

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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

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

Qwest Communications International Inc. (“Qwest”) files these comments in accord with the Federal-State Joint Board on Universal Service’s *Public Notice* seeking comment on long term, comprehensive high-cost universal service reform.¹

**QWEST PROPOSES REFOCUSING REFORM OF HIGH-COST SUPPORT TO
ENABLE FUNDING OF BROADBAND DEPLOYMENT IN UNSERVED AREAS.**

Over the past several years, residents of most parts of the country have benefited from vigorous competition among broadband service providers, resulting in a variety of affordable, high quality broadband service offerings. But that is not true everywhere. Some rural areas remain unserved by any provider of broadband service, simply because it has not made business sense to deploy broadband facilities to such sparsely populated areas. For example, Qwest currently offers high-speed Internet services to about 83% of the homes and businesses within its serving area, but has no plans to deploy these services to the remaining 17%. Absent some type of government intervention, many such Americans will continue to be deprived of what are increasingly viewed as indispensable services.

At the same time, the federal universal service system is under immense stress. Today’s federal system has strayed far from its fundamental purpose of ensuring that all Americans have

¹ *Public Notice*, FCC 07J-2, rel. May 1, 2007.

access to affordable telecommunications services. Over the past five years, the fund has grown by more than 25% to \$4 billion, with most of the additional funding going to wireless providers and other competitive eligible telecommunications carriers (“CETCs”) providing voice services in areas where customers already have access to those services. With end-user surcharges exceeding 11%, the universal service system cannot sustain additional growth.

With these realities in mind, Qwest proposes a new federal universal service program for subsidizing broadband deployment that dovetails with the goal of limiting the growth in high-cost universal service support for additional providers of voice services. In essence, this proposal would subsidize the buildout of broadband infrastructure through a competitive bid process to be implemented by the states. The funds for this new program would be freed up by instituting a new restriction -- above and beyond the implementation of the recommended emergency cap on funding CETCs -- that would limit universal service support for wireless CETCs to a single connection per household.

The basic architecture of this new program would differ markedly from the current universal service program not only in its orientation (*i.e.*, focusing solely on areas unserved by broadband providers), but also in its form. In particular, the program would be implemented primarily at the state level, with the states making the relevant judgments as to where to fund broadband deployment, subject to federal guidelines and competitive bid design. The states would receive “block grants” from the Commission based on the percentage of unserved households in each state, which they would then distribute through competitive bid processes to the lowest qualified bidder. Unlike in the current high-cost program, federal support provided under the new program would be upfront grants for facilities deployment and would not fund

ongoing operating expenses. Once the series of one-time grants is dispersed so as to spur sufficient deployment of broadband services, the new program would sunset.

If adopted by the Federal Communications Commission (“Commission”), the Qwest plan would call for the agency to distribute the first set of block grants to the states by the fall of 2008. The state commissions would then parse out the federal funding through a competitive bid process whereby qualified firms -- using any reasonably viable technology -- would bid on the necessary level of a front-end subsidy in order to serve a particular geographic area, as determined by the state. Winning bidders would commit to provide broadband services to a particular geographic area for a period of ten years at reasonably comparable rates to those charged to customers in urban areas.

Under the Qwest plan, state commissions would also play a critical role in enforcing the terms of winning bidders’ commitments to build out broadband infrastructure. These commitments would be enforceable as contracts, with state commission ensuring that the required terms of service (build-out period, pricing, quality of service, etc.) are met.

The funding for Qwest’s proposal would come from a restriction on the rapidly growing subsidies to wireless CETCs. In particular, each wireless CETC would be limited to federal support for one connection per household, thereby stemming the tide of multiple CETC subsidies for the same household. Qwest estimates that the savings from this restriction, based on a rough percentage of the number of customers who subscribe to “family plans,” may well be close to \$500 million. Such a restriction is warranted because the availability of such subsidies have created a windfall insofar as wireless providers have been able to collect subsidies for second, third, or fourth phones whereas their wireline counterparts never provided as many lines. Nor was the universal service fund constituted to subsidize such connections. Moreover, wireless

CETCs often collect subsidies for areas that they would serve even without a subsidy, rather than using such subsidies to extend wireless service to unserved areas. Clearly, these federal funds are better spent on subsidizing broadband services to unserved areas. In order to address situations where federal subsidies are in fact used to extend wireless service to unserved areas, Qwest proposes that the Commission consider a limited, pilot program to conduct competitive bidding for the right to serve wireless customers in unserved areas.²

Qwest's proposal furthers the Commission's twin goals of spurring broadband deployment to unserved areas and rationalizing universal service funding. Through use of a properly-designed competitive bid process, this proposal will ensure an efficient use of subsidy dollars to deploy these essential services to previously unserved areas.

Respectfully submitted,

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² By so doing, it would be possible, for example, for a bidder using wireless technology (say, mobile WiMax) to submit a double bid to provide both forms of service.

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. Antoinette Stevens, Telecommunications Access Policy Division, Wireline Competition Bureau at Antoinette.Stevens@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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July 2, 2007

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