

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	CC Docket No. 96-45
Federal-State Joint Board on Universal Service)	
)	WC Docket No. 05-337
High-Cost Universal Service Support)	

**REPLY COMMENTS OF QWEST
COMMUNICATIONS INTERNATIONAL INC.**

Qwest Communications International Inc. (“Qwest”) hereby files these reply comments in accord with the Federal Communications Commission’s (“Commission”) *Notice of Proposed Rulemaking* in the above-captioned dockets.¹ As Qwest discussed in its opening comments in this docket, changes in the process for providing high-cost support to non-rural carriers must be viewed as part of a larger project -- reform of the universal service system as a whole.² Several of the opening comments in this docket recognize that need.³ As the Commission reassesses its definitions of “sufficient” and “reasonably comparable” in order to address the specific concerns of the Tenth Circuit with respect to the current mechanism for providing high-cost support to non-rural carriers, it should address broader reform issues as well.

¹ *In the Matter of Federal-State Joint Board on Universal Service, High-Cost Universal Service Support*, CC Docket No. 96-45, WC Docket No. 05-337, FCC 05-205, Notice of Proposed Rulemaking, 20 FCC Rcd 19731 (2005) (“*Notice*”), *Order* granting motion for extension of time, 21 FCC Rcd 587 (2006). Comments were filed on Mar. 27, 2006.

² Comments of Qwest Communications International Inc. (“Qwest Comments”) at 1, 6-10, 40-41.

³ *See, e.g.*, Dobson Cellular Systems, Inc. (“Dobson”) Comments at 2-3; Verizon Comments at 4; AT&T Inc. (“AT&T”) Comments at 2, 5-13; Iowa Telecommunications Service, Inc. d/b/a Iowa Telecom Comments at 1.

I. THREE BROAD REFORMS ARE CRITICAL TO A SUCCESSFUL HIGH-COST SUPPORT MECHANISM

In particular, as already discussed in Qwest’s opening comments, Qwest believes that the following three broader reform issues are critical to having a successful mechanism for distributing universal service support to carriers serving high-cost areas. First, the Commission should eliminate the separate funding mechanisms for distributing high-cost support to “rural” and “non-rural” carriers and create one mechanism to distribute high-cost support to carriers serving high-cost areas.⁴ Second, the universal service fund is too large and the Commission must take steps to limit the size of the fund.⁵ Third, it is not necessary, and contrary to the need to contain the size of the fund, to use high-cost support for the deployment of broadband services.⁶

A. Universal Service Support To High-Cost Areas Should Be Distributed Through A Single Mechanism

There is an ever-growing recognition that it is time to eliminate the distinction between “rural” and “non-rural” carriers in distributing high-cost support. Carriers, carrier associations, and state commissions in this proceeding and in the ongoing rural proceeding⁷ are urging the Commission to move to distribution of high-cost support based on the characteristics of the exchange being served, instead of distribution based on the characteristics of the carrier providing the service.⁸ As AT&T noted, “non-rural” carriers in aggregate serve twice as many

⁴ See Qwest Comments at 16-17, 20-22, 33-39.

⁵ See *id.* at 3-4, 12, 17, 18-20, 32.

⁶ See *id.* at 13-14.

⁷ See *Federal-State Joint Board on Universal Service Seeks Comment on Proposals to Modify the Commission’s Rules Relating to High-Cost Universal Service Support*, Public Notice, 20 FCC Rcd 14267 (2005).

⁸ AT&T Comments at 6-8; CTIA – The Wireless Association® (“CTIA”) Comments at 15; Dobson Comments at 8,12; Iowa Utilities Board Comments at 2; Washington Utilities and

customers in rural areas as do rural carriers.⁹ Yet, rural carriers in aggregate receive almost six times the amount of support provided to non-rural carriers.¹⁰ Additionally, as AT&T noted, the separate support mechanisms for rural and non-rural carriers may create perverse incentives such as encouraging smaller carriers to stay small when consolidation and economies of scale might enable more cost efficient, and thus in turn affordable, service to some rural areas.¹¹

OPASTCO argues against eliminating the dual mechanisms for providing support to rural and non-rural carriers. It argues that the definition of “sufficient” in this proceeding should apply only to non-rural carriers.¹² To the extent OPASTCO is suggesting that there should be different definitions of “sufficient” for purposes of the universal service provisions of section 254 depending on the carrier to which the identical language is being applied, this makes no sense. The manner in which sufficient is defined for universal service purposes, should be the same across all carriers to whom the provisions are applicable. What constitutes sufficient support for carriers serving high cost areas should be based on a definition of sufficient that applies to all carriers serving high-cost areas equally. Contrary to OPASTCO’s assertions, given today’s increasingly competitive telecommunications marketplace, large incumbent local exchange carriers such as Qwest are no longer able to use their rates in lower cost urban areas to

Transportation Commission Comments at 2; Wyoming Public Service Commission Comments at 5-6; Nebraska Public Service Commission Comments at 2.

⁹ AT&T Comments at 6-7.

¹⁰ *Id.* In 2004, more than seven of every ten dollars in federal high-cost support was distributed to areas served by rural carriers. Comments of Qwest Communications International Inc., *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45 (filed Sept. 30, 2005) at 8.

¹¹ AT&T Comments at 7, n.12.

¹² Organization for the Promotion and Advancement of Small Telecommunications Companies (“OPASTCO”) Comments at 2-5.

counter balance the cost of serving customers in high-cost areas.¹³ A single mechanism for distributing high-cost support to high-cost areas will enable high-cost support to be distributed in an efficient and competitively neutral manner.¹⁴

B. The Universal Service Fund Size Must Be Contained

In addition to recognizing the inequities of continuing to provide high-cost support to carriers based primarily on their size, several commenters are also concerned about the enormous growth of the universal service fund in the last few years.¹⁵ This rapid growth is occurring while the revenues on which the contributions to the fund are based are declining, in turn driving an increasing contribution factor which is passed on to the end user.¹⁶ Meanwhile, the current primary measure of the success of the federal universal service program -- telephone service penetration rates -- shows a significant annual decline for the last two years of reported data.¹⁷ This suggests that in spite of the huge growth in fund size, the federal universal service program is not advancing one of its core goals of providing telephone service to all Americans. The solution is not to continue to increase the fund size, which could simply jeopardize the affordability of telephone service for more Americans.¹⁸ Instead, the fund size must be

¹³ See Qwest Comments at 21-22; AT&T Comments at 8-10.

¹⁴ Qwest Comments at 16-17, 20-22.

¹⁵ As stated in Qwest's opening comments, between 2000 and 2005, total federal high-cost support grew from approximately \$2.2 billion to \$3.7 billion. Qwest Comments at 18.

¹⁶ See Verizon Comments at 23.

¹⁷ After reaching an annual average household telephone subscribership of 95.3% in 2002, the annual average percentage of households with telephone service has had statistically significant decreases in 2004 and 2005. *Telephone Subscribership in the United States*, Industry Analysis and Technology Division, Wireline Competition Bureau, FCC (rel. May 2006) at p.3 & Table 1.

¹⁸ Qwest Comments at 12; Verizon Comments at 24.

contained,¹⁹ any instances of waste, fraud or abuse of universal service support must be located and eliminated, support must be provided in an efficient manner, and clear measures and goals for the use of that support must be identified and implemented.

C. Universal Service Support To High-Cost Areas Should Not Be Expanded to Fund Deployment of Broadband Services

Third, the Commission does not need to use high-cost support to enable the deployment of broadband services in rural areas. As NASUCA has recognized, currently the Commission cannot provide support for broadband services because the Commission has not determined, as is required by 47 U.S.C. § 254(c)(1), that broadband services should be supported telecommunication services.²⁰ As other commenters have noted, there is no need to use high-cost support to fund network upgrades needed only to enable the addition of broadband or video service to rural areas.²¹ Broadband deployment is proceeding rapidly.²² Upgrades to enable broadband services are being demanded and provided through market forces.²³ Given the significant broadband deployment efforts in urban and rural areas, as well as the already existing strain on universal service support, providing universal service high-cost support to pay for these efforts seems excessive.

¹⁹ Verizon Comments at 22-25; Dobson Comments at 4; *see* Sprint Nextel Corporation Comments at 2 (“[A]ny action the Commission takes in the instant proceeding must be made with a careful eye to the impact such action will have on the size of the fund and the level of the contribution factor.”).

²⁰ National Association of State Utility Consumer Advocates Comments at 35; *see also* Qwest Comments at 13.

²¹ *See, e.g.*, General Communication, Inc. Comments at 14-20.

²² CTIA Comments at 7-9.

²³ Nationwide, 84.3% of the lowest density zip codes -- zip codes with fewer than 6 persons per square mile -- had at least one high-speed Internet subscriber for the twelve months ending June 30, 2005. The comparable figure for the prior year period was 73.4%. *High-Speed Services for Internet Access: Status as of June 30, 2005*, Industry Analysis and Technology Division, Wireline Competition Bureau, April 2006, at p.4 & Table 18.

II. CONCLUSION

Universal service support must be brought back to its core purpose of enabling affordable telecommunications service for every American. Universal service support should not be used to promote competition, but instead implemented in such a way as to not hinder competition.

Refocusing high-cost support on the high-cost areas to be served, distributing the support through a single mechanism to carriers serving those areas, and keeping support limited to the existing basic services, should help to ensure that universal service support is effectively used to enable affordable telecommunications services for all.

Respectively submitted,

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May 26, 2006

CERTIFICATE OF SERVICE

I, Richard Grozier, do hereby certify that I have caused the foregoing **REPLY COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC.** to be 1) filed with the Secretary of the FCC via the FCC's Electronic Comment Filing System; 2) a copy to be served via e-mail on Ms. Sheryl Todd, Telecommunications Access Policy Division, Wireline Competition Bureau at Sheryl.todd@fcc.gov; 3) a copy to be served via e-mail on the FCC's contractor Best Copy and Printing, Inc. at fcc@bcpiweb.com; and 4) a copy to be served, via First Class United States mail, postage prepaid, on the parties listed on the attached service list.

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