Department of Justice

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JUSTICE DEPARTMENT CLEARS WORLDCOM/MCI MERGER
AFTER MCI AGREES TO SELL ITS INTERNET BUSINESS

Largest Divestiture of Company in Merger History

WASHINGTON, D.C. -- The Department of Justice today announced that WorldCom Inc.'s $44 billion purchase of MCI Communications Corp. may proceed after MCI divests its Internet business. MCI agreed to sell internetMCI to Cable & Wireless plc for an estimated $1.75 billion, making it the largest divestiture of a company in merger history. After reviewing the terms of the proposed divestiture and its likely impact on the market, the Department concluded that the divestiture would resolve the Department's competitive concerns about the merger.

Without the divestiture, the WorldCom/MCI merger would have combined the two leading providers of nationwide Internet backbone service -- a service that connects various high-capacity computer networks carrying Internet traffic. Customers of the backbone services include Internet service providers (such as America Online and Erol's) and private and public institutions and corporations.

"The merger as originally proposed would have given WorldCom/MCI a significant proportion of the nation's Internet traffic, giving the company the ability to cut off or reduce the quality of Internet services that it provided to its rivals," said Joel I. Klein, Assistant Attorney General of the Department's Antitrust Division, "This divestiture benefits anyone who relies on the Internet because it preserves competition among major Internet service providers. Consumers will benefit with lower prices, higher quality, and greater innovation in this dynamic and emerging industry."

The divestiture will be completed before or contemporaneously with the closing of the merger between WorldCom and MCI. The Department will be able to sue to block the merger if the parties fail to complete the divestiture before the WorldCom/MCI deal is consummated.

Both the Department's and the European Union's investigations began in October 1997 when WorldCom announced its intent to acquire MCI. Although the two investigations were conducted independently, there was a high degree of cooperation between the agencies. With the parties' consent, the agencies shared information with one another. They also held joint meetings with the parties. In addition, before announcing its approval of the WorldCom/MCI deal last week, the European Commission formally requested, through an exchange of letters pursuant to the 1991 US-EC Antitrust Cooperation Agreement, the Department's cooperation and assistance in evaluating and implementing the divestiture proposal, which had been submitted to both the Commission and the Department of Justice.

"We have enjoyed a close and constructive relationship with the EU in pursuing our separate responsibilities throughout the investigation. We look forward to this kind of cooperation continuing beyond this matter into the future," said Klein.

Attorneys General from ten states -- Florida, Illinois, Massachusetts, Missouri, New York, North Carolina, Ohio, Pennsylvania, Virginia, and Wisconsin -- also participated in the investigation.

WorldCom, headquartered in Jackson, Mississippi, is a global telecommunications company, with 1997 annual revenues of $7.35 billion.

MCI, headquartered in Washington D.C., is the second largest telecommunications provider in the United States and the fifth largest telecommunications provider in the world, with 1996 revenues of $18.5 billion.

Cable & Wireless, headquartered in London, England, is a leading provider of telecommunications and multimedia communications services, with annual revenues of approximately $12 billion.

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