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September 17, 2002

Chairman Michael K. Powell
Chairman
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

EX PARTE OR LATE FILED

Re: *Ex parte* contact in CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200 and 95-116; Universal Service Contribution Reform

Dear Chairman Powell:

EDS is pleased that the Commission is considering new methods for funding universal service. The current approach, which assesses contribution obligations based on interstate and international revenues, is uneconomic and therefore unsustainable, and should be replaced with a method that assesses contribution obligation based on lines and activated wireless numbers. EDS, however, strongly objects to a recent proposal made by certain state regulators to freeze the assessments attributable to residential lines.

EDS is one of many business customers paying a federal universal service surcharge of between 8% and 10.6%. This revenue-based percentage charge requires high-volume users to pay a disproportionate amount of universal service costs. As a result, the current system discourages use of productivity-enhancing communications technologies and creates a strong financial incentive for high-volume customers to use alternative technologies and service packages to reduce their costs – not a good result as our country fights its way out of recession.

The Commission should replace the current revenue-based universal service surcharge with a more equitable charge that would apply to every customer's connection to the network – to residential and business lines on wireline networks and activated telephone numbers on wireless networks. The Commission has requested comment on a universal service funding plan that includes such line and number charges, proposed by a coalition consisting of The Ad Hoc Telecommunications Users Committee, AT&T, e-TUG, and WorldCom. Under this proposal, increases and decreases in universal service subsidies would be reflected in uniform percentage adjustments to all per line and wireless number charges. EDS urges you to adopt this connection-based proposal.

EDS also strongly objects to a recently filed proposal by certain state regulators that would freeze for five years the line and activated wireless number charges applied to residential and single line business customers. This proposal advances no legitimate public interest objective. Indeed, there is not a shred of evidence that proportionate increases in all line and number USF charges, if needed, would adversely affect residential telephone subscription levels or unfairly burden residential telephone service customers. The state regulators would subject business users alone to added subsidy burdens, burdens that could be quite substantial and that could undermine historic support for universal service subsidies.

Very truly yours,

J. L. Warnement

Joseph L. Warnement
President, Communications Services

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