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January 25, 2001

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

Re: *Ex Parte* - CC Docket Nos. 96-61 and 98-183
1998 Biennial Regulatory Review -
Review of Customer Premises Equipment and Enhanced Services Unbundling Rules in the Interexchange, Exchange Access, and Local Exchange Markets

Dear Ms. Salas:

Earlier today, Karen Reidy of WorldCom, Professor Janusz Ordover, David Levy, Steve Levinson, Steve Garavito, Wendy Boudreau, and I (all representing AT&T), met with Don Stockdale and William Sharkey of Office of Policy and Plans.

At this meeting, we reiterated AT&T's and WorldCom's previously stated positions that the record in this proceeding strongly supports both CPE and enhanced services relief for the non-dominant carriers. Because non-dominant carriers do not have market power over any good or service they sell, they could not gain market power over any of the bundles they would sell. Since no competitive harms could accrue to offset the significant benefits bundling relief would bring to these carriers and their customers, bundling relief for these carriers should be expeditiously granted.

Simultaneously, the record also shows that the markets for basic local exchange and access services are not yet competitive. Therefore, allowing dominant incumbent local exchange carriers to bundle CPE and/or enhanced services would pose unacceptable risks to competition in the CPE and enhanced services markets, as well as any other complementary market a dominant carrier would enter.

Professor Ordover, who, in collaboration with Professor Robert Willig, prepared the bundling white paper AT&T filed in this proceeding, addressed the public interest risks associated with the premature elimination of the bundling

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restrictions for dominant carriers.[1] He opined that while there have been substantive transformations in technology, competition, and consumer demand that collectively changed the size and shape of the industry, these transformations have not changed the fundamental principles of economics. Therefore, the public policy decision on whether to allow bundling of basic telecommunications services with CPE and/or enhanced services should still focus on the market power of carriers who wish to engage in such bundling, and on the overall competitive conditions in the relevant markets for the components of the bundle. And none of the transformations identified above have substantively changed the competitiveness of the local exchange markets.

At end, ILEC appeals for "regulatory parity" completely ignore the structural difference between bundling by firms facing effective competition in the relevant markets and by firms with market power. For this reason, there is nothing unfair, anti-competitive, or illogical about allowing non-dominant carriers to bundle while retaining the bundling restrictions for the dominant carriers. The Commission should retain the anti-bundling prohibition for all dominant carriers until the markets for local exchange and access services become sufficiently competitive.

In accordance with Section 1.1206(a)(2) of the Commission's rules, two copies of this Notice are being submitted to the Secretary of the Commission for inclusion in the public record for the above-captioned proceeding.

Sincerely,

Charles Griffin

cc: D. Stockdale
W. Sharkey

[1] *Ex Parte* Declaration of Janusz A. Ordover and Robert D. Willig, filed June 21, 2000 with *ex parte* letter of AT&T Government Affairs Director, Charles E. Griffin.