

# Universal Service Contribution Reform

Coalition for Sustainable Universal  
Service (CoSUS)

October 17, 2002

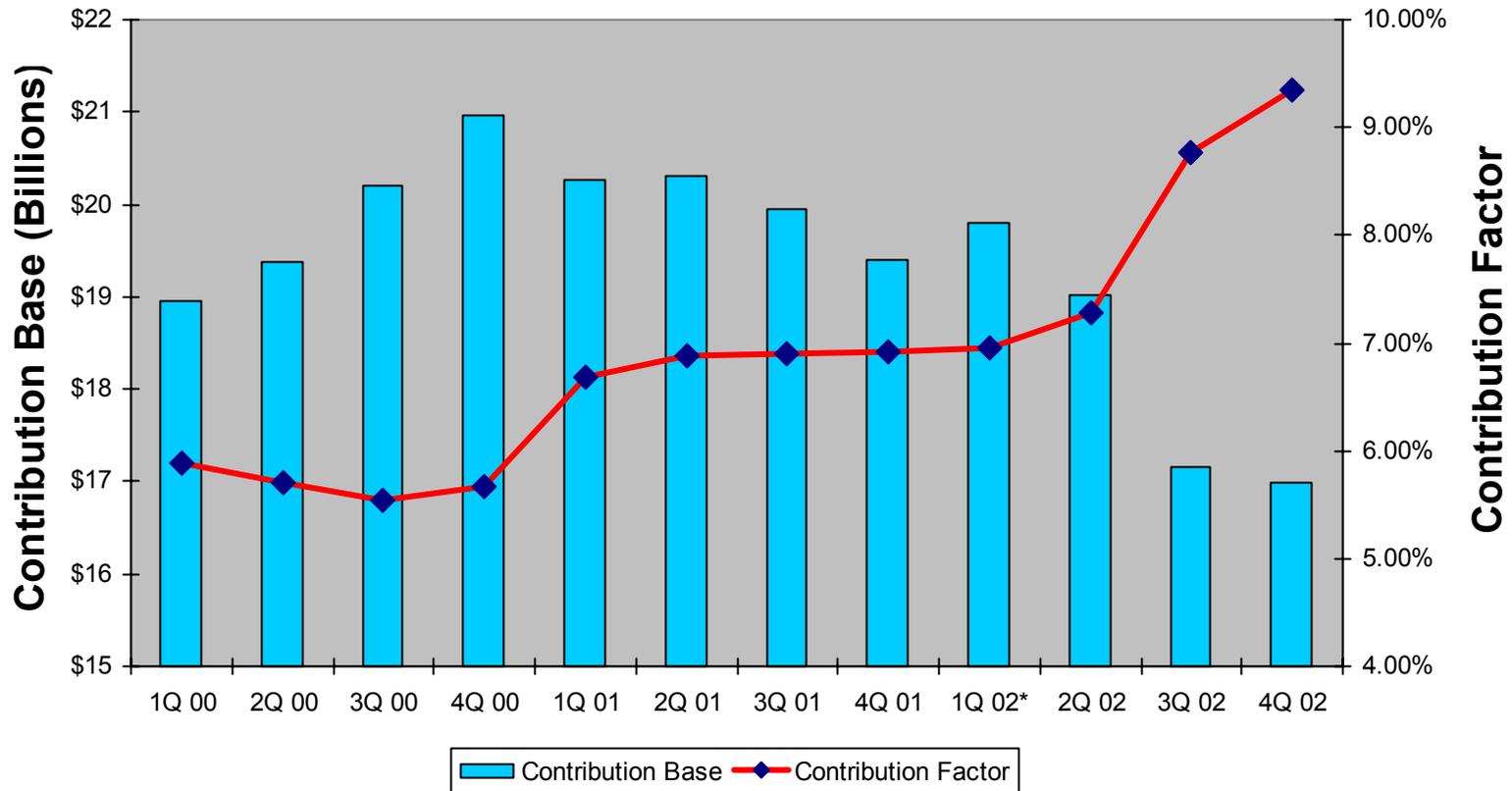
# Goal

- Collect universal service contributions in a manner that is:
  - Sustainable
  - Competitively neutral
  - Minimizes transactions costs (paid by consumers in the end)
  - Legal.

# Revenues-based system – Broken and Now Unlawful

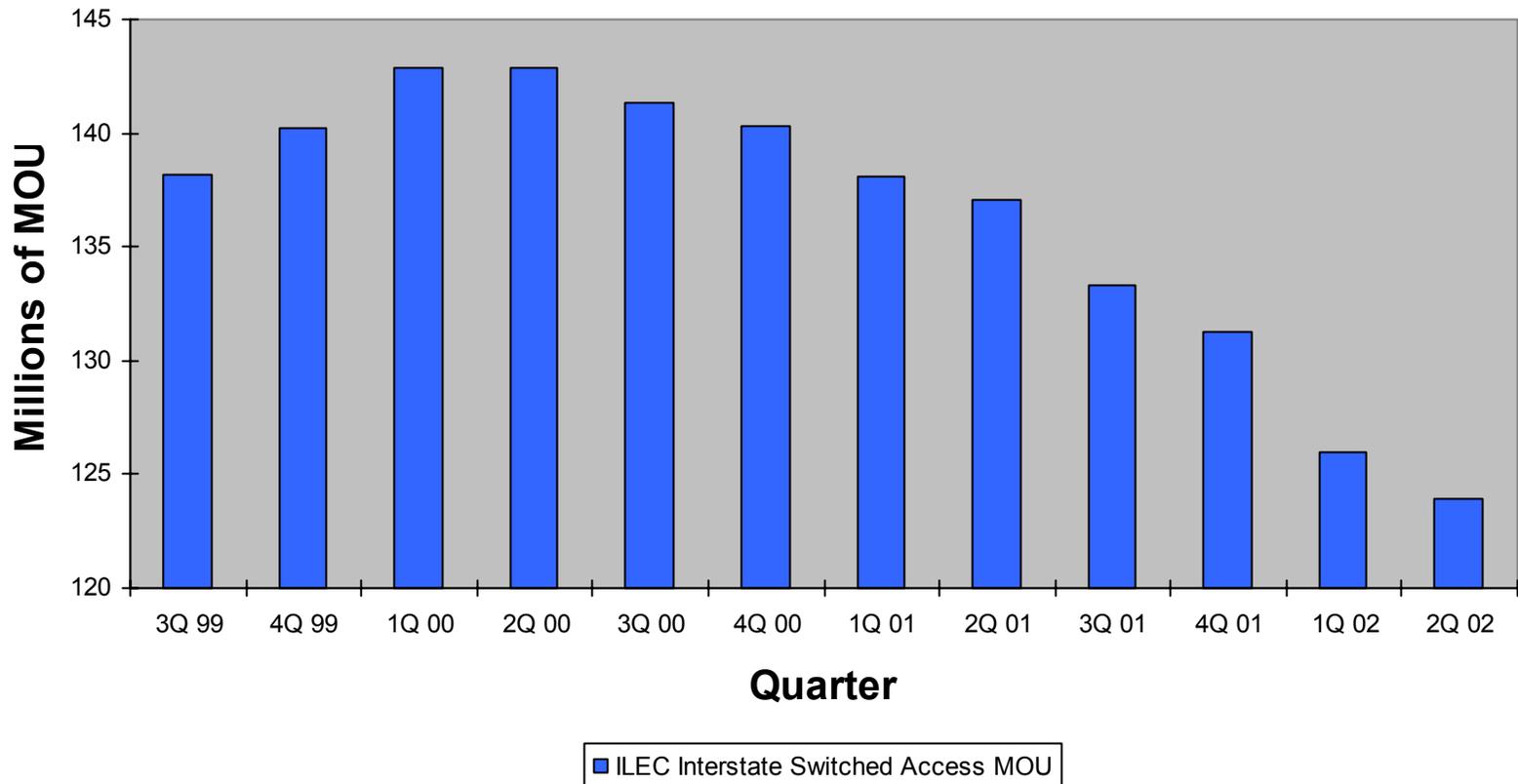
- Declining interstate revenues will continue and accelerate.
- Changing the wireless safe harbor won't halt the decline.
- Wireless safe harbor and partial international exemption are discriminatory.
- Reporting lags are discriminatory.

# Contribution Base and Factor (1Q 2000 – Present, 1Q 2002 Corrected)



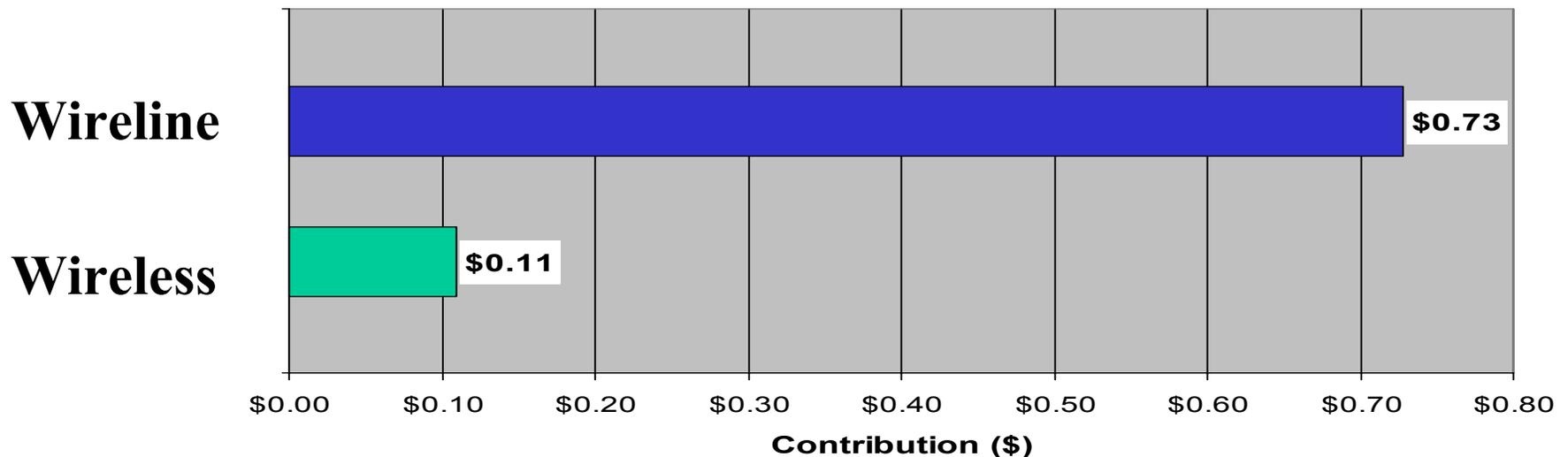
\* Contribution Base and Contribution Factor for 1Q 2002 are recalculated using end user interstate and international revenues as reported in Telecommunications Industry Revenues 2000, Table 14.

# ILEC Interstate Switched Access MOUs



# Wireline v. Wireless LD Today – A Discriminatory Result

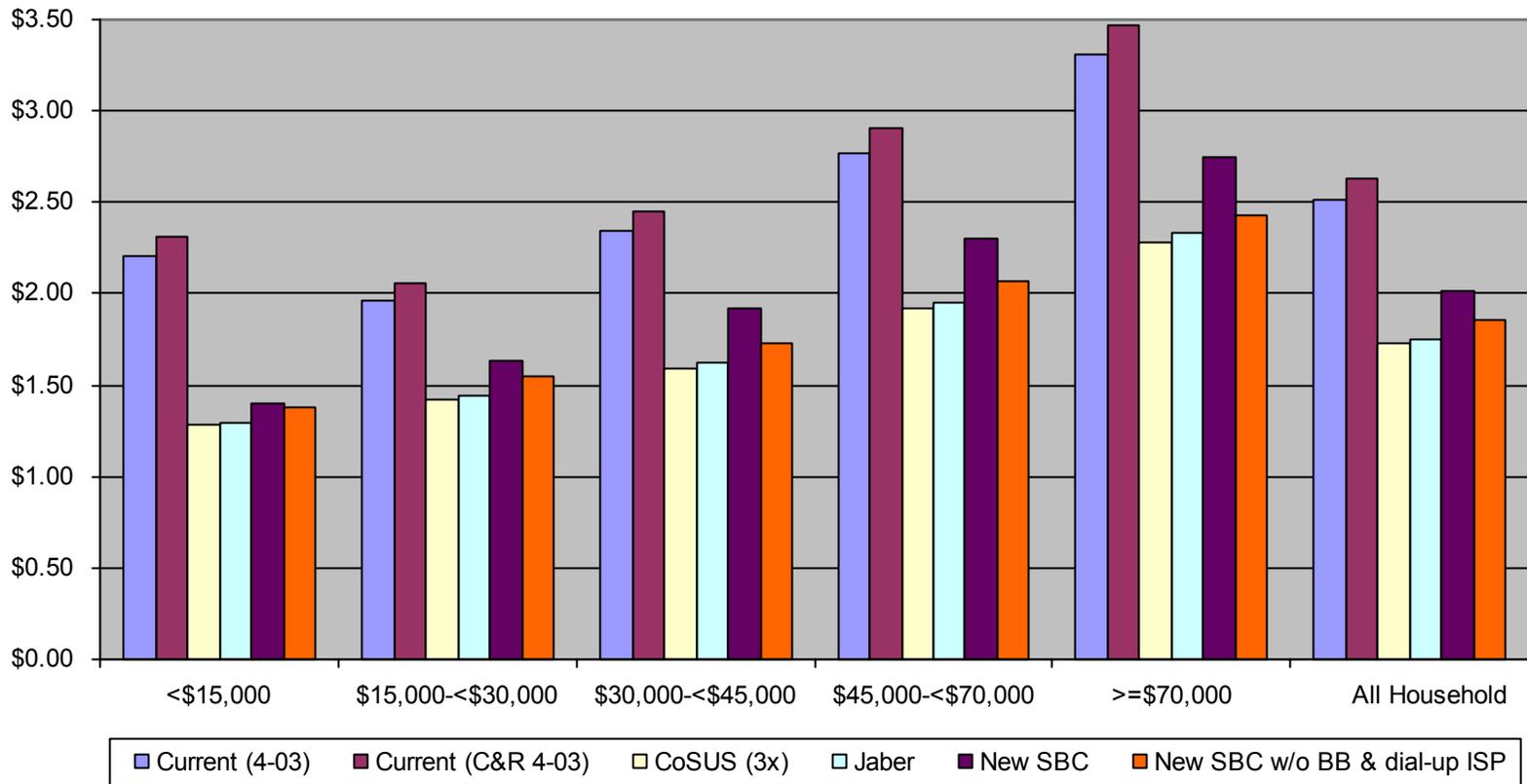
**If a customer spends \$10 to buy minutes used for interstate long distance, how much gets contributed to USF today?**



# CoSUS – The Best Connection Approach

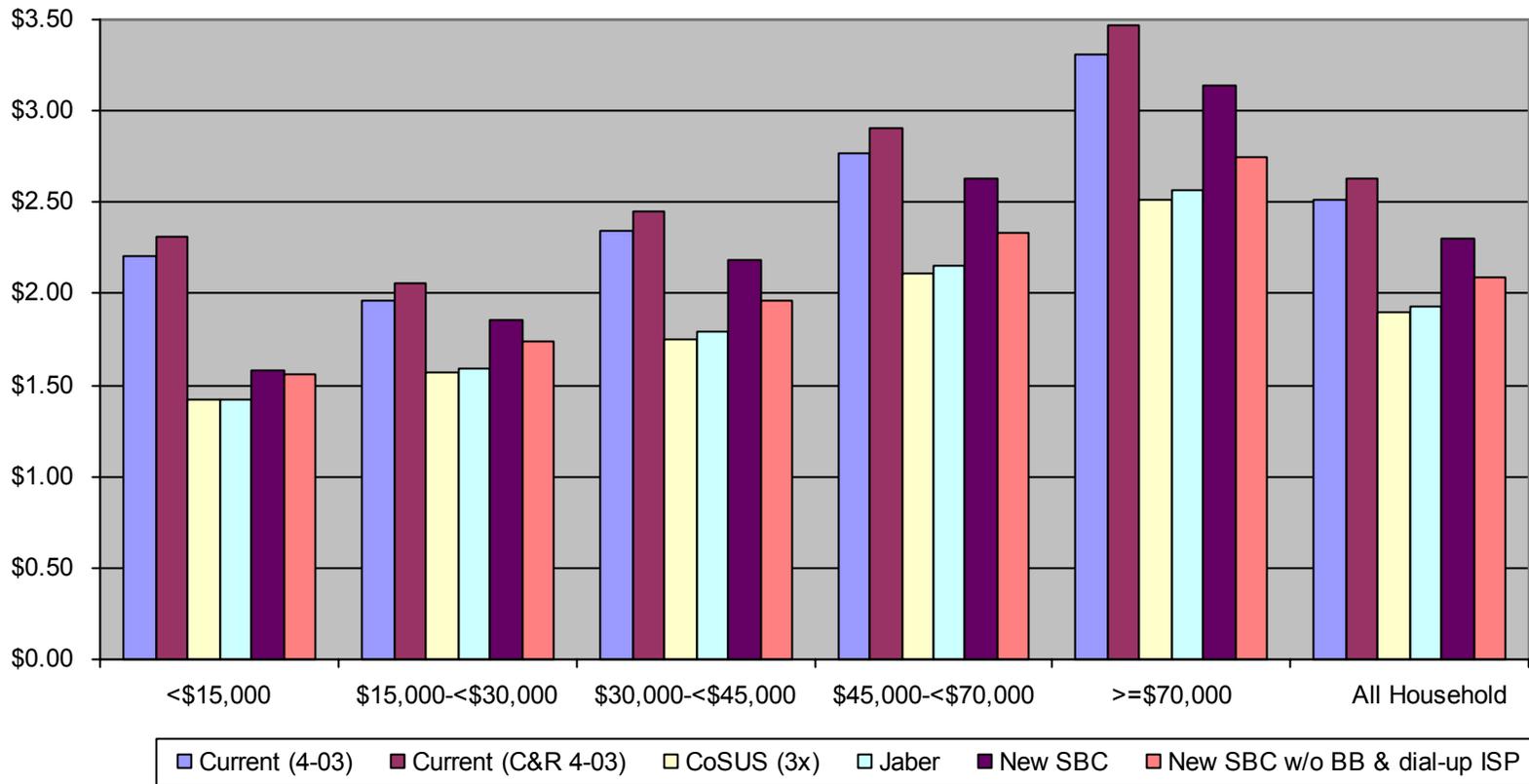
- Straightforward and Sustainable – Every user must have a connection to the network.
- Minimizes transaction costs – Collects USF contribution at a single point, the network connection.
- Legal – Satisfies 254(d), and does not violate 2(b).

# Household Impact – Status Quo v. Connection Proposals\*



\* Estimates for connection proposals do not include possible carrier mark-ups

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# Other Connection Proposals Don't Work

- Jaber
  - Not competitively neutral.
  - Accounts fee difficult to implement due to unbillables and uncollectibles; doesn't make sense for business accounts.
- SBC/BellSouth
  - Unnecessary complexity raises transaction costs (and therefore consumer bills).
  - Difficult to implement due to unbillables and uncollectibles, and IXC lack of information about type of end user network connection.

# Change is Needed April 1, 2003

- CoSUS Transition Plan – Begin residential and non-paging wireless connection charges April 1 @ \$1.00 per connection. Residual percentage of revenue assessment for all business and other wireless services. Proportionate adjustments thereafter.
- Project contribution factor will be over 9.5% by April 1, 2003, and increasing.
- Discrimination from reporting lags and wireless safe harbor is unlawful and causes ongoing harm to competition.