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February 27, 2003

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

Re: Federal-State Joint Board on Universal Service, **CC** Docket 96-45; and **CC** Dockets 98-171, 90-571, 92-237, 99-200, 95-116, 98-170

Dear Ms. Dortch:

I am writing this letter to express concern regarding proposed reforms to the contribution methodology for universal service. My understanding is that the Federal Communications Commission (FCC)is considering an alternative funding methodology that would significantly change the current system. Presently, telecommunications firms are required to use a percentage of their interstate revenue lo support the Universal Service Fund (USF). The new proposal suggests shifting that system to **one** based on connections -- meaning **USF** contributions would **be** based **on a flat** monthly connection **fee.**

The NAACP's principal objective is to ensure the political, educational, social and economic equality for racial and ethnic minority groups of United States and to eliminate race prejudice. As such, it is clear that all consumers regardless oftheir income level, where they **work.** study or reside should have access to affordable and robust telecommunications services. The USF has been instrumental **in** ensuring that all Americans have access to affordable, comprehensive tclecommunications services, particularly consumers in high-cost service areas, low-income consumers. schools, libraries and rural health providers. Many oftlie consumers who benefit from the USF ai·e our constituents.

Currently, the USF contribution assessment methodology is revenue-based, which means that telecommunications providers have a fairly equitable and competitively **neutral means** of being assessed, However. if this methodology is changed to the aforementioned connection-based approach. consumers who make few or no interstate calls would be assessed the same as consumers, especially businesses, who make more interstate calls. This means low-volume and primarily rrsidennal customers would unfairly hear the burden of contributing lo rhr universal service fund. In addition, telephone providers who service the low-volume population will he at a competitive disadvantage under a connection-based methodology. This is neither equitable nor competitively neutral.

As a result. I fear fewer providers and limited options will be available to lowvolume customers. I urge the Commission to take a closer look at how consumers who utilize product such as pre-paid wireless services would be adversely affected by the connection-based proposals. I believe it's important to note that others pi·oviding comments, such as Consumers Union and the National Association of State Utility Consumer Advocates point out that a connection-based assessment methodology is particularly harmful to low-volume consumers. Furthermore, under this newly proposed funding methodology. more than one wireless provider acknowledged that the cost of wireless service would increase for lowvolume users.

It is of special interest in this proceeding because pre-paid wireless providers offer a unique service to portions of the African American community, including: low-income users or young people who cannot meet credit or security deposit requirements; migrant and seasonal workers without a permanent address; people who are unwilling to enter into a long-term contractual commitment; senior citizens or public assistance recipients who arc on a fixed incomes; individuals who want to control their telephone costs; and women and others who use them primarily for emergency or security purposes

Whereas in the past, wireline ielephone service was considered a fundamental utility lor all Americans, wireless telephone service is fast becoming a supplemental mode of basic communication among family members, friends and business associates. Consequently, ensuring low-income and low volume interstate consumers have affordable access to wireless telephone service is an important objective. That is why the FCC must do everything in its authority to ensure that changes to the universal service funding mechanism do not inadvertently raise the cost of telephone service at the expense of consumers such as those mentioned above.

finally. I urge the FCC to move cautiously with reforms to the universal service funding methodology and to reject this particular concept of a connection-based methodology. As always, we welcome the opportunity to assist the FCC and the industry with constructing viable solutions to emerging challenges in the telecommunications arena.

If there is anything else I can do to help advance this process, I can be reached by telephone at (202) 638-2269.

Sincerely,

Hilary O. Shelton
Director