



Marybeth M. Banks
Director
Federal Regulatory Affairs

401 9th Street, Northwest, Suite 400
Washington, D.C. 20004
Voice 202 585 1908
Fax 202 585 1897
marybeth.banks@mail.sprint.com

Ex Parte

September 25, 2002

BY ELECTRONIC MAIL

Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Notice of *Ex Parte* Presentation
CC Docket Nos. 96-45, 90-571, 92-237, 95-116, 98-171, and 99-200
In the Matter of Federal-State Joint Board on Universal Service, *et al.*

Dear Ms. Dortch:

On behalf of Sprint Corporation, Richard Juhnke and I met on September 24 with Jordan Goldstein, Senior Legal Advisor to Commissioner Michael J. Copps. The policy positions expressed by Sprint were consistent with Sprint's comments and *ex parte* filings in these proceedings, as summarized in the attached outline. Specifically, we discussed Sprint's proposed per-connection methodology, its position on methodologies proposed by other parties, and the reasons why the current revenue-based system is not sustainable.

In accordance with FCC rules, this letter is being filed electronically in the dockets identified above.

Sincerely,

Attachment

cc: Jordan Goldstein

SUMMARY OF SPRINT'S POSITION ON USF CONTRIBUTION/RECOVERY

I. The Current Revenue-Based System Is Broken Beyond Repair

- The shrinking interstate revenue base leads to an upward spiral in contribution factors and surcharges. In addition, the six-month revenue lag unfairly penalizes IXCs who are losing market share to the RBOC entrants whose revenues are increasing.
- There is no way rationally to allocate flat charges for bundles of telecommunications services, equipment and non-telecommunications services to “interstate/international.”
- Exemption of international-only carriers places full service carriers at a significant cost disadvantage in international services.
- Exemption of IP telephony places conventional carriers at a significant cost disadvantage.

II. A Connection-Based System Is Far More Rational Than The Status Quo

- A connection-based approach is permissible under §254(d). Nothing in the statute requires that revenues be the basis of the assessment methodology. Rather, the Commission is free to employ any mechanism that is “equitable and nondiscriminatory” as well as “specific, predictable, and sufficient.”
- Consumers – both residential and business – benefit from the ability to make or receive calls from USF-supported subscribers. This benefit is best captured by the network connections they choose to establish, rather than revenues they generate (which may or may not be generated by calls to supported users, and thus may not correlate at all with the benefits derived from USF programs).
- The total base of “connections” (wireline plus wireless) is gradually growing, and is more stable than eligible interstate/international revenues. Therefore, the assessment should also be more stable.
- All interstate carriers providing connections are assessed. Since the assessment is on the connection, the discriminatory impacts resulting from the restrictions on revenue-based funding (*e.g.*, revenues of international-only or predominantly-international carriers are exempted while revenues from competing services provided by full service carriers are assessed) are eliminated.

- Coupled with a collect-and-remit recovery mechanism, Sprint's connection-based assessment mechanism is less confusing to consumers than the status quo.

III. Sprint's Connection-Based Proposal

- Includes all switched and dedicated connections to telecommunications services (excludes dedicated ISP connections), except for Lifeline customers.
- Levied on the carrier supplying the connection to the end user customer.
- Baseline charge (*e.g.*, \$1.00 initially) for residential/single-line business wireline connections.
- Higher charge for multi-line business connections, and equivalency rates for high-capacity facilities using capacity tiers in NPRM.
- Wireless charge per phone based on current relative contribution of wireless industry to USF.
- Collect and remit system for contribution recovery.

IV. Sprint's Connection Plan Is Superior To Alternatives

- Very similar to Coalition proposal, except for treatment of wireless.
 - Current safe harbor assigns wireless the same proportion of interstate calling as wireline. Thus, basing the wireless connection charge on the current USF contributions of wireless carriers avoids unfairly burdening wireless carriers and their customers.
 - Unlike wireline residential customers, whose basic service rates are subsidized, wireless customers pay the unsubsidized cost of their service, and shouldn't be over-burdened with additional USF costs (much of which are used to fund wireline services).
 - At the very least, if the Commission adopts the Coalition plan rather than the Sprint plan, it should adopt a transition period for raising the wireless charge to the wireline level.
- BellSouth/SBC plan is seriously flawed
 - Proposal is really a per-service-provider mechanism rather than per-connection.
 - Results in multiple charges to a single customer having a single line.
 - Impossible to distinguish logically between "occasional use" providers and other service providers.
 - Greatly expands universe of contributors to include ISPs and other nonregulated content providers, which complicates reporting and auditing.

- Expansion of universe of contributors, together with revenue-based assessments on “occasional use” service providers, makes it difficult to calculate proper assessment charges and to ensure fairness between connection-based assessments and revenue-based assessments.
- IXC cannot identify Lifeline customers and may not be able to exclude them from assessments and recovery.
- Significant numbers of IXC residential customers have no usage in a particular month. The cost of billing the charge to these customers exceeds the revenue that would be collected, and likewise imposes needless transaction costs on these consumers (the cost of a check and stamp may equal or exceed amount paid).