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ATTORNEYS AT LAW

September 9, 2002

**EX PARTE – Via Electronic Filing**

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Re: CC Dockets No. 96-45, 98-171, 90-571, 92-237, 99-200,  
95-116, 98-170, and NSD File No. L-00-72

Dear Ms. Dortch:

On September 5, 2002, Jim Blaszak (on behalf of the Ad Hoc Telecommunications Users Committee), Brian Moir (on behalf of eTUG), Joel Lubin (of AT&T), Patrick Merrick (of AT&T), Rick Whitt (of WorldCom), Richard Metzger (on behalf of WorldCom), Staci Pies (of Level 3) and Chris Wright and I (on behalf of the Coalition for Sustainable Universal Service (“CoSUS”)) met with Chris Libertelli, William Maher, Carol Matthey, Jessica Rosenworcel, Eric Einhorn, and Diane Law Hsu to discuss the above-captioned proceeding.

Many of the points of our presentation are set forth more fully in CoSUS comments and reply comments filed in the above-referenced dockets in response to the Further Notice of Proposed Rulemaking. We stated that in constructing the CoSUS proposal, we sought to collect universal service funds in a sustainable manner that was competitively neutral, minimized administrative and transaction costs, and had a fair sharing of the burden between residential and business users. We did not focus on sectoral “burdens” because, in our view, this was wholly a matter of “optics” as all USF assessment fees are ultimately passed on to users, and that by ensuring competitive neutrality and minimizing administrative and transaction costs, the CoSUS proposal would ensure that the necessary universal service contributions were collected at the minimum cost to consumers and society and in a way that would not distort competition. The CoSUS proposal therefore results in the total universal service subsidy being collected at the lowest overall cost to users and competition.

All other proposals impose additional costs on users and/or competition. The SBC-BellSouth proposal would incur substantial administrative and transaction costs. IXCs do not, as a routine part of their commercial operations, have the information about their customers’ end user access

connections necessary to report and pay USF contributions under SBC-BellSouth, but would have to obtain that information from the LEC. Because this cost of obtaining necessary information applies only to providers that do not provide both long distance and local service to the customer, the cost of obtaining necessary information falls disproportionately on providers that are offering long distance without providing the local service to the same customer. In short, SBC-BellSouth favors the Bell Companies.

The Jaber proposal for an IXC account fee for residential and single line business, but not multiline business account, does not maintain competitive neutrality between wireline providers and wireless provider. Under Jaber, the wireline long distance carrier is subject to a 50-cent residential/single line business account fee that is not applied to a wireless carrier. On the other hand, the wireless carrier contributes \$1.00, which is more than the ILEC. This is not competitively neutral, and thus cannot be considered to be equitable and nondiscriminatory.

The majority of the state members of the Joint Board recognized that the CoSUS proposal was the most simple and efficient means of collecting universal service contributions. However, the proposed freeze in the residential and wireless assessment rate was both unsupported and would ultimately undermine universal service by potentially magnifying increases on multiline business users. This additional redistribution between residential/single line business/wireless users on the one hand and multiline business users on the others is unnecessary and unfair.

We further pointed out that all purported alternatives to the CoSUS proposal, including the Jaber per account proposal, would result in higher average household USF fees than under CoSUS, across all income groups (including the proposal by the majority of state joint board members, to the extent line growth exceeds contribution growth). To the extent the Commission seeks to minimize charges on the residential household, the CoSUS proposal does so, and all other proposals do not.

In accordance with FCC rules, a copy of this letter is being filed in each of the above-captioned dockets.

Sincerely,

/s/

John T. Nakahata  
*Counsel to the Coalition for Sustainable  
Universal Service*

JTN/krs