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April 10, 2000

VIA HAND DELIVERY

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
Office of the Secretary - Room TWB-204
445 Twelfth Street, SW
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

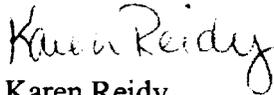
Re: Ex Parte Submission: CC Docket Nos. 96-61/ & 98-183

Dear Ms. Salas:

On April 10, 2000 I sent the attached letter to Jodie Donovan-May of the Common Carrier Bureau's Policy and Program Planning Division. Please include this filing in the record of the above-referenced proceedings.

Two copies of this Notice are being submitted in accordance with Section 1.1206 of the Commission's rules.

Sincerely,


Karen Reidy

Attachment

cc: Jodie Donovan-May

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VIA HAND DELIVERY

Ms. Jodie Donovan-May
Common Carrier Bureau
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: CPE/Enhanced Services Anti-bundling Rules - CC Docket Nos. 96-61 & 98-183

Dear Ms. Donovan-May:

In response to questions posed by the Commission staff during our most recent meeting in the above referenced proceeding, MCI WorldCom outlines below the benefits that bundling offers and the costs associated with the current anti-bundling rules. We emphasize that in order to meet customers' demands and realize the cost savings associated with bundling, MCI WorldCom must be able to offer a complete package of products and services that include local exchange service, interLATA service, enhanced services and customer premise equipment (CPE).

MCI WorldCom is finding that today's business customers are less often requesting discrete services or telecom equipment. More frequently, they are seeking total solutions for their telecommunications requirements and they are seeking them from a single entity. These solutions often need to address sophisticated customer applications and usually entail a mixture of telecommunications transmission services, related equipment and enhanced services. Customers recognize that acquiring all these capabilities from a single vendor simplifies its procurement process and maximizes the ability to obtain lower unit pricing. Simply being able to buy telecommunications services, related equipment and ancillary services from a single provider (i.e., "one-stop shopping") on an unbundled or unpackaged basis does not accomplish this objective because of pricing and service integrity concerns that result from the separate offerings.

Therefore the Commission needs to recognize that a regulatory constraint that might have served a useful purpose in the past no longer does so and, accordingly, it should eliminate the anti-bundling rule. Adopted nearly twenty years ago at a time when the Commission needed to assure the development of competitive telecom equipment and enhanced service markets, the rule has served its purpose, as the record in this proceeding plainly shows. Both these markets are effectively competitive, perhaps even beyond the wildest dreams of the framers of the rule.

“Managed Services” is a specific example of the type of “bundling” that users seek in today’s marketplace. Managed Services consists of traditional telecommunications services, related equipment, and overall network management that customers are seeking from a single source at a single per-minute rate for all the elements of the “package.” Thus, there is a growing number of customers who simply wish to satisfy their entire telecommunications needs by relying on a single vendor to achieve not only the lowest per-unit cost of service available, but also to provide expert personnel to implement and maintain the entire network for the customer. The continued presence of the anti-bundling rule makes it difficult for carriers to respond to this need and, moreover, to compete on equal footing with so-called “systems integrators,” many of whom are not licensed telecommunications common carriers and, therefore, are unrestricted by the current anti-bundling rule. Removal of the rule would level the competitive playing field and, at the same time, allow carriers to more easily supply what customers increasingly expect from their telecom service vendors.

In addition, the anti-bundling rule has caused carriers to incur extraordinary costs and inefficiencies in compliance efforts. For example, to meet customer needs for equipment and not violate the rule, MCI WorldCom established as part of its tariffed service offerings “the MCI Fund,” which consists of an account in which customers can accrue dollar values based on their use of tariffed services. The customer may choose to apply accrued Fund dollars either as a credit against tariffed service charges or toward the purchase of equipment, some of which can be interconnected to the public switched network. Since the start of this program in 1996, MCI WorldCom estimates that it has spent approximately \$2.1 million to administer it – costs that would have been avoided if not for the anti-bundling rule. Because other carriers subject to the rule implemented similar programs, it is likely that they, too, experience these kinds of costs, the savings of which could benefit consumers.

Another problem that results from the anti-bundling rule involves the transactional complexity that arises when carriers are required to transact with customers by tariff for transmission services and by contract for other services, some of which are closely related to the tariffed offerings. This problem manifests itself in the fact that service credit outages for tariffed services only can be reflected in the tariff, and service credit outages for untariffed products can only be reflected in contracts. As customers expect the carrier to provide it with end-to-end service responsibility, particularly in the Managed Services context described above, it is cumbersome to reflect transactionally such an assumption of responsibility for overall network performance, while complying with both the anti-bundling rule and the tariffing requirement.

There is almost no disagreement among the commenters in this proceeding that the anti-bundling rule as applied to IXCs and competing LECs unaffiliated with the incumbent LECs, is "no longer necessary in the public interest as the result of meaningful economic competition."¹ There is nearly unanimous support for repealing the application of all anti-bundling regulations on these carriers.

Please let us know if you have and additional questions.

Sincerely,



Karen T. Reidy

cc: Jake Jennings
Bill Sharkey

¹ 47 U.S.C. § 161. This is the statutory standard for the elimination or modification of regulations. In the Further Notice of Proposed Rulemaking (NPRM), the Commission noted that "...the Commission has previously determined that the CPE market is competitive, and that the interstate, domestic, interexchange market is substantially competitive." NPRM, CC Docket Nos. 96-61 & 98-183, ¶ 12 (released October 9, 1998).