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Telecommunications Reporting Worksheet, FCC Form 499-Q

Instructions **for** Completing the Quarterly
Worksheet **for** Filing Contributions
to Universal Service Support Mechanisms

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NOTICE TO INDIVIDUALS: Sections 54.706, 54.711, and 54.713 of the Federal Communications Commission's rules require all telecommunications carriers providing interstate telecommunications services, providers of interstate telecommunications that offer interstate telecommunications for a fee on a non-common carrier basis, and payphone providers that are aggregators to contribute to universal service and file this Telecommunications Reporting Worksheet (FCC Form 499-Q) on February 1, May 1, August 1, and November 1, each year. 47 C.F.R. §§ 54.706, 54.711, 54.713. This collection of information stems from the Commission's authority under Section 254 of the Communications Act of 1934, **as** amended, 47 U.S.C. § 254. The data in the Worksheet will be used to calculate contributions to the universal service support mechanisms. Selected information provided in the Worksheet will be made available to the public in a manner consistent with the Commission's rules.

We have estimated that each response to this collection of information will take, on average, 10.0 hours. Our estimate includes the time to read the instructions, look through existing records, gather and maintain the required data, project growth or decline in revenues, and actually complete and review the form or response. If you have any comments on this estimate, or how we can improve the collection and reduce the burden it causes you, please write the Federal Communications Commission, AMD-PERM, Washington, D.C. 20554, Paperwork Reduction Project (3060-0855). We also will accept your comments via the Internet if you send them to jboley@fcc.gov. Please **DO NOT SEND COMPLETED WORKSHEETS TO THIS ADDRESS**.

Remember -- You are not required to respond to a collection of information sponsored by the Federal government, and the government may not conduct or sponsor this collection, unless it displays a currently valid Office of Management and Budget (OMB) control number. This collection has been assigned an OMB control number of 3060-0855.

The Commission is authorized under the Communications Act of 1934, **as** amended, to collect the information we request in this form. We will use the information that you provide to determine contribution amounts. If we believe there may be a violation or potential violation of a statute or a Commission regulation, rule, or order, your Worksheet may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing, or implementing the statute, rule, regulation, or order. In certain cases, the information in your Worksheet may be disclosed to the Department of Justice, court, or other adjudicative body when (a) the Commission; or (b) any employee of the Commission; or (c) the United States government, is a party to a proceeding before the body or has an interest in the proceeding.

With the exception of your employer identification number, if you do not provide the information we request on the Worksheet, the Commission may consider you in violation of sections 1.47, 52.17, 52.32, 54.713, and 64.604 of the Commission's rules. 47 C.F.R. §§ 1.47, 52.17, 52.32, 54.713, and 64.604.

The foregoing Notice is required by the Privacy Act of 1974, P.L. 93-579, December 31, 1974, 5 U.S.C. § 552(a)(e)(3), and the Paperwork Reduction Act of 1995, P.L. No. 104-13, 44 U.S.C. § 3501, *et seq.*

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I. Introduction

As required under the Communications Act of 1934, as amended,¹ the Commission has established procedures to finance universal service support mechanisms. To accomplish this Congressionally-directed objective, contributions are collected from telecommunications carriers providing interstate telecommunications and certain other providers of interstate telecommunications. This Worksheet sets forth information that the contributor must submit, so that the administrator of the universal service support mechanisms may calculate and assess contributions.²

II. Filing Requirements and General Instructions

A. Who Must File

All providers of interstate telecommunications within the United States; with very limited exceptions, must file an FCC Form 499-Q Telecommunications Reporting Worksheet.⁴

For purposes of determining whether an entity provides telecommunications, please note that the term “telecommunications” means the transmission, between or among points specified by the user, of information of the user’s choosing, without change in the form or content of the information as sent and received. For the purpose of filing, the term “interstate telecommunications” includes, but is not limited to, the following types of services: wireless telephony, including cellular and personal communications services (PCS); paging and messaging services; dispatch services; mobile radio services; operator services; access to interexchange service; special access; wide area telecommunications services (WATS); subscriber toll-free services; 900 services; message telephone services (MTS); private line; telex; telegraph; video services; satellite services; and resale services. Note, for example, that all incumbent and competitive local exchange carriers provide access to an interstate public network and, therefore, provide interstate telecommunications.

Note also that entities must file this Worksheet, and are subject to universal service contribution requirements, if they offer interstate telecommunications for a fee to the public even if only a narrow or limited class of users could utilize the services. Included are entities that provide interstate

¹47 U.S.C. §§ 151 *et seq.*

² On March 9, 2001, the Commission modified its rules to base universal service contributions on information reported on quarterly Telecommunications Reporting Worksheet filings, with an annual true-up based on information reported on annual Telecommunications Reporting Worksheets. *Federal-State Joint Board on Universal Service; Petition for Reconsideration filed by AT&T*, CC Docket No. 96-45, FCC 01-85 (rel. Mar. 14, 2001). See also *1998 Biennial Regulatory Review -- Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Services, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms*, Report and Order, FCC 99-175, CC Docket No. 98-171 (rel. Jul. 14, 1999) (*Contributor Reporting Requirements Order*).

³ For this purpose, the United States is defined as the contiguous United States, Alaska, Hawaii, American Samoa, Baker Island, Guam, Howland Island, Jarvis Island, Johnston Atoll, Kingman Reef, Midway Island, Navassa Island, the Northern Mariana Islands, Palmyra, Puerto Rico, the U.S. Virgin Islands, and Wake Island.

⁴ Section 254(d) applies not only to “every telecommunications carrier that provides interstate telecommunications services” but also to certain “other provider[s] of interstate telecommunications.” 47 U.S.C. § 254(d) (emphasis added). Solely for the purposes of these Instructions, we use the terms “telecommunications services” and “telecommunications” interchangeably, unless otherwise specified. For more information on these terms, see 47 U.S.C. §§ 3(43), (46); *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776 (1997) (Universal Service Order).

telecommunications to entities other than themselves for a fee on a private, contractual basis. In addition, owners of pay telephones, sometimes referred to as “pay telephone aggregators,” must file this Worksheet if they do not qualify for the *de minimis* exemption under the Commission’s universal service rules?

The following three sections list types of telecommunications providers that are not required to file the Form 499-Q. Note that such entities are treated as end users by their underlying carriers and therefore may be subject to pass-through charges.

1. Universal service exemption for *de minimis* telecommunications providers

Section 54.708 of the Commission’s rules states that telecommunications carriers and telecommunications providers are not required to contribute directly to the universal service support mechanisms for a given year if their contribution for that year is less than \$10,000.⁵ Thus, potential contributors whose contribution to the universal service support mechanisms would be *de minimis* under the universal service rules are not required to file the Worksheet (FCC Form 499-Q) or contribute directly to universal service Telecommunications carriers and other telecommunications providers should complete the table contained in Figure 1 to determine whether they meet the *de minimis* standard. To complete Figure 1, potential filers and all affiliates must first complete block 3 of the Worksheet and enter the amounts from Line 122(b) and 122(c) in Figure 1.

Telecommunications providers that do not file this Worksheet because their contributions would be *de minimis* should retain Figure 1 and documentation of their contribution base revenues for three years and may be required to provide it to the administrator or FCC upon request.

⁵ 47 C.F.R. § 54.708. See also Figure 1.

⁶ 47 C.F.R. § 54.708.

Figure 1: Table to determine if a contributor meets the *de minimis* standard for purposes of universal service contribution

1	Interstate contribution base for the quarter for filer (amount reportable on filer's Form 499-Q; Line 122(b))	\$	
2	International contribution base for the quarter for filer (amount reportable on filer's Form 499-Q; Line 122(c))	\$	
3	Interstate contribution base for the quarter for all affiliates* (total of amounts reportable on Form 499-Q; Line 122(b) for all affiliates of the filer)	\$	
4	International contribution base for the quarter for all affiliates (total of amounts reportable on Form 499-Q; Line 122(e) for all affiliates of the filer)	\$	
5	Consolidated interstate contribution base: Line (1) + Line (3)	\$	
6	Consolidated international contribution base: Line (2) + Line (4)	\$	
7	Total potential contribution base for filer and its affiliates: Line (5) + Line (6)	\$	
8	Combined interstate contribution base as a percentage of total potential contribution base: Line (5) / Line (7)		%
9	Interstate contribution base for filer from Line (1)	\$	
10	If the amount in Line (8) is equal to or greater than 12%, enter into Line (10) the international contribution base for the filer from Line (2). If the amount on Line (8) is less than 12%, enter \$0	\$	
11	Revenue base for the filer for the quarter for determining contributions to universal service support mechanisms: Line (9) + Line (10)	\$	
12	Actual contributions to federal universal service support mechanisms made in the calendar quarter for which revenues are being reported.	\$	
13	Contribution base: Line (11) – Line (12)	\$	
14			4
15	Annualized contribution base: Line (13) multiplied by Line (14)		
16	Estimation factor for determining whether to file a 499-Q		0.095*
17	Estimated annual contribution: amount in Line (15) multiplied by Line (16)	\$	

* An affiliate is a "person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person." See 47 U.S.C. § 153(1).

** The estimation factor is higher than the contribution factor announced for the first quarter of 2003. See *Public Notice*, DA 02-3387. Actual contribution factors for 2003 may increase or decrease depending on quarterly changes in program costs and the contribution base. Filers whose actual contribution requirements total less than \$10,000 for the calendar year **will** be treated as *de minimis* and will receive refunds, if necessary. Filers whose actual contribution requirements total \$10,000 or more are required to contribute to the universal service support mechanisms and must file this Worksheet.

2. Exception for government, broadcasters, schools, and libraries

Certain entities are explicitly exempted from contributing directly to the universal service support mechanisms and need not file this Worksheet. Government entities that purchase telecommunications services in bulk on behalf of themselves, *e.g.*, state networks for schools and libraries, are not required to file or contribute directly to universal service. Public safety and local governmental entities licensed under Subpart B of Part 90 of the Commission's rules are not required to file or contribute directly to universal service. Similarly, if an entity provides interstate telecommunications exclusively to public safety or government entities and does not offer services to others, that entity is not required to file or contribute directly to universal service. In addition, broadcasters, non-profit schools, non-profit libraries, non-profit colleges, non-profit universities, and non-profit health care providers are not required to file the Worksheet or contribute directly to universal service.

3. Exception for systems integrators and self providers

Systems integrators that derive less than five percent of their systems integration revenues from the resale of telecommunications are not required to file or contribute directly to universal service. Systems integrators are providers of integrated packages of services and products that may include the provision of computer capabilities, interstate telecommunications services, remote data processing services, back-office data processing, management of customer relationships with underlying carriers and vendors, provision of telecommunications and computer equipment, equipment maintenance, help desk functions, and other services and products). Legal entities that provide services only to themselves or to commonly owned affiliates need not file.

B. Filing by Legal Entity

Each legal entity that provides interstate telecommunications service for a fee, including each affiliate or subsidiary of an entity, must complete separately and file a copy of the attached Telecommunications Reporting Worksheet, except as provided for below. Entities that have distinct articles of incorporation are separate legal entities. Each affiliate or subsidiary should identify their ultimate controlling parent or entity on Block 1 Line (105) -- Holding Company.

Consolidated filing will be permitted only if the filing entity certifies that all of the following conditions are met:⁷

- (1) A single entity oversees the management of the affiliated systems;
- (2) A single entity sends bills to customers and these bills identify a single entity (or trade name) as the service provider, rather than identifying the individual legal entities;
- (3) All revenues are posted to a single general ledger;

⁷ *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review - Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms. Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans With Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, Further Notice of Proposed Rulemaking and Report and Order, FCC 02-43 (rel. Feb. 26, 2002).*

- (4) To the extent that separate revenue and expense accounts exist, they are derived from one consolidated set of books and the consolidated filing must cover all revenues contained in the consolidated books;
- (5) Customers have a single point of contact;
- (6) The consolidated filer acknowledges that process served on the consolidated filer would represent process served on any or all of the affiliated legal entities;
- (7) The consolidated filer agrees to document and resolve all slamming complaints that might be served on either the filing entity or any of the affiliated legal entities;⁸
- (8) The consolidated filer obtains a separate FCC Registration Number (FRN) from those assigned to its affiliated legal entities;
- (9) The consolidated filer acknowledges that its obligations with regard to universal service, Telecommunications Relay Services, Local Number Portability, the North American Numbering Plan, and regulatory fees will be based on the data provided in consolidated Worksheet filings, that it bears the responsibility to satisfy those obligations, and that all legal entities covered by the filing are jointly and severally liable for such obligations; and
- (10) The consolidated filer acknowledges that it: **(A)** was not insolvent on the date it undertook to make payments on a consolidated basis or on the date of actual payments to universal service, Telecommunications Relay Services, Local Number Portability, the North American Numbering Plan, and regulatory fees, and did not become insolvent as a result of such undertaking or payments; **(B)** was not left with unreasonably small capital as a result of such undertaking or payments; and **(C)** was not left unable to pay debts as they matured as a result of such undertaking or payments.⁹

Each year, entities choosing to file on a consolidated basis must file a statement certifying that they meet all of the above conditions. Such certification also must include: (1) a list of the legal names of all legal entities that are covered by the filing; (2) the Form 499 identification numbers of all legal entities that are covered by the filing; (3) the consolidated filer's FRN; and (4) for wireless carriers, a list of all radio licenses (call signs) issued to each legal entity covered by the filing. Consolidated filers should file this certification with the Commission's Data Collection Agent. Furthermore, a contributor choosing to file on a consolidated basis should recognize that any penalties associated with failure to pay or with underpayment of any of its obligations will be assessed on the total revenue reported on the consolidated basis, rather than on a separate legal entity basis.

⁸ A CMRS carrier that is not subject to certain slamming regulations is not required to certify that it will document and resolve all slamming complaints that might be served on either the filing entity or any of its affiliated legal entities that also are not subject to the slamming regulations.

⁹ For purposes of this certification, the term "insolvent" means either unable to pay debts when due or having liabilities greater than assets. See 11 U.S.C. § 101(32).

C. When and Where to File

Figure 2 provides the filing schedule and relevant filing addresses. If a filing date is a holiday (as defined in Section 1.4(e)(1) of the Commission's rules), Worksheets are due the next business day.

Figure 2: Filing schedule

When to file	What to file	Where to file *
February 1 of each year	Completed Form 499-Q containing revenue information for October 1 through December 31 of the prior calendar year and projections for April 1 through June 30**	Form 499 Data Collection Agent Attn: Cristy Dolechal 80 South Jefferson Rd. Whippany, NJ 07981
April 1 of each year	Completed Form 499-A containing revenue information for January 1 through December 31 of the prior calendar year	Form 499 Data Collection Agent (address above)
May 1 of each year	Completed Form 499-Q containing revenue information for January 1 through March 31 and projections for July 1 through September 30	Form 499 Data Collection Agent (address above)
August 1 of each year	Completed Form 499-Q containing revenue information for April 1 through June 30 and projections for October 1 through December 31	Form 499 Data Collection Agent (address above)
November 1 of each year	Completed Form 499-Q containing revenue information for July 1 through September 30 and projections for January 1 through March 31 of the coming year	Form 499 Data Collection Agent (address above)
<p>* Do not send universal service contributions with this Worksheet or to the above address. The universal service administrator will calculate the amount of contribution due and send a bill to the billing contact person and billing address identified in Line (1 12) of the Form 499-Q.</p> <p>** The February 1, 2003 filing also includes projections for the first calendar quarter of 2003</p>		

D. Rounding of Numbers and Negative Numbers

All information provided in the Worksheet should be neatly printed in ink or typed. Please provide an original officer signature in ink in Line (124).

Dollar Amounts. Reported revenues in Block 3 that are greater than a thousand dollars may be rounded to the nearest thousand dollars. Regardless of rounding, **all dollar amounts must be reported in whole dollars.** For example, \$2,271,881.93 could be reported as \$2,271,882 or as \$2,272,000, but could not be reported as \$2272 thousand, \$2,270,000.00 or \$2.272 million. Please enter \$0 in any line for which the contributor had no revenues **for** the year.

Negative Numbers. Contributors are directed to provide billed revenues on Lines (115) through (119) and (121) without subtracting any expenses, allowances for uncollectibles or settlement payments and without making out-of-period adjustments. The amount of projected uncollectibles (the difference between Line (119) and Line (120) and the difference between Line (121) and Line (122)) cannot exceed projected billings. Therefore, do not enter negative numbers on the form.

E. Obligation to File Revisions

Line (128) provides check boxes to show whether the Worksheet is the original filing or a revised filing for the quarter. A contributor must file a revised 499-Q Worksheet if it discovers an error in the data that it reports *i.e.*, if the filer discovers that it omitted or misclassified a major category of revenue. However, revised filings must be made within 45 calendar days of the original filing date. In general, the historical revenues contained in the quarterly filings will be based on unaudited books from a point in time and the projections will represent the filer's expectations as of a point in time. Contributors need not file revisions to the Form 499Q as a result of ordinary accounting adjustments such as out-of-period adjustments. Revenue information from the Form 499-A will be used to ensure that contributions for the whole year are based on all subject revenues for the year.

Contributors should not file a revised Form 499-Q Telecommunications Reporting Worksheet to reflect mergers, acquisitions, or sales of operating units. **In** the event that a contributor that filed a Form 499-Q no longer exists, the successor company to the contributor's assets or operations is responsible for continuing to make payments, if any, for the funding period and must notify the Commission's Data Collection Agent.

F. Compliance

Failure to file the Telecommunications Reporting Worksheet or to pay contributions in a timely fashion may subject entities to the enforcement provisions of the Communications Act and any other applicable law. In addition, telecommunications providers may be billed by the administrators **for** reasonable costs, including interest and administrative costs that are caused by late, inaccurate, or untruthful filing of the Worksheet or overdue contributions."

¹⁰ See 47 C.F.R. § 54.713

III. Specific Instructions

A. Block 1: Contributor Identification Information

Block 1 of the Telecommunications Reporting Worksheet requires identification information.

Line (101) -- enter the "Filer 499 I D number for the filing entity. This code is assigned by the Commission's Data Collection Agent after a company files its first FCC Form 499-A. Filer 499 IDs for current filers can be found at <http://gullfoss2.fcc.gov/cib/form499/499a.cfm> or in the FCC report *Telecommunications Provider Locator*, which is available on the Commission's web site at www.fcc.gov/ccb/stats. This code should be entered at the top of any cover letter or supporting documentation. New filers are assigned Filer 499 ID numbers after a completed Form 499-A Telecommunications Reporting Worksheet is received by the data collection agent.

Line (102) -- enter the legal name **of** the filer as it appears **on** articles of incorporation and other legal documents. Each legal entity must file a separate Worksheet unless affiliated entities are filing on a consolidated basis."

Line (103) -- provide the Internal Revenue Service (IRS) employer identification number (EIN) for the filer. This should be the same EIN that the company uses to file federal excise taxes or income taxes, if the filer offers services subject to those taxes. The EIN is also known as the taxpayer identification number (TIN) or for individuals as the social security number (SSN).

Line (104) -- provide the principal name under which the company conducts telecommunications activities. This would typically be the name that appears **on** customer bills, or the name used when service representatives answer customer inquiries.

Line (105) -- **use** this block to provide a common identifier for all affiliated filers. Typically, this would be the name of the filer's holding company or controlling entity, if any. The common name used by all affiliates need **not** be a common carrier. All reporting affiliates or commonly controlled entities should have the identical name appearing **on** line (106). An affiliate is a "person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person."¹²

Line (106) -- provide the FCC Registration Number (FRN). The FRN is a ten digit number that includes a check-digit. The FRN is used to identify an entity within all Commission Licensing/Filing systems and RAMIS (the Commission's Revenue Accounting Management Information System.) This number is assigned by CORES (the Commission Registration System) and can be obtained at <https://gullfoss2.fcc.gov/cores/CoresHome.htm>. For assistance, contact the CORES help desk at (877) 480-3201 or by e-mail at CORES@fcc.gov.

Line (107) -- enter the complete mailing address of the corporate headquarters of the reporting entity.

"See Section II-B, page 6, for information **on** making consolidated filings.

¹² See 47 U.S.C. § 153(1).

B. Block 2: Contact Information

Lines (108-111) -- enter the name, telephone number, fax number, and e-mail address of the person who filled out the Form 499-Q. This should be a person who can provide clarifications or additional information, and, if necessary, who could serve as the first point of contact in the event that either the Commission or an administrator should choose to verify or audit information provided in the Telecommunications Reporting Worksheet.

Line (112) -- provide a billing contact person name and address for administrators to send billing information for contributions to the universal service fund. Information on establishing electronic fund transfer and bills for universal service will be sent to this address unless other arrangements are made via written request.

C. Block 3: Contributor Revenue Information

Line (113) -- enter the year for which revenue information is being filed

Line (114) -- check the appropriate box to indicate the calendar quarters for which historical and projected revenue information are being reported.

Lines (115-120) contain detailed revenue data.

I. Separating Revenue from Service Provided to Other Universal Service Contributors for Resale [Line (115)] from End-User Telecommunications Revenues [Line (116)] (carrier's carrier vs. end user)

In the Telecommunications Reporting Worksheet, filers must report revenues using two broad categories: (1) Revenues from other contributors to the federal universal service support mechanisms; and, (2) Revenues from all other sources. Taken together, these revenues should include all revenues billed to customers and should include all revenues on the reporting entities' books of account.

For the purposes of this Worksheet, "Revenues from services provided for resale by other contributors to federal universal service support mechanisms" are revenues from services provided by underlying carriers to other entities that currently are contributors to federal universal service support mechanisms and that are resold in the form of telecommunications. Such revenues are referred to herein as "carrier's carrier revenues" or "revenues from resellers." Revenues from all other sources consist primarily of revenues from services provided to end users, referred to here as "end-user revenues." This latter category includes non-telecommunications revenues

For the purpose of completing Line (115), a "reseller" is a telecommunications carrier or telecommunications provider that: 1) incorporates purchased telecommunications services into its own telecommunications offerings; and 2) can reasonably be expected to contribute to federal universal service support mechanisms based on revenues from such offerings when provided to end users.

Each filer should have documented procedures to ensure that it reports as "revenues from resellers" only revenues from entities that reasonably would be expected to contribute to support universal service. The procedures should include but not be limited to maintaining the following information on resellers: Filer 499 ID; legal name; address; name of a contact person; and phone number of the contact person. The filer should verify that each reseller will: 1) resell the filer's services in the form of telecommunications; and

2) contribute directly to the federal universal service support mechanisms. If the filer does not have independent reason to know that the reseller satisfies these criteria, it should obtain a signed statement certifying that these criteria are met. Current contributors to universal service are identified at <http://gulfoss2.fcc.gov/cib/form499/499a.cfm>.

Note: For the purposes of filling out this Worksheet -- and for calculating contributions to the universal service support mechanisms -- certain telecommunications carriers and service providers may be exempt from contribution to the universal service support mechanisms. These exempt entities, including "international only" and "intrastate only" carriers and carriers that meet the *de minimis* universal service threshold, should not be treated as resellers for the purpose of reporting revenues on Line (115). That is, filers that are underlying carriers should report revenues derived from the provision of telecommunications to exempt carriers and providers (including services provided to entities that are *de minimis* for universal service purposes) on Line (116). Underlying carriers must contribute to the universal service support mechanisms on the basis of such revenues.

2. Column (a) -total revenues

The reporting entity must report gross revenues from all sources, including nonregulated and non-telecommunications services on Lines (115) through (117) and these must add to total gross revenues as reported on Line (118). Gross revenues should include revenues derived from the activation and provision of interstate, international, and intrastate telecommunications and non-telecommunications services. Gross revenues consist of total revenues billed to customers during the filing period with no allowances for uncollectibles, settlements, or out-of-period adjustments. Gross billed revenues may be distinct from booked revenues. NECA pool companies should report the actual gross billed revenues (CABS Revenues) reported to the NECA pool and not settlement revenues received from the pool.

Where two contributors have merged prior to the filing date, the successor company should report total revenues for the reporting period for all predecessor operations. The two contributors, however, should continue to report separately if each maintains separate corporate identities and continues to operate." Where an entity obtains, through purchase or transfer, the telecommunications operations or customer base of a telecommunications provider during a quarter, it must report all telecommunications revenues associated with such operations or customer base including revenues billed in the quarter prior to the date of acquisition.

Gross revenues also should include any surcharges on telecommunications services that are billed to the customer and either retained by the contributor or remitted to a non-government third party under contract. Gross revenues should exclude taxes and any surcharges that are not recorded on the company books as revenues but which instead are remitted to government bodies. Note that any charge included on the customer bill and represented to recover or collect contributions to federal or state universal service support mechanisms must be included in Line (116). Other surcharges treated as revenue should be included in the revenue categories on which the surcharges were levied.

For international services, gross revenues consist of gross revenues billed by U.S. contributors with no allowances for settlement payments. International settlement receipts for foreign billed service should not be included in revenues.

¹³ See also Section 11-E, above.

If you have any revenue for Lines (115) and (116), you may not omit the dollar amounts from column (a) even if 100% of the revenue is for interstate or international service.

3. Column (b) and (c) - interstate & international

Columns (b) and (c) are provided to identify the part of gross revenues that arise from interstate and international service for Lines (115) and (116). Intrastate telecommunications means communications or transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one State, Territory, possession of the United States or the District of Columbia and a point outside that State, Territory, possession of the United States or the District of Columbia. Revenues from services offered under interstate tariffs, such as revenues from federal subscriber line charges and from federally tariffed local number portability surcharges, should be identified as interstate revenues.

For example, if a prepaid calling card provider collects a fixed amount of revenue per minute of traffic, and 65 percent of minutes are interstate, then interstate revenues would include 65 percent of the end-user revenue. Similarly, if a LEC bills local measured service charges for calls that originate in one state and terminate in another, these billings should be classified as interstate even though the charges are covered by a state tariff and the revenues are included in a local service account. Note that under the Commission's rules, if over ten percent of the traffic carried over a private or WATS line is interstate, then the revenues and costs generated by the entire line are classified as interstate.¹⁴ In general, flat-rated unbundled network access elements should be classified according to the regulatory agency that has primary jurisdiction over the contracts. Amounts billed to customers to recover federal universal service contribution obligations should be attributed as either interstate or international revenues, as appropriate, but no portion of such amounts may be reported as intrastate revenues.

In many cases, interstate and international revenues cannot be determined directly from corporate books of account or subsidiary records. Filers that cannot derive interstate and international revenues or that cannot derive the line-by-line revenue breakdowns may provide on the Worksheet good faith estimates of these figures. Information supporting good faith estimates must be made available to either the FCC or to the Universal Service Administrator upon request. For convenience, calculated interstate and international revenue amounts that are greater than one thousand dollars may be rounded to the nearest thousand dollars. Please enter zero dollars in column (b) or column (c) if, and only if, there were no interstate or international revenues for the line for the reporting period.

¹⁴ See 47 C.F.R. § 36.154(a)

Pursuant to FCC orders,¹⁵ wireless telecommunications providers may utilize the following safe harbor percentages of interstate revenues associated with wireless services normally reported on Line (309) of the Form 499-A and included on Line (115) of the Form 499-Q, and on Line (409) and Line (410) of the Form 499-A and included on Line (116) of the Form 499-Q:

- 28.5% of cellular and broadband PCS telecommunications revenues
- 12% of paging revenues
- 1% of analog SMR dispatch revenues

Wireless telecommunications providers that choose to avail themselves of these safe harbor percentages for interstate revenue may assume that the FCC will not find it necessary to review or question the data underlying their reported percentages. All affiliated wireless telecommunications providers must make a single election whether to report actual revenues or to use the revised safe harbor within the same safe harbor category. So, for example, if in a given period a wireless telecommunications provider reports actual interstate revenues for its cellular and broadband PCS telecommunications services, all of its affiliated legal entities must also report actual interstate telecommunications revenues for cellular and broadband PCS offerings. The same wireless telecommunications provider and all affiliates, however, could use the safe harbor for paging services.

These safe harbor percentages may not be applied to universal service pass-through charges, fixed local service revenues, or toll service charges. All filers must report the actual amount of interstate and international revenues for these services. For example, toll charges for itemized calls appearing on mobile telephone customer bills should be reported as intrastate, interstate or international based on the origination and termination points of the calls. Thus, for example, if a filer uses the safe harbor percentage for wireless revenues and has separate charges only for international calls, it would report as interstate 28.5% of its cellular wireless revenues on Line (116) column (b) and it would report as international 100% of its revenues associated with international calls on Line (116) column (c). As a result, the total of revenues identified as interstate and international in columns (b) and (c) on FCC Form 499-Q Line (116) would exceed 28.5% of the amount reported in Line (116) column (a).

4. Explanation of historical revenue categories

Total gross revenue reported on Line (118) should equal the total of the detail amounts reported on Lines (115) through (117).

Line (115)-- Revenues from services provided to other universal service contributors for resale. This line should contain revenues from telecommunications services provided to resellers (*i.e.*, telecommunications revenue derived from other universal service contributors). This category comprises what is commonly referred to as "carrier's carrier revenues." Filers may wish to consult the instructions for Form 499-A, Lines (303) through (314), when calculating this figure.

Line (116) -- Universal service contribution base revenues. This line should contain end-user telecommunications revenues (*i.e.*, telecommunications revenues derived from entities that do not contribute directly to universal service), except for revenue from international calls that both originate and terminate in

¹⁵ *Federal-State Joint Board on Universal Service*, Memorandum Opinion and Order and Further Notice of Proposed Rulemaking, CC Docket No. 96-45, 13 FCC Rcd 21252, 21258-60 (1998); *Federal-State Joint Board on Universal Service 1998 Biennial Regulatory Review on Streamlined Contributor Reporting Requirements* Report and Order and Second Further Notice of Proposed Rulemaking, FCC 02-329 (rel. Dec. 13, 2002) (*Contribution Methodology Order*).

foreign points. Filers may wish to consult the instructions for Form 499-A, Line (420), when calculating this figure.

Line (1 17) -- Other revenue that should not be reported in the universal service contribution base. This line should contain revenue from international calls that both originate and terminate in foreign points and revenues that are reportable on Form 499-A, Line (418).

Line (1 17) should include all non-telecommunications service revenues on the reporting entity's books as well as some revenues that are derived from telecommunications-related functions but that should not be included in the universal service or other fund contribution bases. For example, information services offering a capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information via telecommunications are not included in the universal service or other fund contribution bases. Information services do not include any use of any such capability for the management, control, or operation of a telecommunications system or the management of a telecommunications service. Information services **also** are called enhanced services because they are offered over common carrier transmission facilities used in interstate communications and employ computer processing applications that act on the format, content, code, protocol, or similar aspects of the subscriber's transmitted information; provide the subscriber additional, different, or restructured information; or involve subscriber interaction with stored information. For example, call moderation and call transcription services are information services. These services are exempt from contribution requirements and should be reported on line (1 17). Line (1 17) should include revenues from published directory and carrier billing and collection services. Line (1 17) should include revenues from the sale, lease, installation, maintenance, or insurance of customer premises equipment (CPE), inside wiring charges, inside wiring maintenance insurance. Line (1 17) should include the sale or lease of transmission equipment, such as dark fiber, that is not provided as part of a telecommunications service. Line (1 17) should include revenues from providing open video systems (OVS), cable leased access, and direct broadcast satellite (DBS) services. Line (1 17) should include late payment charges and charges (penalties) imposed by the company for customer checks returned for non-payment. Line (1 17) should include revenues from telecommunications services provided in a foreign country where the traffic does not transit the United States or where the carrier is providing service as a foreign carrier, *i.e.*, a carrier licensed in that country.

Line (1 18) -- Gross billed revenues from all sources. This line should equal the sum of revenues by type of service reported on Lines (1 15) through (1 17).

As noted above, for further detail on the types of revenues that should be reported on Lines (1 15) through (1 17), filers may wish to consult the Instructions for the Form 499-A, available at the Commission's web site (www.fcc.gov/formpage.html).

5. Projected gross billed end-user interstate and international revenues

The projection quarter is the calendar quarter that starts two months after the filing date and finishes 5 months after the filing date. Line (121) should contain projected gross-billed end-user interstate and international revenues, including any pass-through charges for federal universal service contributions. These amounts should be the amounts that the filer anticipates reporting on Line (116), column (b) and column (c), in the Form 499-Q filing due six months after the present filing date. **In** order to estimate these amounts, the filer could review the amounts they are reporting on Line (116) in the instant filing and amounts reported in recent filings. **In** addition, filers could take into account general business conditions, new contracts covering the projection period, pricing trends, marketing programs, expansion plans, and other relevant information. Filers must develop good faith projections based on company procedures and

policies. If the filer anticipates that revenues are as likely to increase as decrease, then it may copy the historic values from Line (116) to use as its projections for Line (121) or it could develop projections by trending historic values from previous quarterly filings. Filers need not make projections for Line (121) column (a).

Line (119) should contain projected gross-billed end-user interstate and international revenues, including any pass-through charges for federal universal service contributions for January 1, 2003 through March 31, 2003. These projections should be made using the same procedures as are used for making the projections on Line (121).

6. Projected collected end-user interstate and international revenues

Line (122) should show the interstate and international revenues that the filer anticipates collecting from customers during the projection quarter. For this purpose “collected end-user” revenues refers to gross-billed end-user interstate and international telecommunications revenues, including any pass-through charges for federal universal service contributions, less estimated uncollectibles.¹⁶ We define uncollectibles *as* the percentage of interstate and international telecommunications revenues that the contributor anticipates will not be collected from end-user customers. This percentage should be calculated in accordance with Generally Accepted Accounting Principles.” Filers that use the accrual method of accounting should use the percentage of billed revenues that they recognize currently as a reserve for uncollectibles in their books of accounts. Carriers that use the cash method of accounting should base this percentage on a comparison of actual collections and billed revenues, with the periods chosen to allow for the average delay between when services are billed and when payments are received. The amounts shown on Line (122) should be the amounts on Line (121) reduced by the percentage of uncollectibles.

Line (120) should show the interstate and international revenues that the filer anticipates collecting from customers during for January 1, 2003 through March 31, 2003. These projections should be made using the same procedures as are used for making the projections on Line (121).

Filers will be billed based on the amounts reported on Line (122). Any revisions to these amounts must be filed within 45 calendar days. No adjustments to billings will be made during the quarter to reflect actual levels of billed service and actual collection rates. The administrator will **use** the actual revenue data provided by contributors on the FCC Form 499-A to perform annual true-ups to the quarterly projected revenue data submitted by contributors during the prior calendar year.” As necessary, the administrator will then refund or collect from contributors any over-payments or under-payments. If the combined quarterly projected revenues reported by a contributor are greater than those reported on its annual revenue report (Form 499-A), then a refund will be provided to the contributor based on an

¹⁶ *Federal-State Joint Board on Universal Service*, Memorandum Opinion and Order and Further Notice of Proposed Rulemaking, CC Docket No. 96-45, 13 FCC Rcd 21252, 21258-60 (1998); *Contribution Methodology Order*, para 32.

¹⁷ General Accepted Accounting Principles (GAAP) encompasses the conventions, rules, and procedures necessary to define accepted practice in the preparation of financial statements in the United States. The Financial Accounting Standards Board (FASB) is currently the primary authority to establish GAAP for all companies. Carriers subject to the Uniform System of Accounts would derive this figure from the amount recorded in Account 5301, Uncollectible Revenue - Telecommunications.

¹⁸ See Telecommunications Reporting Worksheet, FCC Form 499-A, OMB 3060-OS55 (February 2002) (FCC Form 499-A).

average of the two lowest contribution factors for the year. If the combined quarterly revenues reported by a contributor are less than those reported on its annual revenue report (Form 499-A), then administrator will collect the difference from the contributor using an average of the two highest contribution factors from that year.

Filers are required to maintain records and documentation to justify the information reported on the Telecommunications Reporting Worksheet for three years. Filers also must maintain records detailing the methodology used to determine projections reported on the Telecommunications Reporting Worksheet. Upon request, filers may be required to provide such records and documentation to the Commission or to the administrator.

D. Block 4: Certification.

Line (123) -- Filers may use the box in Line (123) to request nondisclosure of the revenue information contained on the Telecommunications Reporting Worksheet. By checking this box, the officer of the company signing the Worksheet certifies that the information contained on the Worksheet is privileged or confidential commercial or financial information and that disclosure of such information would likely cause substantial harm to the competitive position of the company filing the Worksheet. This box may be checked in lieu of submitting a separate request for confidentiality pursuant to section 0.459 of the Commission's rules." All decisions regarding disclosure of company-specific information will be made by the Commission. The Commission regularly makes publicly available the names (and Block 1 and 2 contact information) of the entities that file the Telecommunications Reporting Worksheet.

Lines (124) through (127) -- **An** officer of the reporting entity must examine the data provided in the Telecommunications Reporting Worksheet and certify that the information provided therein is accurate and that projections provided therein represent good faith estimates based on company procedures and policies. An officer is a person who occupies a position specified in the corporate by-laws (or partnership agreement), and would typically be president, vice president for operations, vice president for finance, comptroller, treasurer, or a comparable position. If the reporting entity is a sole proprietorship, the owner must sign the certification. The signature on Line (124) must be in ink.

A person who willfully makes false statements on the Worksheet can be punished by fine or imprisonment under title **18** of the United States Code.²⁰

Line (128) -- Indicate whether this filing is an original filing or a revised filing."

¹⁹ 47 C.F.R. § 0.459. See also *Examination of Current Policy Concerning the Treatment of Confidential Information Submitted to the Commission*, Report and Order, FCC 98-184, GC Docket No. 96-55 (rel. Aug. 1998) (listing the showings required in a request that information be withheld and stating that the Commission may defer action on such requests until a formal request for public inspection has been made).

²⁰ See 18 U.S.C. § 1001.

²¹ See Section 11-E.

Reminders

- Filers are required to maintain records and documentation to justify information reported on the Telecommunications Reporting Worksheet for three years. Filers also must maintain records detailing the methodology used to determine projections reported on the Telecommunications Reporting Worksheet. Upon request, filers **may** be required to provide such records and documentation to the Commission or to the administrator.
- **Is** the filer affiliated with another telecommunications provider? Each legal entity must file separately unless they qualify for filing on a consolidated basis. *See* Section II-B. Each affiliate or subsidiary **must** show the same holding company name on Line (105).
- Provide data for **all** lines that apply. Show a zero for services for which the contributor had no revenues for the filing period.
- Contributors to universal service support mechanisms must make five FCC Form 499 filings each year. *See* Figure 2.
- Wherever possible, revenue information should be taken from the contributors' financial records. Filers also must provide projected revenue information on Line (119) through Line (122).
- The Worksheet must be signed by an officer of the reporting entity. An officer is a person who occupies a position specified in the corporate by laws (or partnership agreement), and would typically be president, vice president for operations, comptroller, treasurer, or a comparable position.
- Do not mail the Worksheet to the FCC. *See* Section II-C for filing instructions.
- Note that Form 499 is one of several forms that telecommunications carriers and other providers of interstate telecommunications may need to file. Information concerning common filing requirements for such providers may be found on the FCC web site, at www.fcc.gov/wcb/filing.html.

If you have questions about the Worksheet or the instructions, you may contact:

Form 499 Telecommunications Reporting Worksheet Information	Form499@iiec.i.org (973) 560-4160
Wireline Competition Bureau Industry Analysis and Technology Division TTY	(202) 418-0940 (202) 418-0484

If you have questions regarding contribution amounts, billing procedures or the mechanisms, you may contact:

Universal Service Administration	(202) 776-0200
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**SEPARATE STATEMENT OF
CHAIRMAN MICHAEL K. POWELL**

*Re: Federal-State Board on **Universal** Service et al., CC Docket Nos. 96-45 et al*

The Act demands that this Commission take responsible steps to ensure that our universal service contribution system remains equitable and nondiscriminatory. This item meets that test. The measures we adopt today, however, are interim. Make no mistake, during this interim period, the migration of traditional telecommunications services to digital platforms will continue to occur – and at a gathering speed. The resulting bundles of innovative telecommunications and information services will continue to stress our current revenues-based contribution system if we do not act. For this reason, among others, we must challenge ourselves to reform the contribution system in creative ways. I believe that it remains our long-term goal and is in the best interest of American consumers that we migrate to a connection-based contribution system. I write separately today to underscore this point.

Universal service contribution policy cannot remain static. Guided – indeed commanded - by the statute, we must ensure that it evolves as telecommunications technology and markets change. The foundation the Commission has built needs to be refined to account for technological substitution and the realities of a competitive market. The actions we take today represent a timely effort to recalibrate the current revenue-based system to reflect better the growth of wireless services and improve competitive neutrality among contributors by basing contributions on projections of collected revenues. At the same time, we take action to protect consumers from unjust and unreasonable recovery practices by increasing the transparency of universal service line items on customer bills. These are prudent first steps.

We must never forget, however, that the cost of these programs ultimately is borne by American consumers. Failure to engage in reform may jeopardize the stability and sufficiency of the fund and impose unfair burdens on certain classes of carriers and their customers. By asking more questions and seeking specific comment on the assumptions that underlie each proposed contribution methodology, including connection-based systems, we will be able to refine the record in this proceeding and take further steps to ensure the long-term viability of universal service. I also recognize that some of my colleagues have suggested that the Commission address the universal service contribution requirements for broadband platforms in this proceeding. I believe, however, that such a decision must be made in the context of the Commission's pending proceeding concerning the appropriate statutory classification for broadband services. I wish to emphasize that adopting a connections-based approach to universal service contributions does not automatically mean that broadband platforms will be assessed. Rather, a connections-based approach provides a rational, simplified mechanism for addressing the disparity that currently exists between DSL and cable modem platforms. In the end, a functioning broadband market and principles of technological neutrality require that consumer choices for broadband services should not be skewed by artificial regulatory requirements.

Finally, I look forward to working with my federal and state colleagues to establish an equitable and nondiscriminatory contribution system that provides for specific, predictable, and sufficient funding to preserve and advance universal service.

**SEPARATE STATEMENT OF
COMMISSIONER KATHLEEN Q. ABERNATHY**

*Re: Federal-State Joint Board on Universal Service, et al., Report and Order and
Second Further Notice of Proposed Rulemaking, CC Docket Nos. 96-15 et al.*

Today's Order represents an important step in our effort to overhaul the contribution methodology for the federal universal service support mechanisms. But much work remains. While the interim measures we are adopting will help alleviate some of the inequities associated with our existing contribution rules, they do not address the fundamental shifts in the communications marketplace that call into question the long-term viability of a revenue-based contribution scheme. Most significantly, the increasing prevalence of bundling — of interstate and intrastate services, on the one hand, and of telecommunications services, information services, and customer premises equipment, on the other — tentatively persuades me that a connection-based contribution methodology would best promote the critical statutory objective of preserving and advancing universal service.

Commission staff have exhaustively combed through the existing record in an effort to develop an assessment methodology based (at least in part) on physical connections to interstate networks. I commend them for their efforts. Introducing a connections-based component to our contribution methodology will bolster the stability of universal service funding. We must also ensure that all carriers will contribute on an equitable and nondiscriminatory basis, as section 254(d) requires, and that any new regime will not impose undue administrative burdens and transaction costs. On the current record, the Commission was unable to conclude that any connection-based proposal satisfies all of these objectives. Moreover, legitimate concerns have been raised about our ability to gauge the likely consumer impact of leading proposals — which were being tweaked almost daily — without additional data and analysis. But I am optimistic that the proposals described in the Further Notice, together with the input we expect to receive from commenters, will enable the Commission to implement more comprehensive reforms in the coming year.

I understand that not all of my colleagues are persuaded at this juncture that a pure revenue-based methodology is unsustainable. Nor am I completely certain myself. But it seems increasingly clear that any methodology that assesses contributions based solely on revenues from end-user interstate telecommunications services is fundamentally incompatible with the direction of the communications industry. I have often spoken about the need for our regulations to keep up with the rapidly changing pace of technologies and markets. This is a perfect example: There is no question that the industry is moving headlong from a marketplace dominated by distinct offerings of local and long distance services to one in which bundles of any-distance telecommunications services are becoming the norm (for wireless) or at least commonplace (for wireline). And in this new environment, telecommunications services are increasingly being packaged with information services and CPE.

Some argue that instead of giving up on a revenue-based methodology, we can ensure sustainable support by assessing the telecommunications component of information services and

adopting additional revenue-allocation rules for bundled services. But that is easier said than done.' When a telecom carrier offers, for example, an integrated bundle of local and long distance voice services plus broadband Internet access for a single monthly price, it is not clear how the Commission could accurately assess the revenues attributable to the interstate voice service and to the telecommunications component of the information service. **By** the same token, when cable modem providers offer broadband services, the fact that most do not separately provide broadband transmission services would make it very difficult to segregate the revenues attributable to the telecommunications portion of the information service. These line-drawing conundrums will become even more problematic as bundled service offerings become more varied and complex. **As** a result, providers will have the opportunity and incentive to contribute less than their fair share by understating the portion of their bundled offering that is attributable to an interstate telecommunications service.

The upshot, I fear, will be a continued decline in the reported base of interstate telecommunications service revenues — and a corresponding increase in the contribution factor. If, on the other hand, providers of end-user connections to interstate networks contributed based on these connections, rather than on a portion of their revenues, all of these intractable revenue-allocation issues would disappear.

Finally, although the Commission did not raise the question of assessing contributions on broadband Internet access services in this proceeding (it is raised in the pending *Wireline Broadband* rulemaking), some of my colleagues have suggested resolving that issue now. I do not think it would be appropriate to do so until we complete our analysis of the statutory classification of wireline broadband services, which bears directly on our authority to assess contributions. I would also like to have a better sense of whether the Commission will adopt a connection-based approach before deciding whether and how broadband providers should contribute, because the merits of separately assessing the telecommunications component of broadband services may differ in that case. I would have taken a more limited step in this interim period, however, by exempting from assessment any DSL transmission service provided *to ISPs*, pending the outcome of the *Wireline Broadband* proceeding. There are two reasons for doing so. First, the fact that LECs providing DSL service currently contribute to universal service, while cable modem providers do not, creates an obvious competitive distortion. **We** should either assess both broadband platforms or neither. Second, the Commission already has determined in another context that incumbent LECs' sale of bulk DSL transmission services are properly considered wholesale telecommunications services,² and it seems logical to treat those services as wholesale — and thus not subject to any contribution obligation — for universal service purposes as well. I regret that the Commission was unable to agree on a means of ending the DSL/cable modem contribution disparity, but I am hopeful that we will do so in the *Wireline Broadband* proceeding.

¹ Others argue that we should preserve a revenue-based methodology *without* assessing the telecommunications functionality underlying information services, but that would seem to be a recipe for sky-high contribution factors going forward.

² *Deployment of Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, Second Report and Order, 14 FCC Rcd 19237 (1999) (*AOL Bulk Services Order*).

**STATEMENT OF
COMMISSIONER MICHAEL J. COPPS**

Re: Federal-State Joint Board *on* Universal Service

I am pleased that the Commission is taking interim steps toward ensuring that every carrier contributes on an equitable and nondiscriminatory basis to universal service. Without today's action, consumers of long-distance services would have seen a significant increase on their bills as of April 1.

Notwithstanding the actions we take today, we must continue to look for long-term solutions that will put the fund on a solid footing to preserve and advance universal service. In the abstract, I find much to recommend a revenue-based system. It is undoubtedly equitable and nondiscriminatory for those who use the network more to contribute more to further the goals of universal service. That being said, I **am** fully cognizant of the pressures on our revenue-based system that are detailed in our decision today. For that reason, I am willing to consider changing our methodology for assessing carrier contributions to the universal service fund. Before I would agree to any paradigm shift in our methodology and the attendant administrative costs, however, I want to be certain that our methodology meets the statutory requirements and is administratively workable.

I also urge the Commission to address expeditiously the issue of broadband providers' contribution to universal service. I **am** disappointed that the current disparity under which DSL providers contribute and cable modem providers do not will continue for an indefinite period of time. When the Commission finally addresses this issue, I hope we will do so in a manner that does not narrow the contribution base and undermine the sufficiency of the fund. We must also work to avoid a system that opens the door to regulatory arbitrage or distortions in the market. I would also stress my belief that broadband will satisfy the statutory criteria for inclusion in the list of supported services in the near future.

As we move forward with this contribution methodology proceeding, let us also recognize that taking action on the contribution side is only half of the equation. The Commission and the Federal-State Joint Board on Universal Service must also address distribution issues if we are to confront all of the pressures on the fund. That means we must complete such proceedings as the current one on portability of universal service in markets with competition.

Finally, I hope we will work closely with our state colleagues as partners on these universal service issues. The statute makes clear that Federal and State governments each have a significant role to play in preserving and advancing universal service. It is only through a cooperative effort that we will meet our statutory obligation to ensure that all Americans, no matter who they are or where they live, have access to reasonably comparable services at reasonably comparable rates. Each and every American should have access to the best, most accessible, and cost-effective communications system in the world. In this modern era, that is a fundamental right.

**STATEMENT OF
COMMISSIONER KEVIN J. MARTIN**

Re: Federal-State Joint Board on Universal Service, CC Docket No. 96 55;

1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket No. 98-171;

Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571;

Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size CC Docket No. 92-237 NSD File No. L-00-72;

Number Resource Optimization CC Docket No. 99-200; Telephone Number Portability CC Docket No. 95-116; Truth-in-Billing and Billing Format CC Docket No. 98-170.

Good item.¹

¹ See Appendix A. Separate Statement of Commissioner Kevin J. Martin, Federal-State Joint Board on Universal Service, Further Notice of Proposed Rulemaking and Report and Order, CC Docket 96-45, *et. al* (rel. February 14, 2002); Separate Statement of Commissioner Kevin J. Martin, Federal-State Joint Board on Universal Service, CC Docket No. 96-45 (rel. June 13, 2002); Separate Statement of Commissioner Kevin J. Martin, Schools and Libraries Universal Service Support Mechanism: CC Docket No. 02-6 (rel. June 13, 2002).

Appendix A

SEPARATE STATEMENT OF
COMMISSIONER KEVIN J. MARTIN

Re: Federal-State Joint Board on Universal Service, Further Notice of Proposed Rulemaking and Report and Order, CC Docket No. 96-45 et al.

I am pleased to join in approving this item, which seeks comment on proposals to alter our universal service contribution methodology. Maintaining the stability of the universal service contribution system is one of the Commission's most important responsibilities. Congress codified this responsibility in section 254 of the Telecommunications Act of 1996, which requires the Commission to, among other things, ensure there are specific, predictable, and sufficient support mechanisms to preserve and advance universal service. See 47 U.S.C. § 254(b)(5). I am firmly committed to carrying out this directive and to fulfilling Congress' goals of ensuring affordable telecommunications services and access to advanced services in all regions of the nation. See *id.* § 254(b).

To fulfill this responsibility, the Commission today issues a notice reevaluating the contribution methodology. As consumers migrate to new products and services, we may need new methods for assessing universal service contributions. Accordingly, I welcome consideration of novel and different proposals of how to assess universal service contributions.

While we consider these comprehensive reforms, however, I believe it may be important to take some immediate steps. For example, AT&T has complained that assessing contribution obligations on past revenues, as the system currently does, unfairly penalizes carriers with declining revenues and unfairly benefits those with increasing revenues. I believe we should take action on AT&T's waiver request, which seeks to allow AT&T to pay its contributions based on projected rather than past revenue. Whether we make changes along these lines or some other alterations to the current system, I believe some short term adjustments may be warranted. I also wish to highlight one issue for comment. In weighing the various proposals, we must make sure that "[a]ll providers of telecommunications services . . . make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service." 47 U.S.C. § 254(b)(4). We must also follow the Court of Appeals for the Fifth Circuit's holding that the Communications Act prohibits the Commission from assessing contributions on intrastate revenue. See *Texas Office of Public Utility Counsel v. FCC*, 183 F.3d 393,448 (5th Cir. 1999). I thus think it is crucial that parties comment on how the different proposals comply with both of these limitations.

Finally, I wish to emphasize the importance of participation by the states in this proceeding. We welcome comments from the state commissions, and we have committed to seeking input from the Universal Service Joint Board before making any significant changes to the contribution methodology. I am confident that we could do so in a manner that does not cause any unnecessary delay.

STATEMENT OF COMMISSIONER KEVIN J. MARTIN, APPROVING IN PART
AND DISSENTING IN PART

Re: Schools and Libraries Universal Service Support Mechanism - - CC Docket No. 02- 6

At the outset, I want to reaffirm my support for the universal service program and the critical function it serves to ensure access for consumers in rural and high cost areas. and promote access to advanced services for schools, libraries, and health care service providers in rural areas.

I am pleased that the Commission has clarified that effective no later than second quarter 2003 any unused funds from the schools and libraries support mechanism in any given year will be carried forward for disbursement in subsequent funding years. The schools and libraries program has been instrumental in facilitating access to advanced services. Today's action will help us ensure that schools and libraries will be able to use the funding available under the existing \$2.25 billion annual cap.

I am also pleased that the Commission is moving forward today to take action to stabilize the universal service contribution factor for consumers. I agree with the majority's decision to blunt the impact of spikes in the universal service contribution factor. I have concerns, however, regarding the methodology used to achieve this result. I would have taken a different path to achieve relief for consumers while providing greater market certainty and ensuring that we achieve our mutual goal of protecting the continuing health and sustainability of the universal service fund.

Some of the systemic problems of our universal service contribution methodology are not new. Back in April 2001, the Commission outlined these issues and sought comment on various potential solutions. For example, the Commission acknowledged the inequities in the universal service contribution system of declining revenues for certain wireline interexchange carriers, as well as the potential impact that the growth in the wireless telecommunications sector may be having on the fund.

At that time, the Commission adopted a Notice of Proposed Rulemaking that acknowledged the inequities of the current system and sought comment on specific proposals to address comprehensive reform of the universal service contribution system. Eight months later, with no permanent relief in sight, AT& T presented this Commission with a request to help level the playing field on contributions to the universal service fund made by its over 50 million long distance customers. For example, AT& T customers now face a monthly federal universal service fund surcharge that stands at over 11%, while customers of new entrant long- distance providers pay at or below the FCC contribution rate set within the 7% range. I supported taking action on their petition at that time and today.¹

¹ See Separate Statement of Commissioner Kevin J. Martin, Federal-State Joint Board on Universal Service: CC Docket No. 96-45 (rel. June 13, 2002).

I support the Commission's efforts to address the long-term issues created by a converging and competitive marketplace. I look forward to working with my colleagues to establish an equitable and nondiscriminatory contribution system that provides for specific, predictable and sufficient funding to preserve and advance universal service.

At its heart, today's decision takes unused money from the schools and libraries program to stem the growth of the contribution factor while the Commission grapples with long term solutions.

I would have preferred to put in place medium term remedies to address some of these contribution methodology issues (e. g., declining revenues and the potential impact that growth of the wireless telecommunications sector has on the fund). While we continue to address the long term issues, I believe we should address the various inequities that require certain service providers and their customers to bear a disproportionate share of funding the universal service system. Especially since demand for the school and libraries program has always exceeded the cap, I believe we should have taken these steps first before taking any unused monies.

I believe it is incumbent upon us to have taken steps immediately available that could both minimize the impact of any increase on consumers and address potential inequities in our current system prior to taking some of today's actions.

Accordingly, I approve in part and dissent in part from the order

STATEMENT OF COMMISSIONER KEVIN J. MARTIN

Re: Federal-State Joint Board on Universal Service; CC Docket No. 96-45
AT&T Petition For Waiver

I disagree with today's decision by the Wireline Competition Bureau to deny AT&T's request to contribute to universal service based on its projected, rather than its historical, revenues.

Under the FCC's rules that govern universal service contributions, carrier payments to the fund are based on a snapshot of interstate revenues during the previous six months. Over time, increased competition, regional Bell company entry into the interexchange market, and changes in the marketplace have continued to reduce the interstate revenues of the traditional interexchange carriers.

The Commission's rules now place certain interexchange carriers—such as AT&T that face declining revenues at a distinct competitive disadvantage. To comply with the Commission's rules, carriers with declining interstate revenues must collect a greater share of universal service contributions from a shrinking customer base. In particular, consumers of these long distance carriers have been required to contribute a disproportionate and inequitable share to ensure the preservation and advancement of universal service. AT&T's long distance customers, for example, now face a monthly federal universal service fund surcharge that stands at over 11%, while the FCC's contribution rate is set within the 7% range. While AT&T's customers bear this burden, customers of new entrant long-distance providers (e.g., Bell operating companies) have the unfair benefit of supporting the fund at or below the FCC contribution rate.

I am concerned that the Commission has been aware of the magnitude of this problem for quite some time and yet has failed to act. In April 2001, the Commission adopted a Notice of Proposed Rulemaking that acknowledged the inequities of the current system and sought comment on specific proposals to address comprehensive reform of the universal service contribution system. Eight months later, with no permanent relief in sight, AT&T filed its petition for waiver for an immediate interim fix so that it could contribute to universal service based on projected revenues.

I supported granting AT&T's waiver last December and would have supported granting all similarly situated carriers similar relief. Granting the waiver would have, at a minimum, provided immediate relief for at least 50 million long distance customers nationwide while the Commission continued to deliberate on a more permanent solution to the contribution methodology issue. In addition, it would have set the groundwork for creating a more equitable contribution system by closing the gap on the contribution obligations of different service providers and their end-user customers. This measure would have also brought us one step closer to establishing a more level playing field for contributions amongst carriers providing interstate services in the marketplace.

In my view, by waiting six months to address AT&T's waiver request the Commission has created greater uncertainty in the marketplace and has exacerbated an already troublesome situation. With each passing day, AT&T's competitive disadvantage resulting from universal service contributions grows as the Bell Operating Companies continue to receive 271 long distance authority throughout the country and gain significant long distance market share. In general, I support Commission's policies that encourage service providers to compete for service offerings based on market factors such as price, service quality, and convenience but do not favor policies that advantage certain competitors through distortions and loopholes in our regulatory framework.

Unfortunately, I am not as confident that a permanent solution is right around the corner. I would have therefore granted AT&T's petition for waiver last December and would do so again now.

Maintaining a specific, predictable and sufficient universal service funding mechanism is a vital responsibility of the Commission. I support the Commission's efforts to address the long-term issues created by a converging and competitive marketplace. I do not believe, however, that we should stop making on-going adjustments to the current mechanism to address competitive inequities while we spend months and/or years grappling with the longer term problems. I believe we have a duty to address such immediate and mid term problems as well as the long term ones.

Accordingly, I disagree with the result of the Bureau's Order.