Conducting Business After Long Distance Re-Entry

Section 272 Compliance

Employee Obligations and the Telecommunications Act

Employee Obligations

- Every Qwest employee is expected to understand Section 272 requirements
- What should you do if you have questions about Section 272?
  - Refer them to your supervisor, or
  - Contact your FCC/Regulatory Compliance Manager

    FCC/Regulatory Compliance Managers may be found at:
    http://denntwsi014.qwest.net:1980/departments/compliance/Training/cpni_main.html

Telecommunications Act of 1996

- Prior to 1996, the Regional Bell Operating Companies (RBOC) like Qwest Corporation (QC) were prohibited from providing interLATA services within their service territories
- The 1996 Telecommunications Act (Act) allows an RBOC to provide interLATA services within its region once certain requirements are met
- Requirements are primarily outlined in Section 271 and Section 272 of the Act

Definitions

- Qwest Communications International Inc.: the publicly-traded parent company of all Qwest affiliates
- Qwest Corporation (QC): formerly known as U S WEST Communications, Inc., QC is the"pre-merger U S WEST" incumbent local exchange carrier and Regional Bell Operating Company (RBOC)
- Qwest Communications Corporation (QCC): the "pre-merger Qwest" operating company and separate 272 affiliate of QC through which Qwest will ultimately provide in-region, interLATA services upon receipt of 271 relief

Section 271 Overview

- Defines requirements QC must meet to show that the local market is open to competition so that it can enter the in-region, interLATA long distance market

- Contains 4 key provisions plus audit requirements

1. Competitive checklist - also know as the “14-point checklist”

2. Interconnection agreements or Statement of Generally Available Terms and Conditions (SGAT)

3. Section 272 affiliate to provide in-region, interLATA long distance service

4. Public interest showing that demonstrates QC has opened its local markets to competition

Section 272 Requirements

- Qwest Communications International Inc. must create a separate affiliate and properly operate the separate affiliate in order to be permitted to offer in-region, interLATA long distance service:
  - Section 272 (a) - Separate Affiliate
  - Section 272 (b) - Structural and Transactional
  - Section 272 (c) - Nondiscrimination
  - Section 272 (d) - Biennial Audit
  - Section 272 (e) - Fulfillment of Certain Requests
  - Section 272 (f) - Sunset Rules
  - Section 272 (g) - Joint Marketing Provisions
- Section 272 defines the separate affiliate structure and business relationship between QC and QCC, which is known as the Section 272 or long distance subsidiary

Section 272 Requirements

272(a) - Separate Affiliate

- QC may only offer in-region, interLATA long distance service through a separate affiliate

272(b) - Structural and Transactional

- This section is a critical component of Section 272
  - Assures competitors that QC and QCC are operating independently and QCC is not receiving preferential treatment that would give it an unfair advantage in the market

- 5 key provisions must be demonstrated to show separateness
  - Operate independently
  - Separate books, records, and accounts
  - Separate officers, directors, and employees
  - Creditors of QCC may not have recourse to QC assets
  - Transactions at arm's length, reduced to writing, and posted on the Internet

Section 272 Requirements

272(b)(1) - Operate Independently

- QC and QCC cannot jointly own network facilities, or the land or buildings where those facilities are placed
  - No transfer of any network facilities from QC to QCC
  - No operation, installation, or maintenance (OI&M) of QC's facilities by QCC
  - No OI&M on QCC facilities by QC or any other Qwest affiliate
- QC cannot provide discriminatory access to network service

272(b)(2) - Separate Books, Records, and Accounts

- QCC must maintain books, records, and accounts separate from the books, records, and accounts of QC

Section 272 Requirements

272(b)(3) - Separate Officers, Directors, and Employees

- QC and QCC cannot share officers, directors, or employees
- Employees who perform functions supporting QCC are required to report their time so that QCC can be billed appropriately

272(b)(4) - Creditors of QCC may not have recourse to QC Assets

- QCC cannot obtain credit under any arrangement that would permit a creditor to have recourse to QC's assets

- QCC's obligations are not co-signed by QC; nor are they co-signed by Qwest Communications International Inc. in a manner that would allow recourse to the assets of QC

Section 272 Requirements

272 (b)(5) - Transactions at Arm's Length, Reduced to Writing, and Posted on the Internet

- All transactions between QC and QCC must be reduced to writing
  - Transactions are documented by tariff, stand-alone agreement, or service agreements
- All transactions between QC and QCC must be posted to the Internet within 10 days by Regulatory Accounting
- Rates, terms, and conditions of every transaction must be publicly available to ensure accounting safeguards are maintained

If you are a QC employee providing service to QCC,
or a QCC employee providing service to QC,
make sure Regulatory Accounting is involved.

Section 272 Requirements

272(c) - Nondiscrimination

- QC must provide the goods, services, facilities, and information it provides to QCC to other long distance carriers at the same rates, terms, and conditions
- How does QC and QCC demonstrate compliance with Section 272(c)?
  - QCC must obtain information and services through the same QC processes as other interexchange carriers
  - QCC must obtain other services through a QC carrier account team in the same manner as other interexchange carriers
  - QC must post transactions between QC and QCC on its Internet site

Generally, QC employees must treat
Qwest Communications Corp like any other long distance carrier.

Section 272 Requirements

272(d) - Biennial Audit

- Section 272 requirements will be audited every two years beginning twelve months after Section 271 authority is obtained and QCC is providing in-region, interLATA long distance services

272(e) - Fulfillment of Certain Requests

- QC is prohibited from providing any facilities, services, or information concerning its provision of exchange access to QCC unless such facilities, services, or information are made available to other providers of interLATA services under the same terms and conditions

Section 272 Requirements

272 (f) Sunset Provision

- The provisions of Section 272 (other than subsection (e)) shall cease to apply three years after the date that QC or QCC is authorized to provide interLATA services, unless the FCC provides an extension

272(g) - Joint Marketing Provisions

- Provides one clear exception to Section 272(c) nondiscrimination requirements
  - Once Section 271 authority is secured, QC may jointly market in-region, interLATA long distance services with QCC
- Like all transactions, QC must document joint marketing agreements and post them to the Internet within 10 days

What does Section 272 mean to me?

- You must understand which legal entity you work for. Is it QC, QCC or another Qwest affiliate?
- If you are providing service to another entity, you must make sure Regulatory Accounting is involved so the transaction can be recorded under FCC rules
- If you are a QC employee, you must generally treat QCC like any other long distance carrier
- If you are a network employee, you must understand joint network and OI&M restrictions
- If you have questions, contact your supervisor or FCC/Regulatory Compliance Manager
- If you still have have questions after talking to your supervisor or FCC/Regulatory Compliance Manager, you may:
  – Send email questions to "ask272@qwest.com"
  – Section 272 Affiliate Transactions web site at www.qwest.com/about/policy/docs/long_distance.html
  – Corporate Compliance Advice Line 800-333-8938