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October 14, 2003

VIA ELECTRONIC DELIVERY

Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

RE: *Ex Parte* Presentation of Nextel Communications, Inc.
CC Docket No. 96-45

Dear Ms. Dortch:

On October 10, 2003, Lawrence Krevor, Vice President, Government Affairs, Nextel Communications, Inc. ("Nextel") and the undersigned, counsel for Nextel, met with Paul Garnett, Acting Assistant Division Chief, Federal Communications Commission ("FCC"), Wireline Competition Bureau ("WCB"), Telecommunications Access Policy Division ("TAPD"), Elizabeth Yockus, Attorney Advisor, TAPD and Vickie Byrd, Attorney Advisor, TAPD. Larry Stevens, Utility Specialist, Iowa Utilities Board and Greg Fogelman, Economic Analyst, Florida Public Service Commission were teleconferenced into the meeting. The meeting participants discussed the issues associated with the Federal-State Joint Board's proceeding on its universal service portability designation and funding rules as reflected in the attached PowerPoint presentation.

In accordance with the Section 1.1206(b)(1) of the Federal Communications Commission's rules, one copy of this letter is being filed electronically in the above-captioned docket. Copies of this letter are also being provided to the Commission staff listed below. Please contact the undersigned if any questions arise in connection with this filing.

Respectfully submitted,

/s/ Laura H. Phillips
Laura H. Phillips

Counsel for Nextel Communications, Inc.

Enclosure
cc (w/ encl.) Paul Garnett, Federal Communications Commission
Elizabeth Yockus, Federal Communications Commission
Vickie Byrd, Federal Communications Commission
Larry Stevens, Iowa Utilities Board
Greg Fogleman, Florida Public Service Commission

Established 1849

What Is the Path Forward for Universal Service?

NEXTEL COMMUNICATIONS, INC.
Meeting with Staff
of Federal State Joint Board on USF

October 10, 2003

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Introduction

USF Program Principles:

- USF funding support should not skew competition (or the potential for competition) or create marketplace "winners" and "losers."
- The USF funding obligation itself should not harm competition by insulating fund recipients from inter-modal competition.
- The program should not subsidize services and networks that do not actually need subsidy.
- FCC rules should impose adequate discipline on recipient carriers – currently, if lines or line costs increase, the amount of High Cost Fund support increases.

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Nextel's Interest in Rational USF Reform

- Nextel is one of six facilities-based wireless carriers offering "nationwide" service in an intensely competitive wireless market.
- Nextel pays into USF regardless of its equity, efficiency or rationality. Nextel's funding contributions have been increasing exponentially over the past few years
- Reform should focus on achieving the affordability goal of USF in an economically rational manner.
- Reforms to USF must be competitively neutral -- and not disproportionately shift USF funding burdens among classes of contributors.
- Portability of USF support is key to program neutrality.
- Any solution to USF funding shortfalls has to broaden the base of contributors.

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Reform of High Cost Funding

Misdiagnosis of the illness ensures that the treatment will be wrong

- The FCC initiated the current Joint Board proceeding to investigate the causes and possible cures for accelerating High Cost funding requirements.
- The public notice's questions and discussions focus solely on competition and competitive carriers as the cause of High Cost Fund proliferation.
- Nextel demonstrated that this is a misperception. The causes of fund growth are:
  - the continuing growth in lines;
  - failure to cap High Cost funding;
  - the rural ILECs' rebuilding of their networks using USF funds; and
  - failure to move towards a forward-looking cost model for rural ILEC support.

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USF Contributing Entities Must Include Broadband Service Providers

- The current pool of USF contributors cannot satisfy the increasing demands on the USF.
- All providers of telecommunications, including broadband service providers, and providers of Voice over Internet Protocol ("VoIP") services, should contribute to the fund.
- Failure to require broadband and other advanced service technologies to contribute to USF effectively exempts large classes of potential USF contributors from assessment.
- Inclusion of broadband in the USF contribution pool makes practical sense -- USF currently subsidizes rural ILECs in their deployment of broadband networks.
- Broadband networks should be part of the USF funding solution, as they are emerging as a major source of the USF subsidy challenge.

Reform of High Cost Funding

Freeze Per Line Support

- The Joint Board should reinvigorate its prior recommendation to cap per-line high cost loop support upon competitive entry.
- A freeze on the amount of per-line funding would encourage competitors to enter markets where it made economic sense to do so, fostering competitive build-out in rural and high cost areas.
  - The RTF recommended and the FCC adopted a "no barriers to advanced services" policy;
  - As a result, "mixed" rural ILEC facilities get funding regardless of their cost.

Reform of High Cost Funding

Freeze Per Line Support (continued)

- Competitive carriers have no guarantee of return on their own network investment. Nevertheless, through USF support, they are funding monopoly ILEC network rebuilds, effectively guaranteeing the ILEC full return on its new network investment.
- Capping line support upon competitive entry by a CETC can provide a moderating influence on fund growth.

Reform of High Cost Funding
Other Solutions

- Rural ILECs, like other providers, should be required to adapt to the FCC's long term solution for USF – one that is based on forward-looking costs and that is competitively neutral among alternative providers serving rural areas and that eliminates ILEC ability to recover embedded network costs through USF.

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Reform of High Cost Funding

Primary Line Issue

- Universal service support should not be limited to a single primary connection per household.
- Any such restriction would likely exclude wireless as a service alternative and have irreversible anti-competitive effects in rural and high cost areas.
- Alternatively, the Joint Board might consider limiting the second lines of incumbents, but not treat new entrant's lines as second lines if there is not an outright substitution of wireline local in favor of wireless service.
- Capping growth of the fund, however, is a more direct means of addressing unnecessary proliferation of funding.

Reform of High Cost Funding

Wireless "Equal Access"

- No legal or policy justification for imposing an interexchange "equal access" requirement on wireless ETCs.
- No legitimate purpose served except to raise the price of entry to become an ETC.
- Adds a burden with no public benefit.
- Would be contrary to Section 332 and the FCC's historic approach to wireless regulation that has encouraged broad deployment of competitive wireless facilities everywhere which benefits the public as a whole.

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