

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of )  
 ) CC Docket No. 02-6  
Schools and Libraries Universal Service )  
Support Mechanism )

**REPLY COMMENTS OF AT&T WIRELESS SERVICES, INC.**

AT&T Wireless Services, Inc. (“AWS”) hereby submits its reply to the comments filed on the Notice of Proposed Rulemaking in the above-captioned proceeding.<sup>1/</sup>

**INTRODUCTION**

Most of the service providers that commented on the reimbursement process for the schools and libraries universal service program state that requiring telecommunications carriers to offer a discounted billing option to educational institutions would be extremely burdensome and costly to implement. Accordingly, they join AWS in strongly opposing the customer-only choice alternative set forth in the *Notice* and endorsed by some of the applicant commenters. If the Commission determines that providers have to provide direct discounted billing for E-rate customers, the costs would make it virtually impossible for AWS to continue its participation in the program.

Notably, despite their support for discounted billing, many of the educational institution commenters agree with AWS that it would be significantly more efficient for the Administrator to reimburse applicants directly for the discounted portion of service instead of using the current two-step process. Given the general consensus among applicants and service providers on this

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<sup>1/</sup> *In the Matter of Schools and Libraries Universal Service Support Mechanism*, Notice of Proposed Rulemaking and Order, CC Docket No. 02-6 (rel. Jan. 25, 2002) (“*Notice*”).

issue, the Commission should eliminate service providers as “middle men” in the reimbursement process.

## **I. THE CHOICE OF PAYMENT METHOD UNDER THE E-RATE PROGRAM SHOULD NOT REST WITH THE APPLICANT**

A number of schools and libraries urge the Commission to give applicants the choice of utilizing the Billed Entity Applicant Reimbursement (“BEAR”) process for obtaining discounts, or obtaining discounts on invoices issued by service providers.<sup>2/</sup> While it is understandable that applicants would want to pay less money upfront, the Commission must take into account the enormous costs such an option would impose on providers. As Verizon correctly notes, discounted billing would “effectively put[] the provider in the position of [the] Administrator, unfairly burdening the provider with the administrative tasks associated with determining which services would be eligible and ineligible for discounts.”<sup>3/</sup> Because carriers do not have billing systems in place to accomplish these tasks, they would have to review each account manually to separate out services and products that are not eligible for discounts, and then adjust and calculate service orders accordingly. Accounts would have to be monitored closely to ensure that the funding cap is not exceeded, and when the cap is surpassed, service orders would have to be created for every account in order to remove the discount.

Adoption of this option would offer carriers two choices – either to spend potentially millions of dollars on additional personnel hours or millions of dollars to overhaul their billing process. Requiring service providers – and wireless carriers in particular – to calculate the appropriate discounts and charge schools and libraries and USAC their respective portions of the

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<sup>2/</sup> California Department of Education Comments at 3-4; Council of Chief State School Officers Comments at 34-35; Education and Library Networks Coalition Comments at 17-18; Kentucky Department of Libraries & Archives Comments at 1; Los Angeles Unified School District Comments at 4-5; New York Public Library Comments at 4-5; Pennsylvania Department of Education Comments at 4; Seattle Public Library Comments at 2.

<sup>3/</sup> Verizon Comments at 8.

amounts due would entail expenditures that far exceed the total amount of school and library funds AWS handles annually. Even some educational institutions recognize that service providers “cannot constantly modify their billing systems fast enough to accommodate complicated changes in billing.”<sup>4/</sup> Forcing service providers to incur such costs would completely undermine the Commission’s goals of “improv[ing] program operation” or “ensur[ing] that the goals of section 254 are met without waste.”<sup>5/</sup>

If the Commission determines that service providers must offer applicants the choice of payment methods, it is highly unlikely that AWS would be able to continue to participate in the schools and libraries program. Given the current economic climate of the telecommunications industry, the limited resources available to carriers, and obligations to existing customers, AWS simply could not justify spending the required funds. As Verizon correctly states, “payment through the BEAR process is the most simple and cost-efficient method for vendors and service providers.”<sup>6/</sup> Although it is appropriate to continue to let service providers work together to determine an appropriate payment method, as suggested by BellSouth and SBC, the Commission should not permit applicants to make the final determination of which payment option to utilize.<sup>7/</sup>

## **II. SCHOOLS AND LIBRARIES SHOULD RECEIVE REIMBURSEMENT FOR THE DISCOUNTED PORTION OF SERVICE DIRECTLY FROM USAC**

A significant number of educational institutions agree with AWS that it would be far more efficient for the Administrator to accomplish the reimbursement process with applicants directly instead of involving service providers as middle men to review and approve BEAR

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<sup>4/</sup> Illinois State Board of Education Comments at 8.

<sup>5/</sup> Notice ¶ 4.

<sup>6/</sup> Verizon Comments at 8.

<sup>7/</sup> BellSouth and SBC Comments at 12-13.

forms and to forward reimbursement checks to applicants.<sup>8/</sup> For example, the Council of Chief State School Officers, the California Department of Education and the State of Alaska urge the Commission to allow service providers to assign in advance BEAR payments directly to the applicant rather than continue the current two-step process of payment to the service provider who, in turn, pays the applicant.<sup>9/</sup> The Illinois State Board of Education also supports allowing direct payments to applicants, noting that the “current disbursement system is too complicated for all parties involved and needs to be streamlined.”<sup>10/</sup>

As AWS previously noted, the reimbursement process would be much more efficient and cost effective for all parties if schools and libraries were able to send the BEAR forms with relevant carrier invoices directly to USAC and receive their reimbursements directly from USAC without service provider involvement. Not only would making this change in the system lift a burden currently imposed on providers, it would reduce the delay in applicant reimbursement for services, which is a major concern of most of the educational institutions. Based on the experiences of educational institutions and service providers, and the record in this proceeding, the Commission should reconsider its prior rejection of direct reimbursement to fund participants in the E-rate program.

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<sup>8/</sup> California Department of Education Comments at 3-4; Council of Chief State School Officers Comments at 39; Illinois State Board of Education Comments at 8-9; New York Public Library Comments at 5; North Carolina Department of Cultural Resources Comments at 1; Pennsylvania Department of Education Comments at 5; State of Alaska Comments at 7-8.

<sup>9/</sup> California Department of Education Comments at 4, Council of Chief State School Officers Comments at 36, State of Alaska Comments at 7-8.

<sup>10/</sup> Illinois State Board of Education Comments at 8.

## CONCLUSION

For the foregoing reasons, the Commission should not require service providers to give applicants the choice of using either the BEAR process or direct discounted billing. In addition, the Commission should direct the Administrator to reimburse schools and libraries directly for the discounted portion of services they receive from AWS and other service providers.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I, Bryan T. Bookhard, hereby certify that on this 6<sup>th</sup> day of May 2002, I caused copies of the foregoing "Reply Comments of AT&T Wireless Services, Inc." to be sent to the following via electronic filing or e-mail:

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