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Cronan O'Connell
Vice President-Federal Regulatory

EX PARTE

June 19, 2003

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W., TW-A325
Washington, DC 20554

Re: *In the Matter of Appropriate Framework for Broadband Access to the Internet Over Wireline Facilities, In the Matter of Review of Regulatory Requirements for Incumbent LEC Broadband Telecommunications Services*, CC Docket Nos. 02-33 and 01-337 and CS Docket No. 02-52

Dear Ms. Dortch:

On June 18, 2003, Qwest representatives, Cronan O'Connell, Steve Davis and Melissa Newman met with the following representatives of the Federal Communications Commission, William Maher, Michelle Carey, Brent Olson, Robert Tanner, Diane Law Hsu and Carol Matthey.

Qwest reviewed the current vibrant competitive landscape in the mass market, including consumer and small businesses and the subsequent harm of the CEI/ONA rules to Qwest vis-à-vis these competitors, and how they are able to compete without such constraints. As reflected in the attachment, Qwest reviewed its basic DSL offerings to end users, CLECs and ISPs and discussed the fact that even with the relief requested in this proceeding by Qwest, ISPs and CLECs will continue to have multiple alternatives to access the end user.

In accordance with Commission Rule 47 C.F.R. § 1.49(f), this *ex parte* is being filed electronically via the Commission's Electronic Comment Filing System for inclusion in the public record of the above-referenced proceedings pursuant to Commission Rule 47 C.F.R. § 1.1206(b)(1).

Sincerely,

/s/ Cronan O'Connell

cc:

William Maher (via e-mail at wmaher@fcc.gov with attachment)
Michelle Carey (via e-mail at mcarey@fcc.gov with attachment)
Brent Olson (via e-mail at bolson@fcc.gov with attachment)
Robert Tanner (via e-mail at rtanner@fcc.gov with attachment)
Diane Law Hsu (via e-mail at dlawhsu@fcc.gov with attachment)
Carol Matthey (via e-mail at cmatthey@fcc.gov with attachment)

Qwest[®]



SM

Spirit of Service

**Broadband Exparte
CC Docket 02-33
June 18, 2003**

Overview

- ❑ Qwest is not dominant in the provision of mass market broadband services
- ❑ ONA rules adversely impact Qwest and should be eliminated for DSL services
- ❑ Bundled DSL Service should be classified as an information service subject to Title I
 - Forbear from Part 64
- ❑ LECs should have the option to offer volume DSL service to ISPs as a private carriage service
- ❑ Qwest will continue to offer its customers the means to reach their ISP and Internet content of choice

The Qwest DSL Mass Market Summary

- ❑ **Mass Market: DSL Services**
 - **Consumer**
 - Occasional users
 - Gamers
 - SOHO
 - **Small Business**

- ❑ **Over 500,000 DSL subscribers region-wide**
 - **70-80% Consumer**
 - **20-30% Small Business**
 - **Support Volume Discount Models**
 - Optionally implemented a Wholesale DSL program for Consumer ISPs like MSN, AOL
 - **Support 400+ Retail ISPs through Qwest DSL Host service**

Qwest is not Dominant in the Provision of Broadband Services in the Mass Market

Mass Market Broadband Penetration* Summary

❑ **Nationwide** (Form 477, FCC Broadband Report, June '02)

- 9% Cable Modem
- 5% DSL (ILEC and CLEC)
- 2% Fixed Wireless

❑ **Qwest Region: Residential & SOHO** (Claritas '02)

- 9.5% Cable Modem
- 5.3% DSL (ILEC and CLEC)

❑ **Top MSAs in Qwest Region: Residential & SOHO** (Claritas '02)

- 11.5% Cable Modem
- 6.5% DSL (ILEC and CLEC)
- Includes: Boise City, ID; Denver, CO; Minneapolis-St. Paul, MN; Omaha, NE-IA; Phoenix-Mesa, AZ; Portland, ME; Salt Lake City-Ogden, UT; Seattle-Bellevue-Everett, WA; Tucson, AZ

* Reflects percentage penetration of all households

There is harm to Qwest if ONA Rules continue to apply

Unnecessary regulations add cost to the business and result in lost business opportunities.

Requirements:

- ❑ Development and maintenance of BSA/BSE/CNS tariffs.
- ❑ Filing of ONA reports (annual filing, and quarterly Installation and Maintenance Reports).

Results:

- ❑ Tariffing requirements impede “just say when” business opportunities.
- ❑ Tariff timeframes foreclose Qwest’s ability to change business priorities in response to market demands.
- ❑ Tariff “One Size Fits All” approach limits Qwest’s ability to tailor offerings and business deals to meet customers’ specific needs.
- ❑ Disparity in regulatory requirements affects Qwest’s ability to compete in this vibrant marketplace.

Qwest Proposed Treatment of DSL Services

Commission Declares Bundled DSL Service to be an Information Service subject to Title I, free of ONA obligations.

1. Bundled DSL Service = Qwest DSL + Qwest ISP Service

- ❑ Retail product sold to end users

Commission Gives LECs the Option of Providing Bulk DSL Services to ISPs as Private Carriage subject to Title I, free of ONA obligations.

2. Volume DSL Service = DSL wholesale product

- ❑ Wholesale DSL service sold to ISPs
- ❑ ISPs bundle the DSL service with their Internet access and sell directly to end users under their brand name

Qwest Agrees to Continue to Tariff its DSL Service for End-users and ISPs for two years.

3. DSL & Host Service = Qwest DSL + access to 400+ ISPs

- ❑ **DSL access sold and billed by Qwest to end users**
 - ❑ End-users may subscribe to the ISP of their choice from a list of 400+ participating ISPs
 - ❑ Service offered under F.C.C. No 1, Section 8
- ❑ **ISP purchases DSL Host Service from Qwest once per LATA**
 - ❑ DSL Host Service consists of ATM switch port and Bandwidth elements
 - ❑ Any ISP may purchase Qwest DSL Host service, resulting in open access to end users
 - ❑ Tariffed in F.C.C. No. 1, Section 8
- ❑ **Internet access service sold and billed separately by ISP to end users**
 - ❑ Access to Internet content is controlled by the ISP who purchases Qwest DSL Host service
- ❑ **Qwest requests streamlined tariff treatment of this service during the two year period**
- ❑ **After the two year period, Qwest will agree to offer this service via generally available contracts**

CLECs Continue to Obtain Access to UNE Loops to Provide Telecommunications Services.

4. Raw copper loop = UNE sold to CLEC

- ❑ UNE at TELRIC rates

Qwest Streamlined Tariffing Proposal for Service #3

- ❑ Every tariff filing shall be accompanied with a statement which shall briefly summarizes the filing and its purpose
- ❑ One day notice
- ❑ Cost support not required
- ❑ Tariff shall be considered prima facie lawful

Conclusion

- ❑ ILECs are not dominant in the provision of broadband services, and should be regulated just like cable modem providers in the provision of competing services.
- ❑ Bundled DSL service (#1) should be classified as an information service subject to Title I, free of any ONA obligations.
- ❑ Bulk DSL service (#2) may be offered on a private carriage basis, subject to Title I, free of any ONA obligations.
- ❑ End users and ISPs will continue to have internet access alternatives under Qwest DSL Service (#3).

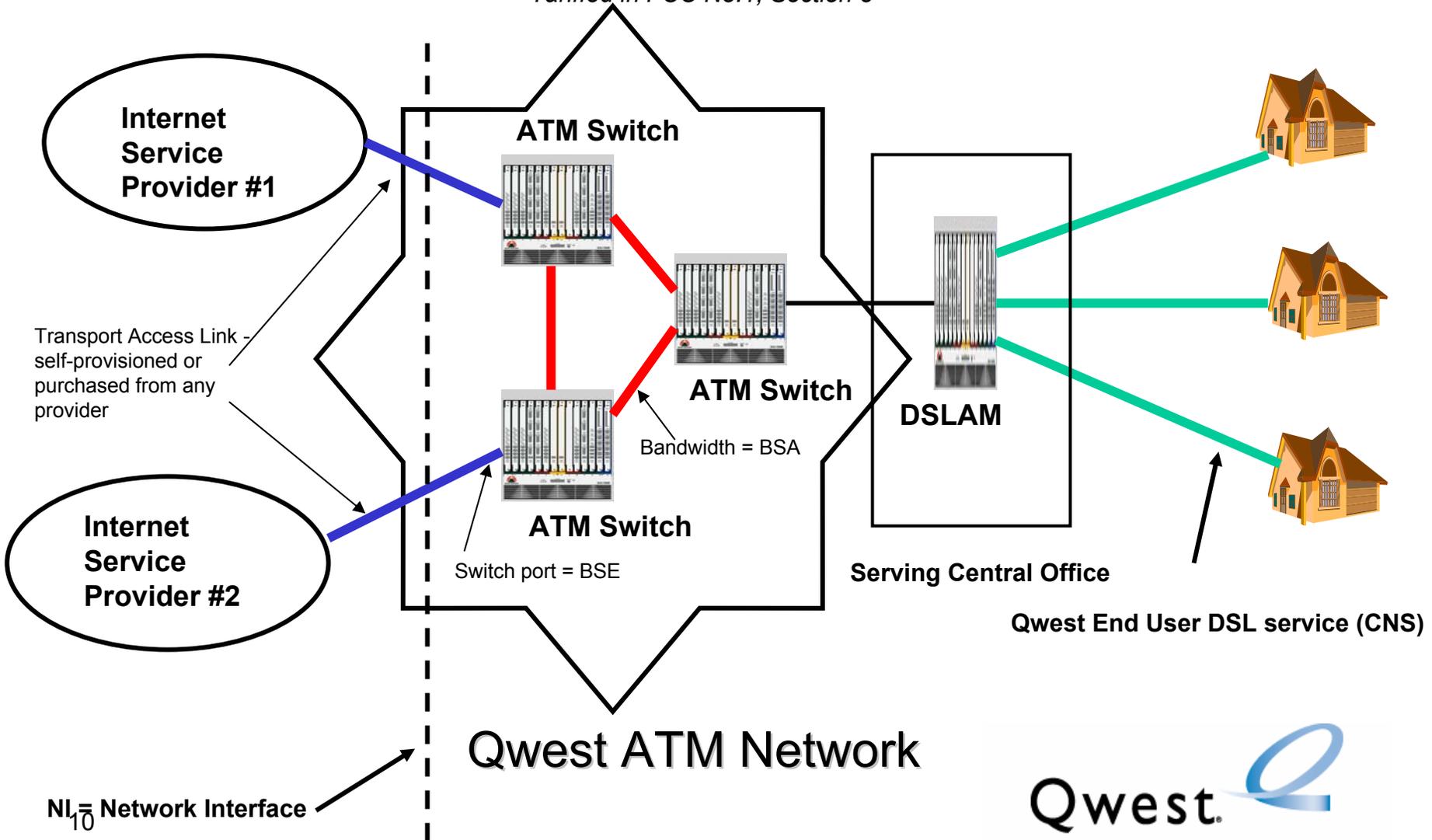
Attachments

QWEST DSL & QWEST HOST SERVICE

Qwest DSL HOST Service * is purchased once per LATA by an ISP

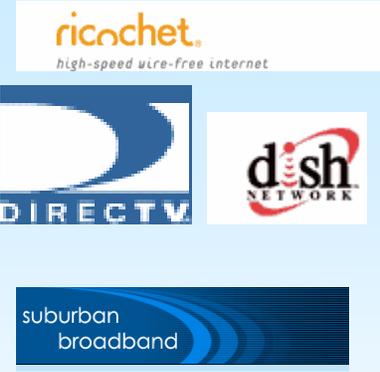
Service includes: **ATM Switch Port (BSE) + Bandwidth (BSA)**

** Tariffed in FCC No.1, Section 8*



Current Mass Market Competitive Landscape

There are a variety of competitive strategies to target consumers

CLECs / ISPs / DSL Providers	Cable Providers	Wireless / Satellite Providers
 <ul style="list-style-type: none"> • While select CLECs leverage UNE-P and UNE-loop facilities at aggressive discounts to Qwest tariff rates, others pursue a pure UNE-P resale strategy to maximize reach • Within consumer, the market is largely ISPs with DSL offers 	 <ul style="list-style-type: none"> • Cable modem is by far the dominant broadband provider within every MSA in our 14-state region • Migration of broadband customers to VoIP as technology matures 	 <ul style="list-style-type: none"> • Satellite and wireless providers have a presence in the market

Consumer High Speed Providers by Market

Cable Modem is, by far, the largest provider of broadband data services within our largest MSAs.

AOL Broadband DSL
AT&T Consumer DSL
Comcast
Covad
Earthlink DSL
MSN Broadband
Speakeasy.Net
Verizon Ave. Voyager

AOL Broadband DSL
AT&T Consumer DSL
Comcast
Covad
Earthlink DSL
MSN Broadband
SpeakEasy.Net
Verizon Ave. Voyager
Verizon Online DSL

AOL High Speed Broadband
AT&T Consumer
Comcast
Covad
Earthlink DSL
Earthlink Cable Broadband
MSN Broadband
Speakeasy.Net
Time Warner Cable Road Runner

Cox Communications
MSN Broadband
NewEdge Networks

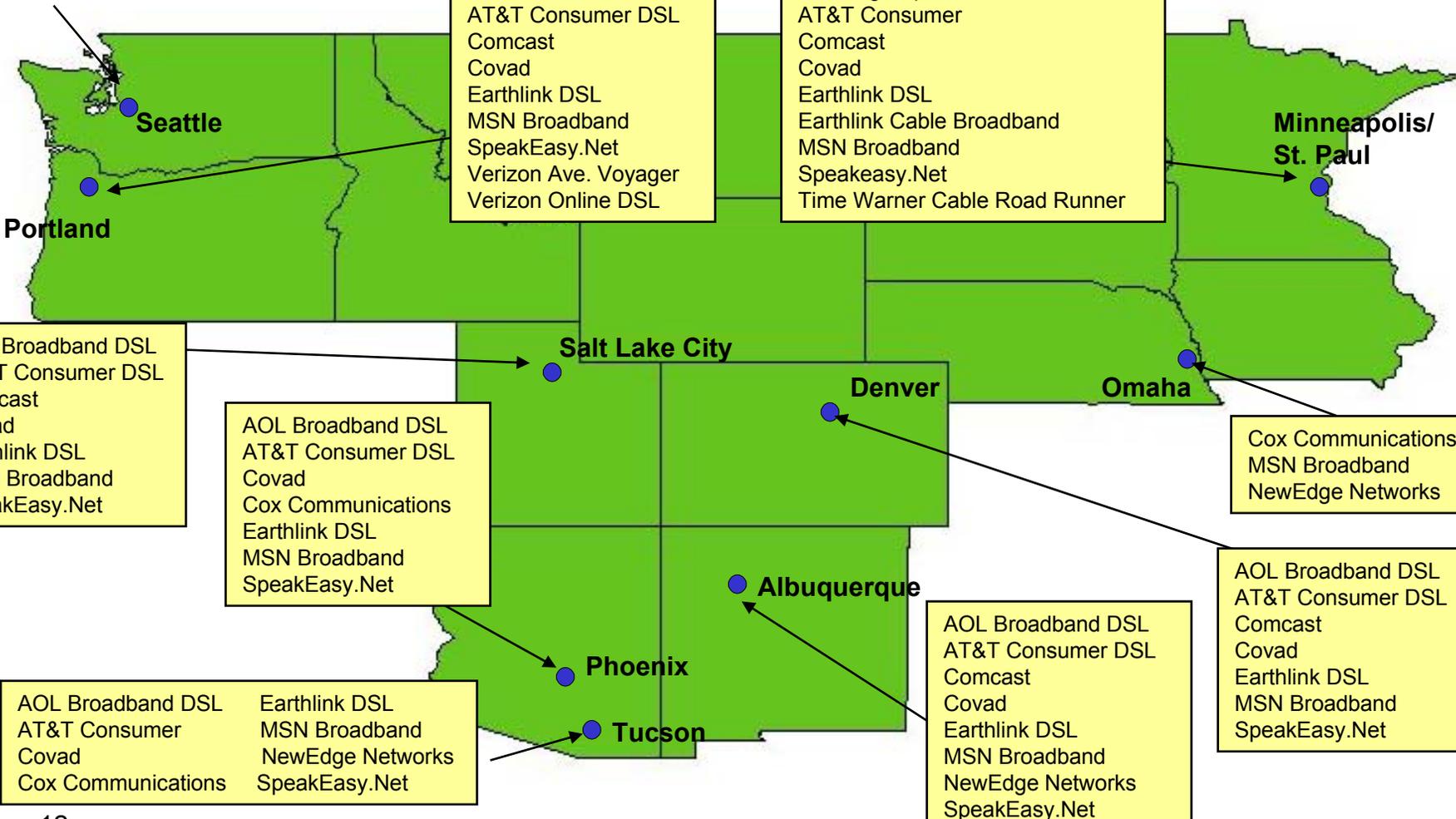
AOL Broadband DSL
AT&T Consumer DSL
Comcast
Covad
Earthlink DSL
MSN Broadband
SpeakEasy.Net

AOL Broadband DSL
AT&T Consumer DSL
Comcast
Covad
Earthlink DSL
MSN Broadband
NewEdge Networks
SpeakEasy.Net

AOL Broadband DSL
AT&T Consumer DSL
Covad
Cox Communications
Earthlink DSL
MSN Broadband
SpeakEasy.Net

AOL Broadband DSL
AT&T Consumer DSL
Comcast
Covad
Earthlink DSL
MSN Broadband
SpeakEasy.Net

AOL Broadband DSL
AT&T Consumer
Covad
Cox Communications
Earthlink DSL
MSN Broadband
NewEdge Networks
SpeakEasy.Net



Current Mass Market Competitive Landscape

There are a variety of competitive strategies to target small businesses

IXCs



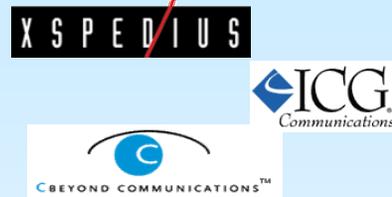
- Leverage current customer relationships to acquire mass market customers
- Offer business lines leveraging network facilities to pursue all SMB customers
- Use unlimited plans to gain LD and local share (WCOM)

CLECs



- CLECs utilize line-sharing and line-splitting strategy to maximize reach
- Pursue customers of all sizes, but are primarily focused on small business customers

CLECs - Integrated Access Providers



- Leverage a UNE-EEL platform to offer integrated access (voice and high speed data)
- Target business customers with more complex telecom needs
- Target price-sensitive stand-alone voice and DSL customers with need for higher bandwidth

Cable Providers



- Focus on entry level broadband business needs
- Use of residential offering to small businesses creates significant price advantage in the market
- Separate business units like Comcast Business and Cox Business focus on mid-tier

Small Business High Speed Providers by Market

While competitors with business-specific broadband offerings vary by market, cable and alternate DSL broadband offerings provide wide broadband coverage to small businesses

AT&T Business
Covad
DSL.net
Earthlink
McLeodUSA
MCI Commercial
MegaPath Networks
New Edge Networks
SpeakEasy.net
Sprint Biz DSL
XO

AT&T Business
Comcast Business
Covad
DSL.net
Earthlink
McLeodUSA
MCI Commercial
New Edge Networks
SpeakEasy.net
Sprint Biz DSL
Verizon OnLine DSL
XO

AT&T Business
Covad
DSL.net
Earthlink
McLeodUSA
MCI Commercial
MegaPath Networks
SpeakEasy.net
Sprint Biz DSL
Time Warner Cable
Business Services
XO

Cox Business
McLeodUSA
New Edge Networks

AT&T Business
Comcast Business
Covad
DSL.net
Earthlink
McLeodUSA
MegaPath Networks
MCI Commercial
New Edge Networks
SpeakEasy.net
Sprint Biz DSL
XO

AT&T Business
Covad
DSL.net
Earthlink
McLeodUSA
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