CTIA

Cellular Telecommunications & Internet Association

Michael F. Altschul

Senior Vice President for
Law and Administration and

October 25, 2002

Jordan Goldstein
Senior Legal Advisor
Office of Commissioner Michael J. Copps
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re Consumer Group Opposition to Connection-Based USF Contribution System
CC Docket No. 96-45

Dear Mr. Goldstein

Thank you for taking the time to meet with me on October 23, 2002, to discuss the opposition of the Cellular Telecommunications & Internet Association ("CTIA") to a connection-based universal service fund ("USF") support mechanism. Per your request, I have attached a copy of a presentation, made at the June 21, 2002, Public Meeting on Proposals to Reform the Commission's USF Contribution Methodology, expressing the opposition of a number of consumer groups to a connection-based USF assessment system.

As always, should you have any questions regarding this submission, please do not hesitate to contact me.

Sincerely,

Michael Altschul

Attachment

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June 17, 2002

VIA HAND DELIVERY

Marlene Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: *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 June 17, 2002, the undersigned met with Paul Garnett of the Commission's Wireline Competition Bureau to deliver the attached materials, which are being submitted in connection with the Commission's June 21, 2002, meeting regarding possible changes to the universal service contribution methodologies.

Pursuant to the Commission's *ex parte* rules, an original and 13 copies of this letter and attachment are being filed. Should you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,

Christopher R. Day

Attachment

cc: Matthew Brill, Office of Commissioner Abernathy
Paul Garnett, WCB

No. of Copies rec'd 0+13
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THE CASE AGAINST CONNECTION-BASED USF ASSESSMENT

Consumers Union
Texas Office of Public Utility Counsel
Consumer Federation of America
Appalachian People's Action Counsel
Center for Digital Democracy
Edgemont Neighborhood Coalition
Migrant Legal Action Program

Written Presentation for FCC Public Meeting

Panel Contribution Assessment Methodologies

June 21, 2002

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A Connection-Based USF Fee Violates Section 254(d) of the 1996 Act

A Connection-Based Fee Eliminates Contribution Requirements for Many Interexchange Carriers

Section 254(d) specifically states that "[e]very telecommunications carrier" providing interstate services shall contribute to the fund.

The connection-based proposal, however, would allow a number of interexchange carriers to completely avoid any contribution responsibility, in clear violation of Section 254(d).

A Connection-Based Fee Is Not "Equitable and Nondiscriminatory"

Section 254(d) also requires that any USF assessment be "equitable and nondiscriminatory."

A connection-based fee levies the same assessment on both "high-end" and "low-use" customers, and plainly discriminates against low-use and low-income customers.

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The CoSus Connection-Based Fee Proposal Will Hurt Low-Income and Low-Use Customers

The Flat $1.00 USF Connection Fee Proposed By the Coalition for Sustainable Universal Service ("CoSus") Will Disproportionately Harm Low-Income and Low-Use Consumers

The CoSus proposal assumes that carriers would add at least a $0.10 "administrative fee" in addition to the $1.00 connection-based USF fee. Under this scenario, low-use customers would pay more in "USF recovery" under the connection-based proposal in all but 2 of the 18 calling plans studied. (*See* Attachment 1).

In addition, it is critical to note that the CoSus plan provides no cap for "excess" USF recovery or "administrative fees" that carriers could levy in addition to the proposed $1.00 connection-based fee. Accordingly, if carriers levied a $0.25 "administrative fee" in addition to the $1.00 connection charge, low-use customers would pay more under the connection-based proposal than the currently do in all but 1 of the 18 calling plans studied. (*See* Attachment 2). Furthermore, if a $0.51 "administrative fee" is charged, customers would pay more under the connection-based proposal than they do under any of the calling plans studied. (*See* Attachment 3).

- Even the CoSus statistics note that low-income consumers will pay more under their connection-based USF proposal than under the current revenue-based system. The CoSus data submitted in initial comments admits that 62% of all households with incomes below $15,000 a year will pay more under the connection-based proposal, and that 58% of households making between $15,000 and $30,000 will pay more. (*See* CoSus Comments, Attachment 2 at 6, Table 1).

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Consumer Friendly USF Reform Proposals

- The Basic Revenue-Based USF Assessment System Should Be Retained.
- Current USF "Safe Harbors," Such as the Wireless "Safe Harbor" Should Be Re-Examined in Light of Changing Market Conditions.
- The Commission Should Study Changes to the Current Assessment System That Would Eliminate the USF Assessment "Lag."

  The Commission Should Prohibit Customer "Pass-Through" of Carrier USF Assessments or, In the Alternative, Limit Carrier Recovery to the Actual Amount of the Applicable USF Assessment Factor to Protect Consumers From Abusive Carrier USF Recovery Practices.

ATTACHMENT 1

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CURRENT USF COSTS FOR LOW-USE AND AVERAGE-USE RESIDENTIAL LONG DISTANCE CUSTOMERS
COMPARED WITH ANNUALIZED COST FOR LOW-USE AND AVERAGE-USE RESIDENTIAL CUSTOMERS ASSESSED A CONNECTIVITY FEE Of $1.10

Plan	Advertised Per-Minute Rate	Monthly Fee	Current USF % & $0.51 LEC	Proposed USF Connectivity Cost Per Month	Total End-User Costs For 29 Minutes	Actual Per-Minute Rate For 29 Minutes	Current USF Costs For 29 Minutes	Current USF Costs For 58 Minutes	Total End-User Costs For 58 Minutes	Actual Per-Minute Rate For 58 Minutes	Annualized USF Increase for Low-Use Customers	Annualized USF Increase For Ave.-Use Customers
One Rate Plus Plan	0.07	$3.95	11.50%	$ 1.10	$ 6.67	$ 0.23	$ 0.69	$ 0.92	$ 8.93	$ 0.15	$ (1.17)	$ (3.97)
Anytime Advantage Savings Option	0.07	$2.95	9.90%	$ 1.10	$ 5.47	$ 0.19	$ 0.49	$ 0.69	$ 7.70	$ 0.13	$ 1.16	$ (1.25)
Anytime	0.07	$ 5.95 to $0.00	9.90%	$ 1.10	$ 8.77	$ 0.30	$ 0.79	$ 0.99	$ 11.00	$ 0.19	$ (2.40)	$ (4.81)
					$ 2.23	$ 0.08	$ 0.20	$ 0.40	$ 4.46	$ 0.08	$ 4.67	$ 2.26
Everdial1	0.049	$0.00	9.25%	$ 1.10	$ 1.55	$ 0.05	$ 0.13	$ 0.26	$ 3.10	$ 0.05	$ 5.50	$ 3.93
N/A	0.045	$0.00	8.50%	$ 1.10	$ 1.42	$ 0.05	$ 0.11	$ 0.22	$ 2.83	$ 0.05	$ 5.75	$ 4.42
N/A	0.049	$0.00	6.90%	$ 1.10	$ 1.52	$ 0.05	$ 0.10	$ 0.20	$ 3.04	$ 0.05	$ 5.90	$ 4.73
N/A	0.049	$0.00	9.25%	$ 1.10	$ 1.55	$ 0.05	$ 0.13	$ 0.26	$ 3.10	$ 0.05	$ 5.50	$ 3.93
N/A	0.054	$0.00	9.90%	$ 1.10	$ 1.72	$ 0.06	$ 0.16	$ 0.31	$ 3.44	$ 0.06	$ 5.22	$ 3.36
N/A	0.039	$ 2.00 to $0.00	9.80%	$ 1.10	$ 3.44	$ 0.12	$ 0.31	$ 0.42	$ 4.68	$ 0.08	$ 3.40	$ 2.07
					$ 1.24	$ 0.04	$ 0.11	$ 0.22	$ 2.48	$ 0.04	$ 5.75	$ 4.42
N/A	0.049	$ 2.00 to $0.00	6.90%	$ 1.10	$ 3.66	$ 0.13	$ 0.24	$ 0.33	$ 5.18	$ 0.09	$ 4.25	$ 3.07
					$ 1.52	$ 0.05	$ 0.10	$ 0.20	$ 3.04	$ 0.05	$ 5.90	$ 4.73
N/A	0.045	$ 2.00 to $0.00	7.70%	$ 1.10	$ 3.56	$ 0.12	$ 0.25	$ 0.35	$ 4.96	$ 0.09	$ 4.03	$ 2.82
					$ 1.41	$ 0.05	$ 0.10	$ 0.20	$ 2.81	$ 0.05	$ 5.87	$ 4.67
N/A	0.049	$ 2.50 to $0.00	9.90%	$ 1.10	$ 4.31	$ 0.15	$ 0.39	$ 0.53	$ 5.87	$ 0.10	$ 2.42	$ 0.73
					$ 1.56	$ 0.05	$ 0.14	$ 0.28	$ 3.12	$ 0.05	$ 5.39	$ 3.70
N/A	0.069	$0.00	12%	$ 1.10	$ 2.24	$ 0.08	$ 0.24	$ 0.48	$ 4.48	$ 0.08	$ 4.20	$ 1.32

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ATTACHMENT 2

CURRENT USF COSTS FOR LOW-USE AND AVERAGE-USE RESIDENTIAL LONG DISTANCE CUSTOMERS
COMPARED WITH ANNUALIZED COST FOR LOW-USE AND AVERAGE-USE RESIDENTIAL CUSTOMERS ASSESSED A CONNECTIVITY FEE OF $1.25

Plan	Advertised Per-Minute Rate	Monthly Fee	Current USF % & $0.51 LEC	Proposed USF Connectivity Cost Per Month	Total End-User Costs For 29 Minutes	Actual Per-Minute Rate For 29 Minutes	Current USF Costs For 29 Minutes	Current USF Costs For 58 Minutes	Total End-User Costs For 58 Minutes	Actual Per-Minute Rate For 58 Minutes	Annualized USF Increase for Low-Use Customers	Annualized USF Increase For Ave.-Use Customers
One Rate Plus Plan	0.07	$3.95	11.50%	$ 1.25	$ 6.67	$ 0.23	$ 0.69	$ 0.92	$ 8.93	$ 0.15	$ 0.63	$ (2.17)
Anytime Advantage Savings Option	0.07	$2.95	9.90%	$ 1.25	$ 5.47	$ 0.19	$ 0.49	$ 0.69	$ 7.70	$ 0.13	$ 2.96	$ 0.55
Anytime	0.07	$ 5.95 to $0.00	9.90%	$ 1.25	$ 8.77	$ 0.30	$ 0.79	$ 0.99	$ 11.00	$ 0.19	$ (0.60)	$ (3.01)
					$ 2.23	$ 0.08	$ 0.20	$ 0.40	$ 4.46	$ 0.08	$ 6.47	$ 4.06
Everdial1	0.049	$0.00	9.25%	$ 1.25	$ 1.55	$ 0.05	$ 0.13	$ 0.26	$ 3.10	$ 0.05	$ 7.30	$ 5.73
N/A	0.045	$0.00	8.50%	$ 1.25	$ 1.42	$ 0.05	$ 0.11	$ 0.22	$ 2.83	$ 0.05	$ 7.55	$ 6.22
N/A	0.049	$0.00	6.90%	$ 1.25	$ 1.52	$ 0.05	$ 0.10	$ 0.20	$ 3.04	$ 0.05	$ 7.70	$ 6.53
N/A	0.049	$0.00	9.25%	$ 1.25	$ 1.55	$ 0.05	$ 0.13	$ 0.26	$ 3.10	$ 0.05	$ 7.30	$ 5.73
N/A	0.054	$0.00	9.90%	$ 1.25	$ 1.72	$ 0.06	$ 0.16	$ 0.31	$ 3.44	$ 0.06	$ 7.02	$ 5.16
N/A	0.039	$ 2.00 to $0.00	9.80%	$ 1.25	$ 3.44	$ 0.12	$ 0.31	$ 0.42	$ 4.68	$ 0.08	$ 5.20	$ 3.87
					$ 1.24	$ 0.04	$ 0.11	$ 0.22	$ 2.48	$ 0.04	$ 7.55	$ 6.22
N/A	0.049	$ 2.00 to $0.00	6.90%	$ 1.25		$ 0.13	$ 0.24	$ 0.33	$ 5.18	$ 0.09	$ 6.05	$ 4.87
					$ 1.52	$ 0.05	$ 0.10	$ 0.20	$ 3.04	$ 0.05	$ 7.70	$ 6.53
N/A	0.045	$ 2.00 to $0.00	7.70%	$ 1.25	$ 3.56	$ 0.12	$ 0.25	$ 0.35	$ 4.96	$ 0.09	$ 5.83	$ 4.62
					$ 1.41	$ 0.05		$ 0.20	$ 2.81	$ 0.05	$ 7.67	$ 6.47
N/A	0.049	$ 2.50 to $0.00	9.90%	$ 1.25	$ 4.31	$ 0.15		$ 0.53	$ 5.87	$ 0.10	$ 4.22	$ 2.53
					$	$ 0.05	$ 0.14	$ 0.28	$ 3.12	$ 0.05	$ 7.19	$ 5.50
N/A	0.069	$0.00	12%	$ 1.25	$ 2.24	$ 0.08	$ 0.24	$ 0.48	$ 4.48	$ 0.08	$ 6.00	$ 3.12

ATTACHMENT 3

CURRENT USF COSTS FOR LOW-USE AND AVERAGE-USE RESIDENTIAL LONG DISTANCE CUSTOMERS
COMPARED WITH ANNUALIZED COST FOR LOW-USE AND AVERAGE-USE RESIDENTIAL CUSTOMERS ASSESSED A CONNECTIVITY FEE OF $1.51

Plan	Advertised Per-Minute Rate	Monthly Fee	Current USF % & $0.51 LEC	Proposed USF Connectivity Cost Per Month	Total End-User Costs For 29 Minutes	Actual Per-Minute Rate For 29 Minutes	Current USF Costs For 29 Minutes	Current USF Costs For 58 Minutes	Total End-User Costs For 58 Minutes	Actual Per-Minute Rate For 58 Minutes	Annualized USF Increase for Low-Use Customers	Annualized USF Increase For Ave.-Use Customers
One Rate Plus Plan	0.07	$3.95	11.50%	$ 1.51	$ 6.67	$ 0.23	$ 0.69	$ 0.92	$ 8.93	$ 0.15	$ 3.75	$ 0.95
Anytime Advantage Savings Option	0.07	$2.95	9.90%	$ 1.51	$ 5.47	$ 0.19	$ 0.49	$ 0.69	$ 7.70	$ 0.13	$ 6.08	$ 3.67
Anytime	0.07	$ 5.95 to $0.00	9.90%	$ 1.51	$ 8.77	$ 0.30	$ 0.79	$ 0.99	$ 11.00	$ 0.19	$ 2.52	$ 0.11
					$ 2.23	$ 0.08	$ 0.20	$ 0.40	$ 4.46	$ 0.08	$ 9.59	$ 7.18
Everdial1	0.049	$0.00	9.25%	$ 1.51	$ 1.55	$ 0.05	$ 0.13	$ 0.26	$ 3.10	$ 0.05	$ 10.42	$ 8.85
N/A	0.045	$0.00	8.50%	$ 1.51	$ 1.42	$ 0.05	$ 0.11	$ 0.22	$ 2.83	$ 0.05	$ 10.67	$ 9.34
N/A	0.049	$0.00	6.90%	$ 1.51	$ 1.52	$ 0.05	$ 0.10	$ 0.20	$ 3.04	$ 0.05	$ 10.82	$ 9.65
N/A	0.049	$0.00	9.25%	$ 1.51	$ 1.55	$ 0.05	$ 0.13	$ 0.26	$ 3.10	$ 0.05	$ 10.42	$ 8.85
N/A	0.054	$0.00	9.90%	$ 1.51	$ 1.72	$ 0.06	$ 0.16	$ 0.31	$ 3.44	$ 0.06	$ 10.14	$ 8.28
N/A	0.039	$ 2.00 to $0.00	9.80%	$ 1.51	$ 3.44	$ 0.12	$ 0.31	$ 0.42	$ 4.68	$ 0.08	$ 8.32	$ 6.99
					$ 1.24	$ 0.04	$ 0.11	$ 0.22	$ 2.48	$ 0.04	$ 10.67	$ 9.34
N/A	0.049	$ 2.00 to $0.00	6.90%	$ 1.51	$ 3.66	$ 0.13	$ 0.24	$ 0.33	$ 5.18	$ 0.09	$ 9.17	$ 7.99
					$ 1.52	$ 0.05	$ 0.10	$ 0.20	$ 3.04	$ 0.05	$ 10.82	$ 9.65
N/A	0.045	$ 2.00 to $0.00	7.70%	$ 1.51	$ 3.56	$ 0.12	$ 0.25	$ 0.35	$ 4.96	$ 0.09	$ 8.95	$ 7.74
					$ 1.41	$ 0.05	$ 0.10	$ 0.20	$ 2.81	$ 0.05	$ 10.79	$ 9.59
N/A	0.049	$ 2.50 to $0.00	9.90%	$ 1.51	$ 4.31	$ 0.15	$ 0.39	$ 0.53	$ 5.87	$ 0.10	$ 7.34	$ 5.65
					$ 1.56	$ 0.05	$ 0.14	$ 0.28	$ 3.12	$ 0.05	$ 10.31	$ 8.62
N/A	0.069	$0.00	12%	$ 1.51	$ 2.24	$ 0.08	$ 0.24	$ 0.48	$ 4.48	$ 0.08	$ 9.12	$ 6.24