Tiffany West Smink
Corporate Counsel
Qwest

607 14th Street NW
Suite 950
Washington, DC 20005
Phone 303-383-6619
Facsimile 303-896-1107

VIA ECFS

March 10, 2010

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

RE: *In the Matter of International Comparison and Consumer Survey Requirements in the Broadband Data Improvement Act*, GN Docket No. 09-47
In the Matter of a National Broadband Plan for Our Future, GN Docket No. 09-51
In the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act, GN Docket No. 09-137

Dear Ms. Dortch:

On December 7, 2009, Qwest Communications International Inc. filed its comments to the Federal Communications Commission's NBP Notice # 19.[1] It has just come to Qwest's attention that its redacted comments were only submitted in GN Docket No. 09-47 and not the other two proceedings GN Docket No. 09-51 and GN Docket No. 09-137. It was Qwest's intention to submit its comments via ECFS in all three proceedings. Qwest apologizes for any problem this omission has created for the Commission.

Attached to this cover letter are Qwest's December 7, 2009 comments which are being submitted via ECFS today in GN Docket Nos. 09-51 and 09-137. Included at the end of its comments is Qwest's December 7, 2009 ECFS receipt for GN Docket No. 09-47. Qwest also notes that it has received a stamped copy from the Secretary's office for its non-redacted comments filed via hard copy on December 7, 2009.

Respectfully submitted,

/s/ Tiffany West Smink

---

[1] *See* Comments of Qwest Communications International Inc. on the Role of the Universal Service Fund and Intercarrier Compensation in the National Broadband Plan NBP Notice # 19.

Tiffany West Smink
Corporate Counsel
Qwest

607 14th Street NW
Suite 950
Washington, DC 20005
Phone 303-383-6619
Facsimile 303-896-1107

REDACTED – FOR PUBLIC INSPECTION

VIA COURIER

December 7, 2009

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

RE: *In the Matter of International Comparison and Consumer Survey Requirements in the Broadband Data Improvement Act*, GN Docket No. 09-47
In the Matter of a National Broadband Plan for Our Future, GN Docket No. 09-51
In the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act, GN Docket No. 09-137

Dear Ms. Dortch:

Qwest Communications International Inc. (Qwest) is filing today in the above-referenced dockets Comments in response to the FCC's November 13, 2009 Public Notice # 19 (DA 09-2419) concerning the role of the universal service fund and intercarrier compensation in the National Broadband Plan. Qwest seeks confidential treatment of its submission in GN Docket Nos. 09-47, 09-51 and 09-137 pursuant to the November 16, 2009 Protective Order (DA 09-2415). Qwest also notes that notwithstanding the Protective Order, there is a separate statutory basis for not making this confidential information available for public inspection. 47 C.F.R. §§ 0.457(d), 0.459. Thus, Qwest also seeks confidential treatment of its submission in GN Docket Nos. 09-47, 09-51 and 09-137 pursuant to 47 C.F.R. §§ 0.457(d) and 0.459, for which it provides justification in the attached appendix. Qwest considers the information in its Comments to be confidential trade secret, commercial information that is "not routinely available for public inspection." 47 C.F.R. § 0.457(d).

REDACTED – FOR PUBLIC INSPECTION

Qwest has marked each page of its submission with confidential or highly confidential information as follows: "**CONFIDENTIAL INFORMATION & HIGHLY CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN GN DOCKET NOS. 09-47, 09-51, 09-137 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION**". Each page of the redacted version of its submission is marked "**REDACTED – FOR PUBLIC INSPECTION**". This cover letter contains no confidential or highly confidential information and is included (with the same text except for the markings) with both the non-redacted and redacted versions of the submission.

Qwest considers information contained in its Comments to be confidential or highly confidential, and proprietary as "trade secrets" and/or "commercial information" or is otherwise confidential under Section 0.457(d) and the November 16, 2009 Protective Order. This Protective Order defines "Highly Confidential Information" (at paragraph 6) as that "contained in Highly Confidential Documents or derived therefrom that is not otherwise available from public sources and that consists of detailed or granular information regarding the location, type, or cost of last-mile infrastructure used by a Submitting Party to offer broadband service." Qwest believes that some of the information it has designated as highly confidential in its Comments may fall within this definition. To the extent that it may not, pursuant to paragraph 5 of the Protective Order, Qwest is "explaining its reasoning" (in this letter and appendix) for highly confidential treatment. This highly confidential information is relevant to Qwest's ongoing business operations and includes specific financial information that relates to the company's capital structure, revenues and expenses for intercarrier compensation. Not withholding from public inspection this highly confidential information would risk revealing company-sensitive proprietary commercial and financial information. Given the extreme sensitivity of this highly confidential information, Qwest is designating it "Copying Prohibited" pursuant to paragraph 9 of the Protective Order.

Pursuant to paragraph 8 of the Protective Order in GN Docket Nos. 09-47, 09-51 and 09-137, two copies of the non-redacted version (with confidential and highly confidential information) are to be delivered either to Elvis Stumbergs (Room 6-C325) or Simon Banyai (Room 4-C458) of the Media Bureau of the Federal Communications Commission at 445 12th Street, S.W., Washington, DC 20554. For the non-redacted version of the submission, Qwest is submitting via courier three copies with the Office of the Secretary (one for each docket), along with an additional copy to be stamped and returned to the courier. Qwest is filing the redacted version of its submission (which omits the confidential information) via the FCC's Electronic Comment Filing System.

Please contact me at 303-383-6619 if you have any questions.

/s/ Tiffany West Smink

REDACTED – FOR PUBLIC INSPECTION

Attachments

Two copies of the non-redacted version for delivery to:
Elvis Stumbergs or Simon Banyai

REDACTED – FOR PUBLIC INSPECTION

APPENDIX

Confidentiality Request and Justification

Qwest requests confidential treatment of its Comments on the Role of the Universal Service Fund and Intercarrier Compensation in the National Broadband Plan NBP Public Notice # 19 in GN Docket Nos. 09-47, 09-51 and 09-137, pursuant to the Protective Order, released November 16, 2009 (DA 09-2415), as well as pursuant to 47 C.F.R. §§ 0.457(d), 0.459.

47 C.F.R. § 0.457(d)

Qwest considers information contained in its Comments to be confidential or highly confidential, and proprietary as "trade secrets" and/or "commercial information" or is otherwise confidential under Section 0.457(d) and the November 16, 2009 Protective Order, which defines "Confidential Information" (at paragraph 6) as that "contained in Confidential Documents or derived therefrom that is not otherwise available from publicly available sources." The November 16, 2009 Protective Order defines "Highly Confidential Information" (at paragraph 6) as that "contained in Highly Confidential Documents or derived therefrom that is not otherwise available from public sources and that consists of detailed or granular information regarding the location, type, or cost of last-mile infrastructure used by a Submitting Party to offer broadband service." Qwest believes that some of the information it has designated as highly confidential in its Comments may fall within this definition. To the extent that it may not, pursuant to paragraph 6 of the Protective Order, Qwest is "explaining its reasoning" (in this letter and appendix) for highly confidential treatment. This highly confidential information is relevant to Qwest's ongoing business operations and includes specific financial information that relates to the company's capital structure, revenues and expenses for intercarrier compensation. Not withholding from public inspection this highly confidential information would risk revealing company-sensitive proprietary commercial and financial information. Given the extreme sensitivity of this highly confidential information, Qwest is designating it "Copying Prohibited" pursuant to paragraph 9 of the Protective Order.

Qwest also seeks non-disclosure to the public of the confidential and highly confidential information in its Comments under Section 0.457(d). The information designated confidential is company proprietary information that relates to the debt structure of a Qwest affiliate, disputes with other carriers involving intercarrier compensation and minutes of use of transit services provided by Qwest to other carriers. The information designated as highly confidential is described above and involves Qwest's ongoing business operations, including specific financial information that relates to the company's capital structure, revenues and expenses for intercarrier compensation. Disclosure of this highly confidential information to the public would risk

REDACTED – FOR PUBLIC INSPECTION

revealing company-sensitive proprietary commercial and financial information. Therefore, in the normal course of Commission practice this information should be considered "Records not routinely available for public inspection."

47 C.F.R. § 0.459

Specific information included with this submission is also subject to protection under 47 C.F.R. § 0.459, as referenced on page 8 of the Commission's November 13, 2009 Public Notice, DA 09-2419, as demonstrated below.

Information for which confidential treatment is sought

Qwest requests that its submission containing confidential and highly confidential information be treated on a confidential basis under Exemption 4 of the Freedom of Information Act. The submission contains sensitive trade secrets and/or commercial or financial information which Qwest maintains as proprietary and/or confidential and is not normally made available to the public. Release of the information could have a substantial negative competitive impact on Qwest. Each page of the non-redacted version of Qwest's Comments is marked with the following legend: "**CONFIDENTIAL INFORMATION & HIGHLY CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN GN DOCKET NOS. 09-47, 09-51, 09-137 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION**".

Commission proceeding in which the information was submitted

The filing is being submitted in *In the Matters of International comparison and Consumer Survey Requirements in the Broadband Data Improvement Act*, GN Docket No. 09-47; *A National Broadband Plan for Our Future*, GN Docket No. 09-51; *Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act*, GN Docket No. 09-137.

Degree to which the information in question is commercial or financial, or contains a trade secret or is privileged

The information designated as confidential or highly confidential contains sensitive trade secrets and/or commercial or other information which Qwest maintains as proprietary and withholds from public inspection. This information is not normally made available to the public. Release of the information could have a substantial negative competitive impact on Qwest.

REDACTED – FOR PUBLIC INSPECTION

Degree to which the information concerns a service that is subject to competition; and manner in which disclosure of the information could result in substantial competitive harm

The type of sensitive trade secrets and/or confidential commercial or financial information involves Qwest's ongoing business operations, including specific financial information that relates to the company's capital structure, revenues and expenses for intercarrier compensation. It also includes information that relates to the debt structure of a Qwest affiliate, disputes with other carriers involving intercarrier compensation and minutes of use of transit services provided by Qwest to other carriers. This sensitive, proprietary internal Qwest information would generally not be subject to routine public inspection under the Commission's rules (47 C.F.R. § 0.457(d)), which demonstrates that the Commission already anticipates that the release of this kind of information likely would produce competitive harm. Qwest confirms that release of this information would cause it competitive harm by allowing competitors to become aware of sensitive trade secrets and/or confidential commercial or financial information regarding the operation of Qwest's business.

Measures taken by Qwest to prevent unauthorized disclosure; and availability of the information to the public and extent of any previous disclosure of the information to third parties

Qwest has treated and treats the information disclosed in its Comments as confidential and has protected it from public disclosure to parties outside of the company.

Justification of the period during which Qwest asserts that the material should not be available for public disclosure

Qwest cannot determine at this time any date on which this information should not be considered confidential or would become stale for purposes of the current action, except that the information would be handled in conformity with general Qwest records retention policies, absent any continuing legal hold on the data.

Other information that Qwest believes may be useful in assessing whether its request for confidentiality should be granted

Under applicable Commission and court rulings, the information in question should be withheld from public disclosure. Exemption 4 of the Freedom of Information Act shields information that is (1) trade secrets or commercial or financial in nature; (2) obtained from a person outside government; and (3) privileged or confidential. The information in question satisfies this test.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matters of	)	
	)	
International Comparison and Consumer Survey Requirements in the Broadband Data Improvement Act	)	GN Docket No. 09-47
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act	)	GN Docket No. 09-137

COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC. ON THE ROLE OF THE UNIVERSAL SERVICE FUND AND INTERCARRIER COMPENSATION IN THE NATIONAL BROADBAND PLAN
NBP NOTICE # 19

Craig J. Brown
Timothy M. Boucher
Tiffany West Smink
Laurel L. Burke
Suite 950
607 14th Street, N.W.
Washington, DC 20005
303-383-6619
craig.brown@qwest.com
timothy.boucher@qwest.com
tiffany.smink@qwest.com
laurel.burke@qwest.com

Attorneys for Qwest Communications International Inc.

December 7, 2009

REDACTED – FOR PUBLIC INSPECTION

TABLE OF CONTENTS

Page

SUMMARY ii

I. INTRODUCTION 1

A. Universal Service Programs Should Be Reformed To Promote Universal Access To Broadband Services 2

B. The Commission Should Implement A Universal Service Broadband Program That Provides One-Time Grants To Deploy Broadband To Unserved Areas 3

C. Reform Of The Existing High-Cost Support Mechanisms Is An Essential Precursor To Meaningful Broadband Support 4

D. The Commission Should Consider A Pilot Program To Subsidize Broadband Services For Low-Income Consumers 6

E. The Commission Should Move To A Contribution Mechanism Based On Assessable Numbers And Connections 7

F. Intercarrier Compensation Must Be Reformed To Enable A Rational Compensation System In Today's Competitive Marketplace And Enhance Broadband Deployment 10

1. Qwest's Plan 11

2. ICC Revenue Replacement Mechanism 13

3. Transition 14

II. SPECIFIC RESPONSES 15

1. Size of the Universal Service Fund. 15

2. Contribution Methodology. 16

3. Transitioning the Current Universal Service High-Cost Support Mechanism to Support Advanced Broadband Deployment. 19

4. Impact of Changes in Current Revenue Flows 26

5. Competitive Landscape. 35

6. High-Cost Funding Oversight. 38

7. Lifeline/Link Up. 39

III. CONCLUSION 44

REDACTED – FOR PUBLIC INSPECTION

SUMMARY

Universal Service Reform. Qwest's fourteen-state service territory is largely very rural, but the federal universal service high-cost support it receives does not match the high-cost nature of this territory. Twice the Tenth Circuit has invalidated the mechanism by which non-rural carriers receive support and yet the mechanism remains in place and distributes support that is not well-targeted to the high-cost areas it is intended to support. Additionally, the current high-cost support program provides inappropriate and inefficient subsidies to wireless carriers, and may provide excessive subsidies for carriers serving areas with an unsubsidized wireline competitor. The existing high-cost support mechanisms must be reformed to better target high-cost support for voice services to where it is most needed. Further, wireline universal service has been reached such that additional funding of capital costs for wireline deployment under the existing high-cost mechanisms is inefficient and unnecessary. Existing high-cost support for voice services needs to be retargeted and transitioned to only support maintenance costs of networks providing those services in high-cost areas.

The Commission should also move forward with implementing a universal service broadband program. The program should be distinct from the existing universal service support mechanisms and should be a competitive bidding mechanism that provides one-time grants to a single winner to deploy broadband to unserved areas. As support provided under existing high-cost mechanisms is phased down, the funds no longer needed can be shifted to support this broadband program.

The Commission should also consider a pilot program to subsidize broadband services for low-income consumers. The pilot program should encompass three distinct programs: one that subsidizes the recurring broadband service rate, one that subsidizes consumer equipment for

REDACTED – FOR PUBLIC INSPECTION

broadband access, and an Internet education program. Providers could choose to participate in one or more of the programs as eligibility criteria for each program permitted.

The Commission should move to a universal service contribution methodology based on assessable numbers and connections. The existing contribution mechanism is in critical need of reform. The current methodology is increasingly difficult to apply to new communications technologies and services that are not easily categorized as intrastate or interstate, as telecommunications services or information services. The Commission must implement a new methodology that is easier for both USAC and communications carriers to administer, easier for customers to understand, and affords a more competitively neutral application of universal service contributions in today's telecommunications marketplace.

Intercarrier Compensation Reform. The Commission must restructure intercarrier compensation to enable a rational compensation system in today's competitive telecommunications market and to enhance broadband deployment. The current system is unsustainable, with carriers paying and receiving vastly different amounts for services which are often functionally identical. The Commission should take immediate steps to unify components of the system that are indisputably under its jurisdiction.

As a critical first step towards comprehensive ICC reform the Commission should address interstate originating and terminating access, local interconnection and all CMRS-LEC interconnection, such that all per minute of use charges go to $0.00 with each carrier having an end-user customer involved in the call (either originating or terminating) responsible for carrying traffic between the end user and its edge. Revenue reductions resulting from this change should be offset on a revenue-neutral basis through a revenue replacement mechanism that would consist of (1) increases in the federal SLC up to a new cap and (2) a new explicit support fund --

REDACTED – FOR PUBLIC INSPECTION

the ICC replacement fund. An ICC revenue replacement mechanism is necessary in order to sustain cash flows that fund private reinvestment in broadband networks and to satisfy the legal requirement that carriers have a reasonable opportunity to recover their costs.

The current ICC mechanisms should be phased out over a three-year period in equal increments and the SLC increases and the ICC replacement fund should be phased in over the same period in order to keep the transition revenue neutral with the base period revenues. The IAS and ICLS funds should be transferred to the ICC replacement fund, but support provided to CETCs from these funds should be discontinued. CETC frozen IAS and ICLS support should be phased out over seven years and transferred to support one-time broadband grants to unserved areas.

Size of the Universal Service Fund. When the federal universal service fund is expanded to provide support for broadband deployment and services, the Commission will need to reallocate funding among the existing programs in order to keep the size of the fund in check. This should include reallocating high-cost funds that become available from the transition to a maintenance fund for voice services to support for broadband deployment in unserved areas.

Contribution Methodology. The Commission should move to a numbers- and connections-based contribution methodology such that contributions would be based on a flat-rate fee per assessable telephone number and a flat-rate fee per assessable connection. This approach should help eliminate customer confusion regarding universal service assessments and restore the competitive neutrality of the surcharges by enabling their more uniform application across the industry.

Transitioning the Current Universal Service High-Cost Support Mechanism to Support Advanced Broadband Deployment. The existing high-cost support mechanisms

REDACTED – FOR PUBLIC INSPECTION

should be phased down to a maintenance fund for voice services in high-cost areas. At the same time, the Commission should establish a universal service fund to support deployment of broadband to unserved areas through a competitively-neutral, competitive-bidding mechanism that awards one-time grants to a single winner. The unserved area should be identified either by the bidder or by the Commission based on area-specific broadband mapping data. The grants should support broadband deployment, and projected operational expenses to maintain the network for the grant period. Eligible Telecommunications Carrier (ETC) requirements should apply only for the grant. Using a competitive bidding mechanism, the Commission could "cap" the broadband deployment fund by limiting the amount of support it would grant in a given year.

Impact of Changes in Current Revenue Flows. To most effectively accomplish universal access to voice and broadband services, universal service support should not be provided where at least one wireline provider is offering those services to specific customers without universal service support. It is critical, however, that high-cost support still be available for serving customers in high-cost areas that do not have service available from an unsubsidized provider.

With respect to ICC, Qwest is involved in numerous disputes over the proper compensation arrangement for different types of traffic including IP voice traffic on the PSTN, VNXX, and certain other phantom traffic. It is inherently impossible to quantify with accuracy the scope of these disputes, but, the magnitude of all ICC disputes is significant by any measure. Comprehensive ICC reform could potentially eliminate these problems and thereby significantly assist broadband deployment.

While not directly impacted by comprehensive ICC reform, clarification of the regulatory status of transit services would also eliminate another significant area of disputes where Qwest

REDACTED – FOR PUBLIC INSPECTION

and other carriers are either currently not being compensated for transit services they provide or are significantly under-compensated for those services. This will also help support broadband deployment. But, while this will result in savings due to the elimination of a variety of arbitrage schemes, it will also be critical as discussed above and below that that Commission adopt an adequate ICC revenue replacement mechanism as part of any ICC reform. If not, ICC reform would put broadband deployment at risk.

Competitive Landscape. The Commission should revisit existing carrier of last resort (COLR) obligations for voice service and any COLR obligations for broadband service should be co-extensive and consistent with universal service broadband support.

High-Cost Funding Oversight. A competitive bidding process for broadband deployment grants would enable the Commission to mandate reporting requirements and other oversight mechanisms as part of the terms of the grant award. As the Commission considers appropriate oversight mechanisms for a universal service broadband fund, it should take steps not to replicate the problems that have been identified in the audit processes of the current universal service programs.

Lifeline/Link Up. The Commission should consider implementing a universal service program that subsidizes broadband services for low-income consumers. Under the program the Commission should not require broadband providers to sell or provide broadband devices if they do not otherwise sell such equipment. A broadband universal service program for low-income customers should address the problems of the existing universal service low-income program including consumer oversubscription, ineffective outreach, lack of effective validation and verification of eligible consumers and inappropriate self-certification by consumers.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matters of	)	
	)	
International Comparison and Consumer Survey Requirements in the Broadband Data Improvement Act	)	GN Docket No. 09-47
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act	)	GN Docket No. 09-137

COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC. ON THE ROLE OF THE UNIVERSAL SERVICE FUND AND INTERCARRIER COMPENSATION IN THE NATIONAL BROADBAND PLAN NBP NOTICE # 19

Qwest Communications International Inc. (Qwest), submits these comments in accord with the Federal Communications Commission's (Commission) *Public Notice* in the above-referenced dockets.[1]

I. INTRODUCTION

In these comments, Qwest responds, as requested in the *Public Notice*, to the specific questions presented in the *Public Notice*. However, it is necessary to first put Qwest's responses in the context of its overall universal service fund (USF) and intercarrier compensation (ICC) advocacy.

[1] *Public Notice*, GN Docket Nos. 09-47, 09-51, and 09-137 "Comment Sought on the Role of the Universal Service Fund and Intercarrier Compensation in the National Broadband Plan," NBP Notice # 19, DA 09-2419, rel. Nov. 13, 2009.

A. Universal Service Programs Should Be Reformed To Promote Universal Access To Broadband Services

Qwest provides voice, data, Internet and video services nationwide and globally. Qwest provides service in Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming. Its service territory in these fourteen states encompasses 272,000 square miles. As of December 31, 2008, Qwest provided 11.6 million voice grade access lines and 2.8 million broadband lines to customers in its territory[2] and currently has broadband available to 86 percent of its customer base.

Qwest's ILEC territory includes many rural communities and areas of low household density. In many cases the low density areas served by Qwest are also an extended distance from the nearest town. In areas of low household density Qwest experiences low loop density and loops of extremely long length. In fact, Qwest has 175 wire centers with local loop density of fewer than ten access lines per square mile.[3] As an example of long loop lengths, in the wire centers of Douglas, Wyoming and Gillette, Wyoming, Qwest serves customers with local loops in excess of 75 miles.

Despite the extremely rural nature of Qwest's service territory, Qwest receives less than 1% of the federal funds allocated to support rural facilities deployments, and less than 6.7% of

---

[2] Form 10-K of Qwest Communications International Inc., filed with the U.S. Securities and Exchange Commission, Feb. 13, 2009, at 2.

[3] By contrast, within the Washington, D.C. city limits there are approximately 10,000 access lines per square mile. Washington, D.C. proper is 68.3 square miles. http://en.wikipedia.org/wiki/Washington,_D.C. Verizon has reported 668,803 access lines in D.C. to NECA. The NECA file is available at the following link: http://www.fcc.gov/wcb/iatd/neca.html. The file from the 2007 Report is in the zip file USF08R07.zip and the file within the zip is USF2008LC08. The switched access line count for Verizon of DC is in cell R990.

REDACTED – FOR PUBLIC INSPECTION

the federal funds allocated to non-rural companies. Twice, the United States Court of Appeals for the Tenth Circuit has stricken the allocation methodology for high-cost support to non-rural carriers, yet it remains in place today. Qwest agrees with NCTA and others that reform of the existing high cost subsidy mechanisms are an essential precursor to any meaningful broadband support.

B. The Commission Should Implement A Universal Service Broadband Program That Provides One-Time Grants To Deploy Broadband To Unserved Areas

The primary purpose of any universal service broadband deployment subsidization should be to aid construction of facilities in *unserved* areas. But, the support should not subsidize competition or build duplicate networks. For the unserved areas, only a single provider of broadband, regardless of the technology used, should receive federal universal service high-cost support. Additionally, universal service support for broadband deployment should be a separate funding mechanism that is independent of existing support mechanisms for voice services.

Consistent with these principles, Qwest recommends using a competitive bidding mechanism to award broadband deployment universal service support as a one-time grant to a single winner. To maintain the competitive neutrality of the program, any provider that meets certain pre-established service quality and pricing standards should be permitted to bid.

For purposes of identifying unserved areas, an area should be defined as unserved if it does not have a service available that offers speeds of at least 768 kbps. But, to qualify to receive universal service broadband support, a provider must commit to deploy broadband service at a minimum speed of 7 mbps.

A pre-determined amount of annual grant funding should be allocated to the states based upon their proportion of unserved households compared to unserved households nationally. States would administer the competitive bidding process using Commission guidelines. Eligible bidders would submit proposals for deploying broadband infrastructure and providing broadband services for the term of the grant period, similar to the ARRA proposals. But, other parties may file their intention to bid on the same unserved area within 30 days of the initial party's filing in order to commence a competitive bidding process. Either the bidder could propose the unserved area it wished to serve, or the Commission could propose an unserved area for bid. In the early years of the program, the Commission should target unserved areas where it is less costly to provide broadband service, in order to maximize the number of unserved households connected each year. Winning bidders should be limited to charging no more than 125% of the state-wide average rate for comparable broadband service. Only after all unserved areas have broadband access should universal service funds be used to increase broadband speeds in underserved areas. By instituting this new USF strategy to spur broadband to unserved areas, the Commission can ensure progress toward the goal of universal access to broadband services in a rational and cost-effective manner.

C. Reform Of The Existing High-Cost Support Mechanisms Is An Essential Precursor To Meaningful Broadband Support

Few commenters would contend that the existing federal high-cost universal services support mechanism is not badly broken and in need of serious repair. Some extremely rural areas served by Qwest and others receive no support at all, while in other areas wireline companies receive significant support where wireline competitors have built without subsidies. Moreover, wireless companies received hundreds of millions of dollars to overbuild existing

providers and each other, often in areas that could not reasonably be considered rural or high cost. The exponential growth in the federal fund over the last several years is testament to these errors in application.

A more targeted approach to the existing wireline fund is necessary for fairness, for competitive neutrality, and to provide the funding needed to support broadband deployment in unserved and uneconomic areas. If properly implemented, proposals like that recently offered by the NCTA may offer a reasonable framework for USF reform. However, any plan must be carefully crafted to provide support everywhere it is needed, and eliminate support everywhere it is not. The NCTA plan fails in this regard by drawing arbitrary lines of availability at 75% of a wire center, and by continuing many of the most inefficient and inappropriate aspects of the current subsidization of wireless carriers.

The arbitrary nature of the NCTA plan can be demonstrated by looking at data from the state of Wyoming. In the 29 Qwest Wyoming wire centers, approximately 82 percent of the households live within town boundary limits. A high proportion of the towns have cable providers or CLECs that provide alternative voice services within the town. However, the physical area occupied by these towns represents less than one percent of the territory that Qwest serves in Wyoming. The Qwest customers that represent 18 percent of its Wyoming customer base are situated in an area of over 35,400 square miles. The customer density for these areas is 1.2 customers per square mile. Thus, the NCTA proposed trigger misses its intended mark. Adequate universal service support must be provided for all customers situated outside areas which have unsubsidized competitive alternatives.[4]

---

[4] In fact, the rationale underlying NCTA's proposal compels this conclusion. The core of NCTA's plan is the elimination of all subsidies where a second, competitive firm has chosen to

REDACTED – FOR PUBLIC INSPECTION

It is time to recognize that wireline universal service has been reached. Additional funding of capital costs for wireline deployments are inefficient and unnecessary. The existing high-cost support programs for voice services should be transitioned to only support maintenance costs of networks providing those services in high-cost areas. As that support is phased down, the funds no longer needed can be shifted to support the universal service broadband deployment program. But, prior to implementing this transition, the Commission has a legal obligation to remedy the non-rural high-cost support mechanism in accord with its obligations under the Tenth Circuit's remand invalidating the existing mechanism.[5] All rural high cost lines should be treated alike. Support should not depend on the identity of the provider.

In addition, the commission must eliminate the inappropriate and inefficient subsidies being provided to wireless carriers. As Qwest has proposed previously, the first step should be to immediately eliminate subsidies for more than one wireless phone in a household. There is simply no rational justification for granting subsidies to wireless providers that are three and four times those granted the wireline incumbent. Yet that is often the result of this misguided policy.

D. The Commission Should Consider A Pilot Program To Subsidize Broadband Services For Low-Income Consumers

With respect to the Low-Income Program, the Commission should consider a program that would make more affordable broadband services available to low-income consumers, with a

---

build facilities-based service using private capital. But, if subsidies are to be denied where all wireline competition exists, conversely, subsidies must be granted where no wireline competition exists. That a facilities-based competitor may exist within a wire center has no bearing on the lines served by that wire center that are not served by the competitor. Presumably, if those lines are unserved by the competitor, it is because it is not economic for the competitor (or the incumbent) to do so at current prices. Universal service support for those lines would be appropriate.

[5] *See Qwest v. FCC,* 398 F.3d 1222 (10th Cir. 2005); *mandamus denied as moot*, Case No. 09-9502, 10th Cir. Mar. 20th 2009.

goal of increasing broadband penetration to those consumers. A low-income pilot program should be designed to evaluate whether and how subsidizing recurring subscription costs for broadband service, subsidizing fixed costs of obtaining computer equipment, and consumer education increases broadband penetration among low-income consumers. The pilot program should consist of three separate programs -- (1) support that subsidizes the recurring broadband service rate; (2) support that subsidizes the customer equipment needed to access broadband service, and (3) an Internet education program -- with different provider participants across the programs. Providers could choose to participate in one or more of the programs as eligibility criteria for each program permitted. Once there is some experience with providing subsidized broadband services to low-income customers, the Commission can evaluate whether or what type of support is needed to increase and sustain use of broadband services by low-income consumers.

E. The Commission Should Move To A Contribution Mechanism Based On Assessable Numbers And Connections

The Commission should also reform the methodology for contributing to the universal service fund and move to a hybrid numbers and connections based mechanism. Since the Commission's first decision to use interstate and international telecommunications service revenues as the basis for assessing FUSF contributions, the Commission has had to continually refine, modify, and clarify what services are and are not FUSF-assessable and how they should be assessed.[6] The existing FUSF contribution methodology is increasingly a patchwork of Form

[6] *E.g.*, *In re Policy and Rules Concerning the Interstate, Interexchange Marketplace, Implementation of Section 254(g) of the Communications Act of 1934, as amended, 1998 Biennial Regulatory Review – Review of Customer Premises Equipment and Enhanced Services Unbundling Rules In the Interexchange, Exchange Access And Local Exchange Markets*, CC Docket Nos. 96-61 & 98-193, Report and Order, 16 FCC Rcd 7418 (rel. Mar. 30, 2001) ¶¶ 47-

REDACTED – FOR PUBLIC INSPECTION

499-A instruction clarifications and Commission decisions that leave too many gaps as to the proper contribution treatment of new services that are not easily classified as telecommunications services or information services, as interstate or intrastate. Providers attempt to impose these classifications on their services for contribution purposes only to find that others in the industry are drawing different distinctions. In today's market where FUSF assessments can constitute a 12% difference in the price of competitive services, inconsistent industry application of FUSF assessments can constitute competitive harm.

The Commission needs to reform the universal service contribution methodology. Universal service contributions need to be competitively neutral both as to what types of providers are contributing and how they are contributing. Universal service contributions should not influence or drive customer purchasing behavior. As telecommunications technology fortunately but relentlessly advances, determining revenues generated from interstate telecommunications services has become more complex. It is harder to separate interstate from intrastate revenues as (1) newer technologies have neither the need nor the ability to monitor the physical end points of the communications they enable, (2) services simultaneously enable

---

54; *In re Universal Service Contribution Methodology, Federal-State Joint Board on Universal Service, 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, Telecommunications Services for Individuals with hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format, IP-Enabled Services*, WC Docket Nos. 06-122 & 04-36, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170. Report and Order and Notice of Proposed Rulemaking, FCC 06-94 (rel. June 27, 2006); *In re Regulations of Prepaid Calling Card Services*, WC Docket No. 05-68, FCC 06-79 (rel. June 30, 2006); *In the Matter of Request for Review by InterCall, Inc. of Decision of Universal Service Administrator*, Order, CC Docket No. 96-45, FCC 08-160 (rel. June 30, 2008).

REDACTED – FOR PUBLIC INSPECTION

interstate and intrastate communications, and (3) new providers generally are not subject to jurisdictional separations. Additionally, telecommunications revenues are increasingly difficult to separate from non-telecommunications revenues as new services, such as IP-enabled services, are difficult to classify and as telecommunications and non-telecommunications services are bundled. Section 254(d) requires that providers of interstate telecommunications services contribute in an equitable and non-discriminatory manner.[7] The statute does not require that providers of interstate telecommunications services contribute based on the *revenues* of their interstate telecommunications services. Thus, the Commission has the authority to move away from requiring contributions on a revenue basis.

The Commission needs to move to a methodology that is easier for both communications carriers and USAC to administer, easier for customers to understand, and that affords a more competitively neutral application of universal service contributions in today's telecommunications marketplace. Moving to a numbers and connections based mechanism will meet these objectives. Additionally, including assessments on interstate telecommunications that are not associated with a telephone number helps to ensure that every provider of interstate telecommunications services is contributing to the universal service fund as required by Section 254(d). There should not be an exception to the per-number assessment for wireless family plan numbers. With respect to the assessable connections, Qwest supports the approach of using tiered, flat-rate fees per connection. However, Qwest does not have sufficient data at this time to assess what number of tiers, where the line is drawn between the tiers, and the flat fees per tier.

[7] 47 U.S.C. § 254(d).

REDACTED – FOR PUBLIC INSPECTION

F. Intercarrier Compensation Must Be Reformed To Enable A Rational Compensation System In Today's Competitive Marketplace And Enhance Broadband Deployment

The need for rapid and decisive action by the Commission to rationalize the system of intercarrier compensation is one of the most pressing issues currently before the FCC. The entire system is fatally flawed, with carriers paying and receiving vastly different amounts for services which are often functionally identical. Access charges themselves are dramatically different than the reciprocal compensation structure pursuant to which local exchange carriers ("LEC") and commercial mobile radio service ("CMRS") carriers exchange traffic. Some services, such as Internet Protocol ("IP") voice services, are currently eligible for local interconnection (to a local Internet Service Provider ("ISP") point-of-presence ("POP")) under the so-called "ESP [enhanced service provider] exemption," despite the fact that the access services provided by an incumbent LEC ("ILEC") to terminate an IP voice call are identical to those used to terminate any other call.

In fact, for the most part there is almost no difference, if any, between the connecting functions among carriers involved in originating or terminating an interstate long distance call, an intrastate long distance call, an IP voice call, a local call, or any other call that makes use of local exchange switching facilities and common lines. Yet, the rates for each are dramatically different. The current system is so arbitrary that it actually accelerates the loss of access traffic and its associated revenue. The inconsistent regulatory structure for each type of intercarrier compensation provides distorted economic signals to the competitive marketplace and is counterproductive to public policy goals of expanding broadband infrastructure. Until the Commission acts to adopt and implement a rational and economically sound plan for intercarrier

compensation, massive industry resources will continue to be wasted, resources that could be utilized for expanding broadband infrastructure.

To reform the intercarrier compensation morass the Commission must take immediate steps to unify components of the system that are indisputably under its jurisdiction. Qwest continues to believe that bill-and-keep-at-the-edge (bill and keep) for all ICC traffic, as outlined in numerous past filings, is the ideal solution for comprehensive ICC reform. But, attempting to create a single global solution acceptable to all communications industry stakeholders has resulted in ten years of false starts in the reform process. Diverse interests among these stakeholders have prevented the adoption of a global unified solution. Thus, Qwest proposes the following basic plan as a significant first-step towards comprehensive ICC reform.

1. Qwest's Plan

The Commission should address interstate originating and terminating access, local interconnection, and all CMRS-LEC interconnection, such that all per minute of use charges go to $0.00[8] with each carrier having an end-user customer involved in the call (either originating or terminating) responsible for carrying traffic between that end user and its edge. Currently, there is a wide range in interstate per minute of use charges among rural carriers, non-rural carriers, and CLECs. Unifying these rates at $0.00 will be a significant step toward a long term intercarrier compensation solution, even though intrastate access rates would not be addressed in this part of the plan. Removing the pricing differences for interstate access and reciprocal compensation would remove incentives for uneconomic routing of traffic, mislabeling of traffic, and arbitrage opportunities from a vast majority of intercarrier traffic.

[8] The rate elements that move to $0.00 rate are: end office switching, tandem switching, and tandem switched transport.

REDACTED – FOR PUBLIC INSPECTION

Under this plan, it will be critical that the revenue reductions caused in taking the per minute of use charges to zero be offset on a revenue neutral basis through a revenue replacement mechanism. This mechanism is described more fully below, but would consist of two components: (1) increases in the Federal Subscriber Line Charge (SLC) up to a new cap and (2) a new explicit support fund – called the ICC replacement fund. This ICC revenue replacement mechanism is necessary, among other reasons discussed below, because ICC revenues are a large portion of carriers' revenue streams that support cash flows that fund private reinvestment in broadband networks.

Qwest's plan also incorporates the following edge definition. The network edge is the point at which traffic is exchanged between carriers. Qwest's plan defines the network edge to be at a tandem switch location or an end office location. Where the level of traffic between the end office switch -- originating or terminating -- and the first point of switching in the adjacent carrier's network (*e.g.*, a LEC's end office switch or an interexchange carrier's tandem switch) meets engineering criteria to justify a direct trunk connection to the end office instead of the tandem, the edge is defined to be the end office location. It is the responsibility of the carrier that owns the end office switch to which the end-user customer is connected (either originating or terminating) to carry traffic between that end user and its network edge. Carriers may utilize their own facilities for connecting to a network edge and/or lease facilities from others to reach a network edge. The carrier that bills the end user (*e.g.*, the originating carrier in the case of a local call or the interexchange carrier in the case of interLATA toll service) is responsible for getting the call from the originating carrier's edge to the terminating carrier's edge.

2. ICC Revenue Replacement Mechanism

Under Qwest's plan, the ICC revenue replacement mechanism would provide for a base-year revenue level (*e.g.*, 2010) for interstate ICC services. As noted, the first aspect of revenue replacement recovery would be an increase in the SLC up to a new cap determined by the Commission. Where revenue neutrality cannot be maintained using SLC increases to the cap, the remaining reduction of ICC revenues would be recovered through the ICC replacement fund. This fund would be generated through the federal USF surcharge mechanism.

For NECA members, the access settlement (for the specified ICC services) would replace the interstate access revenue portion of the base year interstate ICC revenues because pool members receive settlements based on cost, not their collection of per minute of use charges. For LECs that are not members of the NECA pool, the interstate access portion of the replacement revenues for the base year would be the lower of actual interstate access revenues in the base year or the average weighted NECA rate multiplied by the LEC's Interstate access minutes of use for the base year.

An ICC revenue replacement mechanism is necessary for several important reasons. Again, ICC revenues are a large portion of carriers' revenue streams that support cash flows that fund private reinvestment in broadband networks. Unless these revenue streams are replaced, broadband deployment will be jeopardized. The ICC revenue replacement mechanism would also satisfy the legal requirement that, with the adoption of bill and keep or another form of ICC reform, carriers have a reasonable opportunity to recover their costs.[9]

It is also clear that the Commission has authority to implement Qwest's proposal. The SLC increase component is permitted by (inter alia) sections 4(i) and 201-205 of the Act, which

[9] *See Duquesne Light Co. v. Barasch*, 488 U.S. 299 (1989).

REDACTED – FOR PUBLIC INSPECTION

together afford the Commission broad discretion in establishing carrier rates. The new explicit support mechanism, designed to spread costs beyond a specific carrier's consumers, would be warranted by section 254 of the Act, which directs the Commission to ensure that rates paid by customers in high-cost areas are "just, reasonable, … affordable," and "reasonably comparable to rates charged … in urban areas."[10]

3. Transition

The current ICC mechanisms should be phased out over a three-year period in equal increments. At the same time, the SLC increases and intercarrier compensation replacement

---

[10] Indeed, in 2000 and 2001, the Commission found that these provisions justified actions legally identical to adoption of the ICC revenue replacement mechanism proposed by Qwest here. In the *2000 CALLS Order*, the Commission adopted a plan that removed implicit subsidies in price-cap carriers' access charges and "replaced" the relevant revenues by increasing SLCs and creating a new explicit support mechanism, the interstate access support fund. The Commission found authority for raising the SLC in sections 4(i) and 201-205 of the Act, and authority for creating the interstate access support mechanism in section 254. *See In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers*, CC Docket Nos. 96-262 and 94-1, Sixth Report and Order, *Low-Volume Long Distance Users*, CC Docket No. 99-249, Report and Order, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Eleventh Report and Order, 15 FCC Rcd 12962 (2000), *aff'd in part, rev'd in part, and remanded in part*, *Texas Office of Public Util. Counsel et al. v. FCC*, 265 F.3d 313 (5th Cir. 2001), *cert. denied*, *National Association of State Utility Consumer Advocates v. FCC*, 535 U.S. 986 (2002); *on remand*, *Access Charge Reform; Price Cap Performance Review for LECs; Low-Volume Long Distance Users; Federal-State Joint Board on Universal Service*, CC Docket Nos. 96-262, 94-1, 99-249 and 96-45, Order on Remand, 18 FCC Rcd 14976 (2003). Similarly, the *MAG Order* addressed access rates for rate-of-return carriers, raising SLCs and "creat[ing] a universal service support mechanism," the Interstate Common Line Support mechanism, "to replace implicit support in the interstate access charges with explicit support." *See In the Matter of Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers; Federal-State Joint Board on Universal Service; Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation; Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers,* Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45 and Report and Order in CC Docket Nos. 98-77 and 98-166, 16 FCC Rcd 19613, 19617 ¶ 3 (2001) (subsequent history omitted).

fund should be phased in over the same three-year period in order to keep the transition revenue neutral with the base period revenues.

Other aspects of ICC are the Interstate Access Support fund (IAS) and the Interstate Common Line Support fund (ICLS). These two federal funds are existing explicit subsidy portions of ICC, which should be transferred into the intercarrier compensation replacement mechanism for disbursement to the current ILEC recipients. At the same time, support provided from these funds to CETCs should be discontinued. The Commission has tentatively concluded that IAS and ICLS provided to CETCs should be eliminated. CETC Frozen IAS and ICLS should be phased out over seven years and transferred to support one-time broadband grants to unserved areas.

II. SPECIFIC RESPONSES

As noted, it is in the context of these overall proposals for USF and ICC reform that Qwest provides the detailed answers below to the specific questions posed by the Commission in the Public Notice.

1. Size of the Universal Service Fund.
The universal service fund (USF) today consists of high-cost, low income (including the Lifeline and Link Up programs), schools and libraries (the E-rate program) and rural health care support mechanisms.

a. Is the relative size of funding for each support mechanism appropriate to achieve the objective of universalization of broadband?

The relative size of funding for each support mechanism is not appropriate to achieve the objective of universalization of broadband because that objective was not in place when the separate program funding mechanisms were established. The Commission will need to re-evaluate the relative size of the separate support mechanisms once it has clearly identified the

specific goals for each program that will enable the universal availability and adoption of broadband services.

b. Some commenters have urged the Commission to take actions that would increase the size of one or more of the support mechanisms, while others have suggested the total fund size should remain the same. To the extent commenters believe funding should be significantly increased for one or more of the support mechanisms, they should address whether they believe funding should be reduced in other mechanisms, and if so, how such changes would advance the goal of universalization of broadband?

To support broadband deployment to unserved areas, the current mechanisms for providing high-cost support to high-cost, rural and insular areas should not be used. Instead, as Qwest has previously advocated, a separate fund should be created to support broadband deployment to unserved areas.[11] At the same time, the current high-cost universal service support mechanisms that are designed to support voice technology should be transitioned to a fund that supports maintenance of voice services in high-cost areas. As that transition proceeds, high-cost support that is not needed to maintain voice networks in high-cost areas should be moved to support broadband deployment grants in unserved areas.

2. Contribution Methodology.

Numerous commenters have urged the Commission to modify the current methodology for assessing contributions to the universal service fund. For example, commenters have recommended a numbers or connections-based methodology, an expanded revenue-based methodology, or some combination of the two.

Under the existing statutory scheme for the federal universal service fund, Qwest supports moving to a hybrid numbers-connections contribution mechanism.

a. Commenters should explain how their preferred solution would impact end users, who ultimately bear the cost of universal service through carrier pass-through charges. Commenters should identify with specificity all assumptions.

---

[11] *See, e.g., ex parte* letter from Melissa Newman, Qwest, to Ms. Marlene Dortch, Secretary, Federal Communications Commission, CC Docket No. 96-45, WC Docket Nos. 05-337 and 06-122, filed Sept. 24, 2008 at 3 and n.5 (Qwest Sept. 24 *ex parte*).

Under a numbers-connections hybrid mechanism, end-users would be charged a flat-rate per assessable telephone number and a flat-rate per assessable connection. There would be a single flat-rate for assessable telephone numbers, but there should be some tiers of flat-rates for assessable connections based on connection speeds. The flat-rate universal service assessments should be much easier for end users to understand, as it should eliminate the confusing fluctuation in FUSF charges that customers currently experience. Additionally a flat-rate that is easier for telecommunications providers to administer should reduce the inconsistent FUSF treatment of comparable services across the industry and make it easier for customers to select services based on the communication attributes of the services offered and not the surcharges associated with the services.

b. Commenters should specify how any proposed modifications would alter the relative share of contributions borne by residential consumers as opposed to business consumers.

Data that splits switched services between residential consumers as opposed to business consumers is not available in the FCC's "Telecommunications Industry Revenue Report". As such, Qwest does not have access to data providing the relative share of contributions borne by residential consumers as opposed to business consumers under the current contribution mechanism. The FCC report does provide a breakout of switched services (local exchange and toll) versus private line services (local private line, long distance private line and satellite services). Based on data for the years 2006 and 2007, the percentage of private line revenues of the total revenues subject to universal service contributions has decreased from 19.2 percent in 2006 to 15.8 percent in 2007. The private line services can be considered to be entirely business related. The residential and business switched services comprise the remainder of the revenues subject to the universal service surcharge.

But, even if this data could be used to estimate a current contribution burden allocation between residential and business customers, how that allocation might change under a new numbers-connection mechanism will depend on a variety of factors including the flat-rate determined for numbers and the flat-rates and tiers determined for assessable connections. Qwest does not have the necessary nationwide data to evaluate how different flat-rate fees and tiers would impact the relative contribution burden between residential and business customers.

c. *Commenters should address the anticipated impact of universal service pass-through charges under different contribution methodologies on residential households with different consumption characteristics, such as (i) a household with landline voice service, low interstate usage, and no broadband connection, (ii) a household with landline voice service, moderate interstate usage, an average wireless plan, and a broadband connection; and (iii) a household with landline voice service, a wireless family plan with five lines, and a broadband connection. Commenters should specify all assumptions.*

A numbers-connections contribution mechanism should have no exception to the per-number assessment for wireless family plan numbers. Each wireless number should be assessed. Additionally, all broadband connections should be assessable connections, such that a residential broadband connection would be assessed at the appropriate tiered flat rate. Thus, Qwest would expect that a residential household with the consumption characteristics set out above would be assessed as set out in the chart following. Qwest makes the following assumptions in comparing the effects of a surcharge on interstate revenues and numbers-connections mechanism:

The state specific Subscriber Line Charge (SLC) = $ 6.00

The charge for an average wireless plan = $40.00

The charge for a 5 phone Family Wireless Plan = $130.00

The monthly charges for low interstate toll = $ 2.00

The monthly charges for moderate interstate toll = $10.00

REDACTED – FOR PUBLIC INSPECTION

The wireless interstate safe harbor percentage = 37.1%

The surcharge on interstate revenue = 12.0%

The telephone number fee = $1.00

The consumer broadband connection fee = $1.00

Communication Services	**Using 12% Interstate Surcharge**	**Using a $1 Phone Number Fee and a $1 Connection Fee**
Landline voice service and low interstate usage	**$0.96** ($8.00 x 12%)	**$1.00** (one flat-rate fee for landline voice)
Landline voice service, moderate interstate usage, an average wireless plan, and a broadband connection	**$3.70** ($16.00 x 12%) + ($40.00 x .371 x 12%)	**$3.00** (one flat-rate fee for landline voice, one flat-rate fee per wireless handset; one flat-rate fee for the broadband connection)
Landline voice service, wireless family plan with five lines, and a broadband connection	**$6.51** ($6.00 x 12%) + ($ 130 x .371 x 12%)	**$7.00** (one flat-rate fee for landline voice, five flat-rate fees for wireless, one flat-rate fee for the broadband connection)

If, however, smartphones enable simultaneous wireless voice communications and wireless broadband communications, and the broadband connection is at a sufficient speed to trigger a broadband connection assessment, then the smartphone would be assessed both a flat-rate numbers based assessment and a flat-rate broadband connection assessment.

3. Transitioning the Current Universal Service High-Cost Support Mechanism to Support Advanced Broadband Deployment.

In the past, the Commission and the Federal-State Joint Board on Universal Service have sought comment on various ideas to reform the high-cost mechanism in a manner that would advance broadband deployment. One potential option would be to supplement the existing high-cost programs with one or more additional programs that would target funding for broadband deployment in unserved areas. Another option would be to gradually reduce funding under the existing high-cost programs over a period of years and to transition that funding into a redesigned mechanism that explicitly funds broadband. We encourage both existing eligible telecommunications carriers (ETCs)

REDACTED – FOR PUBLIC INSPECTION

(both wireline and wireless companies) and other broadband providers to address the following questions:

a. *One option would be to maintain the existing universal service programs on a transitional basis to support operating expenses of legacy voice-only networks, but that all new investment would be supported from a new broadband fund.*

The Commission should adopt this approach. For the high-cost program, the existing explicit universal service support mechanisms designed for voice technology should be transitioned to a maintenance fund. At the same time, the Commission should create a separate fund to support broadband deployment to unserved areas.

i. *What would be an appropriate transition plan and path to the new broadband fund?*

The existing high-cost support mechanisms should be phased down to a maintenance fund over seven years. Maintenance fund support would be available where network maintenance costs per line within a wire center are more than 125% of the national average maintenance costs per line. At the same time, the Commission should implement a new fund to provide one-time grants to support broadband deployment to unserved areas. Funding for the broadband deployment support should not depend on the phase down of the existing high-cost support mechanisms. Instead, the Commission should fund that program consistent with how quickly it wishes to deploy broadband to unserved areas.

ii. *What percentage of overall universal service high-cost support already is being used to upgrade infrastructure that can provide broadband service? For instance, what percentage of funding is being used to extend fiber deeper into networks, condition loops, install soft-switches, deploy advanced wireless technology, and perform other network upgrades to support broadband under the Commission's "no barriers to advanced services" policy? Conversely, what percentage of existing support is being used to support voice service over networks that are not broadband-capable?*

The high-cost support that Qwest receives supports only voice services and does not support Qwest's broadband deployment activities. This is evidenced by the fact that Qwest's

high-cost support is less than its total costs to provide, maintain and upgrade its facilities for voice services in the wire centers for which it receives high-cost support. Additionally, the FCC's non-rural High Cost Model, which develops forward-looking costs for determining the size of the non-rural fund, is based on a voice-service-only architecture, and thus calculates non-rural costs without including facilities necessary for broadband deployment.[12] Qwest's use of its high-cost support is also consistent with the statutory requirement that all support received must be used "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." 47 U.S.C. § 254(e). Currently, broadband is not defined as a supported service under the existing high-cost mechanisms.

b. If the high-cost support mechanism is reformed to support deployment of broadband, how should the new mechanism be structured, e.g., a single fund or multiple funds (mobility and/or fixed, middle mile, last mile)? Through what mechanism or by what criteria should funding be awarded? What would be the impact of designing a broadband support mechanism so that a provider's competitive loss of a subscriber results in the loss of associated funding?

There should be a single fund to support deployment of broadband to unserved areas. The funding should be provided through a competitively-neutral, competitive-bidding mechanism that awards one-time grants to a single winner. Each grant would support the costs of deploying broadband infrastructure and providing broadband service in a previously unserved area for a finite time period, *e.g.*, ten years.

For a competitive bidding mechanism that awards one-time grants to a single winner, the Commission should not require that competitive loss of a customer results in the loss of associated funding. First, it would make it very difficult for the bidder to calculate its support bid amount if there is a risk that the grant amount would be reduced after the significant upfront

[12] In contrast, the rural high-cost loop fund is based on embedded costs and includes the costs of fiber loop and loop electronics that provide broadband services.

capital expenses had been made to deploy the infrastructure. As such, it could significantly reduce the incentive of providers to bid in the first instance. Second, given that most, if not all, currently unserved areas are unserved because of the high costs to deploy broadband infrastructure to those areas, it is unlikely that there will be significant competition in those areas for the grant period and thus the need for such a requirement to control the size of the fund is likely not necessary.

c. *Would the size of any broadband funding mechanism be appreciably different if support were calculated based on a forward-looking cost model designed to calculate the lowest total cost of ownership on a technology-neutral basis, as opposed to individual provider submission of actual costs? Response should identify all assumptions.*

Providing support based on individual provider submission of actual costs potentially would create the largest funding mechanism because it would provide no incentive for providers to reduce those costs. Providing support based on a forward-looking cost model may result in a smaller funding mechanism, but a model may provide insufficient support as it is not possible for a model to capture every cost that will be incurred in deploying broadband plant in a specific area. This is especially true where varied technologies can be used to provide broadband services. Instead, providing support using a competitive bidding mechanism should enable funding to be provided in the most efficient manner. Individual bidders will evaluate the costs to deploy and provide broadband service for a specific area with the competitive pressure to enter a bid that will accomplish broadband deployment in the most cost-effective manner.

d. *The current high-cost support mechanism provides a return on net investment (currently 11.25 percent) for rate-of-return carriers, but does not provide direct reimbursement for capital expenditures (capex). Should high-cost broadband funding be limited to supporting a direct one-time reimbursement for new capital expenditures, or should it support both capital and operational expenses? If a new broadband fund did not support broadband operational expenses, how would carriers distinguish between legacy expenses and broadband expenses?*

The high-cost broadband funding should provide a one-time grant that supports capital expenditures, and if necessary, projected operational expenses for the grant period. A bidder will be bidding based on the support it calculates it will need to deploy the broadband infrastructure and provide broadband services for the term of the grant period. To the extent the bidder views that it will need support for operational expenses during the grant period it can incorporate those costs in its bid.

If commenters believe support for ongoing operational expenses is necessary, explain why. Responses should also:

i. Identify the technology and cost assumptions (and how "cost" is defined, i.e., embedded versus forward-looking) used to develop this answer.

ii. Identify the specific infrastructure and facilities that should be supported, such as loops, electronics, backhaul, wireless towers, etc., and why.

iii. Indicate whether the answer to this question depends on the technology (i.e., fiber, hybrid-fiber coaxial cable, wireless, satellite). If so, how and why?

iv. Indicate the types of operational expenses that should or should not be eligible for support from a high-cost broadband mechanism, and why.

The only ongoing operational expenses that should be supported are the costs of maintaining the network. Centralized operational expenses, (*e.g.*, customer operations or corporate operations), should not be supported by universal service funds.

e. If a new high-cost broadband mechanism were to consider all revenues derived from the upgraded plant, what would be the impact and how should those revenues be used in the calculation of support?

Under a competitive bidding mechanism, these revenues would be considered as part of the bidder's calculation of the support needed for the grant period.

f. In disbursing support under a high-cost broadband mechanism, should the Commission take into account broadband grants issued by NTIA or RUS, and, if so, how?

Yes. There should not be significantly overlapping grants that support broadband deployment to the same unserved areas. If a BIP/BTOP grant has been awarded to an area, that area should not be available for additional FUSF broadband support.

g. One option for a broadband mechanism would be to more narrowly target universal service high-cost support to smaller geographic areas and to areas in which broadband service is not available today from any provider. If the Commission were to develop a new broadband support mechanism that is targeted at such areas, what would be the appropriate geographic area for determining the appropriate amount of support? What would be the impact of basing support on the cost of providing broadband in a wire center, a Census Block, a Census Tract, or an area defined by the proposed broadband provider? Explain why the proposed geographic area is preferable to alternatives, and how that would impact the overall size of the high-cost fund. Should the presence of one broadband service provider using any technology preclude support to any provider, or might support still be targeted to a provider offering features that are not available from the existing service, e.g., a mobile broadband service provider where only fixed broadband service is available?

If the FUSF broadband mechanism is focused on providing support to deploy broadband to unserved areas, then using a pre-defined geographic area such as Census Blocks for determining support is not optimal because the pre-defined area may not match the currently unserved area. Under a competitive bidding mechanism, either the potential bidders should identify the unserved area they propose to serve, or the Commission should identify an area that is unserved based on area-specific broadband mapping data. In order to most efficiently serve the purposes of universal service support, broadband support should only be granted to one service provider using any technology per unserved area.

h. What would be the impact of capping the funding available under such mechanisms? How should any such cap be calculated, and should it apply on a per-carrier basis, or to a geographic area, and why?

Capping broadband support would keep the size of the fund contained, but it would likely slow the deployment of broadband to unserved areas given the Commission's estimates of the

cost of expanding broadband.[13] A cap on funding provided on an imbedded cost basis will ultimately push up the benchmark for funding such that only those providers with the highest costs will receive support. Providers with the highest costs may well be those deploying the most expensive infrastructure, such as fiber to the home. Providing funding to support fewer providers deploying the most expensive infrastructure will not effectively accomplish universal broadband deployment.

A cap on funding provided on a forward-looking cost basis likely will not provide the funding that the model has identified as the minimum required to support broadband deployment to high-cost areas. As such, it will provide inadequate support everywhere support is needed or provide no support to areas that are identified as needing support. Either way, it will inhibit universal broadband deployment.

But, enabling broadband deployment using a competitive bidding process to award one-time grants would allow the Commission to cap the funding in a less harmful manner in that it could cap the fund by limiting the amount of support it would grant in a given year. The Commission could also have more control over broadband deployment by providing criteria for the types of unserved areas for which grants would be awarded at a particular time. For example, the Commission could determine that unserved areas with higher population densities would receive priority funding in the first year. This would enable the Commission to maximize broadband deployment to unserved areas while still controlling the size of the fund.

i. Certain ETC requirements today are premised on the provision of voice service. If the Commission were to create a new high-cost support mechanism for broadband, should current ETC requirements be revised, and if so, how?

[13] $20B to $350B per September Commission Meeting on the National Broadband Plan, p.45.

REDACTED – FOR PUBLIC INSPECTION

Yes, under a competitive bidding mechanism for broadband deployment grants, the ETC requirements should only encompass broadband service for the geographic area for which a bidder is seeking broadband support. Thus, a bidder would need to demonstrate that within a reasonable time after being awarded the grant it would be able to offer broadband service and the other supported services throughout the awarded area using its own facilities and it would advertise the availability of those services.

4. Impact of Changes in Current Revenue Flows.

Some commenters assert that any significant reductions in current levels of universal service high-cost support and/or intercarrier compensation would jeopardize their ability to continue to serve customers and advance the deployment of next generation broadband-capable networks. Others assert that the current systems of support and compensation have led to regulatory arbitrage and inefficient investment and have undermined the deployment of advanced communications.

a. What factual analyses should the Commission undertake to test the validity of such arguments?

To test the validity of these arguments, the Commission should determine how rates for high-cost supported services would need to be modified if the recipients of ICC and/or high-cost support were to no longer receive support from these sources. The Commission should then evaluate whether such rates are reasonably comparable to rates charged for similar services in urban areas and whether the rural customers who would be charged these rates would find them affordable. Additionally, the Commission could analyze the effect on the carrier's cash flows if the carrier no longer received the intercarrier compensation and/or high-cost support, to determine the carrier's ability to continue its current capital investment program. The cost of arbitrage and fraud is becoming more apparent through Commission Orders, such as the recent

Reconsideration Order in the complaint against Farmers and Merchants Mutual Telephone.[14] The current ICC regime must be reformed to eliminate these harmful activities and encourage the truly competitive behavior envisioned by the Act. But, while this will result in savings due to the elimination of a variety of arbitrage schemes, it will also be critical as discussed above that the Commission adopt an adequate ICC revenue replacement mechanism as part of any ICC reform. If not, ICC reform would put broadband deployment at risk.

b. *What would be the financial impact of reducing or eliminating high-cost support for carriers in geographic areas where there already is at least one competitor offering broadband (using any technology) today that does not receive any high-cost support?*

For each area for which a response could be provided, respondents to this question would need to know 1) the amount of high-cost support carriers receive for the geographic serving area and 2) what portion of the area is already served by at least one competitor offering broadband (using any technology) today that does not receive any high-cost support. If support is eliminated for an area where an unsubsidized wireline competing carrier offers service, adequate support must be provided for those high cost customers without an unsubsidized competitive alternative. In cases where current high cost support is targeted to the wire center, sub-wire center deaveraging can be introduced where the support can be redirected to the high-cost customers situated outside the lower-cost core area of the wire center. Qwest does not have information on the locations of competitors in order to conduct a special study to develop the impacts of such a policy change.

c. *What would be the financial impact of reducing or eliminating high-cost support for carriers in geographic areas where there already are multiple competitors offering*

---

[14] *See Qwest Communications Corporation v. Farmers and Merchants Mutual Telephone Company,* Second Order on Reconsideration, FCC 09-103, File No. EB-07-MD-001, rel. Nov. 25, 2009.

broadband (using any technology), with more than one of those providers receiving high-cost service support.

Qwest's response here is the same as its response to question 4.b.

d. *To what extent are existing ICC revenues and high-cost support being used to pay debt obligations? To what extent do carriers securitize high-cost support and/or ICC cash flows and, if this is occurring, how often and why? Identify lenders who are willing to securitize ICC and high-cost support cash flows.*

The funds Qwest receives as ICC revenues and high-cost support are commingled with the funds from all of Qwest's other revenues and cash receipts. Qwest uses its commingled funds to satisfy its financial obligations such as, but not limited to, payroll, employee benefits, rent, fuel, materials, supplies, capital expenditures, interest, dividends and repayment of debt. Qwest does not engage in fund accounting. Consequently, Qwest does not account for the use of funds from any particular source for the satisfaction of any particular obligation. Qwest does not securitize high-cost support and/or ICC cash flows. Qwest has not sought out and is not aware of lenders who are willing to securitize ICC and high-cost support cash flows.

e. *For individual carriers or groups of carriers, please provide revenue, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and capex for study areas that receive high cost funding.*

In 2007, Qwest received high-cost model support in four states: Montana, Nebraska, South Dakota and Wyoming.

Year 2007:	($000's)			
	Montana MT	Nebraska NE	South Dakota SD	Wyoming WY
Total Operating Revenues	242,505	309,116	128,722	191,581
EBITDA	154,922	150,196	66,787	117,077
BEGIN CONFIDENTIAL				
[redacted]	[redacted]	[redacted]	[redacted]	[redacted] ***END CONFIDENTIAL***

Source: ARMIS 2007 43-02 Tbl B-1 and Tbl I-1 by state.

f. *For individual carriers or groups of carriers, what percentage of free cash flow (defined as EBITDA minus capex) do high-cost support and/or ICC represent?*

Year 2007: ($000's)

	Qwest Corporation	% of Free Cash Flow
EBITDA	5,276,683	
CAPEX	1,023,016	
Free Cash Flow	4,253,667	
High Cost Support	26,952	0.63%
BEGIN HIGHLY CONFIDENTIAL – COPYING PROHIBITED		
[redacted]	[redacted]	[redacted]
		END HIGHLY CONFIDENTIAL – COPYING PROHIBITED

Source: EBITDA & CAPEX from ARMIS 2007 43-02 Tbl B-1 and Tbl I-1.

g. *Please discuss your capital structure, in particular the amount of debt, weighted average interest rate on debt obligations, length of debt obligations, Net Debt/EBITDA and percentage of revenues devoted to paying interest and principal.*

*****BEGIN CONFIDENTIAL***** [redacted]

[redacted] *****END CONFIDENTIAL*****

h. *The Commission seeks to understand how intercarrier compensation payment flows may impact broadband deployment incentives and how any intercarrier compensation reform may alter or change such incentives. We are particularly interested in factual information or data that addresses the question of how the current intercarrier compensation system either supports or inhibits broadband*

deployment, rather than conclusory assertions that intercarrier compensation should be reformed. Accordingly, the following information is requested:

i. *Entities that pay or receive intercarrier compensation should submit data on their total intercarrier compensation minutes of use, payments and revenues for the last 3-5 years in the aggregate as well as separating terminating traffic into three categories: intrastate access, interstate access and reciprocal compensation. Responses should separate originating access revenues and payments from terminating access revenues and payments, and identify net payments.*

***** BEGIN HIGHLY CONFIDENTIAL – COPYING PROHIBITED*****

*****END HIGHLY CONFIDENTIAL – COPYING PROHIBITED*****

ii. *Identify total intercarrier compensation revenues as a percentage of total revenues (total regulated revenues and as a percentage of overall revenues). Identify total intercarrier compensation expenses as a percentage of total*

expenses (total regulated expenses and as a percentage of overall expenses). Responses should explain any assumptions and any response should include both revenues and expenses.

*****BEGIN HIGHLY CONFIDENTIAL – COPYING PROHIBITED*****

\

*****END HIGHLY CONFIDENTIAL – COPYING PROHIBITED*****

Assumptions:

Regulated revenues and expenses are revenues and expenses subject to separations.

Overall revenues and expenses are total revenues and expenses from the Qwest Corporation or Qwest Communications Corporation ledgers.

Total expenses (both regulated and overall) are total operating expenses including property tax and other operating income/expenses.

iii. Identify the portion of total intercarrier compensation terminating intrastate, interstate and reciprocal compensation traffic that is subject to dispute due to issues or concerns over the proper classification or jurisdiction of the traffic and billing and record issues. Responses should quantify the amount of disputed traffic as a dollar amount or percentage of the total intercarrier compensation traffic either by entity, groups of entities or for the entire industry.

The current ICC system creates arbitrage incentives due to the various rate levels and rate structures that apply based on the type of carrier and the type of traffic. Qwest, like many other carriers, is embroiled in a multitude of disputes as a result of the arbitrage schemes of other carriers. Inherent in each of these problems is the fact that it is impossible to quantify with precision the exact dollar amount of dispute. As a result of certain disputes arising out of these

problems, Qwest has measurements of parts of each of these three dispute areas that easily exceed a combined ***BEGIN CONFIDENTIAL***[redacted]***END CONFIDENTIAL***. Again, this measures just a fraction of the magnitude of just these three particular problems and does not include other problems such as access stimulation that ICC reform should address. But, it demonstrates unequivocally that these problems are significant. These three examples are:

IP voice traffic on the PSTN: Qwest has provided to the Commission the legal basis for its current position on how IP voice traffic should be handled, based on the ESP Exemption.[15] But, others in the industry take other positions. This has led to controversy, disputes, and a lack of clarity as to how IP voice traffic should be defined and what rates should be applied. Qwest has urged the FCC to clarify the law with regard to IP voice traffic. Qwest has also supported the application of access charges as an interim measure, to treat all traffic consistently, until the full intercarrier compensation docket can be concluded.[16] IP voice traffic is growing, and with the implementation of the National Broadband Plan it can only be expected to grow further. Identifying traffic as IP voice traffic is difficult, as there is no technical distinction or industry-recognized, unique SS7 indicator or message that signifies a call as IP voice. Qwest has developed various methods to estimate IP voice traffic, some through negotiation with customers to self-report. But, traffic identification problems and improper IP voice traffic routing by carriers continues.

---

[15] *See* Comments of Qwest Communications International Inc., WC Docket No. 05-337, *et al.*, filed Nov. 26, 2008 at 14-20 and Exhibit 1 ¶¶ 207-38 (Qwest Nov. 26 Comments).

[16] *Id.*

VNXX: This traffic is interexchange, based on the originating and terminating points of the call, but the dialed digits suggest that the call is local due to assignment of an NXX local to the calling party rather than the called party. Qwest has sought clarification from the Commission that reciprocal compensation does not apply to VNXX calls.[17]

Other phantom traffic: It is difficult to estimate the full extent of other phantom or unidentified traffic problems, as the very nature of the traffic makes it difficult to identify and thus quantify. Qwest has supported USTelecom's proposed signaling rules to aid in the minimization of such traffic.[18] Qwest also continuously monitors its network searching for various forms of inappropriate routing that could be labeled as phantom traffic. This includes, by way of example, switched access calls that are terminated either inappropriately through interconnection trunking or with a modified jurisdiction.

iv. Interested parties should identify the total costs that could be avoided if intercarrier compensation reform eliminated or reduced such disputes. In particular, what are the costs associated with the current system of compensation, such as costs associated with billing, traffic monitoring, and dispute resolution, which might be avoided or minimized through unification of compensation rates? Would these costs be avoided if there were some unitary positive rate? Responses should quantify the savings and identify any assumptions and explain how such cost savings were calculated.

It is difficult to say precisely what savings would result as that would depend on the specifics of the reform and any resulting implementation costs that would be required. Generally speaking, a bill and keep reform would largely eliminate both carrier disputes and ICC systems costs. This would be less true for a unitary positive rate reform plan as monitoring and billing would continue. But, disputes and, over the long term, systems costs as well would also be

---

[17] *See, e.g., ex parte* letter from Melissa Newman, Qwest, to Ms. Marlene Dortch, Secretary, Federal Communications Commission, CC Docket No. 01-92, filed Sept. 26, 2007.

[18] *See* Qwest Sept. 24 *ex parte* at 12-13.

reduced in a unitary positive rate reform. Qwest is not able to perform the studies necessary to calculate to the quantity of these savings within the time frame of the *Public Notice*.

v. *What is the total minutes of use (MOU) of transit traffic for entities that provide or utilize transit services for the past five years? What are the transit traffic revenues and expenses per provider and how has this changed over the last five years?*

Qwest is not able, within the time constraints of this *Public Notice*, to provide the minutes of use (MOUs) of transit services that QC (Qwest's RBOC entity) provided to all types of carriers for the past five years. However, to give a magnitude of the transit problem discussed in Qwest's response to question 4.h.vi, below, QC provided***BEGIN CONFIDENTIAL***[redacted]***END CONFIDENTIAL*** MOUs of transit services to carriers of all type during the time period September 2009. Additionally, Qwest records indicated that levels of transit MOUs provide to all carriers has remained steady on a monthly basis over the last five years.

vi. *What would be the impact, if any, of comprehensive ICC reform on transit voice or data rates? If any concerns are identified, identify why ICC reform is the basis for the concern, and how, if at all, this is relevant to the deployment or adoption of broadband.*

The status of transit services should be unchanged by any comprehensive ICC reform with regard to access charges and reciprocal compensation. Transit services are not now covered by reciprocal compensation arrangements under 47 U.S.C. Section 251(b)(5). Nor are they covered by the originating or terminating switched access rates that should be potentially replaced by such reform. As Qwest has detailed in past filings,[19] transit services have a distinct regulatory status. As a result, among other things, transit services are subject to commercially negotiated rates. However, while not directly affected by ICC reform with respect to access and

[19] Qwest Nov. 26 Comments at 23-26.

reciprocal compensation, the industry would greatly benefit from the Commission's clarification of this distinct regulatory status consistent with Qwest's past filings.[20] This would eliminate another significant area of disputes where Qwest and other carriers are currently not being compensated for transit services that they provide or are significantly under-compensated for those services. As indicated by the MOU figures discussed in Qwest's response to question 4.h.v, above, this problem is also obviously significant. Elimination of this problem will also materially assist in broadband deployment.

Qwest is not clear what is intended by the reference to transit data services. Transit services occur when an intermediate carrier, one that has no relationship with an end user involved in the traffic at issue, transports traffic received from the calling party's carrier to the non-IXC terminating carrier (who has the customer relationship with the called party end user). The definition stated in Footnote 9 of the *Public Notice* appears to be consistent with this definition of transit voice services. If by rates for transit data services, the Commission means tariffed special access rates and/or broadband services now offered on a non-dominant common carrier basis following forbearance, those services would also not be affected by ICC comprehensive reform.

5. Competitive Landscape.

In 1997, the Commission adopted a principle of competitive neutrality to guide its future policymaking, concluding that universal service rules should neither unfairly advantage nor disadvantage one provider over another, and neither unfairly advantage nor disadvantage one technology over another. Today, the high-cost fund provides support to some facilities-based broadband providers, but not others. Moreover, virtually all incumbent local exchange companies operating in rural high-cost areas have carrier of last resort (COLR) obligations for voice service, while other providers that are offering voice, video and/or broadband in such areas do not.

---

[20] *Id.*

a. *How does this disparity in regulatory obligation impact the economics of deploying broadband in rural areas? Should the national broadband plan evaluate whether COLR obligations should be revisited in light of the changing competitive landscape? If so, how and why?*

Carriers who have COLR obligations for voice service in rural areas bear costs that their competitors without such obligations do not. While a competitor will choose to provide service in lower costs areas, such as in a rural town, it can choose not to provide service to those customers located farther out of town. The COLR, however, will have the COLR obligation to provide service to those customers and will incur the higher costs of the deployment and maintenance of voice service to those higher-cost areas. As a result, a carrier with COLR obligations will have greater expenses and thus fewer financial resources than its competitors to deploy broadband service, even where high-cost support is available to offset some of the costs of providing service to those higher-cost areas.

Yes, COLR obligations should be revisited. Current COLR obligations for voice service should not be extended to broadband. The support for preserving and advancing universal access to basic telecommunications services should not be tied to broadband deployment and service obligations, especially where the funding is not for the direct purpose of supporting those broadband obligations and does not recognize and address the costs of those obligations. Any such extension of existing COLR obligations to broadband only imposes risk that providers who cannot meet the additional broadband COLR obligations will not only fail to deploy broadband, but also fail to sustain basic telephone service in high-cost areas, due to the loss of federal support needed to provide those services.

Any COLR obligations for broadband should be co-extensive and consistent with the universal service broadband support. Thus, under a competitive bidding mechanism, the

winning bidder could have a COLR obligation for the area for which the grant was awarded and for the term of the grant. Similarly, if a provider is only receiving targeted universal service support to maintain its broadband network in a specific area, any COLR obligation should be limited to the targeted area in which it has already deployed its infrastructure. There should not be a COLR obligation to expand its broadband network footprint.

Also, if the cost of providing the supported level of broadband service to certain locations in a supported area is not economically reasonable, the COLR should be permitted to meet its obligations through alternative means, such as working with a satellite broadband provider to provide the broadband service.

b. Should the broadband plan recommend that COLR obligations be removed or modified if any entity no longer is receiving universal service support?

Yes.

c. What would be the impact of requiring all entities that accept universal service support for broadband to assume some form of COLR obligation for broadband?

If it is only one provider in an area being supported, it may be appropriate to impose a COLR obligation to ensure universal availability of broadband. But, if more than one provider is receiving broadband universal service support in the same area, this seems to be excessive both as to support provided and COLR obligations imposed. Arguably, by definition, only one provider should be the "carrier of last resort" in a given area. Universal service support for broadband should be limited to one provider per unserved area, which in turn will appropriately limit the area to at most one "carrier of last resort."

d. What would be the impact of requiring entities that accept universal service support for broadband to offer the underlying transmission on a common carrier basis?

Qwest is not certain of the intended scope of this question. Qwest already offers business enterprise broadband services, which would include services that could support third-party broadband offerings, on a common carrier non-dominant basis. However, any further obligation to offer the underlying transmission of broadband services on a common carrier basis would be contrary to existing law, unnecessary to encourage the provision of broadband on an economic basis and would materially discourage broadband investment.

6. High-Cost Funding Oversight.

What appropriate oversight and accountability mechanisms would be needed to minimize waste, fraud and abuse and to ensure that recipients of any broadband high-cost support use the funds as envisioned?

For a competitive bidding mechanism awarding one-time grants for broadband deployment to unserved areas, part of the bidding process should include requiring each bidder to submit a timeline for its expected deployment of services. The winning grant recipient should then be required to submit annual reports to USAC or the appropriate state agency as to the status of meeting that timeline. Similarly, recipients should be required to provide annual reports on other requirements imposed as terms of receiving the grant.

Further, it is important for the Commission to take steps to ensure that universal service support is being used effectively and appropriately to achieve the goals of the universal service fund. At the same time, it is important that the Commission make effective use of limited auditing resources. In the last few years the Commission has stepped up its use of audits to identify and deter waste, fraud, and abuse in the universal service programs. As audits, and particularly random audits, play an increasing role in the programs, it is critical that these audits are executed in a manner that is cost-effective and not unduly burdensome for the parties

involved. As the Commission considers funding universal service support for broadband, it should take this opportunity to implement an audit process for that program that will not replicate flaws in current universal service audits.

As the Commission develops broadband universal service support program rules, it should establish guidelines for what constitutes material non-compliance with those rules. Audit findings below the materiality threshold should not result in monetary recovery or findings of non-compliance and should not require further response or action by the auditors or the entity subject to the audit. Focusing audits on material non-compliance should enable USAC and the Commission to more easily identify and correct significant instances or trends in misapplication of program rules and misuse of program funds. This would be a better application of limited resources for all parties involved.

Additionally, the Commission should limit audits to program requirements that are specific and unambiguous. Those being audited must know beforehand to what standards they will be held. Audits should be limited only to Commission rules and published USAC policies and practices and should not include compliance with unpublished USAC administrative policies and practices.

Further, audits should not be overly burdensome. Absent evidence of fraud or abuse in an audit, a beneficiary should not be subject to another audit on that program for a period of three years.

7. Lifeline/Link Up.

The Commission previously has sought comment on extending low-income support to establish a Broadband Lifeline/Link Up program. The Commission seeks additional detailed comments on structuring such a program.

Qwest is currently a provider of Lifeline, Link Up, and enhanced Lifeline services throughout its fourteen-state service territory. That program is critical to providing low-income customers with access to basic voice communication services. A universal service program that subsidizes basic broadband services for low-income customers would serve the public interest and should further the universal service goal of increasing adoption of broadband services. Given the varying circumstances experienced by low-income consumers, the costs of any program as well as any underlying economic inefficiencies inherent in deployment in any unserved areas where low-income consumers may reside must be considered. Because the stimulus funding available from the ARRA is unlikely to resolve these cost concerns by itself, the Commission should consider a new program that will provide discounted broadband services to low-income customers, that resembles the current universal service low-income program, but also improves upon it.

Any new program to subsidize communication services to low-income consumers should recognize and not replicate the current flaws of the existing program. These problems include consumer oversubscription, ineffective outreach, lack of effective regular validation/verification of consumers, and inappropriate self-certification by consumers. Additionally, the program should be implemented across various types of broadband providers to assess the whole consumer experience.

a. How should any devices necessary for a low-income broadband program be supported?

The Commission should consider that any subsidy for broadband devices should be available under a program that is distinct from any subsidy on the recurring broadband rate. The Commission should not require broadband providers to sell or provide broadband devices for this

program if they do not otherwise sell such equipment when offering their broadband Internet access service.

c. *What eligibility requirements should apply to consumers participating in a low-income broadband program?*

i. *Should these eligibility requirements be the same as or different from the eligibility criteria in the existing low-income program?*

The eligibility criteria for low-income universal service support should remain primarily income-related criteria. Qwest is not aware of any data that would suggest that different income-related criteria or income levels should be used to determine eligibility for discounted broadband service compared to discounted voice service.

Additionally, eligibility determinations, outreach, subscription and verification responsibilities should shift to the agencies that enroll the consumer in the qualifying social service program. It is these agencies, state by state, that identify the programs upon which Lifeline service eligibility hinges. They are familiar with the consumers and consumers are conditioned to respond to those agencies in order to receive some critical services. As a result, the agencies are much more likely to be effective in reaching the eligible consumer. And, since there may be multiple providers of broadband, confusion for the consumer is also limited by agencies providing the information about any discount program and allowing the consumer to choose.

ii. *If the consumer eligibility requirements should be the same, then should current subscribers in the existing low-income program be automatically enrolled in the low-income broadband program?*

No. Low-income consumers should be permitted to choose whether to participate in the program. Nor should existing Lifeline customers be automatically eligible for the low-income broadband program. At this time, given the problems with oversubscription in the Lifeline

program and with verification of continued customer eligibility, any enrollment in the broadband plan should be used as an opportunity to re-verify eligibility for both programs.

e. One option would be to permit carriers who are not eligible telecommunications carriers (ETCs) to be eligible to participate in a low-income broadband program.

The Commission should consider having the pilot program consist of three separate programs -- (1) support that subsidizes the recurring broadband service rate; (2) support that subsidizes the customer equipment needed to access broadband service, and (3) an Internet education program -- with different provider participants across the programs. Providers could choose to participate in one or more of the programs as eligibility criteria for each program permitted. Preferably, ETC status should not be required to participate in the programs, but within each program, all providers should be subject to the same participation requirements.

i. What would be the impact of requiring providers participating in a low-income broadband program to conduct outreach to inform potential eligible consumers about the program? Quantify the impact on carriers and identify any operational issues. If such outreach is required, should the outreach be the same as or different from the outreach requirements in the existing low-income program? Why or why not?

Qwest's experience with the existing low-income program has revealed that the greatest increases in Lifeline enrollment occur where outreach has been conducted in conjunction with a state, local or tribal agency which enrolls low-income consumers in qualifying government assistance programs, such as the Low Income Home Energy Assistance Program (LIHEAP), Food Stamps, or Temporary Assistance for Needy Families (TANF). Consequently, Qwest recommends that for any new communications subsidy program for low-income consumers the Commission should encourage state commissions to work with other state, local and tribal agencies and carriers to implement cost-effective state-wide outreach regarding the program

services. As Qwest has advocated with respect to the existing low-income program,[21] if state agencies incorporate low-income program outreach and applications into their existing enrollment processes for qualifying programs, individual states would be able to maximize the effectiveness of each outreach dollar spent and improve the enrollment of their qualified citizens.

Eligibility determinations, outreach, subscription and verification responsibilities should shift to the agencies that enroll the consumer in the various social service programs which then make the consumer eligible for broadband services. It is these agencies, state to state, that administer the programs upon which Lifeline service eligibility hinges. They determine eligibility for particular individuals or households. So for example, when an agency determines a consumer is eligible for LIHEAP, the LIHEAP agency should also notify the consumer of eligibility for low-income broadband support. They are familiar with the consumers and in turn, consumers are conditioned to respond to those agencies in order to receive some critical services. As a result, the agencies are much more likely, to be effective in reaching the eligible consumer.

i. How can the Commission protect against waste, fraud, and abuse in any low-income broadband program it establishes?

As described above, providing state social services agencies with the responsibilities for the program reduces the likelihood of oversubscription and ineligible self-certifications. Additionally, once there is some experience with operating broadband networks to low-income consumers with a variety of providers, areas and terrain, the Commission can work with the pilot program communities to evaluate these programs and determine the next steps for protecting against fraud and abuse. The Commission can also evaluate whether or to what extent additional

[21] *See* Comments of Qwest Communications International Inc., GN Docket No. 09-51, filed June 8, 2009 at 15; Comments NBP Public Notice #5 of Qwest Communications International Inc., GN Docket Nos. 09-47, 09-51, 09-137, filed Nov. 9, 2009 at 7.

REDACTED – FOR PUBLIC INSPECTION

support may be needed for broadband operational costs in high-cost areas, and whether or what type of support is needed to increase and sustain use of broadband services by low-income consumers.

III. CONCLUSION

The Commission has a formidable task before it in modifying its regulatory structures regarding universal service and intercarrier compensation to effectively and efficiently support and enhance the communications industry in a broadband world. The Commission's extensive input from the industry and the public as to how to best accomplish these changes should enable the Commission to formulate a strong national broadband plan. But, most critically, the Commission must press ahead and implement successful reform of the universal service programs and the intercarrier compensation regime.

Respectfully submitted,

By: /s/ Tiffany West Smink
Craig J. Brown
Timothy M. Boucher
Tiffany West Smink
Laurel L. Burke
Suite 950
607 14th Street, N.W.
Washington, DC 20005
303-383-6619
craig.brown@qwest.com
timothy.boucher@qwest.com
tiffany.smink@qwest.com
laurel.burke@qwest.com

Attorneys for Qwest Communications International Inc.

December 7, 2009

CERTIFICATE OF SERVICE

I, Joan O'Donnell, do hereby certify that I have caused: 1) one hard copy (in each docket) of the foregoing **COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC. ON THE ROLE OF THE UNIVERSAL SERVICE FUND AND INTERCARRIER COMPENSATION IN THE NATIONAL BROADBAND PLAN NBP PUBLIC NOTICE # 19 (NON-REDACTED)** to be filed with the Office of the Secretary in GN Docket Nos. 09-47 09-51 and 09-137; 2) an electronic copy (in each docket) of the foregoing **COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC. ON THE ROLE OF THE UNIVERSAL SERVICE FUND AND INTERCARRIER COMPENSATION IN THE NATIONAL BROADBAND PLAN NBP PUBLIC NOTICE # 19 (REDACTED)** to be filed via the FCC's Electronic Comment Filing System; 3) two hard copies of the foregoing **COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC. ON THE ROLE OF THE UNIVERSAL SERVICE FUND AND INTERCARRIER COMPENSATION IN THE NATIONAL BROADBAND PLAN NBP PUBLIC NOTICE # 19 (NON-REDACTED)** to be delivered either to Elvis Stumbergs or Simon Banyai of the Media Bureau of the FCC; and 4) an electronic copy of the foregoing **COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC. ON THE ROLE OF THE UNIVERSAL SERVICE FUND AND INTERCARRIER COMPENSATION IN THE NATIONAL BROADBAND PLAN NBP PUBLIC NOTICE # 19 (REDACTED)** to be served via email on the FCC's duplicating contractor, Best Copy and Printing, Inc. at fcc@bcpiweb.com.

/s/ Joan O'Donnell

December 7, 2009

Your submission has been accepted

ECFS Filing Receipt - Confirmation number: 2009127302733

Proceeding

Name	Subject
09-47	Comment sought on international comparison and consumer survey requirements in the Broadband Data Improvement Act.

Contact Info

Name of Filer: Qwest Communications International Inc.
Email Address: tiffany.smink@qwest.com
Attorney/Author Name: Tiffany West Smink

Address

Address For: Filer
Address Line 1: Suite 950
Address Line 2: 607 14th Street, N.W.
City: Washington
State: DISTRICT OF COLUMBIA
Zip: 20005

Details

Type of Filing: COMMENT

Document(s)

File Name	Custom Description	Size
091207 Qwest NBP 19 Comments Redacted Final.pdf		4 MB

Disclaimer

This confirmation verifies that ECFS has received and accepted your filing. However, your filing will be rejected by ECFS if it contains macros, passwords, redlining, read-only formatting, a virus, or automated links to other documents.
Filings are generally processed and made available for online viewing within one business day of receipt. You may use the link below to check on the status of your filing:
http://fjallfoss.fcc.gov/ecfs/comment/confirm?confirmation=2009127302733
For any problems please contact the Help Desk at 202-418-0193.