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Later, apparently after discussions with Commission Staff, WorldCom learned that its proposed merger with MCI would, in fact, require Commission approval. On October 23, 1997, WorldCom sent a second letter to the Commission, more directly asking it to approve the transfer of control of MCI to WorldCom, but without citing any Florida law or rules as a basis for this request. (Letter from F. R. Self to Blanca S. Bayo, Oct. 23, 1997.)

Despite the fact that WorldCom never filed any formal petition or application seeking Commission action, GTE recently learned that WorldCom's letters have triggered the initiation of the above-captioned docket. It thus appears that the Commission will treat WorldCom's letters as a formal petition for approval of the proposed merger. The current schedule calls for a Staff recommendation to issue on November 6, 1997, with a Commission vote at agenda on November 18, 1997.

GTE believes Commission Rules require a party seeking Commission action to file a petition or application. (Commission Rule 25-22.036, "Initiation of Formal Proceedings.") These formal filing procedures ensure that interested parties will know that a docket will be initiated, that they will have adequate opportunity to intervene and participate fully in the proceeding, and that the docket will follow a predictable procedural course. If, on the other hand, the Commission's formal filing rules are disregarded, there is a risk that interested parties' procedural rights will be compromised.

That risk has become reality in this case. GTE only very recently learned (from its research on the Internet) of the procedural schedule indicating that the Commission plans to take action on WorldCom's letters. Based on the Florida Statutes, the Commission's Rules and GTE's own history of experience with Commission procedures, GTE understood that the Commission would require WorldCom to make a formal filing for approval of the contemplated transaction. At the very least, based on WorldCom's own request for "written notification" within 30 days, GTE expected some public Commission notification that WorldCom's proposed transaction would require Commission approval.

Neither of these things occurred, leading GTE to believe there was no need or opportunity for intervention. When GTE learned the Commission would soon decide this matter, it immediately filed a petition for intervention. But GTE has had and will have no meaningful opportunity for response to WorldCom's "request" or for input into the Staff recommendation to be released tomorrow. GTE's Petition for Intervention has not been granted, nor do WorldCom's letters even indicate the authority grounding its "request."

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Under the circumstances, GTE asks the Commission to decline to take any action on WorldCom's informational filing and instead require WorldCom to submit a formal petition for approval of the proposed transfer of control, with adequate opportunity for parties to intervene and respond to WorldCom's filing before the Commission acts upon it.

While the Commission may tolerate more flexible procedures for transfers of control involving small companies and relatively minor consequences for consumers, WorldCom's proposed transaction does not fit this description. WorldCom is proposing a horizontal merger of the second and fourth largest interexchange carriers in the country, a major transaction that will have a significant impact on both the retail and wholesale interexchange markets. A combination of WorldCom and MCI would, most likely, cream-skim large and profitable business customers, leaving residential and small business customers on the Bell Operating Company networks. Effectively, WorldCom would remove MCI as a force in the local exchange market. This type of combination was not envisioned by the Telecommunications Act of 1996 and will not increase competition in the market in the long run, to the detriment of Florida consumers.

In short, this is not a matter that justifies the kind of routine approval the Commission may have given prior small mergers in the past. The Commission has a responsibility to determine if the proposed transfer of control is in the public interest. It cannot do so without a careful consideration of the details and consumer consequences of the proposed transaction, without hearing the views of all interested parties, and without considering all the factors that may affect the evaluation of WorldCom's proposal.

In this regard, the Commission should not act on WorldCom's "request" at least until it has more complete information about the competing offers under consideration by MCI. In this regard, it is important to emphasize that MCI has not accepted WorldCom's tender offer. In addition to WorldCom's stock tender, MCI is considering an all-cash offer by GTE Corporation (GTE), made on October 15, 1997.

As WorldCom itself states, the U.S. securities laws "are predicated on competitive neutrality." (WorldCom's Oct. 16 letter at 4, n. 2.) Approving WorldCom's request at this stage, in light of the competing GTE offer, would undermine this overriding principle of competitive neutrality. The Commission should thus avoid precipitous approval of the WorldCom transaction (to the extent that such approval may be required) until GTE has made a formal filing concerning its proposed merger. MCI's shareholders should have a full opportunity to review both tender offers on their merits, without regard to regulatory considerations.

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GTE strongly believes that MCI's shareholders will choose GTE's all-cash offer over WorldCom's stock tender. Cash is, of course, more stable and secure than stock; GTE's offer, unlike WorldCom's, is not subject to sudden devaluation by market fluctuations like those witnessed in recent weeks.

GTE's proposed transaction is superior to WorldCom's on public interest grounds, as well. The contemplated GTE/MCI merger fulfills the pro-competitive promise of the Telecommunications Act of 1996 by creating a combination capable of providing facilities-based alternatives to customers in the Bell Operating Companies' territories. The GTE/MCI merger will also further longstanding commitments to universal service in Florida and elsewhere in the country. In contrast, as noted, the proposed WorldCom/MCI transaction would be nothing more than a horizontal merger of companies in the same business. That is, WorldCom's offer creates a greater presence in MCI's existing markets, simply making it bigger, but not necessarily better, from the consumer's perspective.

The Commission should avoid taking any action that will undermine the ability of MCI's shareholders to fairly and thoroughly weigh the competing offers from GTE and WorldCom. If it is to fulfill its mandate to act in the public interest, the Commission cannot consider the WorldCom offer in a vacuum, just as it cannot neglect to carefully consider the consequences of the merger WorldCom proposes. GTE asks the Commission to delay a decision on WorldCom's proposed transfer of control until it has instructed WorldCom to file a formal petition supporting that proposal, until all interested parties have been heard on that petition, and until GTE has had the opportunity to make a filing concerning its own proposed acquisition of MCI.

A slight delay in acting on WorldCom's request will not prejudice WorldCom. As noted, MCI has not accepted WorldCom's offer, so there is no deal awaiting any regulatory approvals. And because MCI is considering both GTE's and WorldCom's offers

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simultaneously, GTE has no incentive to delay any regulatory process that will apply to both it and WorldCom.

Sincerely,



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Commissioner Susan Clark
Commissioner J. Terry Deason
Commissioner Joe Garcia
Commissioner Diane Kiesling
Martha Brown, Staff Counsel
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