Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of		
	)	
Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements	)	**WC Docket No. 02-112**
	)	
2000 Biennial Regulatory Review Separate Affiliate Requirements of Section 64.1903 of the Commission's Rules	)	**CC Docket No. 00-175**

MCI REPLY COMMENTS

WorldCom, Inc. d/b/a MCI (MCI) hereby submits its reply to comments on the Further Notice of Proposed Rulemaking (Notice) in the above-captioned proceeding.

I. Introduction and Summary

The record demonstrates that the BOCs continue to enjoy local bottleneck control, and demonstrates further that integrated provision of interLATA services by the BOCs would only exacerbate the risks to interLATA competition. As long as BOC access rates – particularly intrastate access rates and special access rates – are above cost, integrated provision of interLATA services by the BOCs will only increase the BOCs' ability to impose a price squeeze. And as long as the BOCs' competitors remain dependent on BOC access facilities, integrated provision of interLATA services by the BOCs will only increase the BOCs' ability to discriminate against their competitors when installing, maintaining, and repairing access services.

In order to preserve long distance competition, the Commission should regulate the BOCs as dominant in the interLATA market unless (1) the Commission acts, in the intercarrier compensation proceeding and in the RM No. 10593 special access rate regulation proceeding, to reduce all access charges – interstate and intrastate, switched and special access – to cost; (2) the Commission adopts the special access performance metrics proposed by the Joint Competitive Industry Group (JCIG) in CC Docket No. 01-321; (3) the Commission retains a structural separation requirement for the BOCs' interLATA operations; and (4) the Commission adopts additional safeguards governing "grooming" of circuits from ILEC special access to CLEC fiber, equal access, independent PIC administration, and cost-based PIC-change charges.

II. The BOCs Continue to Possess Local Bottleneck Control

State public utility commissions, CLECs, IXCs, and representatives of residential and business consumers agree that the local market is not fully competitive and that the BOCs have used their local market power to anti-competitive effects in the interexchange market.[1] For example, the Texas PUC explains that SBC's continued dominance in the local market hinders the development of a fully competitive market, and that "at this point in time SBC Texas retains both the incentive and ability to discriminate against both local and interexchange competitors and to engage in anti-competitive behavior."[2] Similarly the Missouri PSC expresses concern that the goals for

[1] *See, e.g.,* Missouri PSC Comments at 2; New Jersey Ratepayer Advocate Comments at 7; Texas PUC Comments at 2; Sage Telecom Comments at 8, 15-26; Sprint Comments at 2, 6; Working Assets Comments at 2; Z-Tel Communications Comments at 3; AdHoc Comments at 3-6; Americatel Comments at 19-20; Vartec Comments at 2; AT&T Comments at 3, 10.

[2] Texas PUC Comments at 2-3. The Texas Attorney General's Office concurs with the Texas PUC, stating that, "SBC continues to possess substantial market power in the provision of services in Texas such that it

attaining a competitive environment may be jeopardized if a regulatory scheme, designed to protect consumers in markets where one company is able to exercise market power, is not left in place until such time as competition is able to effectively substitute for regulation.[3] Competitive carrier Sage Telecom states that "[t]here can be no argument that the BOCs' control of essential bottleneck facilities and their ability to leverage their market dominance in local exchange and exchange access – two major components of their bundled services – puts them in a category all their own."[4] And the Ad Hoc Telecommunications Users Committee, which represents high-volume purchasers of telecommunications services, states that effective local competition "has simply failed to materialize," which has created "innumerable opportunities for the ILECs to restrict or impede competition in the long distance services market by leveraging their competitive position in local services markets to the benefit of their long distance operations."[5]

Despite the overwhelming evidence in the record showing the BOCs' continued monopoly control over the local market, the RBOCs generally assert that local markets are "increasingly competitive;"[6] in many instances local market power is "quite limited;"[7] and any arguments that BOCs leverage control over the local market into the long distance market "undeniably lack foundation" given the "tremendous growth" in

---

continues to have the incentive to discriminate. The years 2001-2002 have seen the exit of numerous competitive LECs from the Texas marketplace, and SBC Texas has gained increasing market share." Texas Attorney General's Comments at 2.

[3] Missouri PSC Comments at 6.

[4] Sage Telecom Comments at 8.

[5] Ad Hoc Comments at 3-4.

[6] SBC Comments at 36-37.

[7] Qwest Comments at 16.

local and access competition in recent years.[8]

But as MCI and others explained in their comments, the Commission's local competition data clearly show that CLECs have achieved only modest gains in the local market. Even in states where competitors have been in the local market the longest, the BOCs still control the vast majority of local access lines. Verizon still controls 75 percent of local access lines in New York and 83 percent of local access lines in Texas.[9] And CLEC market share growth has slowed considerably in states where the BOCs have had long-distance authority the longest. In Texas, where CLEC market share increased one percentage point, from 16 to 17 percent since December 2001, the Texas PUC said the level of market penetration was "too low to declare that full competition has arrived."[10] The numbers clearly demonstrate that meaningful local wireline competition has not arrived nor is about to arrive in the near future.

The RBOCs' arguments that competition from wireless and cable providers diminishes the BOCs' control in the local and long distance market also fall short.[11] First, the limited bandwidth of wireless service eliminates wireless as an alternative to the special access services used by business customers. Nor is wireless a meaningful alternative to wireline service for mass market customers. Although the popularity of wireless service is increasing rapidly, this popularity does not signal that wireless is being substituted for wireline service. As Sage Telecom states, "although competition from wireless carriers and cable service providers providing bundled services is

---

[8] Verizon Comments at 16.
[9] *See* MCI Comments at 4, *citing* Wireline Competition Bureau, Industry Analysis and Technology Division, Local Telephone Competition: Status as of December 31, 2002, June 2003 (June 200 Local Competition Report), Table 6.
[10] Comments of Texas Office of Public Utility Counsel, WC Docket No. 02-148, filed July 17, 2002, at 2.
[11] Carlton, Sider, Shampine Decl. ¶¶ 28-31.

increasing, their mass market substitutability with wireline bundled offerings is highly questionable at this time."[12] Wireless service is not yet fully substitutable for wireline local service for several reasons.

For example, PCS providers do not offer service that allows the use of more than one PCS handset with each PCS subscription and telephone number. In other words a customer who wished to substitute PCS service for wireline service would have to subscribe to and pay for two different phones if they wanted to have more than one phone in the house. In addition, wireless providers do not have the network capacity necessary to provide the quantity of service typically demanded by wireline users, who generally generate about three times the busy-hour traffic of mobile wireless users.[13] Moreover, limitations to the coverage, quality, and data rates of wireless service present significant disincentives to customers who might otherwise be tempted to substitute wireless phones for their wireline phones.[14] And the fact is that only approximately 2 to 3 percent of customers who use wireless phones at all use those phones as their only phone.[15]

In addition, commenters convincingly refute RBOC claims that cable telephony plays a significant role in the national market for local service.[16] Cable telephony lines comprised less than two percent of total switched access lines in the nation as of December 31, 2002.[17] And the limited cable competition that does exist is concentrated

---

[12] Sage Telecom Comments at 9.
[13] HAI Report, "The Technology and Economics of Cross-Platform Competition in Local Telecommunications Markets," April 4, 2002, at 38, attached to WorldCom Triennial Review Comments, CC Docket No. 01-338, 96-98, 98-147, filed April 4, 2002 (HAI Report).
[14] Id. at 38-39.
[15] WorldCom Triennial Review Comments at 37.
[16] *See, e.g.,* Sage Telcom Comments at 11-14; Sprint Comments at 4; AT&T Comments at 16.
[17] *See* Local Telephone Competition: Status as of December 31, 2002, Wireline Competition Bureau,

in certain service areas.[18] Cable operators have performed the necessary upgrades to provide cable telephony for only approximately 11 percent of U.S. households.[19] And even where the capability exists, only a few operators are using it due to the high incremental cost of providing cable telephony, the promise of new technologies that would reduce and simplify operations, and the perception that other advanced services, such as digital television and broadband internet, provide better revenue opportunities.[20] Cable telephony cannot be relied on as a competitive alternative, much less a substitute, for wireline service in the near future.

The BOCs fail in their attempt to downplay the extent to which they have rapidly gained long distance market share. For example they emphasize their respective shares of the total nationwide toll market rather than revealing their long distance market share in states where they have received section 271 authority, which is primarily where they are competing. Thus for example Verizon asserts that its nationwide long distance share is only 3.4 percent.[21] But the important market share percentage is the greater than 30 percent market share that Verizon has achieved in New York since receiving long distance authority.

SBC argues that the BOCs do not have a dominant share in long distance services, relying in part on FCC statistics showing that in the southwest region in 2002 SBC's share of minutes was 19.9 percent compared to AT&T's 24 percent.[22] But this mere four-point disparity is actually quite astonishing, given that SBC entered the long

---

Industry Analysis Division, June 2003, at p.2, Table 5.
[18] WorldCom Triennial Review Comments at 35.
[19] HAI Report at 23.
[20] HAI Report at 26-27.
[21] Verizon Comments at 25.
[22] SBC Comments at 24.

distance market starting only in 2001. Indeed, the BOCs' rapid market-share gain is reason, as asserted by Ad Hoc, to delay an evaluation of the BOCs' market power in the interLATA market until the BOCs' long-distance operations have had the opportunity to mature.[23]

The declaration attached to the comments of Verizon, Qwest, and SBC acknowledges that the long distance share of the BOCs has been growing rapidly due to interLATA entry and the BOCs' success in obtaining new customers. The declarants assert, however, that the BOCs' nationwide share of long-distance share is expected to level off at about 26 percent in 2005.[24] That prediction is highly questionable, given that SBC has already achieved a market share of more than 50 percent in some states,[25] and given that there are no signs that SBC's market share gains are slowing. In fact, SBC's most recent quarterly earnings release trumpets "the best-ever Bell company net [long distance line] add" – 2.3 million new long distance lines added in one quarter, and 65 percent growth in SBC long distance lines since the beginning of 2003.[26]

At the same time, there are signs that the BOCs' control over the local bottleneck is strengthening in the states where they have interLATA authority. For example, SBC recently reported that, in the states where it has interLATA authority, the number of UNE-P lines added in the second quarter of 2003 was less than half the number of UNE-P lines added in the first quarter of 2003.[27] That trend indicates that interLATA competitors will remain dependent on the BOCs for access services, billing and

---

[23] Ad Hoc Comments at 16.
[24] Declaration of Dennis W. Carlton, Hal Sider, and Allan Shampine at 12-13.
[25] See MCI Comments at 2.
[26] SBC 2Q03 Investor Briefing at 1, available at http://www.sbc.com/Investor/Financial/Earning_Info/docs/2Q_03_IB_FINAL.pdf
[27] Id. at 6.

collection, PIC administration, and other essential inputs, which gives the BOCs the ability to implement a price squeeze or discriminate in the provision of access service. These factors, combined with the large number of inbound customer contacts the BOCs receive that allow them to market long-distance service and the Commission's new do-not-call rules that will burden new entrants and afford the incumbents an enormous marketing advantage, provide every indication that the BOCs' rapid interLATA market share gains will continue.

III. The BOCs' Local Bottleneck Control Confers an Anticompetitive Advantage in the Provision of InterLATA Services

Because the local market is not fully competitive, the BOCs have the ability to leverage their local market power into the interLATA market, particularly if the BOCs were permitted to provide interLATA services on an integrated basis. BOC claims to the contrary are without merit.

A. The BOCs Have the Incentive and Ability to Implement a Price Squeeze

In their comments, the BOCs argue that they have no incentive to impose a price squeeze on their interLATA rivals, citing past Commission statements that predation is rarely a profitable strategy.[28] But the Commission has consistently found that, even if it is true that the BOCs' competitors could not be driven from the market with a price squeeze, the incumbent LECs still have the incentive to engage in a price squeeze.

Among other things, the Commission has found that the BOCs have the incentive to engage in a price squeeze in order to expand their market share, i.e., in order to "win customers even though a competing carrier may be a more efficient provider in serving the customer."[29]

There is also no merit to RBOC arguments that, if the BOCs were permitted to provide interLATA services on an integrated basis, the Commission's access charge regulations would be sufficient guard against a price squeeze. First, contrary to the claims of Verizon and others, price cap regulation does not preclude the BOCs from implementing a price squeeze. As an initial matter, with the adoption of the pricing flexibility rules, a significant fraction of the BOCs' special access and switched transport access services are no longer under price caps. The record in this and other proceedings shows that the BOCs have used the elimination of price cap regulation to raise special access and switched transport rates in many cities.[30]

Moreover, because the Commission has found that price squeezes can occur whenever access charges are above cost, price cap regulation does not guard against price squeezes if the capped rate is above cost – as is uniformly the case today.[31] Specifically, there is no merit to the RBOCs' claim that the CALLS plan has "ended any possibility" that BOCs could subject their IXC competitors to a price squeeze.[32] Not only are the "target rates" specified in the CALLS plan still above cost, but the CALLS

---

[28] See, e.g., Qwest Comments at 17.
[29] Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended, First Report and Order and Further Notice of Proposed Rulemaking, released December 24, 1996, at ¶ 12 (Non-Accounting Safeguards Order); See also Access Charge Reform, First Report and Order, CC Docket No. 96-262 at ¶ 277 (Access Reform Order).
[30] See, e.g., Ad Hoc Comments at 4-5, 10-13;
[31] Access Reform Order at ¶ 276.
[32] Qwest Comments at 17.

plan addresses only interstate switched access charges. Interstate special access and intrastate switched access rates are still far in excess of cost, giving the BOCs many tools for imposing a price squeeze on their rivals in the interLATA market.

Finally, the imputation requirement of section 272(e)(3) provides only very limited protection against a price squeeze. Unless the BOCs were classified as dominant carriers and required to file cost support, the Commission and competitors would have almost no visibility into the BOCs' imputation practices, i.e., it would be almost impossible to determine whether and how the BOCs are imputing access charges to particular interLATA services. More importantly, the imputation requirement does not, by itself, assure that a BOC will in fact price its interLATA services above incremental cost, as is required by sections 201 and 202 of the Act.[33] And determining whether a BOC is in fact pricing its interLATA services above incremental cost would be far more difficult if the BOCs were permitted to provide interLATA services on an integrated basis.[34]

B. The BOCs Have the Ability and Incentive to Discriminate in the Provision of Access Services

In their comments, the RBOCs make the unsupportable claim that they have no incentive to discriminate against their interLATA rivals in the installation, maintenance, and repair of access services. Such statements ignore decades of evidence, including the

---

[33] See Ad Hoc Comments at 17-18 (Notwithstanding imputation rule, "ILECs could set their long distance service prices above their access costs and still create anti-competitive and uneconomic price squeezes if their long distance prices do not recover their incremental costs of service besides access."); See also AT&T Comments, Selwyn Declaration at 85-86.

[34] The section 272 separate affiliate structure assists in such determinations by prohibiting sharing of network facilities and OI&M functions between interLATA and other services, by requiring separate books of account, and by requiring all transactions between the "local" and "interLATA" operations to be

discriminatory practices that led to the BOCs' exclusion from the interLATA market at divestiture. As the Commission has explained, it is the "fundamental postulate underlying modern telecommunications law" that the BOCs will "have both the incentive and ability to discriminate against their competitors" as long as the local market is not fully competitive.[35]

The RBOCs' claim that discrimination is unlikely because "the BOC could not be sure that it would derive any benefit from the discrimination"[36] is without merit. By discriminating in favor of its own long distance operations, the BOC would seek to gain a reputation for superior service in the interLATA market. Customers' perception of BOC superiority in installing interLATA services by the customer's requested date, or repairing services in a timely manner, would provide a significant competitive advantage in the highly-competitive interLATA market.

There is no also merit to the RBOCs' claim that discrimination sufficient to benefit the BOCs would be readily detectable.[37] First, in the highly competitive interLATA market, even relatively modest differences in the quality of installation, maintenance, and repair are of competitive significance. Similarly, discrimination in favor of the BOCs' long distance operations for even a limited number of key, high-volume customers would have a disproportionate competitive impact. Second, even if the BOCs' competitors hear reports of superior BOC installation, maintenance, and repair of interLATA services, determining whether that superior service is due to discriminatory access provisioning is not as straightforward as the BOCs imply. Indeed,

---

on an arm's length basis.

[35] Applications of Ameritech Corp. and SBC Communications, Inc., for Consent to Transfer Control, Memorandum Opinion and Order, CC Docket No. 98-141, released October 8, 1999, at ¶ 190.

the Commission has found that, absent a reporting requirement, the information necessary to detect violations of [the nondiscrimination provisions of section 272] will be unavailable to unaffiliated entities.[38]

The RBOCs' claim that section 272(e)(1) is, by itself, sufficient to deter discrimination completely ignores the Commission's prior findings that section 272(e)(1) is difficult to enforce unless the BOCs are required to report comprehensive service interval data.[39] As MCI explained in its initial comments, the Commission cannot rely on section 272(e)(1) to deter discrimination in access provisioning unless it has first put in place the information disclosure requirements that are necessary to implement section 272(e)(1).[40]

Finally, the requirements of section 272(e)(1) would be far more difficult to enforce if the BOCs were permitted to provide interLATA services on an integrated basis. As the Commission has stressed, the "nondiscrimination safeguards [of section 272(e)(1)] would offer little protection" if a BOC were permitted to offer local and long distance services on an integrated basis.[41] By increasing the transparency of transactions, and ensuring that the BOC's long distance operations obtain the same access services using the same procedures, the separate affiliate structure facilitates the comparison required by section 272(e)(1), i.e., comparison of the intervals provided to competitors with intervals provided to the BOC's interLATA operations.

---

[36] See, e.g., SBC Comments at 43.
[37] See, e.g., SBC Comments at 43-44 (citing Carlton/Sider/Shampine at ¶¶ 47-48)
[38] Non-Accounting Safeguards Order at ¶ 242.
[39] Non-Accounting Safeguards Order at ¶ 241.
[40] MCI Comments at 23.
[41] Non-Accounting Safeguards Order at ¶ 160.

C. The BOCs Have the Incentive and Ability to Misallocate Costs

As the Commission has found, the opportunities for cost misallocation would be significantly greater if the BOCs were permitted to provide interLATA services on an integrated basis. [42] The RBOC commenters do not dispute that finding, arguing instead that price cap regulation eliminates any incentive to misallocate costs.

But accurate accounting cost data remains essential even under price cap regulation. As the Commission has explained, the Commission and state regulators use accounting information to carry out a broad range of regulatory responsibilities. Those regulatory responsibilities include (1) the allocation of dominant carriers' costs between regulated and nonregulated activities; (2) jurisdictional separations; (3) the calculation of universal service support; (4) the calculation of input values used in the universal service cost model; (5) the determination of dominant carriers' interstate access charges (including exogenous adjustments and above-cap filings);[43] (6) the calculation of local service rates; and (7) the evaluation of UNE and interconnection rate proposals in arbitration proceedings.[44]

Furthermore, even under price caps, accurate accounting information remains necessary for ensuring that rates remain just and reasonable. Among other things, accurate accounting information restrains an incumbent LEC's ability to charge monopoly prices because it provides ratepayers with information that can be used to pursue a complaint against unjust and unreasonable rates, or to challenge tariff filings. Notably, the Commission continues to require the BOCs to file ARMIS and form 492A

---

[42] Non-Accounting Safeguards Order at ¶¶ 159, 163.

[43] 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers, Report and Order, 16 FCC Rcd

earnings reports; that requirement would be meaningless if the Commission did not have the assurance that those reports provided an accurate picture of BOC earnings.

IV. Safeguards

Given that the BOCs have the ability to leverage their continued local bottleneck control into the interLATA market, the BOCs should be regulated as dominant in the provision of interLATA services unless they provide those services subject to the following safeguards.

A. The Commission Should Reduce Access Charges to Cost

In order to guard against a price squeeze, the Commission should regulate the BOCs as nondominant in the interLATA market only if all access charges – interstate and intrastate, switched access and special access – have been reduced to cost.[45] Only when access is priced at cost can the Commission ensure that competing interLATA carriers are on the same footing as the BOCs' interLATA operations,[46] and thus ensure that the BOCs do not have an access cost advantage that they can use to implement a price squeeze.

The Commission should reduce interstate special access charges to cost either through direct regulatory action or by eliminating all restrictions on the use of enhanced extended links (EELs). At a minimum, the Commission should take steps to reverse the

---

19913 (2001) (Phase II Order) at ¶¶ 10-12.
[44] Id. at ¶ 20.
[45] Ad Hoc Comments at 18-19.

impact of the Pricing Flexibility Order by reducing the BOCs' inflated special access rates to just and reasonable levels.[47] The record developed in response to AT&T's petition in RM No. 10593 demonstrates convincingly that the "triggers" adopted in the Pricing Flexibility Order do not reliably identify those cities where competition has developed sufficiently to constrain BOC special access prices.

Similarly, the Commission should drive interstate and intrastate switched access charges to cost. As AT&T explains in its comments, the CC Docket No. 01-92 intercarrier compensation proceeding provides the Commission with an opportunity to adopt a uniform intercarrier compensation rule requiring forward-looking, economic cost-based pricing for all minutes, both interstate and intrastate.[48]

B. The Commission Should Adopt Special Access Performance Metrics

In order to limit the potential for the BOCs to discriminate against their rivals in the interLATA market, the Commission should, as several commenters agree,[49] fully implement section 272(e)(1) by adopting the special access performance metrics and standards proposed by the Joint Competitive Industry Group (JCIG) in CC Docket No. 01-321.

C. The Commission Should Continue to Require Structural Separation

As MCI explained in its initial comments, the Commission should retain the LEC Classification Order's regulatory framework for BOC interLATA services, i.e., the

---

[46] See, e.g., Ad Hoc Comments at 19.
[47] See, e.g., AT&T Wireless Comments at 16.
[48] AT&T Comments at 70.

Commission should continue to regulate the BOCs as dominant in the provision of interLATA services unless the BOC provides interLATA services subject to the separate affiliate requirements of section 272.

There are several reasons for conditioning nondominant treatment on a separate affiliate structure. First, unless and until the Commission reduces all access charges to cost, a separate affiliate structure provides the only, albeit partial, means of guarding against a price squeeze.[50] Among other things, the Commission has explicitly relied on the continued existence of the section 272 separate affiliate structure to guard against the risk of a price squeeze created by the EELs use restrictions adopted in the Supplemental Order and Supplemental Order Clarification.[51]

Second, the Commission has consistently recognized that a separate affiliate structure helps to guard against discrimination in access provisioning. The separate affiliate structure guards against discrimination by ensuring that both the BOC's interLATA operations and competitors "will have to follow the same procedures when obtaining services and facilities from the BOC."[52] In contrast, as the Commission has found, shared provisioning of access and interLATA services "would inevitably afford the [BOC's long distance services] access to the BOC's facilities superior to that granted to [] competitors."[53]

---

[49] MCI Comments at 24; AT&T Comments at 71-72; AT&T Wireless Comments at 15-16. Sprint also advocates the adoption of special access performance metrics. Sprint Comments at 13.
[50] See, e.g., Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC's Local Exchange Area, CC Docket No. 96-149; Policy and Rules Concerning the Interstate, Interexchange Marketplace, CC Docket No. 96-61, Second Report and Order in CC Docket No. 96-149 and Third Report and Order in CC Docket No. 96-61, 12 FCC Rcd 15756, at ¶ 163 (LEC Classification Order).
[51] Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, Supplemental Order Clarification, 15 FCC Rcd 9587, ¶¶ 19-20.
[52] Non-Accounting Safeguards Order at ¶ 160.
[53] Non-Accounting Safeguards Order at ¶ 163.

Contrary to the RBOCs' claims,[54] BOC participation in other adjacent markets on an integrated basis does not demonstrate that structural separation of BOC interLATA operations is unnecessary. As an initial matter, there is considerable evidence that the BOCs are in fact behaving in an anticompetitive manner in several markets in which they participate on an integrated basis, including the intraLATA market, the information services market, and the CMRS market.[55]

Moreover, the Commission has on several recent occasions confirmed the utility of structural separation.[56] To the extent that the BOCs have been permitted to operate in adjacent markets on an integrated basis, those markets can be readily distinguished from the interLATA market. In the CPE market, for example, the BOCs have fewer opportunities for anticompetitive behavior because (1) the potential for discrimination is limited by well-defined interfaces between CPE and the incumbent LEC network; and (2) there is no risk of a price squeeze because the cost of interconnecting CPE to the incumbent LEC network is zero. Similarly, although both CMRS and wireline carriers are vulnerable to BOC discrimination in the provision of special access services, the impact of discrimination is somewhat attenuated for CMRS carriers because they order special access services only periodically, to augment capacity or to connect to new cell sites, whereas wireline interLATA carriers order new special access circuits on a customer-by-customer basis. The potential for a price squeeze in the CMRS market is also somewhat attenuated because (1) CMRS carriers use only terminating access, not

---

[54] See, e.g., Verizon Comments at 11-15.
[55] See, e.g., AT&T Wireless Comments; Letter from Mark J. O'Connor, Lampert & O'Connor, to Marlene H. Dortch, Secretary, FCC, March 5, 2003, CC Docket Nos. 01-337, 02-33, 98-10, 95-20, 01-321, at 2.
[56] See, e.g., Review of Regulatory Requirements for Incumbent LEC Broadband Telecommunications Services, Memorandum Opinion and Order, CC Docket No. 01-337, released December 31, 2002, at ¶¶ 13, 20-22.

originating access; and (2) even though both CMRS and wireline carriers use BOC terminating access, CMRS carriers are less dependent on terminating access than wireline carriers because the scope of calls for which local interconnection rates apply is significantly greater for CMRS than wireline carriers.[57] Finally, the Commission has stressed that the opportunities for misallocation of costs are greater in the case of wired networks because "because the costs of wired telephony networks and network premises are largely fixed and largely shared among local, access, and other services . . . ."[58]

D. Additional Safeguards

The record shows that several additional safeguards are necessary to limit the BOCs' ability to leverage their local market power into the interLATA market. Those safeguards include (1) a requirement that the BOCs "groom" circuits from their special access facilities to CLEC fiber in a timely manner, and in the quantities requested by competitive carriers;[59] (2) independent PIC administration or other safeguards to limit the BOCs' ability to process PIC changes and PIC freezes in a discriminatory manner;[60] (3) cost-based PIC-change charges;[61] and (4) clarification of the equal access rules to require that the BOCs provide information regarding all available interexchange carriers to all inbound callers, not just new customers.[62]

---

[57] Reciprocal compensation rates apply for all LEC-CMRS traffic that originates and terminates within the same Major Trading Area (MTA). 47 C.F.R. § 51.701(b).
[58] Non-Accounting Safeguards Order at ¶ 159.
[59] MCI Comments at 27.
[60] MCI Comments at 29-32; AT&T Comments at 72-73.
[61] MCI Comments at 32-33.
[62] MCI Comments at 27-29; AT&T Comments at 73-74.

V. Conclusion

For the reasons stated herein, the Commission should continue to regulate the BOCs as dominant in the provision of interLATA services, unless they provide interLATA services subject to the separate affiliate requirements of section 272 of the Act and certain other safeguards.

Respectfully submitted,
WORLDCOM, INC. d/b/a MCI

/s/ Alan Buzacott

Alan Buzacott
Lori E. Wright
1133 19th Street, N.W.
Washington, DC 20036
(202) 887-3204

July 28, 2003