

ITTA NTCA OPASTCO WTA

August 9, 2004

Michael K. Powell, Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: AT&T Petition For Declaratory Ruling Regarding “Enhanced” Prepaid Card
 Services, WC Docket No. 03-133

Dear Chairman Powell:

We, the representatives of small and midsize rural telephone companies, urge the Federal Communications Commission (the “Commission or “FCC”) to avoid further delay and deny the above-referenced AT&T Petition for Declaratory Ruling. AT&T’s petition incorrectly requests that the Commission declare its alleged “enhanced” prepaid calling card services are “interstate communications subject to interstate, rather than intrastate, access charges.” Moreover, simply because users are subjected to a recorded advertisement, AT&T contends that its prepaid calling card services are information services, and not telecommunications services.

Since 1999, AT&T has unilaterally granted itself the relief it now seeks from the FCC. In fact, they admit to avoiding \$140 million in universal service contributions since 1999 and \$215 million in intrastate access charges, since 2002.¹ This is yet another example of AT&T’s longstanding history of self-deregulation. In fact, earlier this year the Commission correctly denied a similar self-serving petition from AT&T for exemption from access charge liability on its purported “IP” services (WCB No. 02-361).

AT&T’s unauthorized self-deregulation disproportionately harms rural carriers and their consumers. Rural carriers rely on access revenues and universal service support to provide consumers in their regions with high quality, affordable telecommunications services. In the early years of telephony, Congress established the concept of universal service realizing that the value of the network increased as more people connected to it. This commitment was reinforced in section 254 of the Telecommunications Act of 1996. AT&T should not be allowed to undermine this fundamental tenet of communications law.

Additionally, AT&T’s claim that adding a recorded message transforms a traditional voice call into an enhanced service is illogical. If a carrier can conveniently and easily add an advertisement to a call to avoid critical public policy obligations and blatantly violate

¹ AT&T Corp. Form 10-Q, filed with the Securities and Exchange Commission on May 10, 2004. In spite of the fact that AT&T’s petition has been pending for over 14 months, the Commission has made no effort to independently verify these assertions or to request any further clarifying data.

Commission rules, then every carrier could game the system. This would lead to the collapse of structures supporting the national network infrastructure and to the demise of affordable service for all consumers, rural and urban alike.

Currently, the FCC is examining modifications to the intercarrier compensation regime and universal service mechanism. In the meantime, based on AT&T's May 2004 10-Q filing, we calculate every month that goes by, AT&T is avoiding as much as \$10 million in access charges and \$2.3 million in universal service contributions. The FCC should not allow AT&T to chart it's own course while it continues to deliberate these important issues.

The rural associations collectively, strongly urge the Commission to act swiftly to deny AT&T's petition. Unlike the IP services decision, the Commission should require AT&T to make retroactive payment of the universal service contributions and access charges it has been avoiding since as early as 1999. Further inaction by the Commission in the face of these repeated challenges to its regulations will only threaten to undermine the mechanisms that keep rural rates affordable.

Sincerely,

David Zesiger, Executive Director – ITTA
Michael E. Brunner, CEO – NTCA
John N. Rose, President – OPASTCO
Kelly Worthington, Executive Vice President – WTA

cc: Commissioner Kathleen Q. Abernathy
Commissioner Michael J. Copps
Commissioner Kevin J. Martin
Commissioner Jonathan S. Adelstein