

**UNIVERSAL SERVICE – CONTRIBUTION ASSESSMENT “REFORM”  
NEXTEL COMMUNICATIONS, INC.  
October 2002**

Section 254 requires that assessments be “equitable and non-discriminatory.”

As wireless revenue and subscribers have grown, so have wireless contributions. Over the last 5 years, wireless revenue has grown from \$28 billion to \$65 billion annually and wireless contributions to the fund have grown apace. Nextel’s contribution has more than quadrupled during this same period.

Nextel’s comments and replies in this proceeding (as well as the comments of NASCUA and others) demonstrate that USF funding does not require the radical surgery CoSUS is pushing. Only limited revisions may be appropriate, if justified.

**Connection-Based Proposals Are Arbitrary**

Both the Joint Board and the FCC in 1997 rejected a per line or connection-based assessment model due to concerns about wading into a capacity-based calculation morass. Nothing in the intervening period has changed that would suggest assigning values to particular lines has gotten any simpler. In fact, those proposing breakpoints for capacity charges have not provided any breakdown of how they affect relative contributions of classes of carriers and types of services. For example, in some proposals, Centrex users largely would avoid the assessment that would fall on PBX users.

The proposed connection-based plans assign inherently arbitrary values to each type of line. There is no economic basis for selecting \$1 per connection for wireless and residential connections and even less for the recovery of the “residual” amount to business lines using capacity-based charges.

The FCC can have no confidence that these assignments are fair, equitable, or not subject to arbitrary increases, avoidance and gamesmanship.

**Connection-based Proposals Are Inconsistent with Statutory Requirements**

CoSUS would let interexchange carriers and others with no interstate “connections” off from paying into USF.

Interstate landline and wireless connections with no use in a particular month would still be assessed a monthly connection fee.

CoSUS would assess the intrastate connections/revenues of wireless providers.

The 5<sup>th</sup> Circuit determined that interstate revenue-based assessments were consistent with Section 254’s command that assessments be equitable and non-discriminatory. A connection-

based plan that radically changes the payment burden and virtually exempts classes of interstate revenue is inconsistent with the statute.

### **Wireless Safe Harbors and Relative USF Contributions Must Be Maintained**

A wireless safe harbor merely acknowledges the obvious point that not all wireless calling is interstate and that there is no point to requiring wireless carriers to install costly reporting systems to capture this information.

The FCC now has information from CTIA indicating a range of interstate wireless calling from 10% to nearly 29%. This demonstrates the FCC would be acting arbitrarily if it doubled or tripled wireless assessments.

No matter what the “reform” as Sprint has pointed out, wireless companies should not be assessed more, on a relative basis, than they are paying today.

The revenue based assessment system should be maintained, with elimination of a reporting time lag. Collect and remit should also be adopted.

### **Implementation**

A wireless line is a wireless line – CMRS carriers do not have legacy pricing distinctions between residential and business lines. It would be entirely arbitrary to import these artificial landline distinctions into the CMRS market.

Billing/tracking systems in place cannot assess a range of rates and differentiated rates for “residential” and “multi-line business” wireless and any two-tier system would be difficult to administer, but also would be subject to fraud and potential abuse. Wireless carriers would have little choice but to survey each customer and rely on customer-provided information to classify customers.