



Qwest Broadband Deployment Proposal as Part of an Economic Stimulus Package

America should lead the world in broadband penetration and Internet access. However, unlike other industrialized countries, America has done little to financially support the deployment of broadband facilities to unserved areas of the country. Accordingly, while many urban areas have multiple broadband service providers, competitive prices, and speeds in excess of 7 Mbps, many rural areas lack even the most basic broadband offerings.

In the 1930s under President Roosevelt, the United States committed that every American would have access to telephone service and electricity, regardless of geographic location or economic status. Unless a similar commitment is made with regard to high speed Internet service, a technological gulf will deepen between our urban and rural areas.

The simple truth is that absent meaningful economic incentives, technology limitations and market economics make it highly unlikely that high-speed Internet services generally will be available in rural America in the near future. However, investment in the deployment of these services would do far more than solve a technology gap. In addition to significantly increasing broadband availability, government support of broadband would create thousands of new jobs, vastly improve education and health-care in rural America and facilitate work at home (helping to reduce carbon emissions).

Meaningful broadband economic incentives may be provided as direct grants, tax credits and/or accelerated depreciation. Each has different values for different companies. And the form chosen may have a direct impact on the speed and



ubiquity of broadband investment and growth. Clearly, direct grants would provide the most immediate, widespread and dramatic impact.

Qwest Proposal:

A. Broadband Deployment in Qwest's 14 State Region

Qwest provides communication services, including high-speed Internet access in 14 western states including some of the most rural, rugged and least populated areas in the continental United States. Qwest has been a champion of deploying broadband facilities as ubiquitously and economically feasible and, to this end, has successfully made high-speed Internet access available to more than 85 percent of its customers. Recently, the Company made and continues to make significant investments to deploy fiber deeper into its networks to enable it to offer high-speed Internet access at speeds up to 20Mbps.

As with other rural areas, additional broadband deployment to unserved areas in the Qwest service territory is not economically feasible at this time. Therefore, we propose that the federal government provide direct grants to the states to support broadband growth. If such grants were available in Qwest's 14 states, Qwest would propose the following:

- Qwest would invest the amount of such grants to deploy facilities in unserved areas, which would provide customers high-speed Internet service at speeds of 7Mbps or higher. Qwest believes that 7mbps service will provide access to Internet content at the level of service customers expect, specifically including the ability to quickly download movies and music, and to provide rapid access to the extensive video applications available over the web.
- Such deployment would involve engineering and planning of the facilities deployment, followed by significant construction, splicing and installation work to deploy fiber infrastructure among Qwest facilities and to install electronics in central offices and field locations.
- We estimate that this would create thousands of jobs to accomplish the engineering and construction of these new broadband facilities. It should be noted that this investment would not merely add a myriad of new jobs; it would also ensure retention of thousands of existing jobs.



- The creation of such jobs could begin immediately after receipt of any grant funds, with the hiring of engineers to plan and design the jobs followed by additional new jobs to implement those plans by construction workers and technicians in the field. Additional personnel will be needed throughout the order processing and provisioning cycles.
- Such deployment also would stimulate jobs in other many other sectors, including manufacturing, technology design, education, health-care, small business, and work at home.
- Broadband will support other key programs such as education, rural health-care and commerce.

B. Administration of a Grant Program

As part of a federal economic stimulus package, Qwest proposes that direct grants be made to individual states to fund broadband deployment to unserved rural areas. Such a program not only will fulfill the federal goals of broad deployment in high-speed Internet access, but also will capitalize on the ongoing efforts to target unserved areas through state-specific mapping projects. Each state would be responsible for submitting a proposal for federal government support of broadband to unserved areas of the state. The proposal should be based upon the estimated cost of constructing facilities to serve at least 95% of the households within the state. If a state chooses to seek support for constructing facilities to a greater or lesser percentage of households, the application also should indicate the estimated costs of building facilities to 95% of households.

Each participating state would distribute such funds through a Request for Proposal (RFP) program administered by a state Office of Economic Development. At a minimum, an applicant would have to provide the following:

- Evidence of the ability to successfully build, deploy and maintain a broadband network
- A commitment to deploy broadband infrastructure to support at least 7Mbps downstream speeds;



- The specific number and location of “new customers” and number and location of any customers whose service will be upgraded to meet the minimum 7 Mbps threshold;
- The total amount of proposed investment;
- The number of jobs created to complete project; and
- A timeline of proposed build-out and investment schedule.

The state economic development office would have 60 days to review and grant or deny each individual application. As with other federal programs relating to broadband deployment, private industry, which has vast experience in building and maintaining infrastructure to support high-speed Internet, would be given the right of first refusal to deploy broadband to the target areas. Only if private industry does not pursue this opportunity should a governmental option be explored. The state agency also would retain the right to audit a successful bidder’s books and records to ensure that the grant funds were appropriately spent.