



**Qwest**  
1801 California Street, Suite 4900  
Denver, Colorado 80202  
Phone 303 672-2799  
Facsimile 303 295-6973

**Craig J. Brown**  
Senior Attorney

**RECEIVED**

**OCT - 9 2001**

**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

October 9, 2001

EX PARTE

**EX PARTE OR LATE FILED**

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
Room TW-A325  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Re: In the Matter of Federal-State Joint Board on Universal Service,  
CC Docket No. 96-45

Dear Ms. Salas:

On October 5, 2001, Melissa Newman of Qwest and I met with Katherine Schroder, Anita Cheng, and other members of the Accounting Policy Division, as well as Jim Lande of the Industry Analysis Division of the Common Carrier Bureau. During the meeting, the participants discussed the issues raised in the Commission's *Further Notice of Proposed Rulemaking* regarding revisions to the methodology for assessing and recovering federal universal service contributions. In particular, Qwest asserted that AT&T's and WorldCom's proposals to assess per-line contributions are inconsistent with section 254 of the Communications Act, as amended, and would raise serious policy concerns. Enclosed is a presentation that was distributed at the meeting.

Please let me know if you have any questions about this matter. An original and three copies of this *ex parte* correspondence are provided. An additional copy is also provided, to be stamped as received and returned to the messenger who has been instructed to wait for it. Copies have been separately provided to the identified participants at the meeting.

Sincerely,

Craig J. Brown

cc: Katherine Schroder  
Anita Cheng  
Jim Lande

No. of Copies rec'd  
List ABCDE

043



# USF Contribution Reform

Qwest Communications International

October 5, 2001

# Summary

- AT&T's and WorldCom's per-line assessment proposals raise significant legal and policy problems
- Qwest's proposal to assess on net booked revenues will accomplish the Commission's objectives

# Per-Line Assessment Proposals

- Inconsistent with Section 254
- Will complicate, rather than simplify, the current assessment methodology
- Not competitively neutral or fair
- Not necessary to address perceived problems

# Inconsistent with Section 254

- Section 254(d) requirement that every provider of interstate services contribute
- Fifth Circuit's holding that contributions may not be assessed on intrastate services

# Will Complicate, Rather than Simplify Assessment Methodology

- Commission previously rejected per-line assessment as too difficult to implement
- AT&T acknowledges difficulties of defining line equivalents
- AT&T transitional proposal even more complicated

# Not Competitively Neutral or Fair

- As the Commission has recognized, per-line assessment may favor certain classes of carriers and services
- AT&T's and WorldCom's proposals would disadvantage local providers
- Per-line proposals based on today's technologies, likely to become antiquated

# Not Competitively Neutral or Fair

- In contrast, revenue-based assessment, if done correctly, is technology neutral
- Capacity-based assessments may cause inefficient purchasing decisions
- Per-line proposals would be unfair to certain types of customers

# Qwest's Proposal Is a Better Solution

- Qwest's proposal would eliminate assessment on uncollectible revenues
- In such case, line item charges should closely correspond to prescribed percentage, plus reasonable expenses
- Significance of current lag in revenues assessment is overstated
- Expansion of revenue base critical