WORLDCOM[SM]

EX PARTE OR LATE FILED

MCI

August 14, 1998

EX PARTE

**BY HAND DELIVERY**

RECEIVED

AUG 1 4 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas, Esq.
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 814
Washington, D.C. 20554

Re: CC Docket No. 97-211
Application of WorldCom, Inc. and MCI Communications Corporation

Dear Ms. Salas:

This letter is to dispel concerns raised about the intent of MCI WorldCom to provide local telecommunications services to residential consumers. As has been stated by WorldCom and MCI several times in this proceeding, MCI WorldCom intends to seize opportunities to expand its competitive local service offerings following closing. Indeed, as we both personally stated in a letter to Chairman Kennard on January 26, 1998, "MCI WorldCom intends to be the leading local service competitor for both residential and business customers of all sizes across the country." And, in response to questions from Committee Members, we unequivocally confirmed this intention at the June 24, 1998, House Judiciary Committee Hearing, stating " [w]e are absolutely committed to consumers and residential customers, both on a facilities basis and any other way we can do it, either with unbundled network elements or on a resale basis," and that there is absolutely no intention by the companies to lessen their efforts in this regard or to divest any of their retail local services following the merger.[1] We intend to use every viable means at our disposal to participate in the local residential market.

The Commission is aware of the economic conditions and barriers that currently preclude effective local competition using incumbent carrier services or facilities. Notwithstanding these barriers, WorldCom and MCI have both deployed residential services, such as the Grand Rapids, Michigan, WorldCom residential facilities recently toured by Commissioner Powell. In addition, as we informed the House Judiciary Committee in testimony on June 24, WorldCom is extending

[1] Testimony of Bernard J. Ebbers before the House Judiciary Committee, June 24, 1998.

No. of Copies rec'd 0+1
List A B C D E

its local services through another distribution channel into MDU buildings and complexes.[2] This is entirely in addition to the broader-based distribution channel, including resale and the use of ILEC network elements, that provided the basis for the unequivocal statements we made to you in our January 26 letter. WorldCom and MCI described the MDU effort to the New York Public Service Commission Staff in a letter dated May 11, 1998, where we stated that "WorldCom has indicated its intention to begin introduction of facilities based local service to residential customers in certain areas of [New York] in the fourth quarter of 1998 or sooner." And, in the same letter, WorldCom and MCI also advised the New York Staff that "MCI has begun a trial in New York of loop-based local service to residential customers, in anticipation of broader market entry."

Let us be clear. In order for us to participate fully in the local residential market, the incumbent LECs must be required to adopt pricing and operating practices that will allow carriers to compete effectively in that market. To date, no Regional Bell Company has satisfied the OSS, collocation, and unbundling requirements of Section 251, let alone complied with the Section 271 checklist or public interest test. In part to respond to these concerns, the Commission recently adopted a Notice of Proposed Rulemaking seeking to improve collocation and access to unbundled elements.[3] MCI WorldCom will participate fully in that important proceeding.

In the meantime, however, the proposed merger combines precisely the assets that will permit WorldCom and MCI to accelerate the residential local service efforts which the companies individually already have in motion. "WorldCom's local facilities ... combined with MCI's long distance customer base and marketing excellence provides enormous opportunity" to achieve the ability to offer a total package of services to MCI's residential customers in many more markets than

---

[2] We note that, in its transfer application, AT&T stated that it "expects that the acquisition of TCG will accelerate and expand AT&T's provision of facilities-based local exchange service, primarily to business customers and to multiple dwelling units ["MDUs"] in high density markets currently served by TCG." Application for Authority to Transfer Control, *Teleport Communications Group Inc. and AT&T Corp.*, File No. I-T-C-98-104-TC, CC Docket No. 98-24 at 8 (filed Feb. 3, 1998) ("*AT&T/TCG Application*"). While the *AT&T/TCG Application* speaks only of what it "expects" to occur with respect to expanding service to MDU residents following its merger with TCG, MCI and WorldCom have each already made plans to deploy such residential services.

[3] *In the Matter of Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147 (released Aug. 7, 1998).

MCI would have been able to serve individually,[4] because the combined company will have local network facilities in place in 82 metropolitan statistical areas ("MSAs"), compared with the 43 where MCImetro has facilities today.[5] As WorldCom and MCI have explained,

> One of the principal reasons for this merger is that the combined company will have an enhanced ability to offer consumers a total package of services: local, long distance, wireless, international and Internet. MCI already has a strong base nationwide of millions of residential customers for its long-distance service. Many residential customers prefer buying all their telecommunications services from a single company and receiving a single bill. The merged company will have every incentive to offer them a total package, including local and long distance services, as fast as regulatory and economic conditions permit. And beyond those customers, the combined company will have every incentive to expand MCI's current local service offering to attract new customers who might then also purchase its other services, as well as enhance and better balance the combined companies' network and switch utilization.
>
> In short, the more customers the combined company has for its local services, the more potential customers it has for its other services. If the combined company does not offer full service packages, including local service, other companies will. At bottom, the whole point of this merger is to gain and retain customers, not lose them.[6]

Put simply, it makes good business sense for MCI WorldCom to pursue opportunities to offer local service to residential customers. "In a market where the ability to sell a total package of local, long distance, Internet and international services will be a key to success, it makes no sense to conclude that the merged company will abandon local services as one key element of that package,

---

[4] Written *ex parte* presentation to Commission Staff at 5, submitted into the record by letter from Jean L. Kiddoo to Magalie Roman Salas, Esq. dated July 1, 1998 ("*Local Services Ex Parte*").

[5] Written *ex parte* presentation submitted into the record by letter from Jean L. Kiddoo to Magalie Roman Salas, Esq. dated July 1, 1998 (enclosing CLEC chart); *see also* Declaration of Ronald R. Beaumont at 3, ¶ 7, submitted into the record by letter from Jean L. Kiddoo to Magalie Roman Salas, Esq. dated July 8, 1998.

[6] Joint Reply of WorldCom, Inc. and MCI Communications Corporation to Petitions to Deny and Comments, CC Docket No. 97-211, at 19-20 (filed Jan. 26, 1998).

while expecting to expand its sale of the other elements."[7] Indeed, "[t]he easiest product to sell is a new product to an existing customer, and the best way to retain customers is to offer new services."[8] Accordingly, MCI WorldCom will have a strong business incentive to offer local services to MCI's existing residential subscribers. The merger gives the combined company a better opportunity to do so than either would have had alone.

Very truly yours,

Bernard J. Ebbers
Chairman, President and CEO
WorldCom, Inc.

Bert C. Roberts, Jr.
Chairman
MCI Communications Corporation

cc (by hand): Chairman William E. Kennard
Commissioner Susan Ness
Commissioner Harold Furchtgott-Roth
Commissioner Michael K. Powell
Commissioner Gloria Tristani
John Nakahata (Room 814)
Susan L. Fox (Room 814)
James L. Casserly (Room 832)
Jane E. Mago (Room 844)
Rick Chessen (Room 826)
Kathryn C. Brown (Room 500)
Donald K. Stockdale, Jr. (Room 500)
Michelle M. Carey (Room 534-J)

247267.7

---

7 Second Joint Reply of WorldCom, Inc. and MCI Communications Corporation, CC Docket No. 97-211, at 13 (filed Mar. 20, 1998). And, as noted in the Second Joint Reply, "[R]esidential customers are [also] important because they fill network capacity during off-peak hours for business traffic. The merged company will have a bigger network to fill, thus increasing the importance of residential customers." *Id.*

8 *Local Services Ex Parte* at 5.