Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms	)	CC Docket No. 98-171
	)	
Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990	)	CC Docket No. 90-571
	)	
Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size	)	CC Docket No. 92-237 NSD File No. L-00-72
	)	
Number Resource Optimization	)	CC Docket No. 99-200
	)	
Telephone Number Portability	)	CC Docket No. 95-116
	)	
Truth-in-Billing and Billing Format	)	CC Docket No. 98-170

COMMENTS OF
QWEST COMMUNICATIONS INTERNATIONAL INC.

Qwest Communications International Inc. ("Qwest") hereby submits its Comments in response to the Federal Communications Commission's ("Commission" or "FCC") *Second Further Notice of Proposed Rulemaking* ("*Second Further Notice*" or "*Notice*") in this proceeding regarding modifications to the Commission's universal service contribution methodology.[1]

I. <u>INTRODUCTION AND SUMMARY</u>

In adopting the *Second Further Notice*, the Commission correctly concluded that further study is necessary before adopting a permanent replacement to the current contribution methodology. The interim changes adopted in December addressed the Commission's most immediate concerns about the revenue-based methodology. Accordingly, the Commission need not rush in its consideration of fundamental changes to the current methodology. What is most important is for the Commission to adopt a contribution methodology that will withstand court scrutiny and adapt to continuing changes in the way that services are provided and packaged.

Significant progress has been made in identifying the attributes of a sustainable, long-term solution to the weaknesses inherent in the current revenue-based system. First, most parties now agree that some form of connection-based methodology is necessary in the long term to assess contributions for bundled telecommunications services in a fair and consistent manner. Second, many parties also agree that making providers of end-user connections solely responsible for universal service contributions would fail to satisfy the statutory requirement that all providers of interstate telecommunications services contribute to universal service on an "equitable and nondiscriminatory basis." Finally, there is general agreement that providers of competing services (*e.g.*, digital subscriber line ("DSL") and cable modem, wireline and wireless) should contribute to universal service on the same basis.

---

[1] *In the Matter of Federal-State Joint Board on Universal Service, et al.*, CC Docket Nos. 96-45, *et al.*, *Report and Order and Second Further Notice of Proposed Rulemaking*, FCC 02-329, rel. Dec. 13, 2002; 67 Fed. Reg. 79543 (Dec. 30, 2002); *Order*, DA 03-203, rel. Jan. 24, 2003.

Nevertheless, there are difficult questions that must be resolved before the Commission can adopt a permanent contribution methodology. In Qwest's view, the most significant question is how to assess contributions for switched long distance services and the transport portion of private line services. Fortunately, there is a promising approach for both types of transport. For presubscribed long distance services, the same per-connection charge can be assessed on the interexchange carrier ("IXC") as the "access" connection provider. As long as the same charge is applied on all switched connections, whether residential, small business, or large business, IXCs should have, or easily be able to obtain, all the information necessary to report the vast majority of those connections to the administrator and collect those contributions from its end users. For private line services, Qwest believes that the best means of assessing contributions is a "hybrid" methodology that is based partly on connections and partly on revenues. This methodology can also be used for long distance services that are not associated with a presubscribed line.

II. THE COMMISSION'S PRINCIPAL CHALLENGE IS TO ADOPT A CONTRIBUTION MECHANISM THAT SATISFIES THE REQUIREMENTS OF SECTION 254 WHILE ADDRESSING CONCERNS ABOUT BUNDLING

The Commission has repeatedly suggested that the current contribution system, which is based solely on interstate telecommunications revenues, is not sustainable in the long term. Qwest agrees. In particular, growing trends of bundling interstate telecommunications services with intrastate services, information services, and customer premises equipment will make it more and more difficult to determine interstate telecommunications revenues in a fair and consistent manner. Given these concerns, the Commission has explored a number of connection-based proposals. The proposals that have received the most attention in this proceeding are those that were originally submitted by the Coalition for Sustainable Universal Service ("COSUS") and SBC and BellSouth ("SBC/BellSouth"). The basic principles of these proposals are reflected in the first and second alternatives outlined in the *Second Further Notice*.[2] For simplicity, Qwest refers to these proposals as the "access-connections" proposal and the "all-connections" proposal, respectively. Under the access-connections proposal outlined in the *Notice*, contributions would be assessed on a connection basis for interstate end-user connections, such as wireline local exchange services and wireless services. However, interstate long distance and private line transport would not be subject to contribution, as long as the provider meets the minimum contribution obligation.

As the Commission appears to have recognized, both the access-connections and all-connections proposals, at least as originally conceived, had significant shortcomings. The COSUS proposal contravened the statute in at least two respects. *First*, the proposal failed to comply with section 254(d)'s requirement that every provider of interstate telecommunications services "shall contribute, on an equitable and nondiscriminatory basis[.]" *Second*, the COSUS proposal would have imposed higher per-connection contribution requirements for multi-line switched business connections than residential and single-line switched business connections.

The original SBC/BellSouth proposal avoided these problems and therefore was clearly superior to the COSUS proposal. However, the SBC/BellSouth proposal left open significant questions about how contributions would be assessed for private line transport. The proposal's general approach was to base contributions on the capacity of the transport. This is not easy in practice, however. While the capacity of an *access* connection should be relatively easy to determine, the capacity of the *transport* portion of a private line circuit may not be known or may vary between the end points, due to multiplexing. As discussed in the next section, Qwest

[2] The third alternative in the *Second Further Notice* would assess universal service

believes that the answer to this problem is found in an alternative proposal discussed in the *Second Further Notice*.

III. THE COMMISSION SHOULD ADOPT A "HYBRID" CONTRIBUTION MECHANISM THAT COMBINES A CONNECTION-BASED APPROACH WITH ASPECTS OF THE CURRENT REVENUE-BASED METHODOLOGY

As explained in the last section, the most promising proposal identified in the *Second Further Notice* is the all-connections proposal, which would assess per-connection contributions on both interstate access *and* transport connections. Qwest believes that, for most services, contributions can easily be computed on a connection basis for both the access and transport components of those services. Contrary to the claims of AT&T and other IXCs, IXCs generally possess sufficient information to determine the appropriate per-connection contribution for presubscribed long distance lines, particularly if the same charge applies to all switched connections, as is the case with the all-connections proposal outlined in the *Notice*.[3] IXCs generally could determine their contribution obligations based on end-user information already in their possession for purposes of providing service and billing their end users. In some cases, that information is obtained by the IXC directly from the end user; in others, the information is obtained for billing purposes from the local exchange carrier ("LEC") through Customer Account Record Exchange ("CARE") or other means. CARE information is provided by all of the largest incumbent LECs and for many other LECs as well. In such cases, there would be no need for IXCs to obtain additional information from the carrier providing the access connection,

---

contributions on the basis of telephone numbers.

[3] Thus, this proposal would avoid the complexity inherent in presubscribed interexchange carrier charges ("PICCs"). Instead of one charge for all switched access lines, as is proposed here, the Commission's rules imposed different PICCs for primary residential lines, non-primary residential lines, single-line business lines, and multi-line business lines.

and IXCs affiliated with LECs or commercial mobile radio service ("CMRS") providers would not have an advantage over unaffiliated IXCs.[4]

Alas, nothing is completely simple when it comes to determining universal service contributions, however. Due to the use of multiplexing, it is difficult to define the capacity of the transport portion of a private line circuit, which is necessary to assess contributions on a connection basis. Moreover, in some cases, there may be more than one transport provider for a given private line circuit. A more promising alternative is a "hybrid" approach that would determine contributions for private line connections based partly on connections and partly on revenues. In the *Second Further Notice*, the Commission seeks comment on this type of methodology for presubscribed long distance services, in order to avoid perceived administrative burdens on IXCs.[5] As explained above, such burdens are greatly exaggerated. A per-connection approach is the fairest, most straightforward means of assessing contributions for presubscribed lines.

On the other hand, the hybrid (*i.e.*, part connections, part revenues) approach appears to be a promising method of assessing contributions for private line services, in cases where the access portion of the private line service is provided by one carrier and the transport portion by another. Attachment A outlines the proposed contribution methodology, including the

---

[4] Qwest recognizes that, for a small percentage of long distance calls, the IXC may not know whether the long distance caller is a presubscribed customer. This is most likely to occur with end users that are served by LECs that do not provide CARE information to IXCs. In those limited instances where an IXC cannot determine whether a long distance customer is presubscribed, it can include the revenue from that customer with "occasional" long distance revenue from dial-around, pre-paid, and calling card services. As explained below, universal service contributions for these services would be computed on a revenue basis.

[5] *Second Further Notice* at ¶¶ 92-93. The proposals outlined in that section of the *Notice* are similar to a proposal made by SBC and BellSouth shortly before the Commission's adoption of the *Second Further Notice*. *See* Letter from Jamie M. Tan, SBC, to Marlene Dortch, Secretary, FCC (Nov. 5, 2002).

computation of the contribution factors for services assessed on a connection and revenue basis. In short, services would be split into two categories: (1) those for which contributions are assessed on a connection basis, and (2) those for which contributions are assessed on a revenue basis. The first category would include all switched access (*i.e.*, wireline and wireless end user) connections, presubscribed long distance for wireline and wireless voice grade connections, end-to-end interstate private line services, stand-alone interstate private line *access* connections (*i.e.*, channel terminations), DSL, cable modem, and other comparable broadband services. The second category would include private line services that are not provided on an end-to-end basis and other services that cannot easily be assessed on a connection basis, such as dial-around and prepaid long distance services. The percentage revenue factor would be determined by subtracting the total contributions generated from the services in the first category from the total contribution amount needed for that period.

The benefit of this proposal is that it would shift the current contribution methodology to a connection basis for all end user access connections and presubscribed long distance, where bundling is most likely to occur. On the other hand, instead of adopting broad exemptions from contribution requirements, the proposal would continue to collect contributions on a revenue basis for those services that would be most difficult to assess on a connection basis. In this way, the proposal clearly would satisfy the requirements of section 254(d). This methodology would not give an advantage to end-to-end providers of private line circuits, because a private line *transport* provider would always have the option of purchasing the access connections from other providers and then furnishing the private line circuit on an end-to-end basis to the end user. In fact, such purchases frequently occur today.

Qwest believes this "hybrid" approach to determining universal service contributions deserves further study and analysis. In upcoming filings, Qwest intends to provide further detail, including projections of the impacts of this proposal on particular types of end users and contributors.

IV. CONCLUSION

Any contribution methodology adopted by the Commission must assess contributions on all providers of interstate telecommunications services on an equitable and nondiscriminatory basis. Based on the record compiled so far, the most promising approach is one that would assess universal service contributions partly on a connection basis and partly on a revenue basis.

Respectfully submitted,

QWEST COMMUNICATIONS
INTERNATIONAL INC.

By: /s/ Craig J. Brown
Sharon J. Devine
Craig J. Brown
Suite 700
1020 19th Street, N.W.
Washington, DC 20036
(303) 672-2799

February 28, 2003

Its Attorneys

Attachment A

PROPOSED METHODOLOGY FOR DETERMINING CONTRIBUTIONS

This attachment outlines a contribution methodology that would assess universal service contributions partly on a connection basis and partly on a revenues basis. Under this approach, contributions would be assessed on a connection basis for the following services: all switched access (*i.e.*, wireline and wireless end user) connections, presubscribed long distance for wireline and wireless voice grade connections, end-to-end interstate private line services,[1] stand-alone interstate private line *access* connections (*i.e.*, channel terminations), DSL, cable modem, and other comparable broadband services. Contributions for long distance services that are not associated with a presubscribed line (*e.g.*, dial-around, calling card, and prepaid services) and interstate private line transport that is not provided as part of an end-to-end private line circuit would be based on a percentage of interstate end user telecommunications revenues.

For each reporting period, providers of interstate telecommunications would report two sets of numbers: (1) their interstate end user connection units, and (2) their assessable connection units and revenues. Based on these numbers, the Universal Service Administrative Company ("USAC") would determine the contribution factors and the contribution amount due from each provider.

Determination of Connection-Based Contribution Factor. USAC would determine the contribution amount for each connection unit ("Connection-Based Contribution Factor") by dividing the total universal service contributions needed for that period by the total number of connection units. For purposes of computing this number, each contributor would report its end

[1] Private line services can be provided as physical or virtual packet-switched circuits.

user connection units, based on the capacity ratios adopted by the Commission.[2] USAC would compute the total number of connection units by adding up the reported end user connections and multiplying this number by two, in order to include an estimate of long distance and private line transport connections.

Determination of Revenue-Based Contribution Factor. USAC would calculate the percentage contribution factor for services assessed on a revenue basis ("Revenue-Based Contribution Factor") via a three-step process. *First*, USAC would compute the total amount of contributions assessed on a connection basis, by multiplying the assessable connection units by the Connection-Based Contribution Factor. The assessable connection units would be determined by summing the number of connection units for all services assessed on a connection basis, including local exchange lines, wireless connections, presubscribed long distance lines (for both wireline and wireless), end user private line connections, end-to-end private line circuits,[3] DSL, cable modem, and comparable broadband services. *Second*, USAC would compute the amount of contributions that need to be collected on a revenue basis, by subtracting the amount of contributions assessed on a connection basis from the total contributions needed. *Third*, the Revenue-Based Contribution Factor would be determined by dividing the amount of contributions that need to be collected on a revenue basis by the total assessable revenues. The total assessable revenues would be computed by summing the interstate end user telecommunications revenues for all services assessed on a revenue basis, including occasional

---

2 For example, based on the tiers proposed in the *Second Further Notice*, ¶ 81, the provider of an interstate DS1 end-to-end service would count 16 end user connection units for each end of the circuit for a total of 32 end user connection units. If a LEC provided a single interstate DS1 end user connection, it would report 16 end user connection units for service.

3 For example, based on the tiers proposed in the *Second Further Notice*, ¶ 81, the provider of a DS1 end-to-end circuit would report 16 assessable connection units for each end of the

long distance services and interstate private line transport that is not provided as part of an end-to-end private line service.

Determination of a Provider's Contribution. The contribution due from a particular telecommunications provider would include a connection-based assessment and a revenue-based assessment. The connection-based assessment would be determined by multiplying the provider's assessable connection units by the Connection-Based Contribution Factor. The revenue-based assessment would be computed by multiplying the provider's assessable revenues by the Revenue-Based Contribution Factor.

---

circuit and 32 connection units for the transport connection, resulting in 64 assessable connection units.

CERTIFICATE OF SERVICE

I, Ross Dino, do hereby certify that I have caused the foregoing **COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC.** to be filed with the FCC via its Electronic Comment Filing System and a copy to be served via e-mail on the FCC's duplicating contractor Qualex International and Ms. Sheryl Todd of the Wireline Competition Bureau, as indicated in the attached list.

/s/ Ross Dino
Ross Dino

February 28, 2003

Sheryl Todd
stodd@fcc.gov

Qualex International
Qualexint@aol.com

cc96-45N.doc
Updated 2/28/2003