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December 29, 2006

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

**Re: *Ex Parte* of Neutral Tandem, Inc. on AT&T/BellSouth Proposed Transit Service
Merger Conditions; WC Docket No. 06-74**

Dear Ms. Dortch:

Neutral Tandem, Inc. (“Neutral Tandem”) wishes to express once again its concern about the proposed Transit Service merger condition offered by AT&T and BellSouth, most recently in the December 28 *ex parte* letter posted on the Commission’s website last night. Neutral Tandem understands the concerns that gave rise to this proposed condition, but cautions that the condition as proposed could have unintended—and potentially anticompetitive—consequences that may negatively impact the United States telecommunications market. Therefore, the proposed merger condition, if adopted, should be carefully crafted by the Commission to ensure no such harm to the public interest results.

Neutral Tandem understands and appreciates the concern of carriers that rely on ILEC-provided transit service about the pricing of those services. In areas where there is no transit competition, carriers could be subject to monopoly pricing in the absence of regulatory constraints on prices. In these areas, the proposed condition, stating that for 42 months after the merger closing, the “AT&T and BellSouth ILECs will not increase the rates paid by existing customers for their existing tandem transit service arrangements that the AT&T and BellSouth ILECs provide in the AT&T/BellSouth in-region territory[,]” may help protect the public interest. However, this concern does not exist in markets where competitive transit services have been deployed. A freeze in transit service rates in these areas would stunt the development of the competitive transit service market, and the attendant benefits that competitive market brings to the telecommunications industry, as explained in more detail in Neutral Tandem’s *ex parte* letter filed in this docket on November 30, 2006. Indeed, if existing transit service rates are below cost, the condition could have the unintended result of providing regulatory sanction for predatory pricing.

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Recognizing service providers' desire to freeze transit rates in markets where AT&T and/or BellSouth are the only choice for transit services, **Neutral Tandem urges that any transit rate freeze should exclude geographic markets in which competitive transit services have been deployed.** Neutral Tandem (and potentially other competitive transit carriers), as common carriers, have verifiable service territories, so that it should be feasible to impose any merger condition only in territories where no competition exists.

Pursuant to the Commission's Rules, this letter is being filed in the above-captioned proceedings for inclusion in the public record. Should you have any questions, please do not hesitate to contact the undersigned.

Sincerely,



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