

USE CONTRIBUTIONS

ITTA

Whitefish, Montana

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ITTA Concerns with Current Mechanism

- As current contribution rate increases, so does the likelihood of intervention, and ultimately the risk associated with the fund
- Interstate only revenues encourages companies to alter the actual jurisdiction of their revenues to avoid paying into the fund

ITTA Believes New USF Mechanism Should:

- Eliminate or at least minimize arbitrage opportunities
- Be administratively simple to implement and operate
- Not add unnecessary reporting burdens to those contributing to the fund
- Follow the Act
- Be implemented quickly!

ITTA Supportive of “All Revenues” Approach, but only with Expanded Concepts.

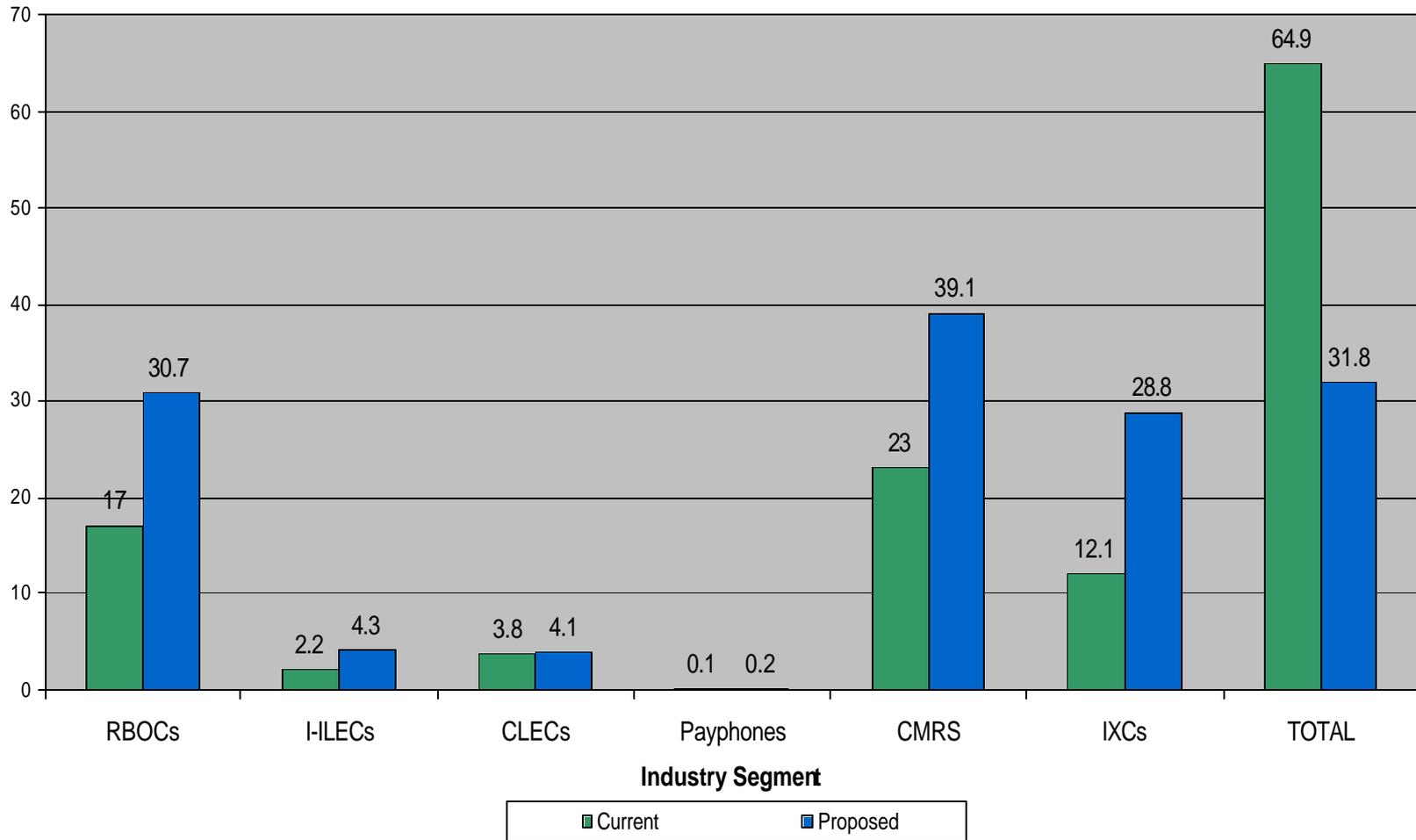
Current Proposal:

- good first step, but not far enough
- maintains potential for arbitrage by industries that aren't assessed
- significantly increases existing contribution burden on segment of ILECs' customers
- Increases likelihood of having to revisit the issue later

“All Revenues” plan would Increase Burdens on Independent ILECs and their Customers.

- NECA calculations indicate that an all revenues plan that included only telecommunications revenues would approximately double the contribution burden on independent ILECs, from 2.2% to 4.3% of the total contribution base.
- This increased burden would be borne by consumers, largely in rural areas.
- An all revenues plan would increase independent ILEC exposure to arbitrage risk at a time when other arbitrage pressures are already high (e.g. intercarrier compensation).

**PERCENT (%) OF CONTRIBUTION
(Current and Proposed)**



(Dollar Amounts Shown in Millions)

Data from FCC Form 499-A	Telecommunications Services Provided to End Users 1/				Universal Service
	Fixed Local	Mobile	Toll	Total	Contribution Base Revenues
Regional Bell Operating Companies	\$67,053	\$136	\$5,037	\$72,226	\$13,503
Other Incumbent Local Exchange Carriers (ILECs)	9,492	40	638	10,169	1,710
Total Local Competitors	7,823	13	1,811	9,647	2,993
Fixed Local Service Providers	84,369	188	7,486	92,043	18,206
Payphone Service Providers	474	*	112	586	42
Wireless Service Providers	100	66,401	1,395	67,896	9,578
Toll Service Providers	2,761	1,918	70,308	74,987	51,415
All Filers	\$87,704	\$68,507	\$79,302	\$235,513	\$79,241

Note: Amounts may not add to totals due to rounding.

* Denotes values greater than \$0 but less than \$500,000.

1/ Telecommunications service provided for resale consists of services provided to other contributors to federal universal service support mechanism. Revenues from services provided to firms that are de minimis under or exempt from federal universal service support mechanism are not included in this service.

ITTA Supports an “All Revenues” Approach that Broadens the Base beyond the Current Services.

- Includes the following in the revenue base for contributions:
 - Broadband
 - Cable modems
 - VoIP