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OFFICE OF THE SECRETARY

verizonwireless

Verizon Wireless
1300 Eye Street, N.W.
Suite 400 West
Washington, D.C. 20005

October 24, 2001

Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: CC Docket 96-45
***Ex Parte* Notification**

Dear Ms. Salas:

Verizon Wireless hereby submits this notice of *ex parte* communications in accordance with Section 1.1206 of the Commission's rules. 47 C.F.R. § 1.1206. On October 23, 2001, Charon Harris and Steve Berman of Verizon Wireless, Ben Almond, Carl Povelites, and Susan Wichmann of Cingular Wireless ("Cingular"), and Bruce Cox and Diane Cornell of the Cellular Telecommunications and Internet Association ("CTIA") met with Paul Garnett, Katherine Schroder, and Geoff Waldau of the Common Carrier Bureau's Accounting Policy Division, Jim Lande and Kent Lynch of the Common Carrier Bureau's Industry Analysis Division, and Rose Crellin of the Wireless Telecommunications Bureau.

The Cingular and Verizon Wireless representatives discussed with the Commission staff their opposition to per-line USF assessment methodologies that are currently being considered by the Commission. Cingular and Verizon Wireless pointed out that a per-line assessment method would be an invalid measure of interstate telecommunications provided over a given line, and argued that this contribution scheme would be discriminatory and unlawful under Section 254(b)(4) of the Communications Act. They also showed that a shift to a per-line assessment methodology would likely increase the wireless industry's aggregate USF contribution by three to four times, and that the resulting growth in wireless USF surcharges would constitute a competitive disadvantage for wireless carriers. In addition, Cingular, CTIA, and Verizon Wireless addressed the issue of the wireless safe harbor, explaining that there is no basis for eliminating this mechanism or raising the interstate safe harbor percentage above 15%. The parties also discussed other issues raised in their comments in the above-captioned docket, including wireless carriers' continuing need for flexibility in USF recovery and the benefits of allowing wireless carriers to file a single, consolidated USF report for all licensee entities. At the meeting, Cingular, CTIA, and Verizon Wireless jointly provided staffers with a written presentation addressing all of these issues, and this handout is attached to this *ex parte* notification.

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Pursuant to the Commission's rules, an original and one copy of this letter and its attachment is being filed with the Secretary's office. If you have any questions in this matter, please contact the undersigned.

Very truly yours,

Stephen J. Berman

Stephen J. Berman

cc: Rose Crellin
Paul Garnett
Jim Lande
Kent Lynch
Katherine Schroder
Geoff Waldau

UNIVERSAL SERVICE
CONTRIBUTION AND RECOVERY

Cingular Wireless

CTIA

& Verizon Wireless

October 23, 2001

Summary

- Per-line assessment would be unlawful and discriminatory.
- Projected revenue methodology would increase administrative burden.
- The wireless safe harbor should remain unchanged.
- Carriers should retain flexibility in recovering contributions.
- Single company filing would ease the USF administrative burden.

Per-line Assessment

- Per-line assessment would be discriminatory.
- With the exception of the IXCs, commenters agree that the USF should be assessed on a revenue basis.
  - IXC arguments are self-serving, diminishing their obligation to support universal service.
  - Section 254(b)(4) requires all telecommunications carriers to make an "equitable and non-discriminatory" contribution to federal universal service.

Per-line Assessment

- Per-line assessment proposal is unlawful.
  - The 5th Circuit made clear that the FCC cannot assess intrastate revenues.
  - The Court said that Section 2(b) places all intrastate charges outside the FCC's jurisdiction.
- Per-line assessment would be an invalid measure of interstate telecommunications provided over a line or given account.

USF PROGRAM INCREASES ARE LIKELY TO BE QUITE SMALL ASSUMING THE SAME PROGRAMS ARE SUPPORTED

2002	2004	2006
6.2 Billion	6.3 Billion	6.6 Billion

Source: Verizon Communications Ex Parte, October 10, 2001 CC Docket No. 96-45

FORECASTS PREDICT ROBUST WIRELESS GROWTH, COMPARED WITH RELATIVELY FLAT WIRELINE GROWTH AND LONG DISTANCE DECREASE

Long Distance	Wireline	Wireless
-1%	1.1%	15%
CAGR	CAGR	CAGR

(Over course of 1999 – 2006)
(CAGR = Compound Average Growth Rate – line/number)

Source: Verizon Communications Ex Parte, October 10, 2001 CC Docket No. 96-45

USF CONTRIBUTION BASED ON REVENUES INCREASES INCREMENTALLY FOR WIRELESS, STAYS STABLE FOR WIRELINE, AND DECREASES STEADILY FOR LONG DISTANCE

	Wireline	Long Distance	Wireless
2002	19%	70%	12%
2004	19%	67%	15%
2006	19%	65%	16%

Source: Verizon Communications Ex Parte, October 10, 2001 CC Docket No. 96-45

PER–LINE CONTRIBUTION MECHANISM DRAMATICALLY INCREASES SHARE OF WIRELESS CONTRIBUTION TO USF

	2002		2004		2006	
	Revenues	**Per – line**	**Revenues**	**Per – line**	**Revenues**	**Per - line**
Total Wireless Contribution	0.7 Billion	3.29 Billion	0.9 Billion	3.49 Billion	1.1 Billion	3.7 Billion
Percent Contribution	12%	53%	15%	54%	16%	56%

Source: Verizon Communications Ex Parte, October 10, 2001 CC Docket No. 96-45

Projected Revenues

Projected revenues methodology would be fraught with error, subject to true-ups, and cause significant additional work for both the carrier and USAC.

Wireless Safe Harbor

- Safe harbor is practical and useful tool – the reasons for it have not changed.
- There is no evidence that wireless customer calling patterns have changed.
- In fact, it is just as likely that while interstate usage has increased, intrastate usage has increased also, keeping the amounts balanced.
- CMRS pricing has put downward pressure on interstate revenues.

Recovery

- Carriers should retain flexibility to recover surcharges.
- Ability to select recovery mechanism (*e.g.* flat/percentage) promotes competition.
- Billing system issues present obstacles to strict labels.

Filing

- Commission should permit carriers to file as a company instead of by entity.
- Commenters unanimously endorse this approach.
- Reduced burden on USAC and carriers.