

September 19, 2002

VIA ELECTRONIC FILING

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

Re: *Ex Parte Communciation – Arch Wireless Operating Company, Inc.*
(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:

This letter follows up on the ex parte meeting that Arch Wireless Operating Company, Inc. (“Arch”) held with the staff of the Telecommunications Access Policy Division, Wireline Competition Bureau, on August 29, 2002. In this letter, Arch provides additional information regarding the potential application of connection-based universal service assessment mechanisms for paging carriers.

As an initial matter, Arch wishes to reiterate its continued support of a revenue-based assessment mechanism for paging carriers. As applied to paging carriers, the existing system is equitable, non-discriminatory and sustainable. The existing “safe harbor” percentage for paging carriers was established based on actual carrier-submitted data. There have been no bundling trends in the paging industry since the existing system was adopted, and the paging safe harbor percentages remain true today.

In light of the extensive attention that has been devoted in the record in this proceeding to connection-based assessment proposals, however, Arch in this letter describes the shortcomings of the existing proposals as applied to paging carriers, and proposes a capacity-based, per-connection assessment mechanism for paging carriers, in the event the Commission concludes that the existing system should be replaced.

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All of the connection-based proposals that have been filed in this proceeding would increase paging carriers' assessments to unjust and discriminatory levels. The interexchange carrier ("IXC") and large user group known as the Coalition for Sustainable Universal Service ("CoSUS") has proposed that one-way paging carriers contribute at a rate of \$0.25 per pager. This contribution level was reiterated in the Further Notice of Proposed Rulemaking in this proceeding.¹ The joint proposal of SBC and Bell South would assess each paging connection at an even higher \$0.50 rate. By contrast, under the existing revenue-based system, paging carriers pay on average \$0.07 per pager. No one has explained how such a three or six fold increase in paging carriers' assessment levels would be equitable or non-discriminatory, particularly given the reduced number of paging subscribers that exist today compared to the time the existing methodology was adopted.

In addition, none of the connection-based proposals on the record clearly describes how *two-way* paging would contribute to universal service. It is unclear under the CoSUS proposal whether two-way paging devices would be assessed at the same level as one-way pagers. The assessment mechanism under the SBC/Bell South proposal is similarly unclear. That proposal's capacity-based equivalency ratios would treat asymmetrical connections less than or equal to 6 megabits per second as one full "Qualifying Service Connection" ("QSC"), however, subjecting them to the same assessment rate as a voice-grade line. Such treatment clearly would be inequitable for paging carriers given the substantially lower capacity provided by paging networks.

If the Commission concludes that it should adopt a connection-based contribution methodology, it should establish an equitable and non-discriminatory assessment rate for paging carriers based on the transmission capacity that their networks and services provide. This approach is consistent with the *Further Notice's* intention to "assess universal service contributions based on the number and capacity of connections a contributor provides to a public network."² This proposal also is consistent with CoSUS's concept of establishing capacity tiers based on "conventional network breakpoints" and SBC/Bell South's proposal to assess high-capacity services based on capacity tiers.

Both one-way and two-way paging networks provide transmission capacity that is a small fraction of the capacity provided on other networks. The record in this proceeding reflects the common understanding that voice networks typically provide transmission capacity at 64 kilobits

¹ *Federal Joint State Board on Universal Service, et al. Further Notice of Proposed Rulemaking and Report and Order*, 17 FCC Rcd 3752 (2002) ("*Further Notice*").

² *Further Notice* at ¶34.

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per second (“kbps”).³ By contrast, one-way paging networks typically provide a transmission rate of 3.2 kbps or less – one-twentieth of the capacity of a voice grade connection. Two-way paging networks typically provide a transmission rate of 6.4 kbps, or one-tenth of a voice-grade connection. In addition, voice grade networks are designed with sufficient capacity for the handset to open a continuous communications channel during a voice conversation. Paging networks, in contrast, are designed only to accommodate short bursts of data (which are transmitted after the connection with the wireline network has terminated). The transmission of a 90-character message generally takes only 300 milliseconds of airtime on a one-way paging network and only 152 milliseconds of airtime on a two-way paging network.⁴ This should be contrasted with the much longer holding times typical of voice traffic, even on CMRS networks.

If the Commission adopts a connection-based contribution methodology, it should establish a capacity-based assessment for paging carriers based on the capacity provided relative to other CMRS providers. Consistent with that approach, one-way paging units should be assessed at a rate of one-twentieth the amount established for a CMRS voice connection. Two-way paging units should be assessed at a rate one-tenth of the level of any CMRS voice assessment. Additional reductions in paging carriers’ assessments also could be made to account for paging networks’ lower ability to accommodate open communications channels between the customer’s device and the network.

As noted, Arch continues to believe that a revenue-based assessment presents fewer administrative difficulties than a connection-based methodology. The need for equivalency ratios for different-capacity connections demonstrates the complexity of establishing a suitable connection-based methodology. In any event, however, any connection-based methodology must account for the lower capacity provided by paging networks to be equitable and non-discriminatory under the statute.

Arch hopes that this information is helpful to the Commission as it deliberates in this proceeding. Please direct any questions regarding this proposal to the undersigned. Consistent

³ SBC/BellSouth propose 64 kbps as the capacity level equivalent to a single capacity tier. SBC Comments at 11. The *Further Notice* had proposed to establish the first capacity tier at the DS-1 level, substantially above the bandwidth of a single voice-grade line. *Further Notice* at ¶ 52.

⁴ The radio network is the portion of the PSTN provided by the paging carrier to carry paging traffic. In addition to the time it takes to transmit the message over the paging radio network, with one-way paging traffic the paging network typically is connected to the wireline network for approximately 15 seconds while the wireline customer inputs the numeric page. This contrasts with the average holding time of approximately 2 minutes for a CMRS voice call, and even longer for a wireline voice call.

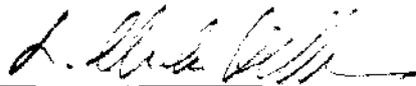
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with the Commission's rules, this letter is being filed electronically in each of the above-referenced dockets.

Very truly yours,

WILKINSON BARKER KNAUER, LLP

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