AARP

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November 16, 2001

The Honorable Michael K. Powell
Chairman
Federal Communications Commission
445 12th Street, S.W.
Suite 8B201
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Chairman Powell:

Re: Proposed Changes to the Universal Service Fund Contribution Mechanism; CC Docket No. 96-45, ***Ex Parte Presentation***

As the Federal Communications Commission (FCC) prepares to issue a ruling regarding proposed changes to the way in which the Universal Service Fund (USF) is collected, AARP would like to register some of our concerns with the Commission. AARP has been a strong supporter of the universal service fund, recognizing its importance in providing essential telecommunications services to traditionally underserved communities. While we would prefer the elimination of surcharges and line items as a means to collect universal service funds, the existing system of collecting contributions is preferable to the contemplated move to a per-line charge.

AARP has lent its support to the implementation of the Universal Service Fund, particularly the assistance it provides to low-income consumers, since its inception. In fact, we recently filed comments advocating an expansion of telecommunications services available under Universal Service, and we expect to submit comments on the Lifeline/Link-Up programs later this year. Therefore, we have a clear understanding of the need to adequately fund the program. We believe that a mechanism that levies contributions from every consumer equitably based on a percentage of the charges assessed for long distance calls would provide the monies needed to implement the USF without having to make any changes to the existing formula. By "equitably," we mean that special exemptions or preferential rates should not be afforded certain classes of consumers, as is currently the case. The carriers who employ this practice continue to unfairly discriminate against residential consumers, and AARP believes that now is the time for them to discontinue the practice.

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We are concerned that the move to a per-line charge would further institutionalize the universal service line-item charge. Such a change in regulation now would diminish chances of eliminating the per-line charge from consumer's monthly bills, as we have contended it should be in previous filings with the Commission. However, the existing funding mechanism at least does not penalize consumers who make few or no long distance telephone calls. Under the proposed funding mechanism, these low-volume long distance service callers would be required to pay the bulk of the funding for Universal Service. Based on comments filed with the Commission during its review of low-volume long-distance users in 1999, some 44% of consumers fall into this category. While the goal of the Universal Service Fund is to maintain affordable rates for all consumers, this proposal seems to be asking the people who most need this help to provide a disproportionate amount of the funding. For instance, a consumer who now makes no long distance calls pays an average of $.44 a month to the Universal Service Fund. Under the proposal to collect on a per-line basis, the same consumer would pay an average of $1.52 a month. These consumers represent 25% of American households and they would see a 245% increase in this line-item. On the other hand, the 20% of Americans who are high-volume users of long distance would see their bills decline from $2.59 to $1.90 on average.

Ideally, all consumers should see their monthly USF charges decline to $.00 through a system that would allow carriers to recover their cost in rates as a legitimate cost of business. AARP believes that the elimination of line-item charges would advance universal service and ultimately benefit more residential consumers. Absent that fundamental shift, however, we support maintaining the existing system of funding the Universal Service Fund based on a percentage of the cost of long distance phone calls a consumer makes. Further, we hope that under such a system, the carriers would assign the percentage recovery equitably so that residential consumers are not further disadvantaged.

In summary, adequate funding of the universal service program is of critical importance. AARP commends the Commission for seeking the appropriate means with which to implement the program. However, we believe that the move to a per-line charge would be harmful to the very population the fund seeks to help. Therefore, we ask that the Commission not adopt a per-line cost recovery mechanism and offer our assistance in continuing to seek more suitable alternatives.

Sincerely,

Martin A. Corry
Director
Federal Affairs