

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of

AT&T Request To Contribute To
Universal Service Based On Projected
Revenues

CC Docket No. 96-45

COMMENTS OF VERIZON¹

AT&T's request for a waiver to permit it to contribute to the universal service fund based on projected revenues, while the rest of the industry continues to contribute based on past period revenues, is completely unjustified. AT&T has not shown any "special circumstances" justifying a waiver – its complaints about declining interstate demand can be matched by many other carriers, including Verizon. The Commission already granted AT&T the relief it sought earlier by shortening the "lag" between revenue assessments and contributions to six months. Furthermore, the Commission's December 7, 2001 universal service contribution order actually *reduced* the percentage assessment and provides no excuse for AT&T's decision to burden its residential customers with a 1.5 percent increase in AT&T's universal service fee. Moreover, AT&T's proposal raises more questions than it answers, such as how the Commission would determine the reasonableness of AT&T's demand projections. Finally, the Commission already has taken up the issue raised by AT&T in a more appropriate forum – a general rulemaking

¹ The Verizon telephone companies ("Verizon") are the affiliated local telephone companies of Verizon Communications Inc. These companies are listed in Attachment A.

months. *See Federal-State Joint Board on Universal Service, Petition for Reconsideration filed by AT&T*, 16 FCC Rcd 5748 (2001). This specifically addressed AT&T's prior complaints that the "lag" put carriers with declining demand at a disadvantage. AT&T's waiver request assumes that this decision was invalid, and that the rule is inadequate. If it believes this to be true, the proper approach is to seek to change the rule rather than seek a waiver, which presumes the validity of the rule.

Moreover, AT&T presents no new facts to show that the Commission's prior action was insufficient as applied in particular to AT&T. The *only* fact it cites is the Common Carrier Bureau's December 7, 2001 notice revising the contribution factor to 6.8086%. However, this applied to all carriers, and it is a *reduction* from the 6.9187% factor in the previous quarter. *See Proposed Fourth Quarter 2001 Universal Service Contribution Factor*, 16 FCC Rcd 16281 (2001).

This reduced factor certainly does not justify AT&T's decision to increase the universal service contribution charge that it recovers from its residential customers by 1.6 percent, from 9.9 percent to 11 percent.² AT&T's 9.9 percent universal service charge was almost three percentage points higher than the assessment cited above. That substantial surcharge should be more than enough to cover the alleged effect of the six month "lag." In fact, it likely represents a marketing decision by AT&T to recover more of its assessment from residential customers than

² See http://www.consumer.att.com/connectivity_charge/. On March 8, 2002, the Common Carrier Bureau increased the assessment factor to 7.2805 percent. *See Proposed Second Quarter 2002 Universal Service Contribution Factor*, Public Notice, DA 02-562 (rel. Mar. 8, 2002). However, as this was issued three months *after* AT&T's request, AT&T cannot claim that this "requires" the 1.6 percent increase in the universal service fee that AT&T decided in December 2001 to impose on its consumer market.

from the business customers. There is nothing in the Commission's funding mechanism or the recent changes in the assessment factor that supports AT&T's statement that the existing lag "requires" what it admits is a "precipitous increase" in its consumer charge. AT&T's claim that it is "highly concerned" about the impact of this increase on consumers is ludicrous. This increase clearly is a voluntary decision by AT&T to blame the universal service fund for AT&T's own marketing choices.

As AT&T admits, a grant of this waiver would shift a substantial portion of AT&T's contribution to the rest of the industry, requiring a 0.2% increase in the contribution factor for all carriers. Other carriers predicting a decline in revenues could argue for similar relief, causing the factor to increase further and shifting additional costs to the rest of the industry. This alone shows that a grant of a waiver to AT&T would not be in the public interest.

AT&T's waiver request raises other questions, such as how the Commission will determine if AT&T's projection of future demand is valid. A projection of an individual carrier's demand is difficult to judge in a changing market. AT&T does not explain the methodology that it would use or the database upon which it would rely. An improper projection could shift even more of AT&T's assessment to other carriers, or cause shortfalls in the fund that would have to be made up in later assessments.

AT&T is jumping the gun with this request. The Commission has already begun a rulemaking proceeding to consider a change in the method of assessing universal service contributions that, *inter alia*, is addressing the issue of the effect of the existing historical assessment method on carriers with declining demand. *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Further Notice of Proposed Rulemaking and Report

and Order, FCC 02-43, ¶ 10 (rel. Feb. 26, 2002). Since this issue affects all carriers with declining revenues, it will be addressed in an industry-wide context. A grant of AT&T's waiver request would prejudge the issues in that proceeding.

Conclusion

For the foregoing reasons, the Commission should reject AT&T's waiver request, which does not present "special circumstances" or show that a grant of a waiver would be in the public interest.

Respectfully submitted,

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THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies are the local exchange carriers affiliated with Verizon Communications Inc. These are:

Contel of the South, Inc. d/b/a Verizon Mid-States
GTE Midwest Incorporated d/b/a Verizon Midwest
GTE Southwest Incorporated d/b/a Verizon Southwest
The Micronesian Telecommunications Corporation
Verizon California Inc.
Verizon Delaware Inc.
Verizon Florida Inc.
Verizon Hawaii Inc.
Verizon Maryland Inc.
Verizon New England Inc.
Verizon New Jersey Inc.
Verizon New York Inc.
Verizon North Inc.
Verizon Northwest Inc.
Verizon Pennsylvania Inc.
Verizon South Inc.
Verizon Virginia Inc.
Verizon Washington, DC Inc.
Verizon West Coast Inc.
Verizon West Virginia Inc.