



A Leader in Rural Broadband Deployment

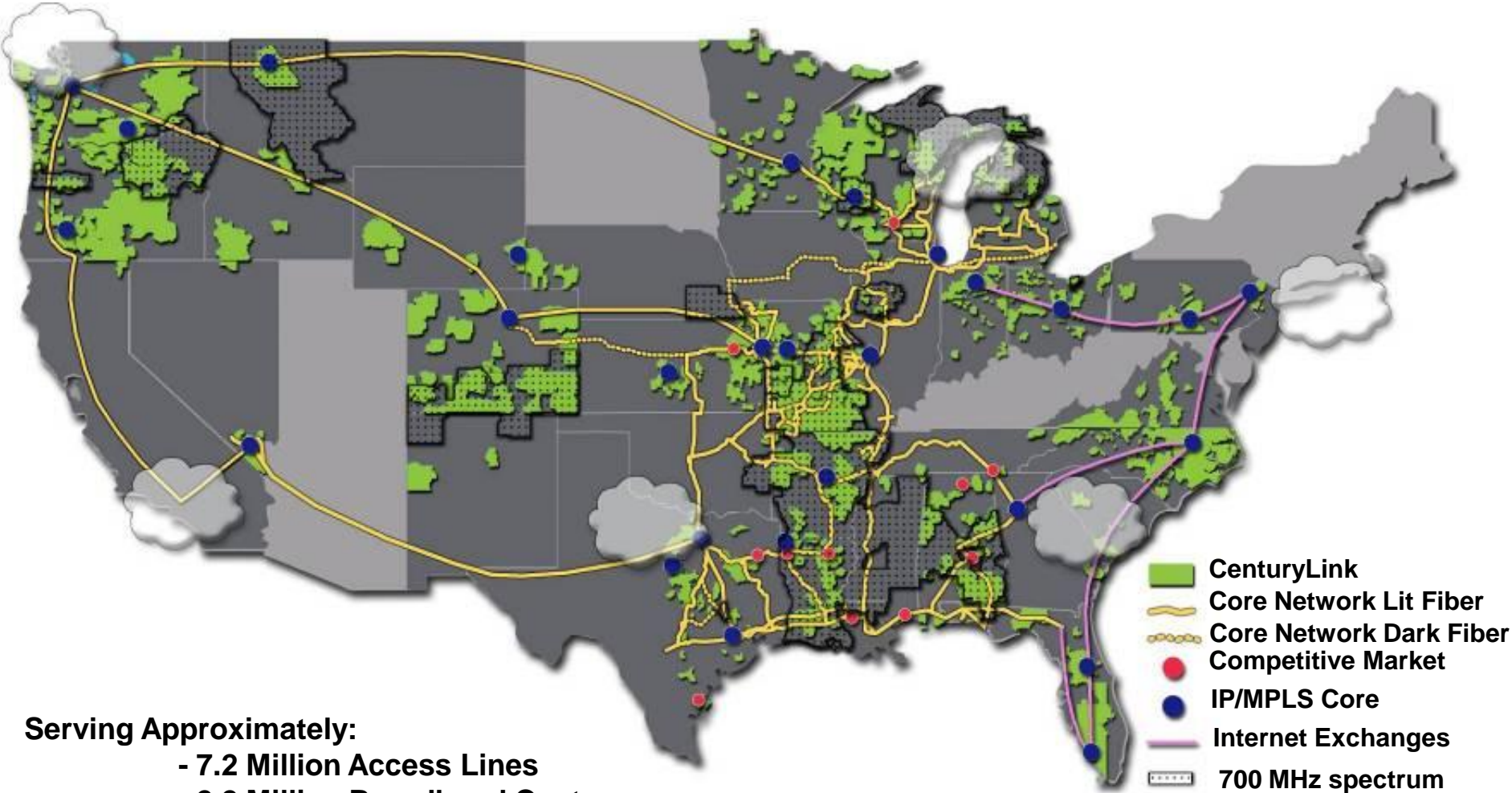
Brian Adkins, Director Federal Legislative Affairs

“Rural Broadband and the National Broadband Plan”

April 9, 2010

Presentation to National Conference of State Legislatures

CenturyLink - Network Map / Service Territory



Serving Approximately:

- 7.2 Million Access Lines
- 2.2 Million Broadband Customers
- 501,000 Video Subscribers
- In 33 States

A Key Challenge for Rural America's Broadband Future: A Lack of Population Density

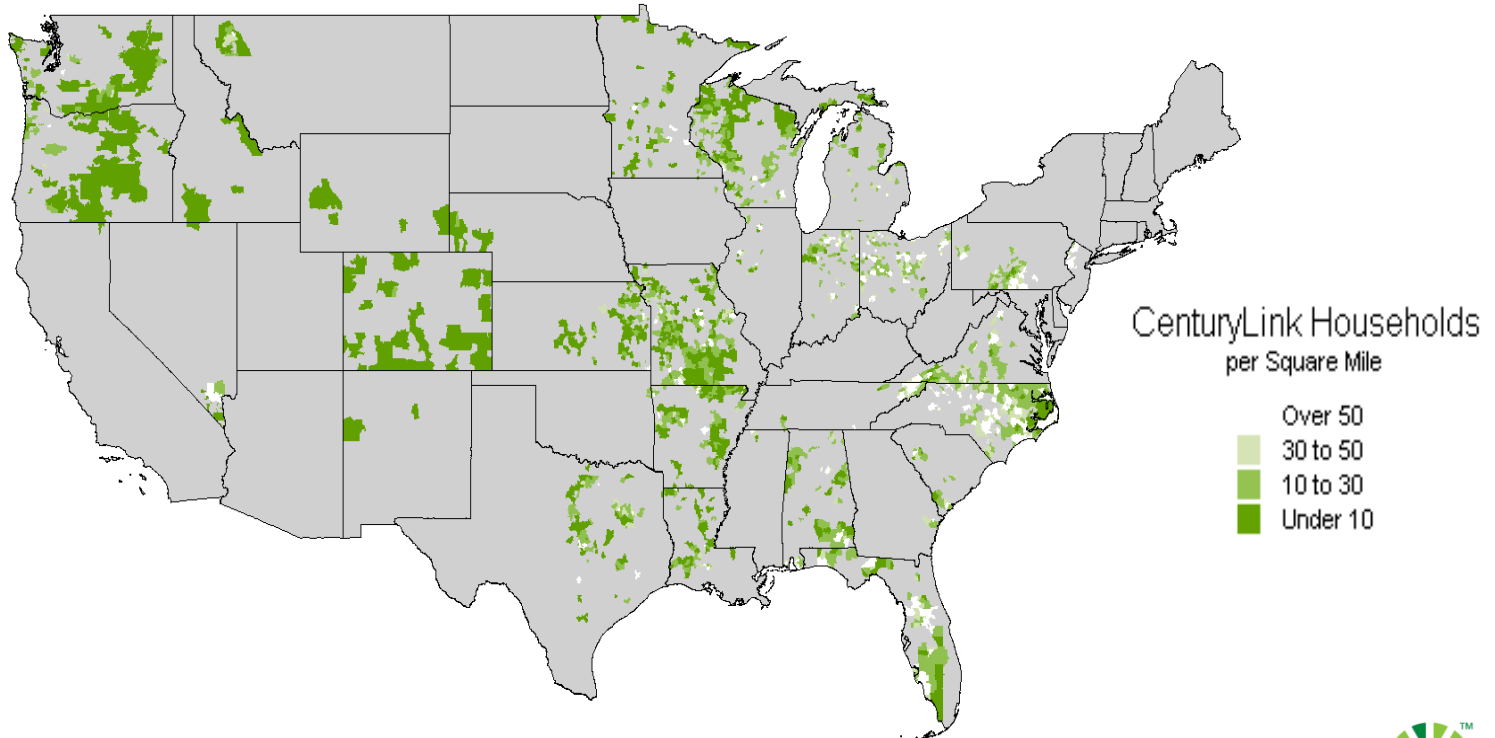
Density Comparison (Loops/Sq Mi):

AT&T	101.0
Verizon	110.9
Qwest	43.4
CenturyLink	23.0

Footprint Comparison:

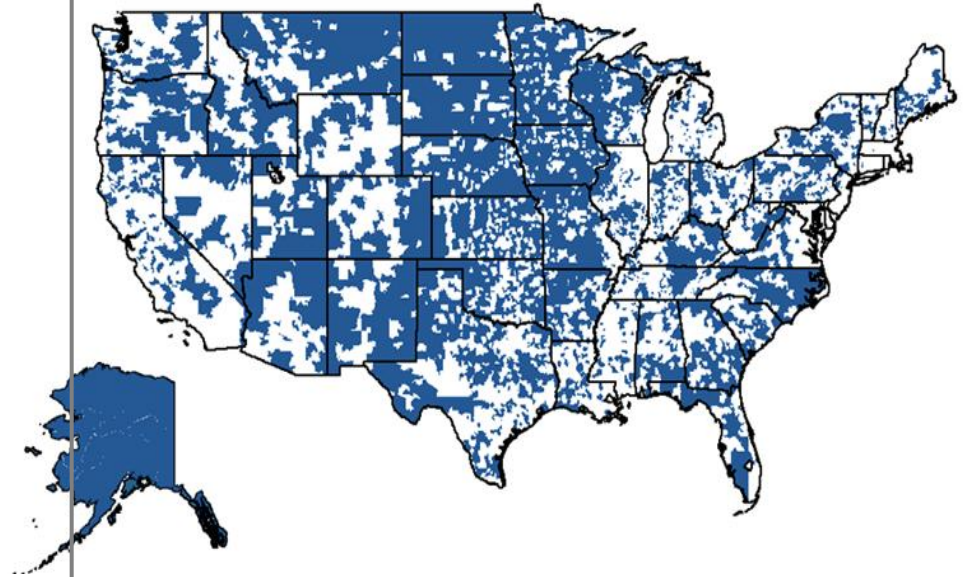
AT&T	602,391 Sq. Miles
Verizon	372,060 Sq. Miles
Qwest	355,599 Sq. Miles
CenturyLink	325,293 Sq. Miles

Much of CenturyLink's service area has fewer than 10 households per square mile ... a common metric for rural broadband providers.



A Renewed Focus on Rural America: Mid-sized RLECs Filling Void Left by National Carriers Exiting Rural Markets

<i>Sprint Local</i>	→	CenturyLink (Embarq)
<i>Verizon Missouri</i>	→	CenturyLink
<i>Ameritech Wisconsin</i>	→	CenturyLink
<i>GTE Arkansas</i>	→	CenturyLink
<i>GTE/VZ Alabama</i>	→	CenturyLink
<i>Alltel Local</i>	→	Windstream
<i>Verizon Kentucky</i>	→	Windstream
<i>Verizon (14 states)</i>	→	Frontier (pending)
<i>Verizon Hawaii</i>	→	Hawaiian Telecom
<i>Verizon NH, VT, ME</i>	→	FairPoint
<i>GTE Iowa</i>	→	Iowa Telecom



**Combined mid-size
and small carrier
service territories**

Under Pressure: Traditional Revenue Sources that Support Rural Networks

Implicit support from end user rates in more urban areas to supplement service in rural areas – but cable and wireless competition has eliminated carriers' ability to cross-subsidize their rural areas.

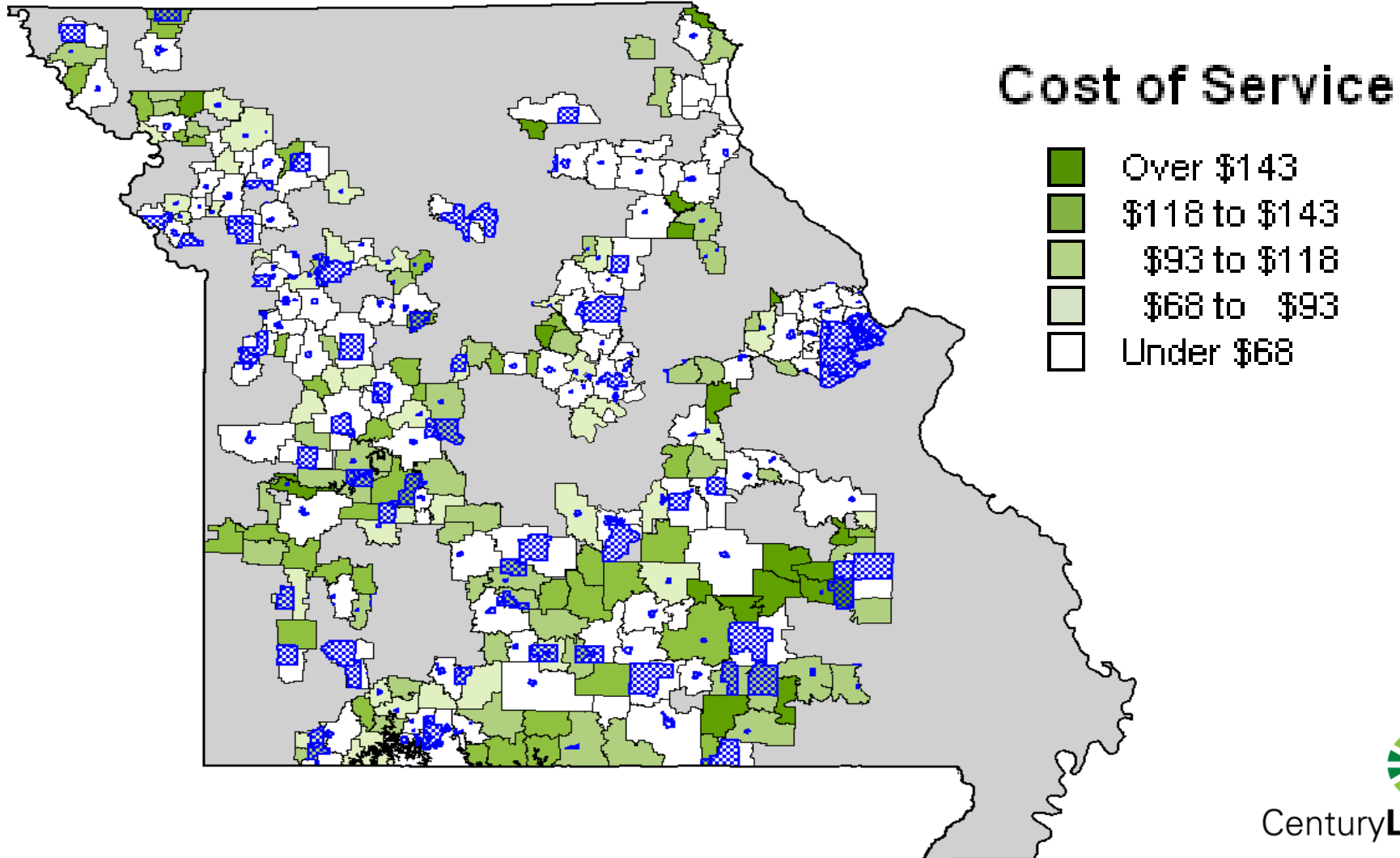
Access charges to terminate phone calls to our networks, but these are shrinking due to technology changes and efforts by companies to avoid access payments, thus weakening funding for local networks and broadband.

Universal service funding is under review. Done properly (targeting, contributions based on connections, use for broadband), reform can help accomplish the NBP goals.



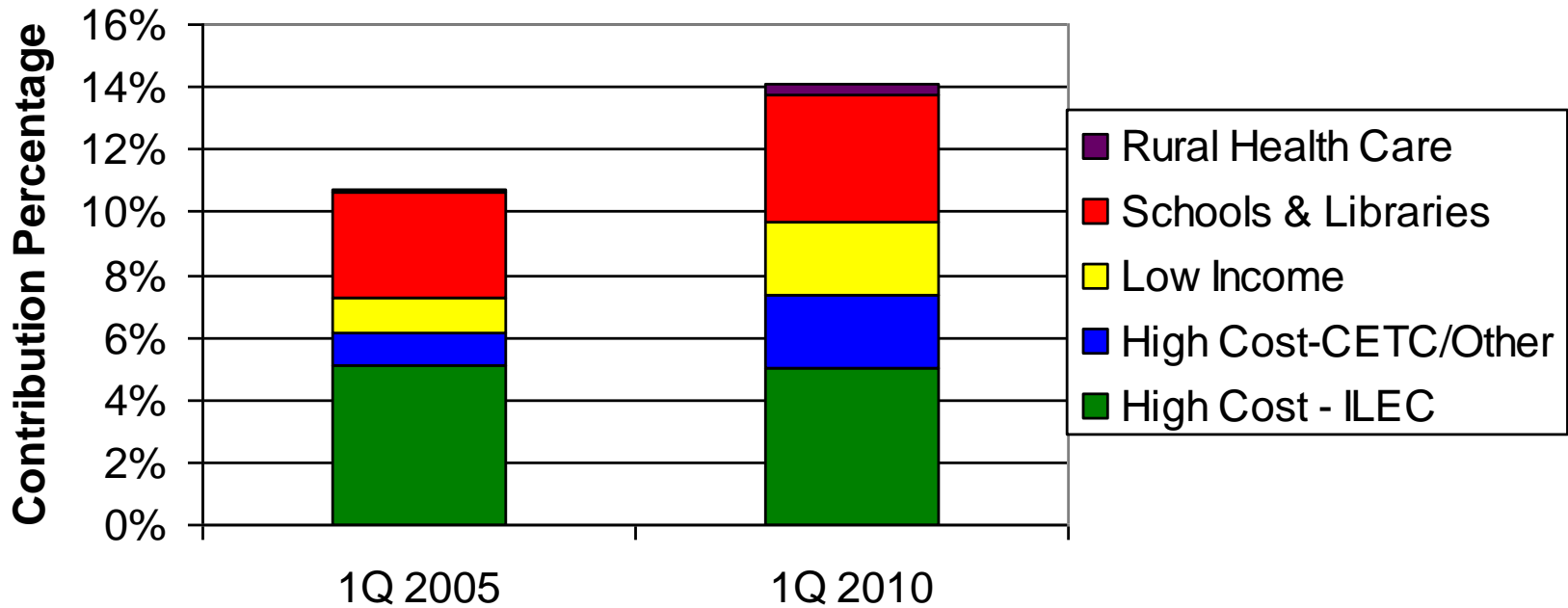
Targeting Broadband to High Cost Wire Centers

Cable franchise areas (in blue) over CTL Missouri service areas (more rural in green)



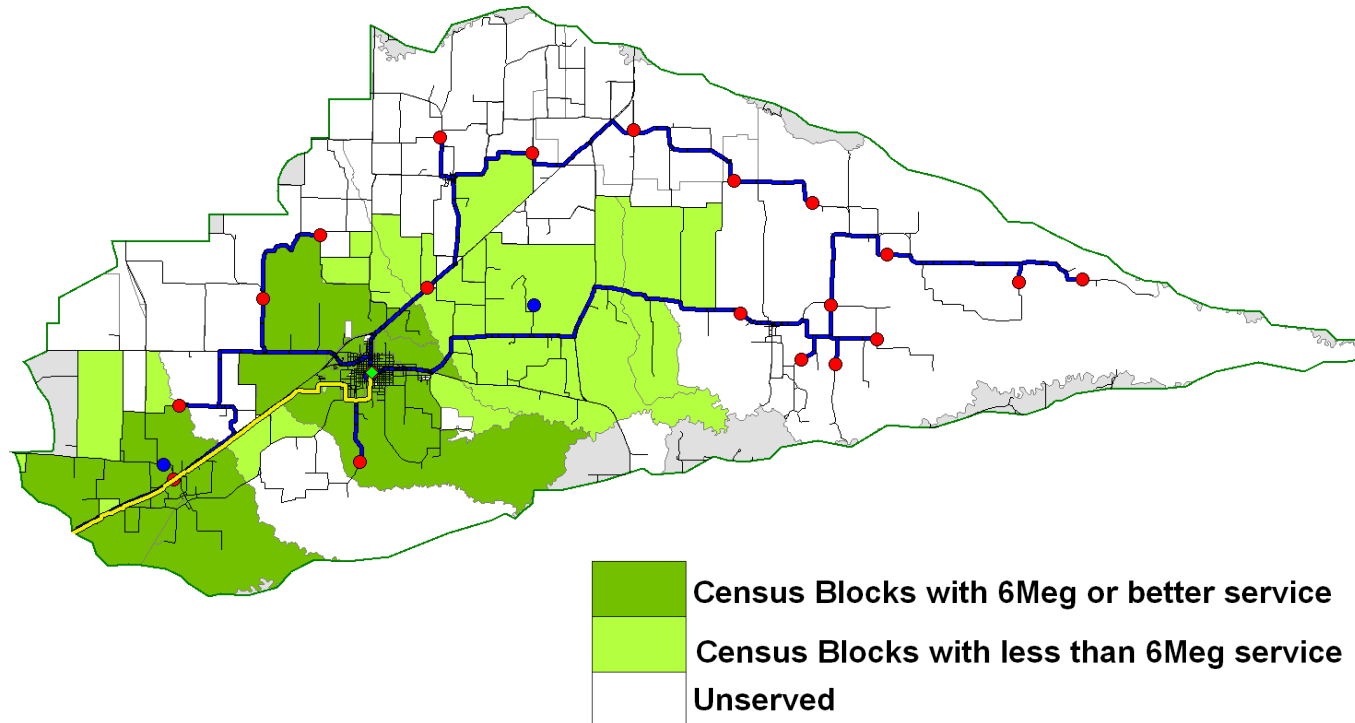
Should the Universal Service Fund be expanded to cover broadband?

If the Fund size remains constant, current funds, including CETC funds for wireless voice service, must be repurposed to support one provider per area.



Fiber to the “second mile” enables wireline and wireless broadband

Cooper, Texas wire center



Today's Plant

Remote Electronics: 3
Fiber cable feet: 705,174

New BB Infrastructure

Remote Electronics: 16
Fiber cable feet: 6,911,492

Tomorrow's Plant (combined)

Remote Electronics: 19
Fiber cable feet: 7,616,665

To achieve its goals the National Broadband Plan must harness private investment to provide broadband.

Gradual transition periods for intercarrier compensation give carriers (and capital markets) time to adjust.

A light regulatory touch balances network regulations with investment incentives.

Regulatory parity among providers avoids government choosing winners and losers.

- Pole attachments (low common rate)
- Carrier of last resort mandates
- Pricing regulation
- Service quality regulations



Conclusion / Questions?

- Midsize rural carriers serve a growing portion of rural America.
- Traditional revenue sources that support rural networks are under pressure.
- Providing universal broadband means targeting support to the highest cost wire centers.
- Achieving universal broadband will mean repurposing funds currently directed to other sources, like wireless voice.
- Supporting fiber networks to the “second mile” will enable both wireline and wireless broadband.
- To achieve its goals, the National Broadband Plan must harness private investment.