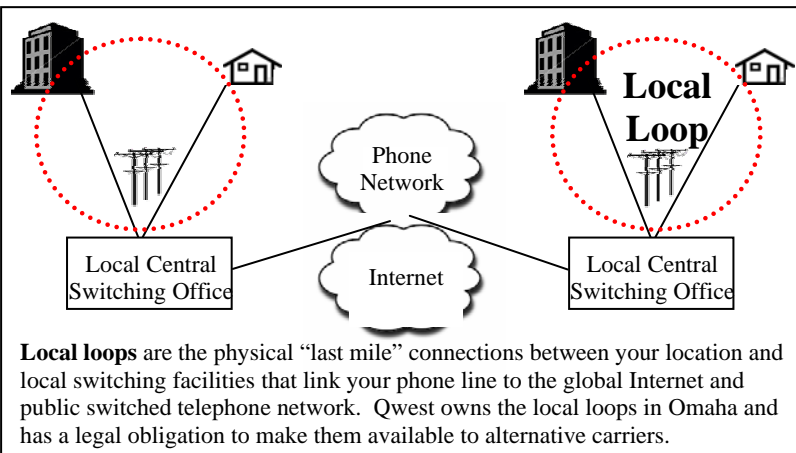




McLeodUSA Asks FCC to Change Decision that Threatens Omaha's Economy

McLeodUSA has asked the Federal Communications Commission to change their December 2005 decision that deregulated Qwest's wholesale prices for local loops in key parts of Omaha (technically part of an FCC decision to "grant forbearance").



Local Loop

In that decision, the FCC predicted that after deregulation, normal market forces would compel Qwest to negotiate just and reasonable wholesale prices with alternative carriers in Omaha.

Contrary to the FCC's prediction, Qwest did not negotiate in good faith with competitors. Instead, they unilaterally imposed huge price increases. Qwest hiked the monthly wholesale price for high-capacity local loops by at least **86 percent**. In certain parts of Omaha, the price jumped **138 percent**. Qwest's one-time setup charges increased a whopping **360 percent**. High-capacity loops are necessary for advanced communications solutions. Even basic voice and data services are affected, with Qwest raising the wholesale basic loop rate by about **30 percent**.

Qwest is the only option for these loops in Omaha. The local cable company has refused all requests to grant access to their "last-mile" facilities. With effective monopoly power, especially where businesses are concerned, Qwest has imposed unreasonable and inflexible terms on top of their dramatic price increases. For example, Qwest's new terms eliminate performance metrics for service provisioning, meaning they want a vast rate increase without giving any assurance of service quality. Other new terms are complex to explain yet even more egregious.

The clear intent is to drive competitors out of Omaha, and it is working. The rate hikes already have led one competitive carrier – Integra Telecom – to abandon plans to enter and invest in Omaha's telecommunications marketplace.

Furthermore, because Qwest has rejected repeated requests to negotiate wholesale prices, McLeodUSA will be forced to leave the Omaha market unless the FCC promptly rectifies Qwest's anti-competitive behavior. As a result, our direct

customers would be affected as well as end users who rely on carriers that purchase wholesale capacity in Omaha from McLeodUSA.

The ramifications of Qwest's anti-competitive behavior are broad and significant. Pro-competition policies in the Telecom Act of 1996 have spurred infrastructure investments and technology innovation by numerous players, including the Bell Companies. However, in the face of anti-competitive pricing, investors will be unwilling to expend further capital to take on the giants.

As telecom innovation and investment lag in a region due to the absence of competitive pressure, small and medium businesses will fall behind in their ability to compete with large domestic enterprises and in the global economy.

McLeodUSA wants to continue offering service innovations to Omaha's businesses. That's why we asked the FCC to consider how Qwest has actually behaved since December 2005. If we must exit Omaha, McLeodUSA will do all we can to ensure that customer needs are met and that the transfer of service is smooth and orderly.

If the far-reaching benefits of competitive telecommunications are important to you, then please contact the FCC and your federal elected officials. You may also discuss your concerns with the Nebraska Public Service Commission and ask them to contact the FCC. Qwest's anti-competitive behavior will harm Omaha and should not go unchecked. Please ask the FCC to support McLeodUSA's Omaha filing.

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