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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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February 27, 2001

Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Ex Parte

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

Dear Ms. Salas:

On February 26, 2001, Mary Brown and Karen Reidy of WorldCom spoke with Jordan Goldstein, legal advisor to Commissioner Ness, on the above-referenced matter. In our conversation we emphasized that, should the Commission allow dominant carriers to bundle basic telecommunication services with customer premise equipment (CPE) and/or enhance services offering, the Commission must *explicitly* state that it is contingent on dominant carriers additionally offering their basic telecommunications services on a nondiscriminatory stand-alone basis.

WorldCom has repeatedly expressed its concern that lifting the current prohibition against dominant carrier bundling of basic telecommunications services with CPE and/or enhanced services, established by the computer inquiry related orders, would be detrimental to competition in the relevant markets, especially the enhanced and local service markets. As comments submitted by competitive enhanced service providers in this proceeding indicate, competitors already are being denied access to the basic services of dominant carriers, especially digital subscriber line. Allowing a dominant carrier to bundle an additional unrelated telecommunications service in its service offerings provides further means to mask discrimination in the rates it charges competitive service providers for services and facilities over which it maintains a monopoly, as well as enables it to subsidize the unregulated services. Consumers may ultimately suffer a decline in provider choices, stifled innovation, and higher prices as a result of a reduction in competition.

If the Commission nonetheless allows dominant carriers to offer bundled service offerings, since there are no alternatives to their basic services, dominant carriers must be required to make their basic telecommunication services separately available on nondiscriminatory terms. This is necessary to ensure that consumers are not forced to purchase equipment and enhanced services from the dominant provider in order to obtain their basic local service and that competitive enhanced service providers are able to obtain the transmission capabilities necessary for their enhanced services offerings.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Reidy", with a stylized flourish at the end.

Karen Reidy

cc: Jordan Goldstein
Kyle Dixon
Deena Shetler
Rebecca Beynon