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October 16, 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:

This is to advise you that, on October 15, 2002, Anne E. Hoskins, Regulatory Counsel, Verizon Wireless; Kathryn A. Zachem of this firm; and the undersigned met with Matthew Brill, legal advisor to Commissioner Kathleen Q. Abernathy. The topic of the meeting was the above-referenced universal service contribution methodology proceeding.

The presentation in the meeting was consistent with Verizon Wireless' comments in this proceeding and is summarized in the attached bullets.

Pursuant to the Commission's rules, this letter is being filed electronically in the above-referenced dockets. Please direct any questions to the undersigned.

Respectfully submitted,

WILKINSON BARKER KNAUER, LLP

By: /s/
L. Charles Keller

cc: Matthew Brill (by email)
Enclosures

VERIZON WIRELESS
Universal Service Contribution Methodology
October 15, 2002

- Revenue-based assessment is fairer and more consistent with the statute than any contribution-based mechanism.
  - To be equitable, the assessment methodology should reflect differences among carriers' amounts of interstate revenue.
    - Because IXCs continue to benefit from the largest amount of end-user interstate revenue, they should bear a proportionate share of the contribution obligation.
    - Wireless carriers, with highest total number of connections, would become the industry segment contributing the most, yet IXCs have far greater interstate activity.
    - On a per-connection basis, wireless revenues are much lower than landline (i.e., combined LEC and IXC) revenue.
  - Section 254 requires that *carriers* (not customers) be assessed on an equitable and non-discriminatory basis.
- IXCs' "Death Spiral" claims are unsubstantiated.
  - Revenue-based assessment is self-adjusting.
  - Migration of long distance minutes to wireless doesn't seriously undermine IXC revenue. Most wireless carriers re-sell IXC long distance to end users.
- Revenue-based system can be modified slightly to ensure sustainability of fund – if nothing else, pending resolution of outstanding issues.
  - Increase wireless contributions to reflect actual interstate revenue data.
  - CTIA data submission shows that simplifying assumptions can be developed.
  - If necessary, shorten the lag or implement collect-and-remit.
- Per-connection proposals cannot be implemented by March 2003.
  - None of the IXCs advocating a per-connection approach have committed to implementing per-connection assessment until at least a year after the FCC's order – well after April 2003. Interim proposals assess residential and wireless on per-connection basis but continue to allow carriers to assess wireline business customers based on revenue!
  - Significant implementation issues remain to be resolved.
    - Determining amount of residential, SLB, and wireless assessment from year to year.
    - How to assess pre-paid wireless handsets fairly.
    - How to assess paging units fairly.
    - Developing a strategy to handle customer re-education effort to minimize consumer confusion and backlash.

- Per-connection proposals present greater threats to sustainability of the fund than retaining revenue-based system.
  - The CoSUS approach will result in its own type of “death spiral,” requiring residential, single-line business, and wireless connection charges well above $1 to avoid excessive MLB assessments.
  - Significant litigation risk.
    - Exclusion of largest class of interstate telecommunications carriers (CoSUS).
    - “Parsing” of unified CMRS service offering inconsistent with FCC precedent (SBC/BellSouth).
    - High assessment effectively attaching intrastate services (both).
    - No reasoned explanation for significant change in policy.
  - At higher per-customer amounts, regressive nature of a per-connection assessment becomes more severe.

VERIZON WIRELESS
ILLUSTRATIVE RESULTS USING FCC DATA FOR ACCESS LINE COUNTS AND FUND REQUIREMENTS
COMPUTATION OF MLB PRICE AND SUSTAINABILITY
Per Unit MLB Price

Funding Source	USF Rating Category	Line Units	Monthly Rate	Annual $s
USF Fund Size				**6,345,668,000** (h)
Category (a) units				
ILEC Residence Lines	(a)	111,181,802 (d)	assume $1	1,334,181,624
ILEC SLB Lines	(a)	3,329,973 (d)	assume $1	39,959,676
CLEC Res. & SLB (j)	(a)	7,793,071	assume $1	93,516,852
Lifeline	-(a)	-6,026,611 (c)	assume neg. $1	-72,319,332
Wireless	(a)	128,375,000 (e)	assume $1	1,540,500,000
Pagers	(a)/4	18,000,000	assume $0.25 (g)	54,000,000
Total Units		262,653,235		
Total Weighted Category (a) units		249,153,235		2,989,838,820
Residual Funding Requirement				3,355,829,180
Category (b) units (Residual)				
Business Lines				
ILEC Analog Multi-line	(b)	38,099,775 (d)		
ILEC Digital	(b)	11,913,954 (d)		
CLEC MLB (j)	(b)	8,250,938		
Total Category (b) units	(b)	58,264,667	4.80 (i)	3,355,829,180
Total Collected				**6,345,668,000**

(a) Assumes a $1.00 per-connection assessment for residential, single-line business, and wireless voice connections.
(b) Residually determined per-unit price.
(c) Source: FCC *Statistics of Communications Common Carriers* (Sept. 2002) at Tbl. 2.16.
(d) Source: *Id.* at Tbl. 2.4. (Residential Line count includes payphone lines.)
(e) Source: FCC *Seventh CMRS Competition Report* (July 2002) at C-2, Tbl. 1.
(f) Source: *Id.* at 65.
(g) This chart conservatively uses CoSUS's proposed $0.25/pager assessment without expressing approval for its appropriateness.
(h) Source: FCC 4Q02 *Contribution Factor Public Notice*.
(i) Assumes no reduction for Centrex lines.
(j) Source: FCC *Local Telephone Competition: Status as of June 30, 2001* (Feb. 2002) at Tbl. 2.