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October 23, 2002

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

Re: *Notice of Ex Parte Presentation - 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:

On Wednesday, October 23, Verizon Wireless, represented by Anne E. Hoskins, Regulatory Counsel, Kathryn A. Zachem of this Firm, and the undersigned, met with Jordan Goldstein, Senior Legal Advisor to Commissioner Michael Copps. The topic of the meeting was the above-referenced universal service contribution methodology proceeding. The views expressed in the meeting were consistent with Verizon Wireless' comments in this proceeding and are summarized in the attached bullet sheets.

Pursuant to the Commission's Rules, this letter is being filed electronically in the above-referenced dockets. Please address any questions regarding this matter to the undersigned.

Sincerely yours,

WILKINSON BARKER KNAUER, LLP

By: /s/
L. Charles Keller

Enclosures
cc: Jordan Goldstein (by email)

VERIZON WIRELESS
Universal Service Contribution Methodology
October 23, 2002

- 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.
    - Creates market distortion in favor of stand-alone IXCs.
    - Wide agreement has developed that connection-based approach should not be adopted now:
        - "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." **USTA** (10/21/02).
        - "Since CoSUS filed its plan with its April 22, 2002 comments in the above-referenced dockets, the residual estimated multi-line assessment has been revised upward from about $2.73 per month to about $4.00 per month. It now appears as though the $4.00 estimate is too low…. Accordingly, Ad Hoc withdraws is support for that aspect of the CoSUS assessment plan that would set the multi-line USF assessment on a residual basis. Indeed, Ad Hoc has come to believe that the Commission would act arbitrarily and capriciously and engage in unlawful discrimination if it were to adopt CoSUS's proposal that USF assessments on residential, single line business and wireless connections be initially set at $1.00." **Ad Hoc Telecommunications Users Committee** (10/9/02).
        - "[T]he existing revenue-based USF assessment system should be retained as the most fair and equitable manner of collecting USF funds…. CTIA acknowledged that it would be appropriate to re-examine the wireless safe-harbor proxy…. [T]his system, unlike a connection-based fee, would comport with section 254(d)." **CTIA** (9/30/02).
        - "Changing to a connection based mechanism would raise the bills of the forty percent of residential customers who make few or no long-distance calls and lower the bills of the twenty percent of customers with the highest use." **NASUCA** (6/17/02).
        - "The CU et al. analysis revealed that average-use and low-use customers on any of the studied plans would pay more under the Commission's connection-based plan than they currently do…. In addition, the connection-based proposal also violates section 254(d) of the Telecommunications Act of 1996…." **Consumers Union et al.** (4/22/02).
    - 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.

- A connection-based mechanism would harm consumers.
  - Consumer groups oppose per-connection assessment and favor revenue-based assessment.
  - Many residential and small business customers are also wireless customers.
  - Per-connection assessment increases hypothetical low-income household's assessments from $1.60 to over $3.00 (see attached chart). CoSUS's household impact charts do not reveal assumptions.
  - Proposed $1 assessment level is more than a 100% increase for wireless subscribers. At higher per-customer amounts, regressive nature of a per-connection assessment becomes more severe.
  - If per-connection approach is adopted, steps can minimize impact on low-income and small-business wireless users:
    - Pre-paid wireless service is the option of choice for low-income consumers, and the most difficult to assess on a per-connection basis. Treat pre-paid wireless customers like Lifeline customers.
    - Recognize that households using wireless family plans should be entitled to the same benefits as large-business Centrex customers. Family plans should be subject to the same per-connection assessment as Centrex lines.
- 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.

Example: Household Impact

Hypothetical low-income household with:

1 landline phone with pre-subscribed IXC.

2 wireless phones on a family share plan with combined 300 minutes local or long distance calling for $39 per month.

Assume 9% assessment rate and 20% wireless safe harbor. Customer divides interstate long distance between CMRS and wireline IXC.

Revenue-based Methodology	Per-Connection Methodology
LEC: 9% of $6.50 SLC = $0.59	LEC: $1+
IXC: 9% of $10 interstate usage = $.090	IXC: $0 – incentive to replace wireless
CMRS: 9% of 20% of $39 = $0.70	CMRS: $2+
TOTAL: $2.19	**TOTAL: $3+**

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.