

Nov. 2003

Dear Chairperson of the WUTC,

In 1996, the Telecommunications De-regulation act was passed to encourage competition in the phone and data industries and de-monopolize the “baby bells” who had enjoyed a monopolistic market for many years.

As part of the agreement, the ILEC (incumbent Local Exchange Carriers (ie: Qwest – formerly US West) were obliged to open up their networks to CLEC (Competitive Local Exchange Carriers) as well as allow Internet Service Providers to carry and sell DSL traffic on their networks.

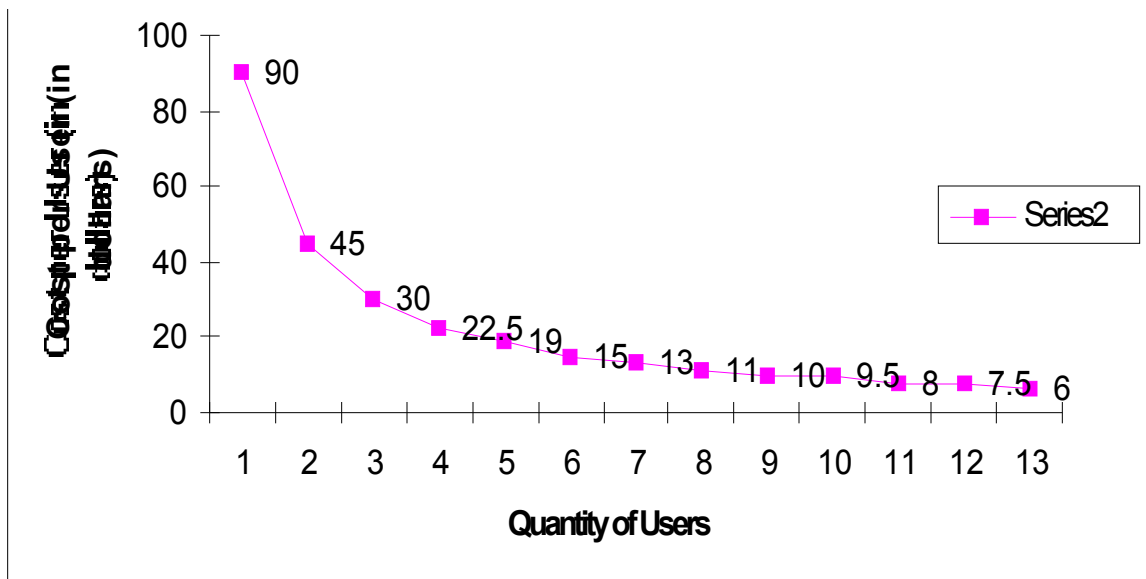
After working with Qwest in the Internet market both as a ISP DSL provider and with a CLEC, my opinion is that Qwest continues to use their market standing to engage in monopolistic practices.

Specifically I am concerned that Qwest is preparing to engage in predatory pricing designed to eliminate smaller, entrepreneurial ISPs firms from the market. Specifically, they propose to sell the Internet access portion of the DSL product for \$6/mo.

This is a product that I have researched extensively and found prices ranging from \$12-50/mo depending on speed, features etc. In my opinion, a third company without the benefits enjoyed by Qwest would charge about \$15/mo for the service.

As you can see from the graph below, there are tremendous efficiencies of scale in providing the DSL access. A smaller provider can reach a point at which Price = Cost at around 650 customers charged at \$15/mo. However a smaller provider is hard pressed to compete with Qwest in this arena as their established market entrenchment and exclusive access to customers, allow them to (apparently) enjoy margin while selling the service at only \$6/mo.

Of course, the separation between Margin cost and actual cost increases with this economy of scale and smaller ISPs simply cannot “ramp-up” fast enough to enjoy the



low per user costs that Qwest can due to their established relationship with the customer.

Bear in mind that DSL is generally a two-part cost with Qwest, by virtue of providing the DSL circuit, receives the “lion’s share” of the end user’s total cost as it is. Now they wish to compete on both sides of the DSL package model, something only they have the ability to do.

It seems rather ironic that Qwest recently received tariff relief on allowing inter LATA access as a “reward” for performance in opening up competition, and now take this step to directly compete with one of the more vulnerable and vital segments of the industry. Indeed small ISPs form much of the backbone of the industry and play an important part in setting policy and technical standards which benefit the Internet user community as a whole.

Thusly, I do not support granting regulatory approval allowing Qwest to bring predatory pricing to the DSL Internet market as it will reduce choices for the consumer and reverse positive steps towards competition made in the past few years.

Yadda yadda yadda,

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