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October 21, 2002

***NOTICE OF EX PARTE
PRESENTATION***

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TW B204
Washington, DC 20554

Re: **Federal-State Joint Board on Universal Service**
CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200,
95-200, 95-116, 98-170 and NSD File No. L-00-72

Dear Ms. Dortch:

The attached written *Ex Parte* Presentation concerning the above-referenced proceeding was sent to the Honorable Michael K. Powell, the Honorable Kathleen Q. Abernathy, the Honorable Michael Copps, and the Honorable Kevin Martin by the undersigned on October 21, 2002, on behalf of the United States Telecom Association (USTA). In accordance with FCC Rule 1.1206(b)(1)¹, this Notice of *Ex Parte* Presentation and a copy of the referenced *Ex Parte* Presentation are being filed with you electronically for inclusion in the public record. Should you have any questions, please contact me at (202) 326-7300.

Sincerely,

/s/Lawrence E. Sarjeant
Lawrence E. Sarjeant
Vice President Law &
General Counsel

cc: Matthew Brill
Jordan Goldstein
Daniel Gonzalez
Christopher Libertelli
William Maher
Jessica Rosenworcel
Eric Einhorn

¹ 47 C.F.R. § 1.1206(b)(1).



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EX PARTE PRESENTATION

The Honorable Michael K. Powell,
Chairman
Federal Communications Commission
445 12th Street, SW, Room 8 B201
Washington, D.C. 20554

The Honorable Kathleen Q. Abernathy
Commissioner
Federal Communications Commission
445 12th Street, SW, Room 8 B115
Washington, D.C. 20554

The Honorable Michael Copps
Commissioner
Federal Communications Commission
445 12th Street, SW, Room 8 A302
Washington, D.C. 20554

The Honorable Kevin Martin
Commissioner
Federal Communications Commission
445 12th Street, SW, Room 8 A204
Washington, D.C. 20554

**Re: Federal-State Joint Board on Universal Service,
CC Docket Nos. 96-45, 98-171, 90-571, 92-237,
99-200, 95-200, 95-116, 98-170 and NSD File No. L-00-72;**

Dear Commissioners:

In our recent joint letter to Chairman Powell,² Michael Brunner, John Rose and I, on behalf of our respective associations, expressed our opposition to the proposed connections-based universal service contribution mechanism of the Coalition for Sustainable Universal Service (CoSUS). The United States Telecom Association (USTA) recognizes that merely

² Letter to FCC Chairman Michael K. Powell from John Rose, President and CEO OPASTCO, Michael Brunner, Executive Vice President and CEO NTCA and Walter B. McCormick, Jr., President and CEO USTA, dated October 15, 2002.

opposing the CoSUS proposal is insufficient to ensure that the Federal Communications Commission (FCC) adopts a universal service contribution methodology that guarantees the continuation of a stable, broad-based universal service fund, with parity in contributions among all providers. Accordingly, USTA offers for your consideration an interim contribution proposal. This interim proposal ensures sufficient funding for existing universal service programs through equitable and nondiscriminatory contributions by all providers of interstate telecommunications service. Further, it allows the FCC more time to develop a permanent contribution mechanism that satisfies all of the requirements of Section 254 of the Telecommunications Act of 1996 (1996 Act).

The most practical, lawful and risk-free course for the FCC at this time is the adoption of an interim contribution methodology that uses interstate, end-user revenues as a contribution base. The FCC should implement a “collect and remit” system whereby the Universal Service Administrative Company (USAC) would set the quarterly contribution percentage based on projected fund needs and projections of collected revenues. Carriers would then remit payments based on the application of the USAC percentage to the interstate retail revenues actually collected.

USTA supports the principle of regulatory parity and the requirement of Section 254(d) of the 1996 Act that all providers of interstate telecommunications service contribute to universal service support on an equitable and nondiscriminatory basis. Therefore, the FCC should raise the “safe harbor” contribution limit for wireless providers from 15 percent to a point in the 20-28 percent range, unless a wireless provider can determine its actual interstate retail revenue. Further, the safe harbor percentage should apply to wireless providers on a company-wide basis.

For the purpose of reporting interstate retail revenues, competitive local exchange carriers (CLECs) should impute an amount equal to the subscriber line charge (SLC) assessed by the incumbent local exchange carrier (ILEC) in a CLEC’s service area. CLECs should be provided with the option of reporting the imputation based on the actual SLC amount assessed by the ILEC or an amount equal to the nationwide SLC cap. There should also be parity in contribution obligations among all broadband and broadband service providers.

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The FCC should impose a cap on the recovery of administrative, billing and overhead costs that contributors to universal service support programs are allowed to include in the universal service charge collected on customers' bills. Carriers should be allowed to recover their just and reasonable costs associated with fulfilling their obligation to support universal service programs, but USTA is concerned that some carriers are recovering excessive amounts from end users as administrative, billing and overhead costs.

I want to emphasize that this proposal is offered as an interim contribution methodology. USTA remains committed to the principles and connections-based contribution concept presented in its comments and reply comments filed in this proceeding on April 22, 2002, and May 13, 2002, respectively. USTA recognizes, though, that the contribution methodologies currently under review require further consideration in order to address administrative and/or legal deficiencies. USTA and its members look forward to working with you to develop a manageable and lawful long-term universal service contribution methodology.

Sincerely,

/s/ Walter B. McCormick, Jr.
Walter B. McCormick, Jr.
President and CEO
United States Telecom
Association

cc: Matthew Brill
Jordan Goldstein
Daniel Gonzalez
Christopher Libertelli
William Maher
Jessica Rosenworcel
Eric Einhorn