

National Association of Black Owned Broadcasters, National Black Business Counsel, Inc., San Francisco Black Chamber, Southeast Asian Community Center, Telecommunications Advocacy Project, TMB Communications, Inc., VDV Communications, Vietnamese Community of Orange County, and West Coast Valet Service.

<sup>2</sup> See attached maps of New York, Los Angeles, Chicago, San Francisco and Atlanta. (Exhibits 1-5) See also description of methodology. (Exhibit 6)

future of local competition and the stark reality of their past practices. The combination of these companies will undoubtedly perpetuate their illegal redlining and cream-skimming, which will neither further the public interest nor accelerate across-the-board competition in local phone service. For these reasons, the applications of WorldCom and MCI should be denied, or, in the alternative, designated for hearing to examine these critical issues.

**I. NON-DISCRIMINATION IN THE PROVISION OF PHONE SERVICE IS ESSENTIAL TO EVALUATING THE PUBLIC INTEREST BENEFITS OF A MERGER**

The provision of communications services on a non-discriminatory basis is an essential public interest consideration in the Commission's review of proposed mergers because equal access is a cornerstone of the Commission's legislative mandate.<sup>3</sup> Moreover, there is a clear linkage between the Commission's policy in favor of diversity and the Bell

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<sup>3</sup> Separate Statement of Chairman William E. Kennard, In the Matter of Federal Joint Board on Universal Service, CC Docket No. 96-45 (Report to Congress), FCC 98-67, at 120 (April 10, 1998) ("The very first sentence of our organic law states that the fundamental mission of this Commission is 'to make available, so far as possible, to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges'").

Atlantic/NYNEX Order's public interest analysis, which includes, in part, an examination of the effect of a potential merger on diversity.<sup>4</sup> Finally, there can be no doubt that at a time when access to technology is essential to achieving economic prosperity, and where it has been shown that there is already a substantial "race gap" in obtaining that access,<sup>5</sup> the Commission must be diligent to ensure that all telecommunications providers are committed to nondiscriminatory access to their services.

By asserting local competition as a primary public interest benefit of their proposed merger, WorldCom and MCI have invited

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<sup>4</sup> See NYNEX Corp. and Bell Atlantic Corp. For Consent To Transfer Control of NYNEX Corp. and Its Subsidiaries, 12 FCC Rcd 19985, 20003 (1997) (Bell Atlantic/NYNEX Order) and citing, inter alia, Capital Cities/ABC, Inc., 11 FCC Rcd 5841, 5885-95 ¶¶82-99 (1996) for the principle that the "public interest includes concerns regarding diversity and concentration of economic power." Rainbow/PUSH has previously articulated the scope of Commission precedent for including an examination of diversity issues under the public interest rubric of the Bell Atlantic/NYNEX Order. See Petition to Deny of Rainbow/PUSH Coalition, CC Docket No. 97-211 (filed Jan. 5, 1998).

<sup>5</sup> For example, there is a significant gap between access to computers and the Internet for whites and African Americans, e.g., while 73% of white students own a home computer, only 32.9% of African-American students own one. Donna L. Hoffman, Thomas P. Novak, "Bridging the Digital Divide: The Impact of Race on Computer Access and Internet Use," Vanderbilt University, (Exhibit 7). Republished in abbreviated form as "Bridging the Racial Divide on the Internet," Science (April 17, 1998). See also "High Tech Boom a Bust for Blacks, Latinos," San Francisco Chronicle (May 4, 1998).

inquiry not only into the manner in which they currently provide local service, but also where service is provided and whom they will serve in the future. In much the same way, MCI's recent public abandonment of the local resale market<sup>6</sup> requires that greater attention be paid to the operation and buildout of the Applicants' fiber-optic networks and switches -- as MCI's abandonment of resale indicates that this is the means the Applicants have chosen for delivering competitive local service.

During the six months since WorldCom and MCI announced their proposed merger, the Petitioners and others have raised questions regarding the Applicants' commitment to basic diversity principals -- ranging from the composition of the companies' boards to the location of the last miles of their local fiber-optic networks. But rather than respond substantively to these issues, WorldCom and MCI have dismissed them as merely "theoretical future concern[s] about potential discrimination."<sup>7</sup>

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<sup>6</sup> See Timothy F. Price, Remarks at the National Press Club, January 22, 1998 ("Spending money on resale, or where network elements are overpriced, is not an investment. It's throwing money down a rat-hole."). "MCI Has Stopped Pursuing Local Residential Customers," New York Times, April 15, 1998, at B6 (reporting that MCI had abandoned residential resale service in New York City).

<sup>7</sup> Joint Reply of WorldCom, Inc. and MCI Communications Corporation To Petitions To Deny and Comments, CC Docket No. 97-211, at 93 (filed Jan. 26, 1998) ("WorldCom/MCI Joint Reply").

Thus, redlining, cream-skimming and the effect of this proposed merger on low-income and minority consumers in general have been brushed aside, much as the Applicants have refused to address the potentially adverse competitive effects of their proposed combination.<sup>8</sup>

Nevertheless, an examination of the geography of WorldCom's and MCI's local networks reveals that these companies' redlining practices are neither theoretical nor prospective. Additionally, it leads to the inescapable conclusion that if the merger is approved, it is likely that the Applicants will continue to act in a manner that undermines the Commission's most basic goals of ensuring equal access to telecommunications services.

**II. EXAMPLES OF REDLINING IN NEW YORK, LOS ANGELES, CHICAGO AND SAN FRANCISCO CANNOT BE RESOLVED BY THE APPLICANTS' DENIALS**

**A. WORLDCOM AND MCI HAVE ENGAGED IN REDLINING IN THE BUILDOUT OF THEIR LOCAL NETWORKS IN NEW YORK, CHICAGO, LOS ANGELES, SAN FRANCISCO AND ATLANTA**

Earlier in this proceeding, Rainbow/PUSH offered a glimpse of redlining exhibited by WorldCom and MCI as the companies

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<sup>8</sup> See Renewed Motion To Dismiss of Rainbow/PUSH Coalition, CC Docket No. 97-211 (filed May 21, 1998).

assembled their local fiber networks in Atlanta.<sup>9</sup> Rainbow/PUSH demonstrated that the Applicants had constructed facilities in a manner that either skirted areas heavily populated by African-American residences and businesses or failed to serve them altogether, indicating that WorldCom and MCI had sought to exclude customer classes based on racial or economic criteria.<sup>10</sup> Further analysis indicates that similar patterns exist in the layout of WorldCom and MCI fiber networks and switches in New York, Los Angeles, Chicago and San Francisco -- which serve only the smallest fraction of areas where African-American residences and businesses are concentrated.

**\*\* New York City:** WorldCom and MCI have nearly 200 miles of fiber optic cable and provide local telephone service on the Island of Manhattan and throughout the metropolitan area. Despite the breadth of this network, however, WorldCom and MCI do not provide service to areas in Manhattan with high concentrations of African Americans and overlap only the smallest fraction of African-American population concentrations elsewhere in the metro area. (Exhibit 1)

**\*\* Los Angeles:** WorldCom has more than 100 miles of fiber optic cable and provides local telephone service in the Los Angeles metropolitan area. However, the areas with high concentrations of African-American residences and businesses are merely encircled, not served, by the company's fiber. (Exhibit 2)

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<sup>9</sup> See Further Comments of Rainbow/PUSH Coalition, CC Docket No. 97-211, at 7 (filed March 13, 1998). See also Exhibit 5.

<sup>10</sup> Id.

- \*\* **Chicago:** WorldCom has more than 200 miles of fiber in the Loop and extending to the city's North Side. The company's system does not provide service to areas of African-American population concentration -- which are contiguous to the city's business district where those systems exist. (Exhibit 3)
  
- \*\* **San Francisco:** WorldCom has more than 100 miles of fiber in the San Francisco metropolitan area. However, the network merely travels the fringes of the area where African-American residences and businesses are most heavily concentrated. Nearby Oakland, and its large African-American population, receive no service from WorldCom. (Exhibit 4)
  
- \*\* **Atlanta:** WorldCom and MCI's local networks in Atlanta stretch north and east of downtown -- creating a pair of overlapping 40-mile loops that bring wide ranging service to downtown businesses and wealthy suburbs, but which skirt the fringes of the African-American community. While WorldCom's and MCI's networks serve dozens of buildings downtown, their local networks are virtually nonexistent in the areas where African-American businesses are concentrated. (Exhibit 5)

MCI and WorldCom are operating an "overground railroad."

Instead of linking African Americans to the rest of America, MCI and WorldCom administer routes which trace the four-decade long emigration to suburbia by those who sought to escape housing and school integration. Just as in Atlanta, the elements of WorldCom and MCI fiber-optic systems zigzag through the metropolitan areas of five of the nation's largest cities to the exclusion of the overwhelming majority of more than 100,000 African-American-owned

businesses<sup>11</sup> and more than 1.5 million African-American households.<sup>12</sup> It is a pattern that suggests the selection of customer groups or classes based on racial or economic criteria.

**B. THE APPLICANTS' DENIALS DO NOT EXPLAIN AWAY THE EVIDENCE OF REDLINING**

WorldCom and MCI have drawn "quite the opposite conclusion" from the location of their networks and switches.<sup>13</sup> Indeed, the Applicants assert that because low-income and minority communities are often located near WorldCom and MCI fiber networks, these areas are "well positioned to receive the benefits of local competition from MCI WorldCom."<sup>14</sup> But at the

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<sup>11</sup> In their Second Joint Reply, the Applicants questioned Rainbow/PUSH's Atlanta data because it lacked demographic evidence regarding the placement of African-American businesses. Second Joint Reply of WorldCom, Inc. and MCI Communications Corporation, CC Docket No. 97-211, at 93, n.125 (filed March 20, 1998) ("WorldCom/MCI Second Joint Reply"). The research attached to this ex parte presentation includes such information, illustrating the number of African-American-owned businesses that have been bypassed by WorldCom and MCI fiber networks and switches. It should be noted that in these cities black-owned businesses generate more than \$1.5 billion in annual receipts. Also, in these cities, black households generate more than \$1 billion in annual purchases of telephone service. See "The Buying Power of Black America," Target Market News (1997).

<sup>12</sup> United States Census statistics (1996).

<sup>13</sup> WorldCom/MCI Second Joint Reply at 93.

<sup>14</sup> Id.; see also WorldCom/MCI Joint Reply at 92.

same time they promise to bring competition to "consumers of all socioeconomic levels," the Applicants regret to inform the Commission that this expansion has been indefinitely postponed by circumstances out of their control.<sup>15</sup>

As history has shown, the proximity of minorities and low-income residents to services in urban areas is hardly a guarantee that they will be afforded equal access to those services. Downtown businesses, banks, government institutions, municipal stadiums -- and now telecommunications networks -- are physically close yet dauntingly inaccessible to urban African Americans. Spatial proximity seldom ensures social equality, political power and access to economic resources. Regardless of the half-hearted promises and amorphous excuses provided by the Applicants, they have presented no evidence at any time to override clear indications of the discriminatory manner in which they have pursued the buildout of their local fiber networks and switches. If permitted to combine, MCI/WorldCom would continue to provide local service in a manner that will exclude African Americans, other minorities and low-income residents from access to the

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<sup>15</sup> WorldCom/MCI Joint Reply at 92; WorldCom/MCI Second Joint Reply at 93.

competitive services that feed the ongoing revolution in telecommunications technology.

### CONCLUSION

The Telecommunications Act opens with the promise that "all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex" are to receive the fruits of telecommunications technology.<sup>16</sup> More starkly than ever before, this case presents the question of whether the Act's guarantee is, in Dr. King's words, merely "a check marked insufficient funds" or whether it is an enforceable, resilient, and valuable shield against discrimination and sword for access and inclusion.

In previous filings, we have shown that this proposed merger is substantially flawed in many respects, including the Applicant's absence of EEO commitments and their plan to monopolize the Internet backbone. But even if the proposed merger were otherwise pristine, the evidence of redlining presented here ought to shock the conscience.<sup>17</sup> These maps don't

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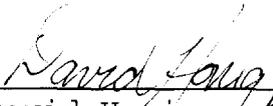
<sup>16</sup> 47 U.S.C. § 151 (1996)

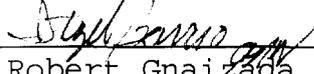
<sup>17</sup> See Office of Communication of the United Church of Christ v. FCC, 359 F.2d 994 (D.C. Cir. 1966).

lie. Standing alone, MCI's and WorldCom's redlining cries out for designation for hearing.

Respectfully submitted,

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Asian Enterprise Magazine  
Black Business Association  
California Coalition of Hispanic Organizations  
Communications Workers of America  
Counsel of the Asian American Business Associations  
Latino Issues Forum  
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Mexican American Political Association  
Minority Business Counsel of Orange County  
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June 3, 1998

CERTIFICATE OF SERVICE

I hereby certify that on this 3<sup>rd</sup> day of June, 1998, I caused courtesy copies of the foregoing EX PARTE PRESENTATION ON REDLINING OF RAINBOW/PUSH COALITION AND THE GREENLINING INSTITUTE, ET AL. to be mailed via first-class postage prepaid mail to the following:

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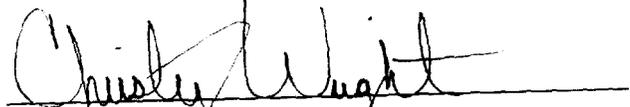
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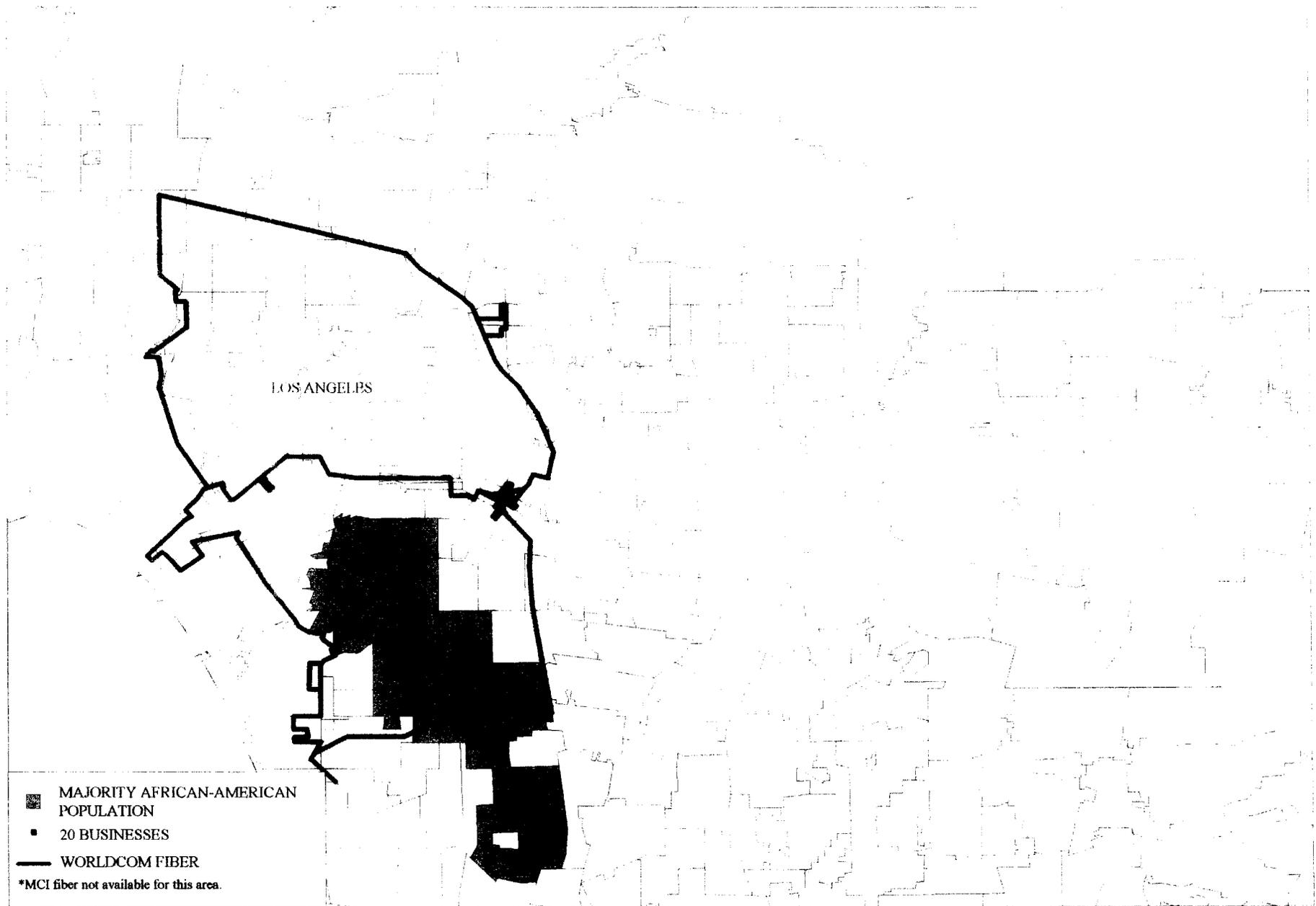
**EXHIBIT 1**

# Minority Redlining New York



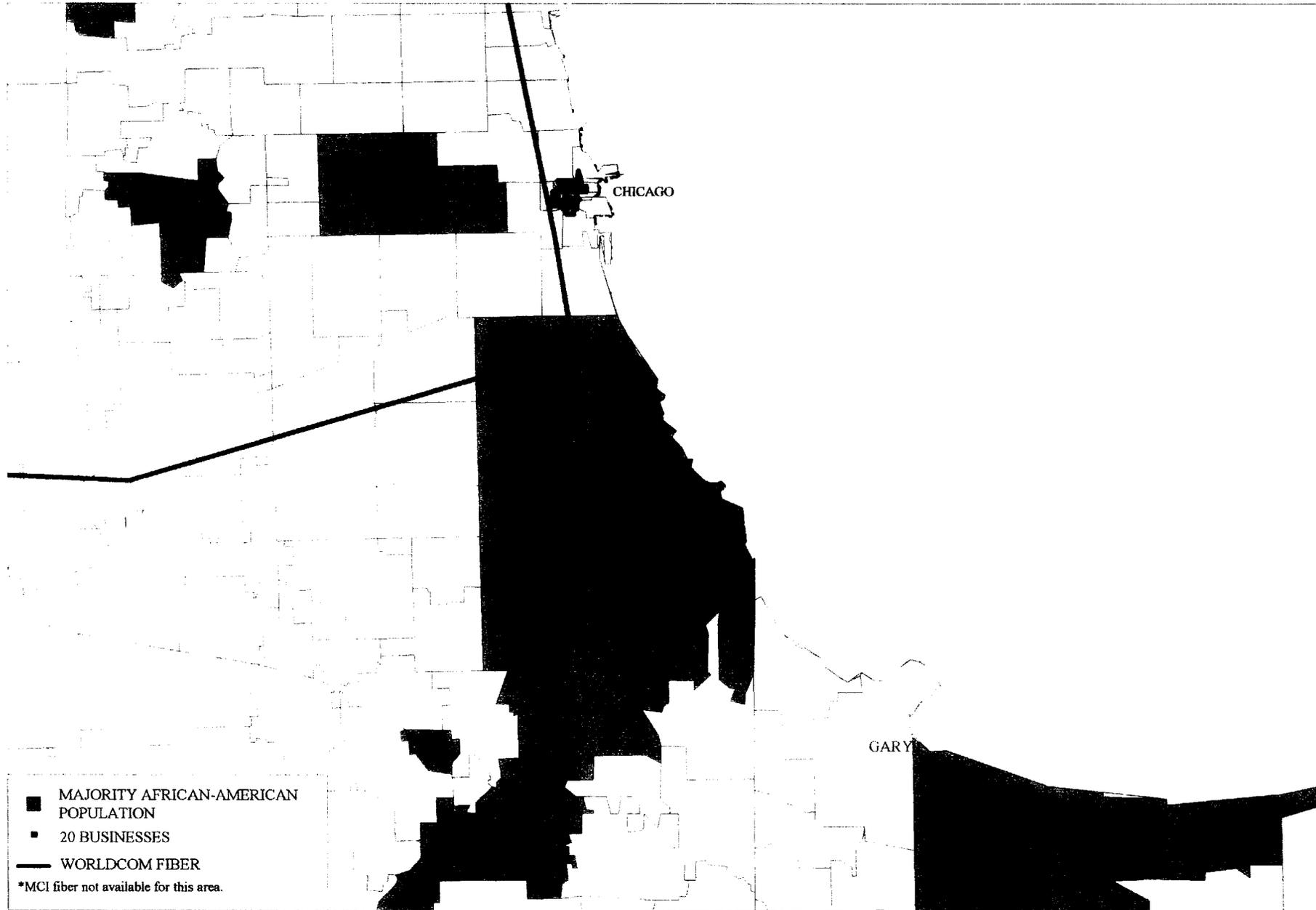
## **EXHIBIT 2**

# Minority Redlining Los Angeles



**EXHIBIT 3**

# Minority Redlining Chicago



**EXHIBIT 4**