



Legislation Text

File #: Res 0368-2004, **Version:** *

Res. No. 368

Resolution urging the Mayor, in the event that MCI bids on any City contract, to make a determination that it is a non-responsible company and that it lacks the requisite business integrity to enter into a contract with the City of New York.

By Council Members Quinn, Jackson, Addabbo, Gennaro, Sears, Oddo, Gentile, Provenzano, Reed, Gerson, DeBlasio, James, Katz, Barron, Brewer, Clarke, Comrie, Fidler, Gonzalez, Palma, Recchia and Monserrate

Whereas, The City is currently soliciting bids for Citywide telecommunication services, wireless services and will shortly release a solicitation for 911 telecommunication services; and

Whereas, MCI (formerly known as WorldCom, Inc.) filed for the largest bankruptcy in U.S.history after it fraudulently misstated \$11 billion in earnings, costing investors more than \$200 billion; and

Whereas, On March 2, 2004, former MCI Chief Executive Officer Bernard Ebbers, and former MCI Chief Financial Officer Scott Sullivan, were indicted on charges of securities fraud, conspiracy and false filings with the SEC and Scott Sullivan pleaded guilty to all charges on that same date.

Whereas, Four former MCI executives have entered guilty pleas before the United States District Court for the Southern District of New York after having been indicted on charges of securities fraud; and

Whereas, Felony criminal charges have been filed by the Oklahoma Attorney General against six former MCI employees for violations of the Oklahoma Securities Act; and

Whereas, The New York State Common Retirement Fund has filed suit against MCI, claiming more than \$393 million in pension fund losses from the fraud-induced bankruptcy; and

Whereas, More than 22 states lost a total of \$2.6 billion from their public employee retirement funds and the California Public Employees Retirement Fund, the California Teacher's Retirement Fund, the Los Angeles County Employees Retirement Fund, the University of California, among others, are suing MCI for securities fraud; and

Whereas, Oregon and New Mexico have filed civil suits for bond losses; and

Whereas, Court examiner Richard Thornburgh reported that MCI had engaged in a complicated state tax avoidance scheme; and

Whereas, Massachusetts filed suit against MCI to recover \$90 million in unpaid taxes, penalties, and interest and thirteen other states are considering similar suits for a total of \$500 million in potential liability; and

Whereas, The state of Mississippi submitted a claim of \$1 billion in back taxes against MCI; and

Whereas, The United Church of Christ has asked the Federal Communications Commission to bar MCI from transferring its licenses; and

Whereas, MCI was able to obtain a competitive advantage by using bankruptcy proceedings to reduce its debt from \$41 billion to just \$5.5 billion and still retain more than \$6 billion in cash; and

Whereas, MCI continues to lay-off thousands of workers potentially placing quality customer service at risk; and

Whereas, MCI Employees saw their retirement savings eroded, since an estimated 43 percent of employees' 401(k) retirement savings were invested in MCI stock; and

Whereas, Tens of thousands of employees working for other telecommunications companies that did not commit fraud lost good jobs and careers as a result of MCI's fraud-induced destabilization of the entire industry; and

Whereas, MCI has a poor record of respect for workers' rights, dating back to 1986 when MCI closed an operator center in Michigan and fired the workers after they voted for CWA representation and, more recently, MCI's laid-off workers had to fight for minimal severance benefits of less than \$5,000 per employee, and only won those benefits with the assistance of the AFL-CIO; and

Whereas, The General Services Administration imposed a 3-year oversight period on MCI federal contracting; and

Whereas, MCI and other corporations found guilty of fraud have shattered the public trust, and should not be rewarded with public contracts; now, therefore, be it

Resolved, That the Council of the City of New York urges the Mayor, in the event that MCI bids on any City contract, to make a determination that it is a non-responsible company and that it lacks the requisite business integrity to enter into a contract with the City of New York.

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