

Procedural Concerns Regarding the Adoption of the CoSus Plan

- A. In the past few weeks, there have been several developments that have come to light in the *ex parte* process:
 - a. CoSus has proposed an interim plan (Oct. 10 & Oct. 22) beginning April 1, 2003 whereby residential customers will be assessed a \$1 flat fee and multi-line businesses will continue on a revenue-based contribution plan.
 - b. Ad Hoc and AT&T have proposed telephone number-based plans (Oct. 3 & Oct. 22).
 - c. Verizon has stated that it cannot comply with the connections-based plan deadlines (Oct. 17).
 - d. TracFone and Verizon have explained that wireless carriers can determine what percentage of calls are made interstate (Oct. 4 & Oct. 28).

Too Many Questions are Left Unanswered

- A. How many low-income and low-use customers will be paying more under the CoSus plan?
- B. What is the current “proportion” of USF funds assessed on residential and businesses users and will this change under a connections-based regime and over time?
- C. What is the amount per connection that residential customers will be assessed when the final CoSus plan takes effect?

The CoSus Proposal Will Dramatically *Increase* the USF Contribution Requirements of Low-Use and Low-Income Customers.

- A. Even a \$1 connection charge, which CoSus acknowledges will increase, is substantially more than what most low-income and low-use customers currently pay.
- B. Exempting Lifeline customers does not help many low-income people because they either do not take advantage of the Lifeline program or do not meet the criteria for the program.

- C. CU et al.’s comments and reply comments show that low-use customers would pay more under the CoSus proposal than the current system under most major long-distance calling plans. This data has not been rebutted.
- D. CoSus data states that 62% of all households with incomes below \$15,000 per year will pay more, and that 58% of households making between \$15,000 and \$30,000 will pay more.
- E. A connection-based assessment would also likely have a negative effect on “piece-of-mind” or prepaid wireless plans. For example, TracFone reports that 75 percent of its prepaid wireless users have less than 5 minutes of interstate usage per-month. TracFone also reports that its average monthly per-handset USF contribution is \$0.12 per month.

The CoSus Plan Does NOT Satisfy the Requirements of Section 254

- A. Section 254(d) specifically states that “**every** telecommunications carrier that provides interstate services shall contribute to the fund.”
 - a. The CoSus Proposal would impermissibly allow many interstate telecommunications providers to avoid contributing to the fund.
 - b. The *de minimus* exception was not intended to exclude telecommunications carriers who provide substantial interstate services from contributing to the fund.
 - c. The CoSus proposal is a *de facto* shift of universal service fund contributions from the carrier to the customer.
- B. The CoSus Proposal is NOT Equitable and Nondiscriminatory because it places telecommunications carriers that provide end user-connections at a competitive disadvantage to telecommunications carriers that do not provide end-user connections.

Proposed Solution

- A. Basic revenue-based USF assessment system should be retained. This system is not broken or ready to enter a “death spiral” as some would claim. The system should be adjusted to assess all interstate revenues.
- B. To correct any possible revenue shortfall, assess wireless providers based on the revenue generated by interstate calls (as demonstrated by TracFone), and abolish the “safe harbor.”

- a. This is especially important in light of CTIA's finding that actual interstate traffic of wireless carriers is significantly above the current 15% "safe harbor" and may be above 28%.
 - b. Other USF "safe harbors," especially the wireless safe harbor, should be re-examined and either raised or abolished.
- C. Commission should eliminate the USF assessment "lag"—perhaps a collect and remit system as suggested by USTA (10/21) and Verizon (10/23).