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September 6, 2001

Ex Parte Notice

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

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SEP - 6 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: CC Docket No. 94-129 and CCB/CPD 01-12, RM No. 10131

Dear Ms. Salas:

On September 6, 2001, Andrew Graves, Lisa Roscoe and I from WorldCom, Inc. met with Rich Lerner and Jennifer McKee of the Common Carrier Bureau's Competitive Pricing Division and Michele Walters of the Bureau's Accounting Policy Division regarding pending petitions in the above-referenced dockets. The attached deck, which was distributed at the meeting, contains the details of our discussion.

In accordance with the Commission's rules, 47 C.F.R. § 1.206(b), an original and one copy of this memorandum and attachment are being filed with your office. Please include this filing in the record of the above-referenced proceedings.

Sincerely,


Karen Reidy

Attachment

cc: Rich Lerner
Jennifer McKee
Michele Walters

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MCI/FCC Meeting

September 6, 2001

**Concerns About Proper PIC
Dispute Management**

Status Quo Provides Anti-competitive Incentive To Mislabeled Winback Sales As Disputes

- Labeling as PIC dispute allows ILEC certain advantages:
 - Charge previous carrier (as the “alleged unauthorized carrier”) the PIC change charges pursuant to ILEC federal and state tariffs
 - Provide credits to the customer pursuant to billing and collection agreements
 - Report against the competing carrier pursuant to FCC reporting rules
- Data indicates ILECs are acting on this anti-competitive incentive

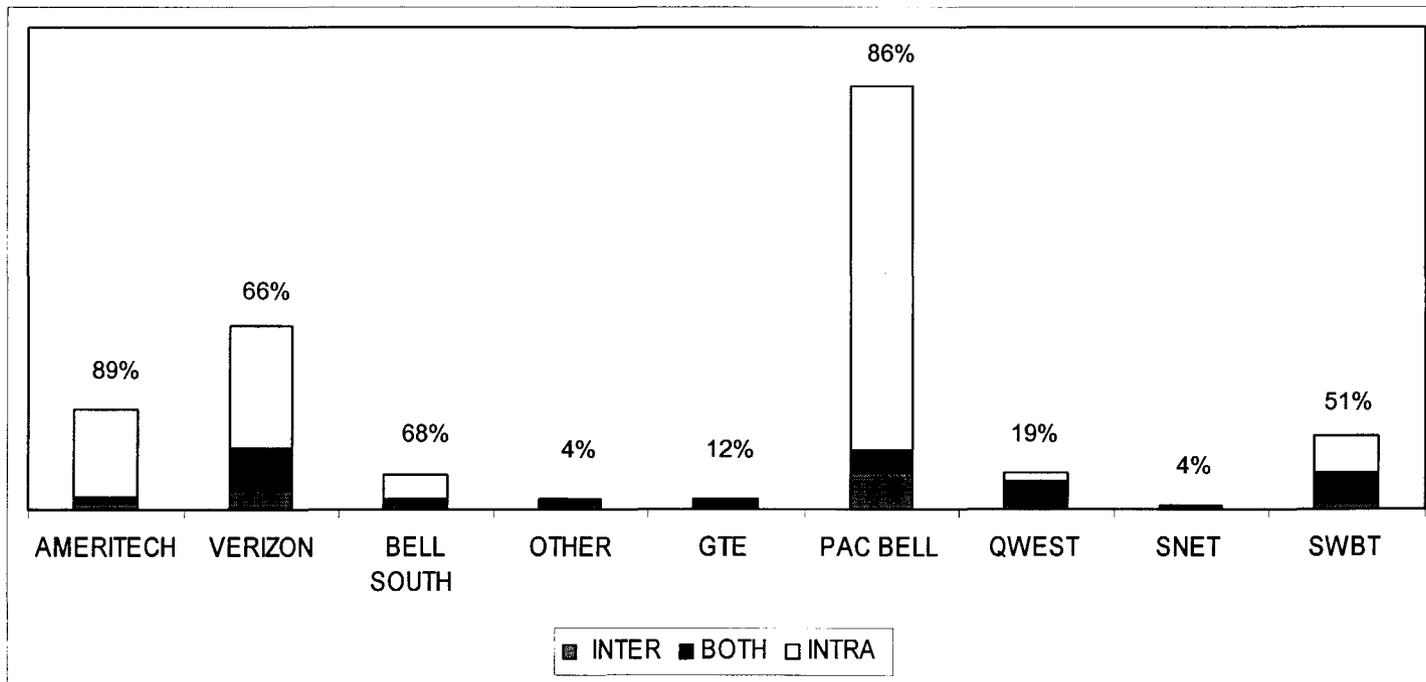
Analysis Of National PIC Dispute Data Suggests ILEC Mislabeling And Anti-competitive Activity

- MCI records confirm validity of PIC changes
 - MCI does not have correlating information supporting significant dispute volumes
 - Audit of a random sample of PIC dispute coding revealed that almost all had appropriate verification or were LEC installs
- Vast majority of PIC disputes received from the ILECs are for intraLATA services - - the service in which the ILEC competes
 - This does not correspond to the relative number of interLATA versus intraLATA sales
- MCI survey of customers who allegedly disputed their PIC change revealed that the customers were not alleging a slam
 - Corresponding state commission finding
- Suspect high % of PIC disputes are actually winback sales mis-coded as disputes

Disproportional Intralata Volume Indicates Misapplication Of PIC Dispute Coding

PIC DISPUTE VOLUMES BY JURISDICTION
(% Represents % of Intralata Only Disputes)

1H01



ILEC Reported PIC Disputes Not Supported By Consumer Survey

Survey Methodology

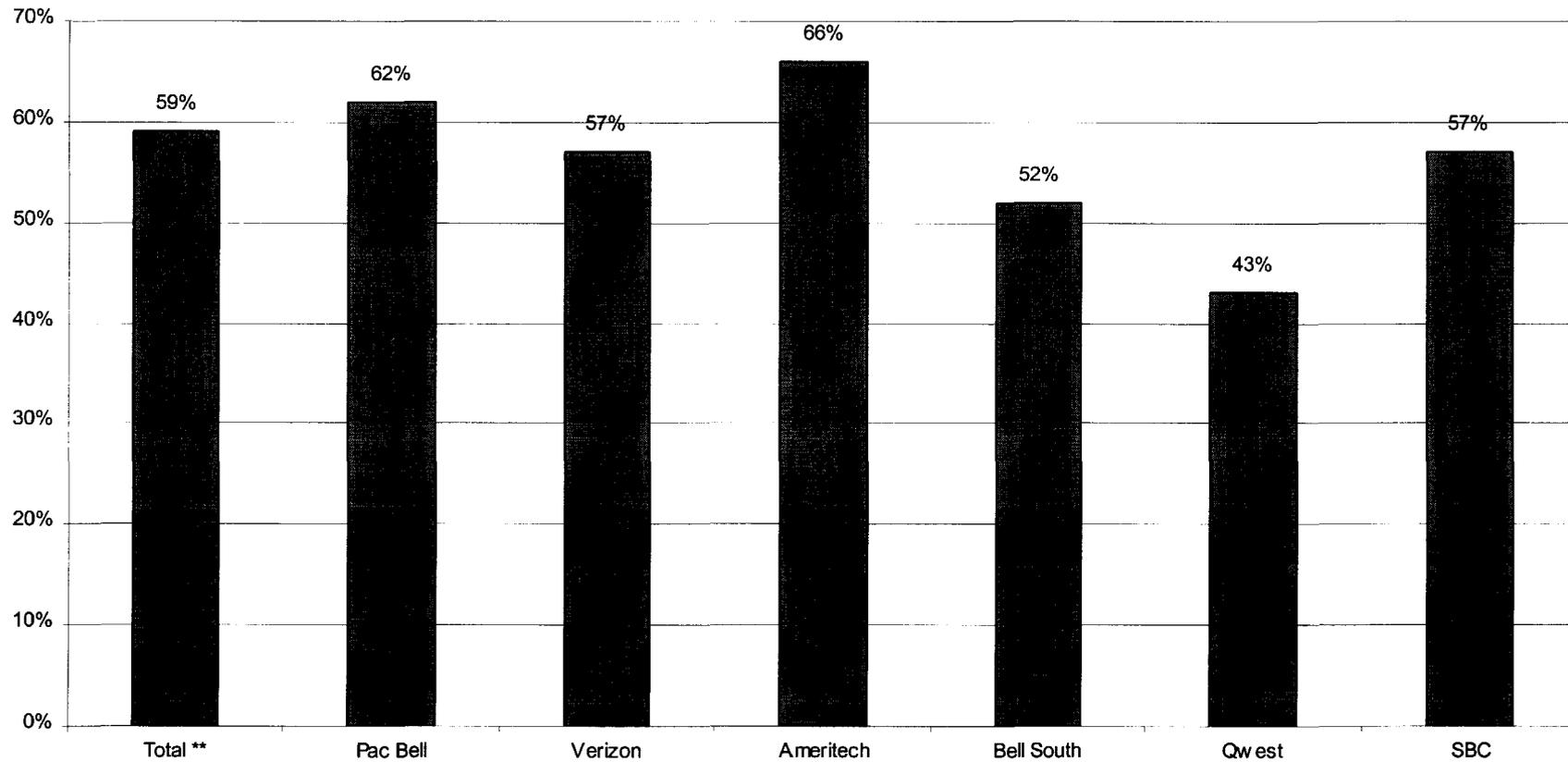
- 909 consumers surveyed in six ILEC (Ameritech, BellSouth, PacBell, Qwest, SWB, and Verizon) regions
- Randomly selected customers for which MCI received an ILEC PIC Dispute code
- Survey conducted by Centrac DC, LLC, an independent national marketing research organization

Key Observations

- Majority of those surveyed not alleging a slam
- Majority do not recall contact with ILEC about MCI services
- ILEC is often the initiator of the contact with customer that results in dispute code application

Most Respondents NOT Alleging A Slam

Percentage of respondents* by ILEC who **DID NOT AGREE** with the following statement: "In your opinion, in just the past 3 months, MCI switched some of your services without your authorization."



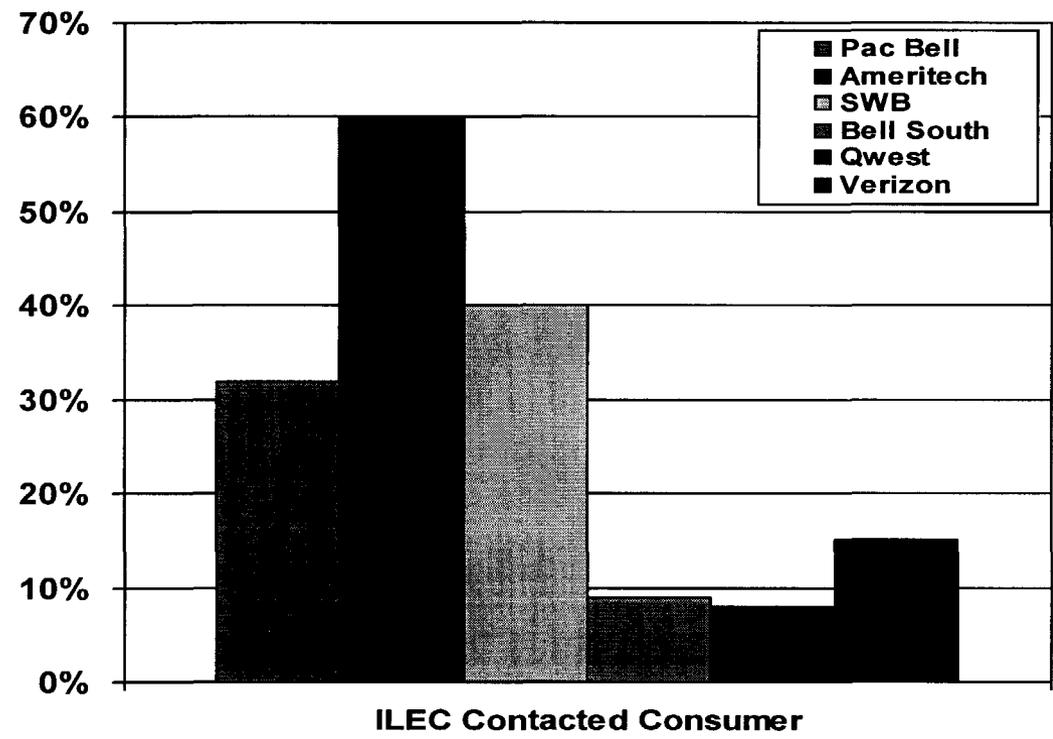
*150 interviews were conducted with customers in each of six ILECs (909 total) who were coded as having been switched to MCI without customer authorization.

** Total is weighted to reflect each ILEC's relative contribution to the total number of claims of unauthorized conversions.

ILEC Communication With Customer Indicates Marketing, Not Slam Allegation

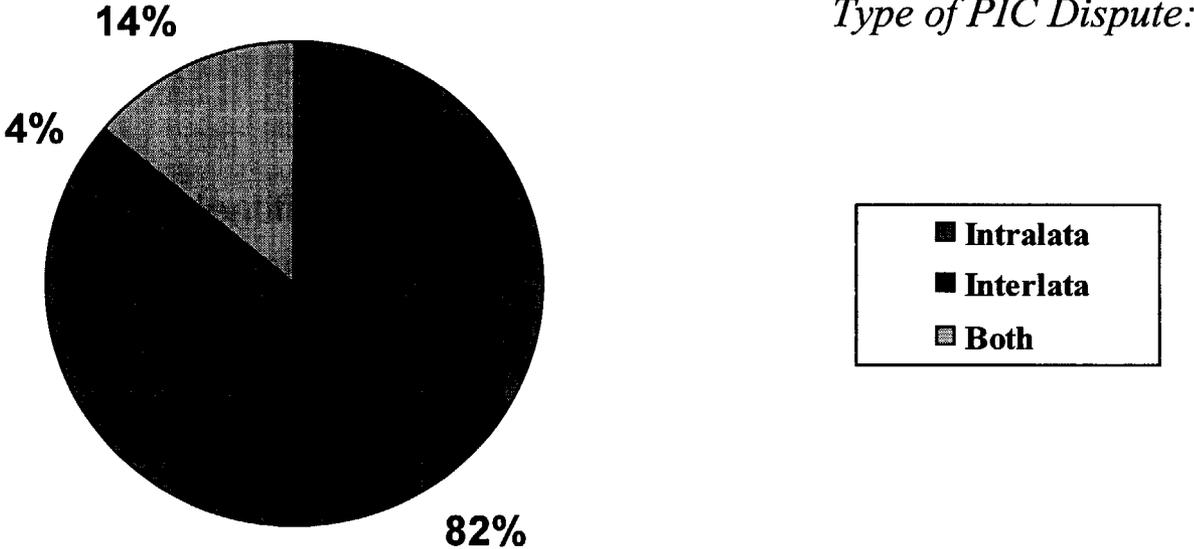
- Over half the consumers surveyed do not remember contact with the ILEC in which MCI services were discussed.
 - If the customer alleged a slam against MCI, customer would have remembered MCI being a part of the conversation.
- A significant percentage of the customers surveyed stated that they switched carriers because the ILEC offered them a better deal.
 - This is not equivalent to switching back to your preferred carrier after having been slammed.

Customers Are Being Proactively Contacted By ILEC



- Chart reflects % of customers who remember having contact with ILEC about MCI service, that say ILEC contacted them

When ILEC Initiates Contact, Resulting Dispute Code is Overwhelmingly for IntraLATA Only



Corresponding State Commission Finding

- Staff of the Consumer Services Division of the California PUC conducted interviews with consumers whom Pacific Bell identified as having alleged they were slammed by AT&T
- One of their findings:

“. . . Consumers were improperly identified by Pacific Bell as LPIC disputes. This demonstrates Pacific Bell’s billing system improperly billed AT&T for consumers that legitimately switched to AT&T and then returned to Pacific Bell under Pacific Bell’s “winback” program.”

Recommendations

- Expand the scope of the rulemaking proceeding requested by CompTel, or initiate a separate proceeding, to determine methods of reducing or eliminating anti-competitive incentives and abuse resulting from ILEC tariff provisions that charge the alleged unauthorized carrier the preferred carrier change charges
- Reconsider the Commission's reporting requirements so that competitors are not reporting against each other
- Limit ILEC role in dispute process to notification
 - Notification to consumer of his or her rights with respect to filing a complaint and the remedies available
 - Notification to carriers involved in the dispute
 - As executing carrier, execution of any change in preferred carrier as directed by the customer