MCI

MCI Telecommunications Corporation

1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 887 2727
FAX 202 887 3175

Larry A. Blosser
Senior Counsel
Federal Law and Public Policy

ORIGINAL

ORIGINAL

EX PARTE OR LATE FILED

EX PARTE

RECEIVED

JUL - 9 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

July 9, 1998

Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street NW, Room 222
Washington, DC 20554

Re: CC Docket No. 97-211
<u>WorldCom, Inc. and MCI Communications Corporation</u>

Dear Secretary Salas:

Pursuant to Section 1.1206(b)(2) of the Commission's Rules, 47 C.F.R. § 1.1206(b)(2) (1997), this is to provide an original and one copy of a notice of an oral *ex parte* presentation in the above referenced proceeding. On July 8, 1998, Bernard Ebbers, Richard Heitmann and Catherine R. Sloan of WorldCom, Inc., Andrew Lipman, counsel to WorldCom, and Bert Roberts and Jonathan Sallet of MCI Communications Corporation met with Commissioner Harold Furchtgott-Roth. Paul Misener, Kevin Martin and Amy Meacham of the Commissioner's staff were also present at the meeting.

WorldCom and MCI reiterated positions already reflected in the record on the merits of the merger. They also discussed the status of approvals at other regulatory agencies and urged expedited approval of the merger by the FCC. Commission participants were given copies of the attached European Commission and MCI WorldCom press releases concerning conditional clearance of the merger by the EC, as well as the attached Bloomberg, CNNfn and AP stories concerning the EC approval.

Should there be any questions concerning this matter, please contact the undersigned.

Sincerely,

Larry A. Blosser

Larry A. Blosser

cc: Commissioner Furchtgott-Roth
Kevin Martin
Amy Meacham

No. of Copies rec'd 0+2
List ABCDE

IP/98/639

COMISIÓN EUROPEA
Servicio del Portavoz
EUROPA-KOMMISSIONEN
Talsmandstjenesten
EUROPÄISCHE KOMMISSION
Dienst des Sprechers
ΕΥΡΩΠΑΪΚΗ ΕΠΙΤΡΟΠΗ
Υπηρεσία Εκπροσώπου Τύπου
EUROPEAN COMMISSION
Spokesman's Service
COMMISSION EUROPÉENNE
Service du Porte-Parole
COMMISSIONE EUROPEA
Servizio del Portavoce
EUROPESE COMMISSIE
Dienst van de Woordvoerder
COMISSÃO EUROPEIA
Serviço do Porta-Voz
EUROOPAN KOMISSIO
Tiedotuspäällikön yksikkö
EUROPEISKA KOMMISSIONEN
Talesmannatjänsten

Brussels, 8th July 1998

Commission clears WorldCom and MCI merger subject to conditions

The European Commission has given conditional clearance to the merger between WorldCom, Inc and MCI Communications Corporation (MCI), subject to a divestiture of MCI's Internet business activities. WorldCom and MCI are both publicly-quoted telecommunications companies offering the normal range of telecommunications services. Both also offer Internet-related services. The Commission's investigations found significant overlaps in this market for 'top level' or universal Internet connectivity. WorldCom is currently the leading player in the market, with MCI one of its main competitors. The merger would have given the combined entity a market share of some 50% of the relevant market. The parties have committed to divesting MCI's Internet assets, thus eliminating the overlap with WorldCom's Internet business.

WorldCom and MCI are among a small group of Internet Service Providers (ISPs) who can provide connectivity anywhere on the Internet solely through their own peering agreements (i.e. agreements with other network operators for mutual termination of traffic) without having to rely on the purchase of a 'transit' service from any other provider. Such connectivity is provided, in the form of Internet access services, both to directly connected customers and to intermediate ISPs who resell the connectivity to other buyers or to final users.

'Network externalities' (i.e. the phenomenon whereby the attraction of a network to its customers is a function of the number of other customers connected to the same network) would have enabled the merged entity to behave independently of its competitors, and to degrade the quality of Internet related services offering of its competitors. After offering a limited assets sale which the Commission judged insufficient, the parties proposed remedies which involved the divestiture of a package including all of MCI's Internet interests, sufficient to enable the acquirer to take over the position of MCI as a player in this market.

The Commission's investigations, and negotiations of remedies, were undertaken in parallel with the examination of the case which is still being conducted by the US Department of Justice (USDOJ). The process so far has been marked by considerable level of co-operation between the two authorities, including exchanges of views on the analytical method to be used, co-ordination of information gathering and joint meetings and negotiations with the parties.

The timetable for divestiture would allow the parties the opportunity, subject to clearance from the USDOJ and the Commission, to agree a sale in advance of, but conditional on, the merger. Under the terms of their undertakings submitted the parties must seek the consent of the two competition authorities to the proposed buyer of the divested activities. The two authorities will continue to co-operate until the undertakings are fully implemented and exchanged formal letters to this effect in accordance with the EC-US agreement regarding the application of competition laws. The remedies include the possibility for the Commission, in appropriate circumstances, to appoint a trustee to oversee compliance with the undertakings and, if necessary, to ultimately take control of the sale process (i.e. finding a buyer and drawing up an agreement).

Subject to full compliance with these conditions the Commission has therefore declared the concentration compatible with the Common market.

Stefan RATING : 299 40 09
Lone Mikkelsen : 296 05 67

MCI **News**

Jim Monroe
202-887-2241 or
800-644-NEWS

FOR IMMEDIATE RELEASE

WORLDCOM AND MCI STATEMENT ON EUROPEAN COMMISSION APPROVAL

Jackson, MS and Washington, D.C. - July 8, 1998 -- WorldCom and MCI welcome today's decision by the European Commission granting antitrust clearance for the MCI WorldCom merger conditioned upon the sale of MCI's Internet business. In light of the close cooperation between the Commission and the U.S. Department of Justice (DoJ), WorldCom and MCI look forward to the DoJ completing its review shortly.

WorldCom and MCI anticipate closing the merger this summer, following final regulatory approval by the Federal Communications Commission.

###

WorldCom Wins Conditional European Union Approval for MCI Acquisition

Bloomberg News
July 8, 1998, 4:56 a.m. PT

WorldCom Wins Conditional EU Approval to Buy MCI (Update1)

(Adds comment from Cable & Wireless in 6th paragraph; shares in 8th paragraph.)

Brussels, July 8 (Bloomberg) -- WorldCom Inc.'s $46 billion purchase of MCI Communications Corp. received approval from European Union regulators, clearing a major antitrust hurdle to creating the second-largest U.S. phone company and a formidable international competitor.

The decision by the 20-member European Commission, the EU's executive agency, comes after MCI agreed offered last month to sell its entire Internet business, which analysts said could fetch more than $1 billion. The companies must find a buyer for the Internet business, complete the sale within a certain period of time and not try to win back former MCI Internet customers.

The company, to be called MCI WorldCom, will have 1998 revenue of about $32 billion and will be the strongest competitor to No. 1 U.S. long-distance company AT&T Corp. MCI is the second-biggest U.S. long-distance company, while WorldCom is No. 4.

The concessions are ``sufficient to enable the acquirer to take over the position of MCI as a player in this market,'' the commission said. The companies must seek EU and U.S. antitrust consent once they find a buyer for the Internet business, the commission said.

The acquisition still needs approval from U.S. regulators because the merged companies will own a quarter of the $70 billion U.S. long-distance market. The approval process, however, may be shorter because EU and U.S. regulators have for the first time collaborated in the evaluation.

The commission's green light ends a seven-month review centered on concerns WorldCom would dominate global Internet traffic. In a bid to stem regulatory opposition, MCI agreed in May to sell its wholesale Internet business to Cable & Wireless Plc, the No. 2 U.K.-based phone company, for $625 million. When that failed, MCI offered to sell its entire Internet business.

Cable & Wireless declined to comment on discussions with MCI except to say it's still in talks. Naming a buyer for MCI's Internet business wasn't a condition for EU approval of the offer.

Other Bidders?

Cable & Wireless Chief Executive Richard Brown said two weeks ago the company is interested in buying all the Internet assets MCI must shed to get regulatory approval.

Cable & Wireless's shares rose as much as 2.9 percent to 827 pence and were recently at 821.5 pence.

Other possible bidders for the business include IXC Communications Inc., AT&T and Williams Cos., analysts said. The sale will have to be completed within a period of time determined by the commission. Commission and company officials have declined to comment on the deadline for the sale, or the period of time MCI has agreed not to compete for its former Internet customers.

EU Competition Commissioner Karel Van Miert reviewed the acquisition in tandem with U.S. regulators. The U.S. Justice Department said June 30 it agreed with the EU position on the companies' Internet dominance. However, it won't approve the acquisition until it sees a signed sale contract for MCI's Internet holdings, according to people familiar with the investigation.

After a decision from the U.S. Justice Department in the next few weeks, the Federal Communications Commission must then rule on whether the combination is in the public interest, pushing a final ruling back to the fall.

--Alison Jahncke in the Brussels bureau (32 2) 285 4300/js

More News: WCOM

EU OKs MCI purchase

Takeover by WorldCom conditional on sale of MCI's Internet businesses

July 8, 1998: 8:20 a.m. ET

NEW YORK (CNNfn) - The European Commission confirmed Wednesday it has cleared the purchase of MCI Communications Corp. by WorldCom Inc. on the condition that MCI sell its Internet businesses.

The decision removes one of the major regulatory hurdles facing WorldCom's plan to buy MCI for $37 billion in one of the world's biggest telecommunications mergers. The deal still has to clear U.S. regulators.

A European Union executive said the parties had "proposed remedies which involved the divestiture of a package including all of MCI's Internet interests, sufficient to enable the acquirer to take over the position of MCI as a player in this market."

The EU executive also said the buyer will have to be approved by both EU and U.S. regulators. He added the EU might appoint a trustee to oversee the divestiture.

The commission said the sale is necessary to ensure the two U.S. telecommunications giants don't dominate the market for Internet connectivity services to retail customers and Internet service providers.

"The merger would have given the combined entity a market share of some 50 percent of the relevant market," the commission said, adding that the divestiture would allow the new buyer to "take over the position of MCI in this market."

Under conditions for approval, WorldCom and MCI also agreed to not to compete with the buyer of MCI's Internet business.

"There is a non-compete clause and a non-solicitation period," said EU Competition Commissioner Karel Van Miert.

WorldCom and MCI applauded the commission's decision in a joint statement, adding they expect the merger to gain U.S. regulatory approval during the summer.

The commission said it had cooperated with the U.S. Justice Department on the case and will continue to until the conditions are fulfilled.

In May, MCI agreed to sell its Internet business to Britain's Cable & Wireless PLC for $625 million.

But Van Miert had made it clear that divestiture wouldn't be enough.

MCI (MCIC) shares closed at 60-7/8 in Tuesday trading, up 3/8. Shares of WorldCom (WCOM) finished up 1/4 at 50-3/8.

-- from staff and wire reports

Search the net

click here

Europe wants MCI-WorldCom Internet divestitures - June 19, 1998

MCI sells Internet unit to Cable & Wireless - May 28, 1998

MCI

WorldCom

Wednesday July 8, 8:28 am Eastern Time

EU Approves MCI-Worldcom Merger

By PAUL AMES
Associated Press Writer

BRUSSELS, Belgium (AP) -- European Union regulators conditionally approved Wednesday the $37 billion merger between U.S. telecommunications groups MCI Communications Corp. (Nasdaq:MCIC - news) and Worldcom Inc. [Nasdaq:WCOM - news], pending the sale of MCI's Internet business.

Approval from the European Commission had been widely expected after the companies accepted its demand they divest overlapping businesses, primarily the MCI's Internet interests.

``The parties have committed to divesting MCI's Internet assets, thus eliminating the overlap," the 20-member EU executive body said in a statement.

``Subject to full compliance with these conditions, the Commission has therefore declared the concentration compatible with the Common market."

MCI and Worldcom are the second- and fourth-largest long-distance telephone companies in the United States. The merger would be the second-richest in the telecommunications industry after SBC Communications Inc.'s [NYSE:SBC - news] planned $60.1 billion purchase of rival Baby Bell Ameritech Corp.

Their merger needed EU approval because the companies do business in Europe.

Under EU rules, the Commission checks all mergers with a major impact on markets within the 15-nation bloc. It can demand changes to, or veto, those it judges to infringe European laws governing fair competition.

The alliance, proposed in November, continues a global trend toward consolidation of the telecommunications industry.

The EU authorities stressed they have cooperated closely with the U.S. Department of Justice, which has yet to give its approval to the planned merger.

The Commission added that the companies must seek the consent of European and U.S. authorities to the proposed buyer of divested activities. The Commission may appoint a trustee to ``oversee compliance with the undertakings," the statement said.

More Quotes and News:

- MCI Communications Corp (Nasdaq:MCIC - news)
- SBC Communications Inc (NYSE:SBC - news)
- Worldcom Inc (Nasdaq:WCOM - news)

Related News Categories: ISDEX, telecom, utilities

Search News Help