

Testimony of:



Before the:

**Senate Communications and Technology Committee
Informational Hearing
“Advanced Broadband Services – What’s Next?”**

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Good Morning Chairman Folmer, Chairman Wozniak and the members of the Committee. My name is David Bonsick and I am the Vice President of External Affairs for EMBARQ in Pennsylvania and New Jersey. It is my pleasure to appear before you today to tell you a little bit about EMBARQ as a company and to discuss with you the significant investments and advancements that EMBARQ is making in Pennsylvania to bring the latest technology to Pennsylvania's consumers.

EMBARQ is currently the largest independent local exchange telecommunications company in the United States. We serve approximately 6.2 million access lines in 18 states and employ nearly 18,000 individuals. Our headquarters is located in Overland Park, Kansas, which is a southern suburb of Kansas City. EMBARQ trades on the New York Stock Exchange under the symbol "EQ" and is a Standard and Poor's 500 company and in the Fortune 500® list of America's largest corporations.

In Pennsylvania, EMBARQ operates in all or parts of 25 mainly rural counties, serving approximately 300,000 access lines and employing over 900 citizens of the Commonwealth. While EMBARQ serves communities in Pennsylvania that are somewhat larger, such as Carlisle, Chambersburg, Butler and Gettysburg, we also serve many smaller communities such as Foxburg, Blain, Hopewell and Blue Ridge Summit.

As you may know, EMBARQ is currently in the process of merging with CenturyTel of Monroe, Louisiana. Upon completion of the merger, the new combined company will operate in 33 states, serve nearly 8 million access lines, and have over 2 million

broadband subscribers and approximately 400,000 video subscribers. The merger is expected to close in the 2nd Quarter of 2009 after receiving the necessary state and federal regulatory approvals.

EMBARQ's primary mission is to serve our customers through simple solutions and a customer experience that satisfies their personal and business needs. For consumers, EMBARQ offers an innovative portfolio of services that includes reliable local and long distance home phone service, high-speed Internet, wireless, and satellite TV from DISH Network® -- all on one monthly bill. For businesses, EMBARQ has a comprehensive range of flexible and integrated services designed to help businesses of all sizes be more productive and communicate with their customers. EMBARQ believes that by focusing on the communities we serve and by employing common sense and practical ingenuity, we are able to provide customers with a committed partner, dedicated customer service and innovative products for work and home.

As public policy makers in a very large and demographically diverse state, you should be proud of the commitment that Pennsylvania has made to ensuring that all consumers have access to high-speed Internet services. Act 183 of 2004 provides that every consumer in every corner of the Commonwealth will have access to broadband services. Without a doubt, we here in Pennsylvania have the most aggressive broadband policy in the nation.

To date, EMBARQ has either met or exceeded all of its network modernization requirements included in Act 183. We continue to invest tens of millions of dollars in capital each and every year to meet our commitment to have broadband available to 100% of our retail access lines by year-end 2013. And, the Bona Fide Retail Request program – the same program many thought to be a worthless policy endeavor – has brought EMBARQ's High-Speed Internet (HSI) service to over 5,300 consumers already and an additional 4,100 consumers will get the service within the next 24 months as a direct result of their ability to aggregate customer demand under this program.

As you can see from my slide presentation (attached), the vast majority of consumers in EMBARQ's service territory have broadband available to them. EMBARQ's residential HSI product ranges in speeds from a basic 768 kbps service to a 10 megabit service that is fast enough to meet just about any home computing need. And, because you get your own dedicated broadband connection that extends from your home to the central office, EMBARQ's HSI product offers a consistently fast broadband connection that provides you maximum speed during all hours of the day. EMBARQ also gives you a customizable MyEMBARQ.com homepage, where you can get instant access to EMBARQ™ Email and Google™ search, stay updated with the latest news, weather and sports, tune into 20 channels of commercial free radio, create your own website and more.

For businesses, EMBARQ provides data solutions for all sizes of companies whether it is a home office, small office, medium office or large office. These services range from a simple business class HSI product all the way up to ultra-fast Ethernet and GigE connections that can reach as high as 1,000 megabits per second. Contrary to what some may believe, there is not a dearth of technology for businesses operating in the rural communities served by EMBARQ. In fact, businesses in EMBARQ's service territory have access to many of the same – and in some cases more – innovative services and technologies that are available in urban environments.

Without a doubt, Pennsylvania is among the leaders in terms of the availability of broadband to both residential and business customers. Act 183 has helped ensure that broadband is available to all Pennsylvanians, while our customers continue to demand newer, faster and more innovative services to help meet their need for speed. However, while this broadband explosion in Pennsylvania is beneficial to consumers, it is not necessarily advantageous for companies like EMBARQ.

Act 183 quickly became outdated as competition rapidly outpaced the promised regulatory relief. While EMBARQ continues to invest millions of dollars each year in Pennsylvania in infrastructure improvements and capital projects to meet the requirements of the statute, we have realized very little of the anticipated revenue increases to help offset these necessary capital expenditures. In effect, because of the highly competitive and rapidly changing communications marketplace, Act 183 has

unfortunately resulted in an even greater inequity between EMBARQ and its unregulated competitors.

The adoption of broadband in many of EMBARQ's communities also continues to be a problem. Many of the communities to which EMBARQ must now deploy broadband would never pass a standard business case analysis. In other words, these are areas where EMBARQ must invest the necessary capital to make broadband available, but there is little or no expectation for a return on that investment. Unlike some other states (e.g. North Carolina), Pennsylvania has decided to place the burden for broadband deployment squarely on the backs of the ILEC community and private investment as opposed to allocating a portion of its economic development funding to accomplishing this goal. The E-NC program in North Carolina utilizes a portion of the State's tobacco settlement funds and private matches to help accelerate broadband deployment in rural areas. This is a model EMBARQ believes the Pennsylvania General Assembly should examine going forward.

Finally, there is an uncertain regulatory environment here in Pennsylvania that could make broadband deployment even more challenging. Specifically, EMBARQ is concerned that a reduction in its switched intrastate access rates without a reliable revenue replacement mechanism could significantly erode capital that could be used for broadband deployment. And, the Carrier of Last Resort obligation that EMBARQ and

the other ILECs have in Pennsylvania could divert funding that could potentially be used for broadband.

What are the potential solutions to these issues? First, Pennsylvania should expand the scope of the Pennsylvania Universal Service Fund (USF) to include funding for broadband deployment. Second, the General Assembly and the PUC should enact policies that balance the ILEC Carrier of Last Resort obligations and mandatory broadband deployment with the purported need to reduce intrastate access rates and decrease the size of the PA USF.

Finally, Pennsylvania's economic development programs need to recognize broadband as "critical infrastructure" and the lifeblood of businesses -- both large and small -- in today's economy. The General Assembly should take action to ensure that current Commonwealth economic development programs provide financial assistance to businesses in subscribing to and utilizing advanced broadband networks. It is no longer enough to simply be able to say that businesses have "access" to high-speed data services; we need to make sure that Pennsylvania's businesses are able to take full advantage of the networks in which EMBARQ and others are investing so heavily and working so hard to deploy.

In closing I would like to pledge EMBARQ's commitment to work with this Committee and the General Assembly as a whole, to advance public policies that are mutually beneficial to Pennsylvania's consumers and telecommunications service providers. I

appreciate the opportunity to present testimony before you today and I look forward to working with you on mutual issues of concern. Thank you.