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May 11, 2006

VIA ELECTRONIC FILING

Ms. Marlene Dortch
Secretary
Federal Communications Commission
The Portals
445 12th Street SW
Washington DC 20554

Re: NOTICE OF EX-PARTE COMMUNICATION

***In the Matter of Federal-State Joint Board on Universal Service, et. al.,
CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, 02-33, 95-20,
and 98-10.***

Dear Ms. Dortch:

On May 10, 2006, Christopher Heimann, Eric Einhorn and I (all of AT&T Inc.) met with Jeremy Marcus, Greg Guice, and Carol Pomponio of the Telecommunications Access Policy Division regarding the Commission's open proceeding to reform the universal service contribution methodology. During this meeting, AT&T expressed positions consistent with its previous advocacy in this proceeding. Attached, please find a copy of the materials used during this discussion. Pursuant to section 1.1206(b) of the Commission's rules, this letter and the attached materials are being filed electronically via the Commission's ECFS system in the above referenced dockets.

Should you have any questions regarding this letter or the attached materials, please feel free to contact me.

Sincerely,

Attachment

Cc: Mr. Jeremy Marcus
Mr. Greg Guice
Ms. Carol Pomponio

USF Contribution Methodology Reform

Reform Is Long Overdue, Urgently Needed. Several years ago, the Commission recognized that the universal service contribution mechanism based on interstate end-user telecommunications revenues was unsustainable and has been considering how to fix it ever since. Commission action to reform the way universal service is supported is urgently needed and is long overdue.

Telephone Number/Connection-Based System Would Be Simple and Stable.

- **AT&T supports a per-connection assessment mechanism based on *working telephone numbers*.** Such a mechanism would broaden the contribution base, providing desperately needed stability and predictability for consumers and carriers. Moreover, because all working telephone numbers would be identifiable and assessable, such a system would be transparent and technologically neutral as well as much more simple to administer and enforce than a revenue-based system.
 - **NRUF Reporting Should Not Be Used For Assessment.** Not all providers that sell services that use telephone numbers report in NRUF (e.g., resellers, VoIP, Type 1 ports). The Commission should merely modify the Form 499Q to require carriers to project the amount of telephone numbers it will use and then true-up that amount in the 499A. Each carrier would be responsible for reporting the working telephone numbers it provides to end-user customers and would be accountable for accurate reporting. This is more direct and less subject to manipulation than relying on NRUF.
- **DSL and Cable Modem Services Must Be Treated Alike.** Whatever collection mechanism the Commission chooses, it must treat DSL and cable modem services alike. Universal service contributions should no longer be allowed to create competitive disparities between competing broadband services.
- **Impact On Low Income Consumers Should Be Minimized.**
 - The Commission should ensure that Life Line/Link-Up customers are exempt.
 - In addition, as TracFone points out in its *Ex Parte* filing on January 31, 2006,¹ many low income consumers rely upon prepaid wireless services. The Commission should consider extending a Life Line/Link-Up type exemption more broadly to prepaid service providers, like TracFone. Upon a demonstration that a provider largely serves low income customers, the provider would not be required to increase its contribution to universal service. By creating a safe harbor for those providers, the commission could ensure that low income customers are not adversely affected by the transition to a working telephone numbers methodology.

¹ Letter to Marlene H. Dortch, Secretary, FCC, from Mitchell F. Brecher on behalf of TracFone, dated January 31, 2006.

- **Adequate Transitions.** The Commission should build in adequate transitions for providers to implement new systems, consumers to adjust to new payments, and for USAC to collect data and workout inevitable kinks.
 - To accommodate any remaining concern about the impact of a new contribution methodology on low income consumers, the commission could reasonably consider an extended transition period for these consumers, or for the service providers which largely serve them.
 - The Commission should not make special accommodation for customers beyond low income consumers, such as wireless, wireless family share plans, second lines, or Centrex customers, beyond providing a reasonable but limited transition period for consumers and carriers to adjust.
 - Carriers will need at least one year to build and test new systems to track telephone numbers for the new mechanism, notify and educate customers about the new system, ensure their ability to comply with the new rules, and report test data to USAC.
 - USAC will also need time to develop new systems, practices, and procedures for the new contribution methodology. USAC and the Commission would benefit from receiving multiple quarters worth of test data to work out the kinks in the new system, identify and resolve unforeseen issues, and ensure the overall stability of the new system before cutting over from the old system.

Revenue-Based Assessments are Unsustainable and Difficult To Administer.

- Basing assessment of USF contributions, even in part, on interstate end-user telecommunications revenues is unsustainable and difficult to administer. Among others, the following factors have combined to undermine the use of revenues *in any way* as the basis for contributions to the fund. Pressure from these sources will continue to build as the market continues to evolve.
 - Increased competition and technological developments have put downward pressure on prices for assessable services, such as traditional long distance, reducing the total assessable revenue base.
 - Customers are migrating to new products and services, and the revenues from which may not be assessable at all.
 - Responding to consumer demand, carriers bundle assessable and non-assessable services making it difficult to determine what carriers should be contributing for various products.
 - Under the revenue-based system, it is often difficult for the Commission, USAC, and carriers to determine which services are subject to assessment, resulting in different treatment for competing services, creating business uncertainty, and imposing unnecessary regulatory costs and complexity on the industry and consumers.

- **Numbers/Revenue Hybrid Suffers From Flaws Of Revenue-Based System.** Creating a hybrid system that retains revenue-based assessments for some classes of service and uses telephone numbers for others carries all the flaws of the current revenue-based system forward into the new system -- greatly diminishing the value of reform and unnecessarily complicating implementation of the new mechanism.