

LAWLER, METZGER & MILKMAN, LLC

1909 K STREET, NW  
SUITE 820  
WASHINGTON, D.C. 20006

A. RICHARD METZGER, JR.  
DIRECT DIAL: (202) 777-7729

PHONE (202) 777-7700  
FACSIMILE (202) 777-7763

September 12, 2001

By Hand  
Michelle Carey, Chief  
Policy and Program Planning Division  
Common Carrier Bureau  
Federal Communications Commission  
445 Twelfth Street, SW  
Washington D.C., 20554

**GRANTED**

SEP 14 2001

COMMON CARRIER BUREAU

*Michelle Carey*

Re: CC Docket No. 00-206  
Request for Special Temporary Authority

Dear Ms. Carey:

On August 31, 2001, on behalf of WorldCom, Inc., we advised you by letter that the Court had approved certain modifications to the Hold Separate Stipulation and Order (HSO) cited in the Commission's January 17, 2001 Order<sup>1</sup> approving the transfer of FCC licenses and authorizations held by Intermedia Communications, Inc. ("Intermedia") to WorldCom, Inc. ("WorldCom").<sup>2</sup> As we explained in that letter, the revisions to the HSO were supported by the Department of Justice and are designed to ensure that the purpose and intention of the Final Judgment entered in that proceeding are accomplished in a timely manner. In particular, the revised HSO limits the hold-separate and divestiture requirements to Intermedia's Internet lines of business. We further indicated that in our view, the Court's approval of the changes to the HSO did not require any action by the Commission, since the original HSO expressly permitted the Department of Justice to approve divestiture of less than all of Intermedia's assets.

<sup>1</sup> See *In re Applications of Intermedia Communications, Inc., Transferor, and WorldCom, Inc., Transferee, for Consent to Transfer Control of Corporations Holding Commission Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 21, 63, 90, and 101*, Memorandum Opinion and Order (DA 01-130), CC Docket No. 00-206 (rel. Jan. 17, 2001) (*January 17 Order*).

<sup>2</sup> Letter from A. Richard Metzger, Jr. to Michelle Carey, Chief, Policy and Program Planning Division, Common Carrier Bureau, CC Dkt No. 00-206 (August 31, 2001).

We understand from our discussions that the FCC staff nonetheless may conclude that revisions to the *January 17 Order* are necessary to reflect the recent action by the Court. To facilitate the Bureau's prompt review of this issue, we filed under separate cover today additional information regarding the activities of WorldCom and Intermedia Communications, Inc. in local telecommunications markets.<sup>3</sup>

As discussed below, WorldCom intends to implement changes in Intermedia's business plan and other operations authorized by the Court's action as quickly as possible. Pending the Commission's review of the information that WorldCom has submitted, WorldCom respectfully requests issuance of Special Temporary Authority to remove any question about its immediate authority to give full effect to the revisions to the HSO and to manage Intermedia in accordance with those revisions.<sup>4</sup> As we now show, grant of the requested will clearly serve the public interest, convenience and necessity.<sup>5</sup>

The unprecedented downturn in the telecommunications industry since the fourth quarter of 2000 is well-documented, and the prospects for an immediate recovery are virtually non-existent.<sup>6</sup> Under the terms of the original HSO, however, WorldCom had no authority to revise Intermedia's business plan and operations to take into account the sea change in market conditions that has occurred over the past year. Forced to follow an utterly outdated plan in a completely changed market, Intermedia has continued to incur enormous operating losses. For the second quarter of 2001 alone, Intermedia reported operating losses of almost \$292 million.<sup>7</sup> In other words, the original HSO required WorldCom to operate Intermedia in a manner that has caused WorldCom to finance millions of dollars in operating losses *each day*. Although all segments of Intermedia's business contribute to these losses, the telecommunications operations are the most

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<sup>3</sup> See Letter from A. Richard Metzger, Jr. to Michelle Carey, Chief, Policy and Program Planning Division, Common Carrier Bureau, CC Dkt No. 00-206 (September 12, 2001) (September 12 Letter).

<sup>4</sup> It bears mention that this request clearly does not involve temporary approval of a transfer of control, since the transfer of control of Intermedia to WorldCom has already been approved.

<sup>5</sup> See, e.g., *In re Application of GTE Corp., Transferor, and Bell Atlantic Corp., Transferee*, Order, slip op. at para. 3 (Pol. Prog. Plan. Div., Aug. 30, 2001).

<sup>6</sup> See, e.g., Aldo Svaldi, "Telecom Defaults Drawing Comparisons to S&L Crisis," *Denver Post*, (Aug. 12, 2001) (stating that telecommunications borrowers defaulted on more than \$16 billion worth of bonds in the first half of 2001 and warning that many competitive carriers cannot generate sufficient revenues to cover the interest on their debt); see also Steven Rosenbush and Peter Elstrom, "8 Lessons from the Telecom Mess" *Business Week Online* (Aug. 13, 2001) (noting that at least a dozen companies have filed for bankruptcy protection and noting that telecommunications companies have laid off 170,000 workers since January 2001).

<sup>7</sup> Intermedia SEC Form 10Q, 2<sup>nd</sup> Quarter 2001 at p. 12 (filed Aug. 14, 2001) (citing losses from operations of \$291.6 million for the three months ended June 30, 2001). There have been no changes since the end of the second quarter that would materially reduce Intermedia's operating losses.

significant cause. WorldCom clearly would much prefer to expend these resources in much more productive areas.

To reduce the ongoing losses, WorldCom plans promptly to begin making sensible business decisions about Intermedia's operations and customer base, such as whether to continue to offer particular customer segments service over Intermedia's existing service platform or to move them to one of WorldCom's platforms. Continued management of Intermedia under the outdated business plan diverts valuable resources from these efforts to implement a sensible long-term business plan for Intermedia's telecommunications customers. Further, prompt implementation of such changes will eliminate any need for WorldCom to consider alternative ways of reducing Intermedia's losses from its telecommunications operations, such as by seeking authority under section 214 of the Communications Act of 1934, as amended, to discontinue service.

Moreover, there is simply no plausible basis for a claim that the combination of WorldCom and Intermedia telecommunications assets would raise anticompetitive concerns. The Department of Justice fully supported the changes to the original HSO. Indeed, the Department joined the motion asking the Court to approve the changes and the Court signed the order authorizing the changes on the same day that it was filed. Moreover, no party in this proceeding has even alleged that the combination of the companies' telecommunications assets would raise competitive issues. As the information and analysis submitted with the initial application, and supplemented by the information furnished today, plainly show,<sup>8</sup> the telecommunications markets that Intermedia and WorldCom have entered are either characterized by intense competition among scores of competitors with no single dominant carrier (such as the long distance market) or dominated by a single monopoly carrier where the combined share of Intermedia and WorldCom is, by any measure, *de minimis*. In either case, the combination of the telecommunications assets of the two firms cannot implicate any serious competitive concerns.

In sum, grant of the requested special temporary authority will clearly serve the public interest, convenience, and necessity. It will remove any question that WorldCom can act promptly to reduce the millions of dollars in operating losses currently incurred by Intermedia on a daily basis and to develop long-term plans for serving Intermedia's telecommunications customers. Further, there is simply not a shred of evidence to suggest that this combination raises any competitive concerns. Consequently, WorldCom respectfully requests that the Commission grant the requested relief as expeditiously as possible.

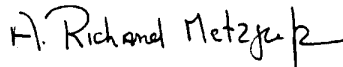
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<sup>8</sup> See *Application of Intermedia Communications, Inc., Transferor, and WorldCom, Inc. Transferee*, CC Dkt No. 00-206, at 7-16; September 12 Letter, at 1-2.

Michelle Carey, Chief  
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In the event that the Commission has any questions regarding this request, please contact the undersigned.

Respectfully submitted



A. Richard Metzger, Jr.  
Ruth Milkman

Attorneys for WorldCom, Inc.

cc: Magalie R. Salas, Secretary  
James Bird  
Henry Thaggert  
Nandan Joshi