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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

CC Docket No. 00-4

Dear Ms. Salas:

On March 10, 2000, Keith Seat, Sherry Lichtenberg, and I of MCI WorldCom and Marc Goldman of Jenner and Block, met with Jordan Goldstein, legal advisor to Commissioner Ness regarding the above referenced docket.

The meeting focused on MCI WorldCom's continuing concerns regarding barriers to local competition in Texas. The attached document was used in the meeting.

In accordance with section 1.1206(b)(2) of the Commission's rules, 47 C.F.R. § 1.1206(b)(2), an original and one copy of this memorandum and attachment are being filed with your office.

Sincerely,

Lori Wright

Lori Wright

cc: Jordan Goldstein

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List A B C D E

MCI WORLDCOM

Remaining Barriers to Residential Local Exchange Telephone Competition in Texas

March 8, 2000

Most Key Conditions for Local Competition Are Present in Texas

- Substantial opportunity -- third largest market in the country (after California and New York)
- Unbundled Network Element (UNE) -Platform is legally available to competitors
- Involved state commission helping to level playing field
- **MCI WorldCom hopes to enter Texas residential market soon, but entry and scope depend on progress in overcoming remaining SBC barriers**

Critical Barriers to Local Competition Remain in Texas

- SBC/Southwestern Bell's operations support systems (OSS) cannot handle commercial scale launch
  - SBC's OSS is not yet ready to handle realistic volumes of either UNE-Loop orders or UNE-Platform orders
  - SBC's OSS is not commercially ready for DSL orders

- Performance Remedy plan is far too weak to maintain adequate performance and deter backsliding if SBC gets section 271 authority (allowing in-region long distance)

- SBC's "glue" charges are unlawful and hurt competition

- SBC has not proven it can implement vitally important Change Management rules it recently agreed to

OSS Problems: SBC's Systems Must Be Improved

- SBC relies too much on manual processing of orders, resulting in delays and errors, and preventing entry at commercial volumes
- SBC unnecessarily breaks up orders into three parts without sufficient coordination, greatly increasing risk of loss of dial tone (unlike in NY)
- SBC's problems relating to service addresses increase competitors' costs and delay order processing
  - SBC's internal databases contain conflicting address data, causing competitors' orders to be rejected improperly
  - SBC systems compel excessive re-keying by competitors because of requirement to include service address on all orders and inability to get Customer Service Record in proper format
- SBC fails to properly relate multiple customer orders, preventing customers from scheduling a single installation time

OSS Problems: SBC's Manual Processes Must Be Automated

- SBC's OSS is currently not capable of electronically flowing through critical order types, including most partial migrations (switching less than all lines) and most supplemental orders
- SBC's systems do not allow competitors to report customer troubles electronically during the critical first 24-48 hours after installation (similar problem was fixed in NY)
- SBC does not provide adequately automated processes for key updates to a customer's profile, including the customer's long-distance carrier (unlike in NY)
- SBC rejects too many orders, manually processes an excessive number of the rejects, and takes far too long to return the manually-processed rejects to competitive local carriers (CLECs)

OSS Problems: SBC's Performance Must Improve

- SBC has consistently failed to meet many critical performance standards despite handling only a limited number of orders
  - SBC's UNE-Loop problems result in excessive lost dial tone in many cutovers
  - Substantial problems with Digital Subscriber Line loops
- SBC has failed to demonstrate that it can handle a commercial environment either in real life or through stress testing
  - Commercial volumes will require SBC to handle several thousand orders/day from each of several CLECs
  - Order volumes for residential UNE-Platform service are far lower than those being processed by Bell Atlantic in NY
  - Bulk of SBC's UNE-Platform volume has been conversion of competitors' resale base, rather than new orders
- Despite low volumes, SBC does not process competitor's orders as quickly or accurately as its own

Performance Remedies: SBC's Plan Inadequate to Prevent Backsliding

- Backsliding in its performance for competitors is of great concern if SBC receives long distance authority in Texas

- Performance remedy plan is mere "slap on the wrist"
  - SBC would pay only a few thousand dollars for repeated and egregiously poor performance
  - SBC obtained loopholes in plan which makes detecting and deterring poor performance more difficult

- Maximum overall cap is irrelevant
  - SBC designed plan so it will never come close to cap

- SBC could block local competition and write off the trivial remedies paid as a cost of doing business
  - SBC paid only $2000 to all CLECs in Nov. and $400 in Dec., despite missing key measures

Performance Remedies: SBC's Plan Inadequate in Scope

- SBC does not report certain critical measures of its performance, including change management (unlike NY)
- Unreported problems leave SBC with no incentive to correct faulty service
- SBC could block local competition by simply performing poorly in unreported areas

SBC's Pricing Scheme Hinders Competition

- SBC's "glue" charges for combining elements in a UNE-Platform that are already combined are unlawful and discourage competition
  - Not cost-based
  - Harm business case for competitive entry
  - Temporary end to charge not adequate
- SBC's glue charges for "new" UNE-Platform combinations results in double recovery by SBC
  - Cost of combining included in monthly charge for elements

Change Management Procedures Must Be Followed

- SBC's changes of its systems and interfaces with competitors can eliminate competition unless it provides adequate notice and cooperation; requirements for notice/cooperation are called "change management"

- SBC has never been tested on change management requirements for a significant change or release
  - SBC recently committed to entirely new change management rules
  - Performance standards and remedies are not in place (as in NY) to ensure that SBC adheres to required change management practices following 271 entry

Conclusion: Remaining Barriers in Texas Undermine Local Competition

- Remaining SBC barriers prevent robust local competition
- SBC has made progress, at the insistence of the Texas Commission, but should fully resolve problems prior to section 271 authorization
- FCC, DOJ must look closely at SBC's section 271 application to ensure market irreversibly open and public interest satisfied

ADDENDUM A

Texas - New York Comparison on Selected Issues

Issue/Problem	Texas	New York
- Insufficient third-party OSS test	YES	NO
- Unable to get Customer Service Records in "parsed" format to avoid excessive re-keying	YES	NO
- Required to send full service address on every order, even if simply migrating customers	YES	NO
- Improper rejects of competitors' orders due to Bell's internal databases containing conflicting address data	YES	NO

ADDENDUM A (Cont'd)

Texas - New York Comparison on Selected Issues

Issue/Problem	Texas	New York
- Loss of dial tone from breaking orders into three parts and failing to coordinate them	YES	NO
- Competitors must use manual processes to update customer records with Bell after initial order	YES	NO
- Trouble-tickets are manual for first 24-48 hours	YES	NO
- Failure to properly relate multiple customer orders	YES	NO
- Improper "glue" charges for UNE-Platform	YES	NO

ADDENDUM A (Cont'd)

Texas - New York Comparison on Selected Issues

Issue/Problem	Texas	New York
- Bell performance remedy plan fails to include critical measures, such as change management	YES	NO
- Key Bell pre-ordering and ordering interfaces not available for much of the night	YES	NO
- Must resend orders transmitted when Bell system is unavailable	YES	NO
- Excessive outrages when provisioning UNE-Loops	YES	YES

ADDENDUM B
Post-Entry Problems in New York Counsel Caution

- FCC granted section 271 authorization to Bell Atlantic for New York on Dec. 21, 1999
  - New York is first state to receive section 271 authority
  - Compared to Texas, New York clearly had more robust OSS in place, more commercial experience, and more thorough testing
- Bell Atlantic is having severe problems with "missing" CLEC orders in New York
  - By mid-Feb. 2000, Bell Atlantic had lost or failed to send proper notices for tens of thousands of pending MCI WorldCom local orders
  - Other CLECs, both large and small, are suffering from same problems
  - Bell Atlantic admits fault, but has not yet resolved problem
- Both NY state commission and FCC extremely concerned
  - NY commission ordered remedial actions with which Bell Atlantic failed to comply

ADDENDUM C
Section 271 Application at FCC: Process and Timing

- FCC must make decision to grant or deny section 271 applications based on statutory criteria
  - Compliance with the 14-point competitive checklist
  - Compliance with requirements for separate subsidiary and competitive presence test
  - Whether section 271 authorization is in the public interest
- FCC established schedule for comments on Texas 271
  - CLEC & state commission comments filed Jan. 31
  - Department of Justice evaluation filed Feb. 14, concluding that FCC should **deny** Texas 271 application because of problems with DSL and hot cuts of UNE-L, without even reaching UNE-P issues
  - All reply comments filed Feb. 22
- FCC must act on Texas 271 application by April 9
  - April 7 is last business day of 90-day period for decision