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September 13, 2002

VIA ELECTRONIC FILING

Marlene H. Dortch
Secretary
Federal Communications Commission
445 - 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Re: *Notice of Ex Parte Presentation: Universal Service Contribution
Methodology (CC Docket Nos. 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 12, 2002, Anne E. Hoskins, Regulatory Counsel, Verizon Wireless, and the undersigned met with Eric Einhorn, Acting Chief, Diane Law Hsu, Acting Deputy Chief, and Paul Garnett, of the Telecommunications Access Policy Division, Wireline Competition Bureau; and Rose Crellin of the Commercial Wireless Division, Wireless Telecommunications Bureau. The topic of the meeting was the universal service contribution methodology proceeding. Verizon Wireless' position remains consistent with its comments and reply comments in this proceeding, and the presentation we made to the staff is summarized in the attached bullet sheet.

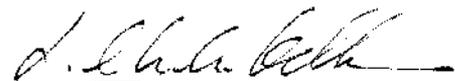
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Consistent with the Commission's rules, this letter is being filed electronically in each of the above-referenced dockets.

Very truly yours,

WILKINSON BARKER KNAUER, LLP

By: 
L. Charles Keller

Attachment

cc: Eric Einhorn
Diane Law Hsu
Paul Garnett
Rose Crellin

UNIVERSAL SERVICE CONTRIBUTIONS
VERIZON WIRELESS
September 2002

- **Revenue-based Assessment is Equitable and Sustainable.**
 - The revenue-based assessment automatically adjusts each carrier's contribution amount as its revenues change.
 - Migration of long distance minutes to wireless carriers doesn't seriously undermine IXC revenue, as very few wireless carriers self-provision long distance service.
 - Best way to ensure funding sufficiency is to broaden the base of contributors — not to contract it.
 - CMRS carriers currently pay a significant share of the total USF burden.
 - Re-examine the safe harbor level and clarify its application; don't discard the safe harbor.
 - Verizon Wireless' Traffic Study
 - Holding company-specific data pending current industry effort to collect aggregate data.
 - Shows that simplifying assumptions can be developed for traffic studies.
 - Demonstrates that the concept of safe harbors is sound, and less complex than the capacity-based equivalency ratios that would be necessary under a connection-based assessment.
 - Findings do not support moving to a per-connection charge of \$1 or more. At that level, the charge would be inequitable and discriminatory. In addition, such a high charge would assess wireless intrastate services and revenues in contravention of *Texas Counsel*.
 - The Commission should revise the safe harbor and adopt other administrative adjustments to the revenue-based system by year-end. This is more likely to ensure the sustainability of the fund than imposing a controversial and administratively complex connection based system.
- **An Assessment Methodology that Substantially Increases the Wireless Industry's Share of the Total USF Burden, while Substantially Decreasing the IXC's Industry Share, is Inequitable and Discriminatory.**
 - Section 254 requires that *carriers* (not customers) be assessed on an equitable and non-discriminatory basis.
 - A flat-rate assessment that does not apply to IXCs would violate section 254(d) by excluding a significant class of telecommunications carriers. Any connection-based proposal that allows IXCs to escape contributions for the bulk of their interstate revenues is not equitable or non-discriminatory.
 - By contrast, the current mechanism's incidental exclusion of pure "carriers' carriers" is inconsequential.

- To be equitable, the assessment methodology should reflect differences among carriers' amounts of interstate revenues.
 - Because IXC's continue to benefit from the largest amount of end-user interstate revenues, they should bear a proportionate share of the contribution obligation.
 - On a per-line basis, wireless revenues are much lower than landline (i.e., combined LEC and IXC) revenues.
- **The IXC and BellSouth/SBC Proposals Would Impose Disproportionate Per-Connection Assessments on Wireless Carriers.**
 - The SBC/BellSouth proposal is infirm because the FCC has held repeatedly that CMRS is a single, integrated service. The FCC cannot impose multiple assessments on CMRS for provision of an integrated service.
 - The proposed per-handset collection discriminates against wireless carriers in favor of wireline LECs.
 - Wireless carriers cannot reproduce the convenience of a landline extension in every room without multiple phones ("connections"). Wireless "family plans" seek to reproduce this convenience, but would face significantly greater tax burdens than comparable wireline services.
 - The existing per connection proposals would penalize wireless customers who maintain multiple phones for low use emergency or family purposes.
 - The SBC/BellSouth proposal would discount the assessment on Centrex multiple lines for a single customer. Wireless customers deserve similar treatment.
- **Assessing a \$1 or More Monthly Charge on Each Wireless Handset Will Suppress Demand for Wireless Service and Provide a Competitive Advantage to IXCs.**
 - Actual assessment rate is likely to exceed the much-cited "\$1" figure. CoSUS has opposed state Joint Board members' proposal to cap the charge at \$1, and BellSouth/SBC proposal is likely to result in higher assessments by attributing 2 or more "QSCs" to wireless.
 - A \$1 monthly assessment would more than double the percentage paid by Verizon Wireless' customers. Higher assessment amount would further increase the effective assessment rate.
 - Other agencies at all levels of government also are adding new taxes on CMRS carriers to pay for telecom and non-telecom related programs and initiatives.
 - Average tax/assessment rate on Verizon Wireless customers is approximately 18%. Existing taxes and assessments convert a \$40 monthly plan into a \$47 monthly plan.
 - Increased tax burdens will price moderate income customers out of plans that offer large buckets of minutes---thereby undermining competition with IXCs.
 - Customers care about relatively small increases in fees. Missouri voters recently defeated a referendum for a surcharge of 50 cents per month to support wireless 911 services.
 - Rural carriers and IXCs are advocating for new intrastate USF programs, which will reduce access charges paid by IXCs and impose new assessments on wireless carriers.