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December 22, 2006

VIA EMAIL

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 05-281

Dear Ms Dortch:

On December 21, 2006, William A. Haas, McLeodUSA Telecommunications Services, Inc., Russell M. Blau of this firm, and the undersigned met via teleconference with Michelle Carey, Office of Chairman Kevin J. Martin. We presented the views set forth in the attached document which was provided at the meeting.

Sincerely,

/s/

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ACS ANCHORAGE FORBEARANCE

- There is no basis for a predictive judgment that ACS would offer reasonable wholesale pricing.

  - The past several years conclusively show that intermodal competition is not a deterrent to RBOCs seeking to increase wholesale pricing to CLECs. Despite the growing presence of wireless and in some limited instances cable competition, RBOCs have consistently sought to increase prices for bottleneck facilities.
  - The only time RBOCs have negotiated commercial agreements was under the watchful eye of the FCC under threat of continued UNE-P. And even then, neither of the RBOCs that McLeodUSA negotiated with would consider price negotiations. The only terms they were willing to negotiate were marginal items unrelated to price.
  - ACS is not subject to section 271 "just and reasonable" pricing obligations, so it is under even less pressure to negotiate than the RBOCs.
  - ACS states that special access is not used by competitors.
  - No prior ACS experience with UNE-P agreements.

- The Qwest/Omaha experience shows that regulatory oversight over wholesale offerings is necessary to prevent the RBOC from extracting monopoly rents for bottleneck facilities

  - Qwest proposes to charge McLeodUSA $50 per circuit for the privilege of converting lower cost UNEs to special access pricing; NRC is non-negotiable according to Qwest, nor will Qwest provide any documentation as to why a $50 charge is reasonable for what amounts to a billing change in most instances.
  - Qwest will not negotiate section 271 pricing or other terms and conditions.
  - Qwest only offers "take-it-or-leave-it" special access prices that will not support competition.
  - Further, Qwest will not negotiate any changes to its special access discount plan terms.
  - No new carrier has shown any interest in entering Omaha by acquisition of McLeodUSA assets or otherwise. Indeed, other CLECs have stated they have no interest in Omaha assets specifically because of the FCC's forbearance order. Thus, if McLeodUSA exits the market, the FCC will have created a duopoly by virtue of its grant of forbearance.

- There are no significant alternatives to UNE loops in Anchorage that could constrain ACS pricing.

  - No "over-the-top" VoIP provider offers service with Anchorage telephone numbers.
  - GCI makes only limited use of wireless local loops, and use of this technology would require significant network redesign.

- As determined by the FCC, CMRS is not a substitute for wireline service, especially for integrated packages and high capacity services.

- Regulatory oversight of pricing remains necessary.

  - Pricing in ACS/GCI interconnection agreements was subject to arbitration by state commissions under the TELRIC pricing standard.

- Any forbearance should stress Anchorage's unique factors:

  - UNE transport is not used by competitors.
  - GCI is the stronger competitor in the broadband and long distance markets.

- Use NECA-defined wire centers.

- UNE-based competition cannot justify forbearance from either the underlying unbundling or TELRIC pricing rules. Congress in the 1996 Act envisioned more than duopoly facilities-based competition.