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 AT&T

Patrick H. Merrick, Esq.
Director - Regulatory Affairs
AT&T Federal Government Affairs

Suite 1000
1120 20th St. NW.
Washington, DC 20036
202 457-3815
FAX 202 457-3110

September 13, 2001

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Notice of Ex Parte Presentation: Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket 98-171; Telecommunications Services for Individuals with Hearing Speech Disabilities and the Americans with Disabilities Act of 1990, CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72; Number Resource Optimization, CC Docket No. 99-200; and Telephone Number Portability, CC Docket No. 95-116.

Dear Ms. Salas;

Yesterday, Joel Lubin, Mark Lemler and I met with Geoff Waldau, Anita Cheng, Paul Garnett, Ken Lynch, Jim Lande and Jack Zinman of the FCC's Common Carrier Bureau and Robert Haga and Linda Miller of USAC. AT&T urged the Commission to adopt a flat-rate assessment mechanism consistent with AT&T's comments and reply comments. The attached was used as an outline for discussion.

I have submitted an original and one copy of this Notice in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

Attachment

cc: Anita Cheng Ken Lynch
Paul Garnett Linda Miller
Robert Haga Geoff Waldau
Jim Lande Jack Zinman

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Quarterly Contribution Factors are Very Likely to Increase

Most recent revenue trends indicate little or no growth through 2005.

Any decline in revenue will significantly increase the contribution factor.

Rate of return company "CALLS" plan will increase total USF need.

➤ AT&T Proposal for USF Assessment/Collection Reform

Flat Rate for All Switched Voice Services

- Lines are more stable.
- Helps address bundling and VoIP concerns.
- Can be implemented fairly easily.
- Significantly lowers assessments for the average customer.

Flat-Rate Assessment and Recovery Mechanism-Advantages

Avoids having to identify assessable portion of bundled offers.

Eliminates the need for a patchwork of special rules and exceptions for different classes of carriers.

Simple to administer.

Commission has the authority to adopt such a mechanism.

The LEC is Best Positioned to Collect USF

Collection would be for all interstate ^{switched} services using the LEC's local loop.

LECs are in the best position to to recover USF contribution from the end-user at the least cost,

- LECs already have the billing information within their systems.
- LEC billing eliminates concerns associated with dial-around and prepaid card services.
- LEC billing eliminates difficulty IXC's would encounter in attempting to bill and collect USF from customers with zero long distance usage in a given month.

The LEC is Best Positioned to Collect USF

It would be extremely inefficient and confusing to customers to have each carrier bill a respective portion of a flat-rate USF.

- IXC's would use their own line counts for billing the USF, which may be different from line counts used by LEC's for billing SLC's.
- Total administrative costs would be higher with each carrier separately billing for USF.

Operationalizing AT&T's Proposal

Carriers file Form 499-Q by the beginning of the second month of each quarter (February 1, May 1, August 1, and November 1).

- Form 499Q is revised to require carriers to file switched access line/telephone numbers counts as of the end of the previous quarter.
- Only carriers that own the loop facility and/or spectrum are required to file Form 499-Q's.
- Wireline Carriers would distinguish line counts by residence, single line business, multi line business and pay telephone lines

Operationalizing AT&T's Proposal

USAC calculates the appropriate flat-rate assessment for each market segment by dividing the projected USF funding requirements by the line-counts obtained from the previous Form 499-Q.

Carriers contribute to USF based on a collect and remit basis – NPRM Para. 26

A Prescribed Pass-Through Is the Only Lawful Means of Eliminating Variations Among Carrier Line Items

A uniform line-item charge is desirable to avoid customer confusion.

Carriers must be required to pass-through USF assessment in line-item on end user bill.

The Commission has authority to adopt a pass-through mechanism.

The Commission's proposal of capping the line-item is unlawful.

There is Widespread Support for a Flat-Rate USF Assessment and Recovery Mechanism

Nextel

"The simplest assessment method for wireless carriers would be application of a flat fee." *Comments at 3.*

Ad Hoc Telecommunications Users Committee

"Ad Hoc urges the Commission to replace its existing contribution mechanism based on end user revenues with a non-traffic sensitive, flat-rated charge that would apply to every line connected to the public switched network." *Comments at 27.*

Sprint

"This is the most equitable allocation method for customers, given the fact that universal service benefits accrue from network connections rather than revenues." *Comments at iii.*

There is Widespread Support for a Flat-Rate USF Assessment and Recovery Mechanism

WorldCom

"This connection- and capacity-based approach has many advantages, including eliminating the need to determine under which jurisdiction particular revenues or minutes of use fall." *Comments at 4.*

Z-Tel

"Z-Tel believes that one component of a solution would be for the Commission to collect a flat-fee – and only a flat-fee – contribution for each residential account." *Comments at 4.*

Cable & Wireless USA

"We share the views raised by various commenters that the Commission should consider moving away from a revenue-based assessment, and instead adopt a system whereby universal service contributions are assessed on a flat-fee basis, such as a per-line charge." *Reply Comments at 2.*

There is Widespread Support for a Flat-Rate USF Assessment and Recovery Mechanism

Level 3 Communications

"The Commission should eliminate the revenue-based methodology and implement a methodology that is based on the capacity of network connections provided to customers who are not carriers or other entities contributing to universal service."

Reply Comments at 4.

Telstar International

"Telstar recommends that the Commission adopt a flat-fee assessment on end user lines. A flat-fee assessment is competitively neutral, easy to implement, and relieves many of the existing burdens implicit in the existing assessment methodology."

Comments at 11.

AT&T Proposal for USF Assessment/Collection Reform

- Hybrid of Flat-Rate for Wireline Consumer and Wireless and Revenue Percentage for Business
 - Can be implemented fairly easily.
 - Significantly lowers assessment for the average consumer.
 - Continues to assess all business services if determined to be necessary by the Commission.

Alternative Assessment & Recovery Mechanism Can Be A Hybrid of Flat-Rate and Revenues

Hybrid mechanism would be applied if the Commission decides that special access should not be excluded from the universal service assessments and is not prepared to adopt a capacity-based assessment at this time.

Under hybrid, flat-rate would apply to all residential lines, wireless and pagers, and revenue percentage would apply to all business services, including single-line business.

SUGGESTED USF FILING SCHEDULE

| Carriers File Form 499-Q | USAC /FCC approved assessment rate | Carriers apply USF to monthly billings | Carriers remit USF receipts to USAC |
|---------------------------------|---|---|--|
| February 1 st | February 30 th | April, May, June | May 30 th , June 30 th , July 30 th |
| May 1 st | May 30 th | July, August, September | August 30 th , September 30 th , October 30 th |
| August 1 st | August 30 th | October, November, December | November 30 th , December 30 th , January 30 th |
| November 1 st | November 30 th | January, February, March | February 28 th , March 30 th , April 30 th |