

STATEMENT OF AFSHIN MOHEBBI
PRESIDENT AND CHIEF OPERATING OFFICER
QWEST COMMUNICATIONS INTERNATIONAL, INC.

BEFORE THE
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
UNITED STATES SENATE

JULY 30, 2002

My name is Afshin Mohebbi and I am President and Chief Operating Officer of Qwest Communications International Inc. I want to thank you for allowing me to appear today at your hearing on maintaining operations of communications facilities in the telecommunications industry.

Permit me to tell you a little about Qwest. Qwest is a local telephone company with 25 million customers. We provide local telephone service in a 14-state area throughout the West. We have 56 thousand employees and annual revenues of more than \$19 billion. About eighty percent of our revenues and more than 90 percent of our profits come from our local phone service. We

also provide data and long-distance services to businesses in major markets outside the 14-state local service area.

In addition, Qwest has a state of the art global fiber optic network that spans more than 175,000 miles. Qwest's optical network is among the most advanced in the world. More than 4.2 billion megabits of traffic travel across the network at any given time, along with web hosting centers that safeguard the critical data of banks, corporations, health care providers and government agencies among others. Qwest does business with more than 60 percent of the Fortune 1,000 companies.

I want to assure the Committee, and Qwest's customers, that Qwest expects to be around for a long time and that the critical telecommunications services Qwest provides are not in jeopardy. We have multiple sources of revenue and a solid customer base. We're the first company to blend the assets, products, and customers of a regional bell operating company with that of a carrier of high-speed telecommunications services. As the industry changes and matures, we are in the position to be equipped to continue to grow.

Because the Committee has inquired as to financial contingencies, I wish to assure the Committee that Qwest is fully prepared to ensure that service continues uninterrupted. In addition, Qwest has already dealt with the issue when telecommunications service providers have filed for bankruptcy, and we have successfully maintained the level of service and reliability that our customers expect from Qwest.

In fact, over the past two years, Qwest has invested billions of dollars that have resulted in significant improvements in customer service. A Qwest analysis of FCC service data shows Qwest is first in overall service quality among the twelve largest local service providers. Qwest recently announced that its first quarter 2002 service performance was the best in seven years in key areas of installation and maintenance.

On Sunday, as the Committee is aware, Qwest announced that it expects to restate its financial statements for 2000 and 2001 to reflect adjustments in, among other things, revenue recognized from the sale of optical capacity assets,

which are sometimes referred to as IRUs. Earlier this year the company began an analysis of accounting treatment for IRUs (particularly sales to customers from which the company agreed to purchase optical capacity assets). We have tentatively concluded that our accounting policies at the time were incorrectly applied in connection with certain transactions.

In terms of Qwest's preliminary conclusions, let me emphasize the following:

First, in accounting for these transactions, Qwest sought in good faith to comply with generally accepted accounting principles (GAAP) and all applicable accounting guidance, in regular consultation with its outside auditors.

Next, when it completes its analyses, Qwest expects to restate its financial statements for prior periods. The \$591 million of revenue recognized with respect to the optical capacity asset sales identified in the Sunday press release represented 1.4 % and 1.8 % of total revenue in 2000 and 2001.

We are proud of our company. As a company, we feel we are ready to address the continuing difficulties within our industry and to address the steps necessary to complete our analysis of the company's accounting policies and practices.

Our new CEO, Dick Notebaert, has said that "increasing Qwest's credibility" with investors, and the public generally is his top priority — and that he is "confident that Qwest is moving in the right direction, and we have the ability to perform for our customers, employees, and shareholders." I could not agree more. Qwest's voluntary and public disclosures about our accounting is an important step in the process of turning the company around.

We are also proud to have the support of our employees in this effort: we were gratified by the statement recently issued by CWA President Morton Bahr, who said that Qwest now has the "customer base, [a] highly skilled and dedicated workforce, and the leadership team . . . to restore Qwest's reputation and business success." It will not be easy, but we are intent on working hard to

win back the trust of our employees and investors, and move this company forward while continuing to provide the very best telephone service possible to our customers.

I will be glad to try and answer any questions you may have.