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4 States Agree

Neutral Tandem Says Level 3 Cannot Deny it Interconnection

Neutral Tandem (NT), locked in a fight with Level 3, claims the competitive local exchange carrier (CLEC) illegally blocks traffic, refusing to terminate calls transmitted on NT's system. The fight is playing out in a dozen states where NT seeks regulatory intervention.

In New York, Illinois, Georgia and Connecticut, NT has gotten favorable decisions. "They're refusing to terminate local phone calls... they're trying to get us to pay fees to terminate these calls," NT CEO Rian Wren said of Level 3. "They're inappropriately leveraging their phone numbers to harm Neutral Tandem... We've tried to settle with these guys. They want Neutral Tandem out of the business." A spokeswoman for Level 3 said the company could not comment.

Privately held NT offers a unique service, transit at prices below regulated rates incumbent local exchange carriers (ILECs) charge. Business has been good. NT serves about 60 carriers, including AT&T Wireless, CLECs and cable operators, averaging 3.5 billion minutes of calls monthly.

The Illinois Commerce Commission said June 25 that Level 3 must provide interconnection to NT. The order says NT serves 19 CLECs there, carrying 492 million minutes of traffic monthly, 50% of local tandem transit traffic in the state.

"Level 3 repeatedly complains that it is being made to provide a direct physical interconnection in perpetuity," the Illinois commission said. "Staff notes that, given the amount of traffic that NT transits to Level 3 for termination, direct physical interconnection is required as a matter of federal law, and, as a practical matter, is simply a condition of doing business in the market. We agree, although our holding is not that Level 3 must permanently maintain the exact status quo, but rather that Level 3 must comply with the law."

In a June 22 order, the New York Public Service Commission ordered Level 3 to keep offering interconnection to NT. "Direct interconnection between Neutral Tandem and Level 3 enables Neutral Tandem to maintain its independent tandem switch as a viable alternative to Verizon's," the commission said. "The availability of an independent tandem in turn furthers the development of facilities-based competition among wireless, cable, and landline telephony, by offering the providers of all such services an economically advantageous alternative to the Verizon tandem."

NT has fought persistently with Verizon Wireless, the one wireless carrier refusing to offer NT connection. AT&T filed in support of NT. The company asked the FCC to require that Verizon Wireless establish direct connections to Tandem under sections 201(a) and 332(c)(1)(B) of the Communications Act. But the federal proceeding has dragged on far longer than the state proceedings, with the FCC yet to reach a decision. -- *Howard Buskirk*