1 Let's think about that a little bit. How unfair
2 is this? A composer at hand, by the biggest interstate
3 carriers today provide the majority of interstate traffic,
4 do carry the majority of calls, would collect -- and fund.
5 That's a big concern.
6 In addition, any flat rate connection plan would
7 also be good, because it would include all the carriers, and
8 you would have to worry about safe harbor percentages, some
9 of which were set many years ago, and may not truly reflect
10 the amount of interstate services that some of these other
11 services provide today.
12 As we go along, we are also concerned that all
13 Internet broad band connections provide funding to the
14 mechanism. That will be very controversial.
15 Currently, DSL is in the front. Cable modems
16 don't. There is a large controversy out there. I don't
17 know how we fix it, but it is something that would help the
18 overall sustainability for -- contribution provider.
19 Here are my two last points, and I'll just read
20 those off. Capacity based connection assessments are only
21 in context in the administrative and workable. We are very
22 concerned on how they do work.
23 Finally, we really need to look at the bifurcation
24 of the high cost programs for schools and libraries versus
25 the help support of high cost telecommunication services.

1 Thank you for your time.

2 MS. ABERNATHY: Thank you, Mr. Nishi.

3 Now Mr. Juhnke?

4 MR. JUHNKE: I'm Richard Juhnke, Vice President,
5 Federal Regulatory Affairs for Sprint, and it's a pleasure
6 to have this opportunity to appear before the Joint Board
7 members today.

8 I'd like to put my remarks in the context of the
9 criteria that Dr. Gillis advanced as criteria the Commission
10 should follow in deciding this difficult issue. Sprint,
11 which has a connection-based approach believes that its
12 approach satisfies those criteria better than any of the
13 other proposals currently before you.

14 First, I would agree very much with John Nakahata
15 and Judy Walsh that the current system is broken and can't
16 be fixed. I would like to mention a couple of points in
17 that regard, that they omitted.

18 One, there are a lot of inequities, as among
19 carriers offering competing services, under the present
20 system. A carrier with an increasing market share and an
21 increasing revenue base very much has an advantage because
22 of the revenue lag effect, over carriers whose revenues are
23 falling.

24 Second, because international revenues are
25 excluded from the contribution base for carriers that are

1 exclusively or largely concentrating on international
2 services, those carriers have an automatic and quite
3 substantial cost advantage over full service carriers that
4 don't meet the threshold for the international exclusion.
5 IP telephony, the phone-to-phone IP telephony --
6 it's small in the market right now, but certainly people
7 predict that it's going to be quite substantial in future
8 years.
9 It is not subject to USF under the current system
10 and, again, that places carriers using other technologies at
11 something of an artificial cost disadvantage. So we agree
12 fully that the current system is broken, and that a
13 connection-based plan is the way to do it.
14 I think the one major differentiation between the
15 Sprint plan and the coalition plan that Mr. Nakahata
16 advocates, is the treatment of wireless carriers. We would
17 base the wireless per contribution by taking the present
18 contribution of the wireless industry to USF as a percentage
19 of the total size of the USF fund, and maintain that at
20 current levels, but break that down into a per-wireless
21 connection charge.
22 Given the data in the further notice that was
23 issued in February, that would mean something like perhaps a
24 46 cent charge per month, versus $1 for wire line
25 residential customers.

1 And let me explain why Sprint thinks that's fair.
2 I think, first and foremost, with wire line, ultimately,
3 these costs -- and I know there's a separate panel on
4 recovery issues -- but contributions wind up getting
5 recovered through charges to consumers.
6 Wireless consumers today are paying the full costs
7 of their service; whereas, the fact remains that in many
8 areas, wire line customers have their local service cross-
9 subsidized by other services above cost access revenues;
10 revenues from other services, such as business services and
11 the like.
12 So in terms of sort of equitable treatment of two
13 technologies, the wire line and wireless, we think it's
14 somewhat inequitable to expect wireless customers to pay the
15 full cost of their services, while wire line customers are
16 still paying rates that are somewhat below cost.
17 The second point I'd like to make is that when the
18 safe harbor was adopted in late 1998, which assumed that 15
19 percent of wireless revenues represented interstate calls,
20 wireless carriers, by and large, were charged extra for long
21 distance, at that time.
22 Since that time, two things have happened. One,
23 wireless rates have continued to come down; and second,
24 wireless carriers, on many of their rate plans, have
25 eliminated extra charges for long distance.

1 So even if you assume that there is an increase in
2 interstate wireless calling, which may be a reasonable
3 assumption, but I must say, it's a very difficult matter to
4 measure, the 15 percent safe harbor would probably still be
5 quite justified, because of the elimination in many rate
6 plans of extra charges for long distance.
7 I'd like to contrast Sprint's plan in the time I
8 have remaining very briefly, with the Bell South SBC plan,
9 but I see I have no time remaining.
10 (Laughter.)
11 MR. JUHNKE: Maybe I'll get a friendly question on
12 that. Thank you very much.
13 MS. ABERNATHY: Thank you very much.
14 Mr. Altschul?
15 MR. ALTSCHUL: Commissioner Abernathy and
16 Commissioner Thompson and members of the Joint Board, thank
17 you for this opportunity to share with you our views.
18 My name is Michael Altschul, and I'm the Senior
19 Vice President and General Counsel of CTIA, the Cellular
20 Telecommunications & Internet Association.
21 As you may know, we represent commercial wireless
22 service providers and their suppliers. We recognize them as
23 cellular/PSC carriers, primarily.
24 Like everyone else in all segments of the
25 industry, CTIA and its members recognize the benefits and

1 importance of universal service, and how telephone service
2 provides a benefit to all Americans.
3 We are very proud, and I'm going to point out,
4 that we are supporting universal service, and are willing to
5 pay our fair share of the universal service funds that
6 Congress has directed, on an equitable and nondiscriminatory
7 basis.
8 In that regard, I must note that wireless carrier
9 support payments have grown proportionately, as wireless
10 carriers are growing their proportion of the nation's
11 telecommunications revenues.
12 Our revenues have been growing by approximately 30
13 percent a year, and so have our contributions into the
14 universal service fund.
15 I don't need to go over the connections-based
16 proposal. You've heard it. Let me point out, too, the
17 important aspects of Section 254.
18 First, as others have noted, it requires all
19 carriers to contribute. And we share the views of others,
20 as problematic; that the long distance carriers, who now
21 contribute approximately 63 percent of the support for
22 universal service, it would be excused from their
23 traditional role. We just don't believe that the diminimus
24 exception can be stretched to exclude that volume of
25 interstate calling.

1 Also, the Fifth Circuit Court of Appeals in the
2 Texas Utilities Commission case made clear that the Federal
3 program cannot reach into non-interstate revenues. Wireless
4 carriers have a significant number of customers, who do not
5 use interstate revenues.
6 We all know and are proud of the growth of plans
7 that include long distance with our other minutes. We still
8 have a lot of piece of mind users, who may make few or even
9 no calls per month; and we also are characterized by pre-
10 paid users, who have a pre-paid relationship, that is not
11 billed or used on a monthly basis.
12 Assessing customers like these, who have no
13 interstate usage, or don't have any predictable interstate
14 usage for contributions to the Federal programs, we feel,
15 raises issues under Section 254.
16 I was happy to hear others on the panel talk about
17 the complexity that the connection-based program or proposal
18 glosses over. Having a residual for multi-line users, based
19 on capacity, creates exactly the same complexities that the
20 status quo has with bundled rates.
21 We all know and all benefit from the rapid growth
22 of new technologies, the rapid growth in capacity over
23 existing as well as new technologies, and the regulatory lag
24 in complexity in trying to track and keep pace with these
25 developments on an individual subscriber or even on a

1 technology basis are going to be immense. Also, we risk
2 running afoul of the equitable and nondiscriminatory
3 obligations imposed by Section 254.
4 One of the things that has surprised me that we
5 have recognized, and others have not, is that the size of
6 the current fund has been remarkably stable. The pie really
7 has not changed in its overall shape. Certainly, the slices
8 have. The slice accounted by interstate carriers has been
9 shrinking. The wireless carrier slice has been increasing.
10 IREX, through their entry into long distance, are increasing
11 their share.
12 And before we know and can assess whether or not
13 the system is broken and we need to make dramatic changes,
14 we really need to know what the projected demands of funding
15 are going to be.
16 We all know that over the recent life of the
17 program, the size of the funds has grown nearly three-fold.
18 This has been supported by a funding base that has remained
19 about the same.
20 There certainly are, and we join with others, in
21 suggesting that Internet service providers, cable modems,
22 and so on, should certainly be considered for expanding the
23 base. We join others in urging that the traditional long
24 distance providers not be excluded from funding the base.
25 But until we have a better sense as to where the

1 fund is going in terms of its size, we really can't answer
2 the question as to whether the current system is in crisis
3 or not.
4 With that, I think I'll wait for your questions.
5 Thank you.
6 MS. ABERNATHY: Thank you.
7 MR. DAY: Thank you, Chairman Abernathy. My name
8 is Christopher Day. I'm an attorney with the Institute for
9 Public Representation, a public interest law firm associated
10 with the Georgetown University Law Center.
11 We represent Consumer Federation of American,
12 Consumers Union, and a number of public interest and
13 consumer groups in this proceeding.
14 Before I get started, I again would like to add my
15 thanks to the Joint Board and the Commission for setting
16 this up and inviting us here today to speak.
17 We have two main goals in this proceeding. The
18 first is to ensure that USF assessment occurs in a
19 progressive manner, that does harm residential and other
20 relatively low use consumers.
21 I think right from the outset, I may be the only
22 one, or one of the few on this panel, that we don't think
23 the current system is broken beyond repair, or is going to
24 enter into a death spiral. We think it can actually be
25 fixed fairly easily, and we can get to that a little bit

1 later on.

2 And our second point is basically -- and I know

3 this will be addressed in the second panel -- but we believe

4 that the Commission must do something to limit current

5 abusive USF recovery practices, that often charge consumers

6 USF recovery amounts that are far above the current rate of

7 the USF assessment factor. We feel that that's something

8 that really needs to be addressed in this proceeding, as

9 well.

10 Basically, we have two main points in addressing

11 the various connection-based USF recovery proposals

12 delineated in this proceeding. Those proposals are mainly

13 the COSAS proposal and the SBC Bell South proposal, along

14 with also the Sprint proposal.

15 We feel that all the connection-based proposals do

16 not really meet either of our goals and, in many respects,

17 represent a step back from the current system. This is for

18 two main reasons.

19 First of all, we feel that the majority of the

20 connection-based proposals, and especially the one

21 delineated in the MPRM and supported by COSAS violate

22 Section 254 of the act.

23 Specifically, we feel that it violates that for

24 two reason. First, a connection-based fee eliminates

25 contribution requirements for many inter-exchange carriers.

1 Section 254(d) specifically states that, "Every
2 telecommunications carrier providing interstate services
3 shall contribute to the fund."
4 The proposal delineated in the notice, however,
5 would allow a number of inter-exchange carriers, by
6 extension, large users of telecommunication services, to
7 essentially escape USC contribution requirements.
8 This, in essence, would transfer much of the
9 contribution burden to low end users, in violation of the
10 express requirements of Section 254.
11 Secondly, we feel that a connection-based fee is
12 not equitable and non-discriminatory. Section 254(d) also
13 requires that any USF assessment be "equitable and
14 nondiscriminatory."
15 Unlike the current system, which assesses USF
16 contribution based on actual usage, the connection based
17 system would assess the same amount on a low use residential
18 line, as it would on a high use business line, for at least
19 single lines.
20 This clearly does not comport with the
21 Congressional intent behind Section 254, and would really
22 shift much of the contribution, as we see it, to low use,
23 low income consumers.
24 Our second point, the connection-based fee
25 proposal harms low income and low use customers. The flat

1 one dollar USF connection fee proposed in the MPRM or the
2 Bell South SBC proposal would disproportionately harm low
3 use users, who are mainly low and moderate income
4 residential consumers.
5 In order to detail the impact of the COSAS
6 proposal, which is the main proposal, as we understand, on
7 the table, we compiled three charts detailing the probable
8 impact of the proposal on low use consumers. That is
9 attached to the written materials which I submitted, and I
10 won't go completely through those.
11 I would say that we also requested to see a copy
12 of the Commission's preliminary study, which was discussed
13 in the notice. We were not able to get a copy of that. We
14 filed actually a Freedom of Information Act Request to get
15 that, mainly because that contains a number of information
16 in there, some T&S bill tracking information, that we would
17 like to see, and as a public interest group, we really can't
18 access.
19 But it must be noted, and if you look at
20 attachment one through three, and specifically attachment
21 one, which details essentially, as we understand it, the
22 COSAS proposal, which would be a one dollar connection
23 charge, plus - and they note this in their comments -- there
24 will be an administrative fee of at least ten cents imposed
25 probably on people's bills.

1 If you look at the impact of that, we studied 18
2 plans, and low use customers would pay more under that
3 proposal in all but two of the plans we studied.
4 We also studied the impact if a 25 cent
5 administrative fee were added, or a 51 cent administrative
6 fee or mark-up were added. Under the 25 cent scenario,
7 which we actually think is probably more likely, low use
8 consumers would pay more in all but one of the plans, and
9 under the 51 cent scenario, they would pay more in all the
10 plans studied. So we don't really think that's fair and
11 equitable.
12 I would add right now that while we mainly focused
13 on the COSAS plan presented in the MPRM, and in our
14 submitted written materials, we feel that it is critical to
15 note at this point, since it's being discussed, that the SBC
16 Bell South proposal is probably even worse. It would impose
17 fees on both your local connection, your inter-exchange
18 connection and ISPs.
19 So a low use customer that has just a regular
20 phone line and ISP could get hit with three connection-based
21 charges. We certainly don't think that that's fair and
22 equitable.
23 I see I'm out of time. Let me just run through
24 our proposals really, really quickly, on how we see this
25 could be fixed.

1 First is that the basic revenue-based USF
2 assessment system should be retained. As Ms. Nasuka and
3 certain other commenters very clearly illustrated in their
4 comments, the system is not broken or ready to enter a death
5 spiral, as someone claimed.
6 Second of all, to correct any potential revenue
7 shortfall, we believe that certain safe harbors should be
8 re-examined, including the wireless safe harbor. Those
9 should be either re-examined or raised or abolished. I
10 think in saying now, I've alienated everyone on the panel.
11 (Laughter.)
12 MR. DAY: Third, the Commission should study ways
13 to eliminate the USF assessment lag to make that more fair.
14 And fourth, and perhaps most importantly, the Commission
15 should either prohibit customer pass-through of carrier USF
16 assessment, so if a customer looks at a promotion and it
17 seeks seven cents a minute, they know it's actually going to
18 be seven cents a minute; or, in the alternative, and at the
19 very least, carrier recovery should be limited to the actual
20 assessment factor.
21 Carriers currently do this with other regulatory
22 fees, and we don't see any reason why they can't do it with
23 the USF assessment.
24 Thank you very much.
25 MS. ABERNATHY: Thank you very much, Mr. Day.

1 I think what we'll do in the interest of time,
2 we'll start to my right with Commissioner Dunleavy. Why
3 don't we do two questions per Commissioner, and then if we
4 have time for more, we'll try and get in some more.
5 MR. DUNLEAVY: Thank you, Madam Chairman. First,
6 like Mr. Nishi said, I think it's magic, too. So he's not
7 alone. I don't know whether that says something about me or
8 not.
9 (Laughter.)
10 MR. DUNLEAVY: But be that as it may, we've heard
11 here a variety of different opinions, whether it's good or
12 bad. But it would appear that if there really is a problem
13 here, that it perhaps is in the increasing demand for
14 universal service funds, and not a decline in interstate
15 usage.
16 I'm not sure that there's any evidence that the
17 total amount of interstate and international usage minutes
18 is declining, but it may be that some of it is shifting to
19 services -- for example, the international or wireless --
20 and that may not be captured in the current USF revenue
21 assessment base.
22 Now in fact, the level of that base appears to be
23 approximately where it was in the year 2000; having declined
24 only about one percent. Over that same period, demands on
25 the USF fund have increased 21 percent. I think that that

1 says something.

2 Now I wonder perhaps -- and I'm not directing this
3 question at anyone specifically -- but does the contribution
4 or connection-based assessment proposal do anything to
5 address this problem, or does it, in fact, actually invite
6 even greater growth in the USF? That's question number one.

7 Question number two, and one of my primary
8 concerns, quite frankly, is for lower income customers, who
9 may not be able to afford the convenience of high speed
10 internet access.

11 That doesn't necessarily translate to tribal lands
12 or rural only. I can assure you that a number of places
13 where that situation exists -- in Brooklyn, New York. These
14 people have no access to a cell phone or blackberry or any
15 of that other stuff.

16 How does this connection-based assessment improve
17 the lot of those customers? I invite anyone to comment; Mr.
18 Juhnke?

19 MR. JUHNKE: I'd be happy to. First, I think the
20 connection-based plan is neutral, in terms of inviting
21 growth in the size of the programs to be supported. It's
22 just a better mechanism if we're covering whatever amount of
23 obligation there is to be recovered.

24 I think if you look at the quarterly contribution
25 factor notices that the Commission puts out, if I've done my

1 math right, and I remember the numbers correctly, in the
2 last 21 months, the size of the contribution base, the
3 interstate international revenue contribution base has
4 fallen by 12 percent.
5 Now minutes continue to increase, but there's some
6 tense price competition. Costs fall because of new
7 technology, and the revenue base is falling really quite
8 dramatically.
9 Second, as to low income customers, the Sprint
10 plan would exempt life line customers from any charge
11 whatsoever. Now there are customers that don't make very
12 many calls in a month that may have very high incomes. I
13 think income and column volume is a very weak correlation.
14 And also, I might add, interstate revenues and
15 benefit from universal service programs is a very weak
16 correlation.
17 Taking your home state of New York, there may be,
18 you know, a wealthy penthouse-dwelling Manhattan-ite, who
19 makes hundreds of dollars of calls every month to Beverly
20 Hills, London, and Rome, who may not perceive that he or she
21 gets any benefit from USF programs; where another Manhattan
22 resident makes no long distance calls, generates no
23 interstate revenues, but does receive calls from family,
24 loved ones, in a home town in Montana, and very much
25 benefits from the program. Thank you.

1 MS. WALSH: The SBC Bell South proposal also would
2 exempt Lifeline customers. If you look at the broad base of
3 the charges, since it includes all interstate services, a
4 single unit of the charge would be quite small, and much
5 smaller than if you were looking at connections.
6 It really is based on the amount of service that a
7 customer uses. For example, if a customer only has local
8 exchange service, they would have one charge. If they had
9 local exchange and a long distance carrier, they would have
10 two charges.
11 As they chose to use more services, they would
12 have additional charges. So to the extent that a customer
13 could only afford basic service and wasn't covered by
14 Lifeline, then there would be a minimum number of charges on
15 those customers.
16 MR. NAKAHATA: Commissioner, one other point or
17 two other points is, on the COSAS proposal also, it exempts
18 Lifeline customers. But more importantly, I think -- and
19 this goes directly to something that Chris Day said -- all
20 the studies show that universal service, the least
21 disconnection is people having high toll bills.
22 The current system exacerbates that problem for
23 somebody who is low income, but high volume. If they have a
24 high toll bill, they are going to get a high universal
25 service charge, which is harder for them to pay, and makes

1 it more likely they'll fall off the network. That's what
2 all the studies have shown.
3 So by implementing a low flat rate, I think this
4 actually improves universal service, improves affordability,
5 and we'll make sure that fewer people become disconnected,
6 because they can't pay the high universal service charge
7 that is levied on top of their volume toll bill. That's for
8 low income, but still high volume, of which there are a
9 substantial number.
10 I mean, our view of the data showed that the top
11 one percent of low, or people with less than $15,000 in
12 household income, pays $10 in universal services charges.
13 That means, they are getting on a bill of something like
14 $100, $10 on top. That's a real burden for somebody with
15 less than $15,000 in income. IT pails in comparison to --
16 this would, for them, bring it down to something around $1.
17 MR. DAY: If I could just respond to that really
18 quickly, first of all, we believe there is a correlation
19 between low use and low income. That's I think, pointed out
20 in both the sort of research we did in preparing our
21 comments and also in the COSAS comments.
22 If you look at the COSAS comments, under their
23 proposal, and it states it in one of the attachments, I
24 believe.
25 Let me just look at my data here really quickly.

1 But basically, under the COSAS proposal, I believe people
2 with household incomes between zero and $15,000 -- 62
3 percent of those would pay more, under the COSAS connection
4 based proposal.
5 And in those households from $15,000 to $30,000,
6 about 58 percent of those households would pay more under
7 the COSAS proposal, as well. So I think there is a
8 definitely correlation between low use and low income.
9 I think if you break down the numbers, and this is
10 in our initial comments -- if you break down that -- and we
11 didn't really go and look at the actual statistics they
12 have.
13 But if you look at that top one percent, if they
14 are really paying, you know, $10 a month under the current
15 proposal, if you break that down -- and I actually had a
16 student who is good in math, and most of us lawyers aren't -
17 - but I had him look at it and break it down. If you look
18 at it, the bottom 40 or 50 percent of low income users would
19 actually pay considerably more like between 30 or 40 cents
20 more a month.
21 I think it's important to note there again, the
22 Lifeline eligibility criteria right now is still fairly low,
23 and there are a lot of people who make right above that.
24 And any increase in the local phone bill for these people
25 could cause them to disconnect local service, and they may

1 not qualify for Lifeline. That would cause them to drop off
2 the network.
3 I have one last point that I would like to respond
4 to very quickly. I just find the argument that the
5 universal service, as it is currently administered, any sort
6 of spike there, causing people to drop off the network, is a
7 little bit disingenuous.
8 It's sort of like me saying, well, I have a
9 $70,000 BMW, which I don't have -- I have a Volvo that drops
10 engine parts every time I go out on I-66 -- but assuming I
11 have this BMW, and I have a $1,000 a month payment on this
12 BMW, and I have a $70 a month parking space, it's sort of
13 like saying, well, you know, I can't pay for the $70 space,
14 so I can't have my BMW.
15 The problem is not the $70 a month parking space.
16 It's the $1,000 a month monthly payment, I think. I think
17 part of the option there is to, you know, for companies who
18 are charging migrants, immigrants, large amounts to make
19 long distance international calls, I think dealing with that
20 problem would be a better way to address it, rather than
21 looking to USF.
22 MS. ABERNATHY: If we keep going here, none of the
23 rest of us will get to ask any questions. So I'm going to
24 just put a hold briefly, if that's okay, Commissioner, so we
25 can move on to Commissioner Martin.

1 MR. MARTIN: Briefly, I'd like to first associate
2 myself with some of Commissioner Dunleavy's comments about
3 the concern being not only the size of the ongoing
4 contribution base, but also the size of the fund that's
5 being growing, as well, in potentially greater increments
6 than the base has been decreasing.
7 And also, before I start any questions, I would
8 like to respond to Mr. Day's concern and say that I know on
9 behalf of myself, and I can't speak for any of other
10 Commissioners, I would look into your FOIA request, because
11 I would certainly want to be responsive, to make sure that
12 you are getting the information that we are using for this.
13 I know that we would all want to make sure you are
14 getting that. So I will make a commitment to try to respond
15 to that.
16 My first question was actually to John Nakahata.
17 He had mentioned that one of the problems with trying to
18 adjust the current system was on the bundling of local and
19 long distance minutes, that was increasingly occurring, both
20 in the wireless and wire line side.
21 I was going to ask about the fact that I think the
22 Commission has faced this potentially in the past. For
23 example, in the private line context, and also in our
24 reciprocal compensation order, we used the same analogy,
25 where we actually said that where there's both state and

1 interstate traffic on a line, if more than 10 percent of
2 that total traffic on the line is interstate, absent
3 specific traffic studies demonstrating another percent of
4 interstate, we would just assume that all of it was
5 interstate.
6 And I'm curious why maybe that might not be an
7 appropriate method of proceeding; again, absent traffic
8 studies following the same kind of role we've used in other
9 circumstances.
10 MR. NAKAHATA: Again, I'd have to give your
11 scenario more thought. But my first reaction to that is
12 that it seems that you would apply the 10 percent, for
13 example. That would basically end up attributing all
14 revenue to interstate.
15 MR. MARTIN: Well, certainly, as I said, absent
16 traffic studies demonstrating the opposite, as I understood,
17 WorldCom might be, for example, under their Friends and
18 Family Plan, actually continuing to keep track of the
19 traffic, so that they would be able to specify the
20 allocation in a separate manner. So clearly, people would
21 have that option.
22 But I guess, as I said, I wanted to point out that
23 the Commission has addressed that presumption in other ways
24 in the past.
25 MR. NAKAHATA: Well, let me answer your question

1 more directly, though. Here's the problem. Let's take a
2 business contract. That's going to include interstate,
3 intra-state telecommunications, information services,
4 management contracts, equipment, all those different things.
5 When you're sitting down to negotiate that
6 contract, you can put revenue under whichever contract you
7 want, and as their negotiator, what you're going to care
8 about is how can I -- representing the user, you're going to
9 say, how can I get that number, the total amount I'm going
10 to end up paying, and get it to be the lowest number
11 possible?
12 My incentive, if I'm the representing user in that
13 context, is to try and push money away from the areas that
14 have assessments. So I'll put it in equipment. I'll put it
15 in information services.
16 But that's the fundamental problem with the
17 revenue-based. There's nothing magic about a dollar that
18 says, this dollar has to be interstate, unless we're going
19 to go back and do separations for everybody, and strictly
20 regulate everything.
21 You can't have de-regulation work and still try to
22 assess dollars in these regulatory pigeon holes, because
23 there is nothing that is related to the real world about
24 these pigeon holes, especially when you have to get to
25 interstate telecommunications which, as you know better than

1 anybody else, these are two pigeon holes that are not at all
2 well defined.
3 In fact, in my practice, the hardest thing to do
4 is to tell somebody, gee, you've got a new product. Do you
5 have to pay universal service on it or not?
6 MR. MARTIN: One of the other questions that I
7 wanted to ask of all of the panels is, to the extent that
8 the Commission was considering a methodology of collections
9 based upon lines, I wondered what any of the panels might
10 think about, instead of doing it based on lines or based on
11 actually Federal numbers -- which I'm just interested in
12 some of your initial comments or thoughts.
13 I thought that that might still address some of
14 the wireless to wire line technology substitution that's
15 occurring. It would also address the IP telephony issues,
16 since you would now be able to plug into the public switch
17 telephone network, without also having a telephone number.
18 Actually, as a matter of fact, I think AT&T's
19 comments originally in the docket a year ago, talked about
20 doing it based on numbers, and so did Sprint's, as well,
21 last Spring. They talked about on the wireless side, basing
22 it on numbers, instead.
23 I was wondering if any of the commenters had the
24 pluses and minuses of doing it on line, versus on Federal
25 numbering policy.