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MCI WORLD COM

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ORIGINAL

April 19, 2000

EX PARTE

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

CC Docket No. 99-333

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Ms. Salas:

On April 19, 2000, Dan Kelley of HAI, Inc., Robert Mercer of Broadview Telecommunications, Richard Metzger of Lawler, Metzger and Milkman and I along with Craig Dingwall of Sprint and Renee Callahan of Wilkie, Farr and Gallagher met with, William Rogerson, Donald Stockdale and Eric Einhorn regarding the above referenced matter.

In the meeting we discussed the declaration of Drs. Kelley and O'Dwyer submitted as part of the merger reply comments filed on March 20, 2000, dealing with the extent to which interexchange carriers have built transmission facilities in various parts of the country. The attached presentation was used during this 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 are being filed with your office.

Sincerely,



Bradley Stillman

cc: William Rogerson
Donald Stockdale
Eric Einhorn

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Facilities-based Long Distance Competition

Daniel Kelley and John O'Dwyer

HAI Consulting

April 14, 2000

Summary

- Based on our analysis to date, after the merger of MCI WorldCom and Sprint, LATAs containing 99 percent of U.S. households will be served by three or more competitive, facilities-based carriers
 - The number of carriers and the extent of their networks are both increasing
 - Even in those limited cases (9 LATAs) where the merger will result in fewer than three facilities-based carriers in the LATA, additional entry is possible
 - The significant growth in the number and size of fiber carriers is the result of entry and expansion by smaller regional carriers as well as continued deployment of facilities by larger IXC's

Methodology

- At the parties' request, HAI identified IXC presence by LATA
- We have now updated information gathered for WCOM by Carlton/Sider at the time the MCI/WCOM merger was pending
 - The data identified the LATAs in which POPs had been established by MCI WorldCom, Sprint, Broadwing (then IXC), Cable and Wireless, Frontier/Global Crossing, Williams, Qwest and AT&T
- HAI has identified additional carriers from a variety of sources, including company web sites and press releases

Methodology

- We then associated network nodes on company maps with individual LATAs for these additional carriers
 - We assumed a competitive presence in a LATA only where it was clear to us that the carrier had long-haul fiber located in the LATA
 - We did not include off-net cities or cities using short term leased facilities
 - We did include locations based on the GTE Internetworking Map
 - Where a carrier has an ownership interest in the fiber, such as an Indefeasible Right of Use [“IRU”], we treated that carrier as an independent competitor

Results

Facilities-based Competition Post Merger of MCI WorldCom, Inc. and Sprint

| Number of Carriers | Number of LATAs | Percent Households | Percent Households Cumulative | Percent Lines | Percent Cumula |
|--------------------|-----------------|--------------------|-------------------------------|---------------|----------------|
| 10 or more | 18 | 29.2 | 29.2 | 31.3 | 31.3 |
| 5-9 | 90 | 53.7 | 82.9 | 53.4 | 84.8 |
| 4 | 36 | 8.5 | 91.4 | 7.6 | 92.4 |
| 3 | 37 | 7.4 | 98.8 | 6.6 | 98.9 |
| Less than 3 | 12 | 1.2 | 100.0 | 1.0 | 100. |

Results

- The Table assumes that MCIW and Sprint are merged
 - 3 LATAs currently with fewer than 3 carriers are unaffected by the merger
- Over 84 percent of access lines will be served by 5 or more facilities-based carriers post-merger
- Over 92 percent of access lines will be served by 4 or more carriers post merger

Results

- Of the 9 LATAs with fewer than three facilities-based carriers as a result of the merger
 - Three LATAs have additional carriers with leased fiber
 - One has an additional carrier that is planning to enter
 - Four have an additional carrier with fiber that passes through the LATA
- The remaining two LATAs contain only 0.2 percent of all households
- The two remaining LATAs are served by an independent telephone company

Network Construction

- Many networks are currently under construction
 - Carriers with extensive network additions underway are AEP, Caprock, ENRON, GST, Level 3, McLeod, Norlight, Pathnet, Teleglobe, Telergy, Touch America, Williams and Qwest
- Carriers have announced plans to add 122 nodes in 2000; these nodes are not included in the results
- One of these announced locations is in a LATA that would have fewer than three facilities-based carriers as a result of the merger

Potential Expansion

- IXC fiber routes pass through LATAs where the carrier has not chosen to locate a node; in other instances a fiber route may pass near a LATA
 - There are 123 nodes that could be added by carriers that pass through, but do not advertise a presence in, a particular LATA
 - Four of these are in LATAs that would have fewer than three facilities-based IXCs after the merger
- In some cases the major cities in the LATAs served by fewer than three carriers are relatively close to a major city in an adjacent LATA
 - For example, Cour D'Alene Idaho is only 40 miles from Spokane Washington, which is served by five fiber carriers

The Role of Electric Companies

- A number of fiber networks are owned and operated by subsidiaries of electric utility companies
- Many of these companies are building fiber networks in less densely populated areas of the country
 - Examples are Touch America, a subsidiary of Montana Power, and Allegheny Communications. Other large electric companies with communications subsidiaries and fiber networks or plans to build them are American Electric Power and ENRON
 - Smaller companies such as Telergy and the SMP Electric Cooperative are building fiber networks to serve rural areas

RBOC Entry

- It can reasonably be expected that SBC will win 271 approval in Texas within the next two years
- This would add another facilities-based long distance competitor in 16 Texas LATAs

Network Ubiquity

- Several larger fiber carriers reach or will reach a substantial portion of the U.S. population
 - We estimate that Qwest, Williams and Frontier each serve more than 72 percent of the population
- Carriers or customers that wish to terminate calls in LATAs they do not serve will have access to capacity on regional carrier networks, including the networks being built by electric companies
- A market in bandwidth, which will facilitate such transactions, is evolving

Summary

- The number of carriers and the extent of their networks are both increasing
- Additional entry is possible
- Entry and expansion by smaller regional carriers as well as continued deployment of facilities by larger IXC's are contributing to this growth in capacity