

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC**

In the Matter of)	
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
1998 Biennial 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
)	
Numbering 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
To: The Commission, <i>en banc</i>)	

**COMMENTS OF AMERICAN ASSOCIATION OF PAGING CARRIERS
ON STAFF STUDY REGARDING ALTERNATIVE CONTRIBUTION METHODOLOGIES**

AMERICAN ASSOCIATION OF PAGING CARRIERS (AAPC), by its attorney, respectfully submits its comments in the captioned proceedings to the Federal Communications Commission, in response to the Commission's Public Notice, FCC 03-31, released February 26,

2003, requesting public comments on a staff study (the “Staff Study”) relating to the alternative methodologies for calculating contributions to the federal universal support mechanisms outlined in the Commission’s Report and Order and Second Further Notice of Proposed Rulemaking (SFNPR), FCC 02-329, adopted December 12, 2002, released December 13, 2002, and published at 67 Fed. Reg. 79543 (December 30, 2002).

As its comments in response to the Staff Study, AAPC respectfully states:

Background

In the Further Notice portion of the SFNPR, the Commission instituted additional rule-making proceedings to consider what further changes, if any, should be made in the Universal Service Fund (USF) contribution structure. Among other issues, the Commission requested comments on three alternative connection-based contribution proposals: (1) pure connection-based contributions; (2) contributions split between access and transport providers; and (3) contributions based on telephone number assignments. On February 26, 2003, the Commission released a staff study which attempts to project the financial impact over the next several years of the three contribution methodologies designated for comment in the SFNPR. The Commission requested comments on the staff study by March 31, 2003, and reply comments by April 18, 2003, contemporaneously with the reply comments in response to the SFNPR.

The Staff Study projects that under the current revenue-based methodology, contributions would gradually increase from \$0.12 per month per one-way pager and \$0.28 per month per two-way pager in 2002 to \$0.17 per month per one-way pager and \$0.40 per month per two-way pager in 2007, as projected contribution factors rise from 0.080 in 2002 to 0.114 in 2007. By contrast, beginning in 2004 under the first connection-based proposal (pure connection-based), the Staff Study projects that the contribution would be \$0.10 per month per one-way pager and

would remain constant until 2007, when it would increase to \$0.11 per month. The contribution for two-way pagers would commence in 2004 at \$0.20 per month, which would increase to \$0.21 in 2005 and remain constant at \$0.21 per month through 2007.

Under the second connection-based proposal (split access/transport connection), the Staff Study projects that the contribution would be \$0.35 per month in 2004 and 2005 for one-way pagers and \$0.36 per month in 2006 and 2007. The contribution for two-way pagers under this proposal is projected as \$0.71 per month in 2004, \$0.70 per month in 2005, \$0.71 per month in 2006 and \$0.72 per month in 2007. Lastly, the Staff Study projects contributions of a flat \$0.10 per month per one-way pager from 2004 through 2007 for the third (number-based) proposed methodology, and a flat \$0.20 per month per two-way pager from 2004 through 2007.

AAPC is a newly organized national trade association representing the interests of paging carriers throughout the United States. AAPC officially organized and commenced operation at its first annual meeting at Myrtle Beach, South Carolina, on May 31, 2002; and since that time it has actively participated in proceedings before the Commission affecting the paging industry. Additional information concerning AAPC may be found at its web site www.pagingcarriers.org. AAPC has actively participated in the Commission proceedings throughout 2002 and 2003 relating to proposed modifications to the USF contribution structure.

Comments on Staff Study

It is difficult to get an accurate assessment of the impact of the three proposals on the paging industry due to the different assumptions used to derive the projections in the Staff Study. In the Further Notice of Proposed Rulemaking and Report and Order, FCC 02-43, released February 26, 2002 (the "FNPR"), the Commission reasonably used the figure of \$0.07 per pager per month as the translation into a per-pager contribution under the current revenue-based methodol-

ogy, based upon an average paging bill of \$8.00 per month, the “safe harbor” interstate allocation of 12% and the 4th quarter 2001/1st quarter 2002 contribution factor of 6.808%. See FNPR at ¶59 & n. 145. The Staff Study, however, assumes an average paging bill of \$9.50 per month, an interstate revenue allocation of 16% and a contribution factor of 8.000% for 2002.¹ As a result of these assumptions, the contribution “base” under the current revenue-based system jumps to \$0.12 per one-way pager per month and to \$0.28 per two-way pager per month.

As noted above, the paging contribution under the first (pure connection-based) and third (number-based) proposals is projected to decline compared to the current system. However, it is not possible to determine whether the projections represent real declines in the contribution levels, or whether they are artificial ones that are the product of flawed assumptions underlying the projections of current contribution levels. That is, the Staff Study projects a decline in contributions by paging carriers under either the first or third proposals, compared to the existing system. Just as likely, however, the first and third proposals actually would *increase* contributions by paging carriers, compared to the existing system, when real data are substituted for the assumptions used by the Staff Study.

In AAPC’s view, the Staff Study illustrates the hazards involved in changing the current system in the absence of a clear understanding of what the impact will be on different industry segments. AAPC’s position is that there is no legal or factual justification for any increase in relative USF contributions by paging carriers. AAPC concluded in response to the Second Further Notice of Proposed Rulemaking herein that the three proposals submitted for comments should not be adopted because they had not been shown to be an improvement over the existing system for the paging industry. AAPC adheres to this view because the Staff Study similarly

¹ In fact, the contribution factor for the first quarter of 2002 was 6.808%, and for the rest of the year was 7.2805%, resulting in an “average” contribution factor of 7.1624% rather than the 8.0000% used in the Staff Study.

does not credibly demonstrate that there would be a benefit to the paging industry from adopting any of the three proposals.

Respectfully submitted,

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