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**Universal Service Contribution Methodology**

**BellSouth Supports a Numbers-Based Universal Service Contribution Methodology and Interim Steps To Spread Contribution Burden Equitably**

A numbers-based universal service contribution methodology is a fair way to assess universal service contributions and provides the following advantages:

- Numbers provides a more stable funding base. Under the current system, carriers contribute based on interstate revenues. The line between interstate and intrastate revenues has become increasingly difficult to draw, and drawing it makes little sense in today's communications world. Drawing this line allows for arbitrage, and can mean that certain companies pay no fee, while others pay more than their fair share.
- A numbers-based methodology will treat similar services similarly. Numbers-based proposals capture contributions from services, like VoIP, that substitute for telecommunications services.
- Once established, a telephone number based system should reduce the opportunities for underpayment, whether due to confusion, malfeasance or regulatory classification.
- Since carriers usually pass their universal service contribution fees on to their customers, consumers using the same types of services will be treated equally, sharing in providing universal service support. A numbers-based approach will also be easier for consumers to understand.
- The new system will stabilize the contribution factor, which has risen from 5.7% in 2000 to 10.9% in 2Q 2006.
- Low-income consumers will benefit from a numbers-based contribution methodology. Currently, carriers usually charge all customers, including Lifeline/LinkUp eligible consumers, a fee based on their interstate telecommunications usage. Most numbers-based contribution proposals, including BellSouth's, recommend a complete exemption for Lifeline and LinkUp consumers.

**A Numbers-Based Methodology Must be Implemented in a Fair Manner:**

- Carriers should be assessed only on numbers for which they have retail relationship with end-user.
- Overall program should have minimal administrative costs.
- Sufficient time - at least one year - should be given for careful implementation.

### **Interim Steps To Spread Contribution Burden Equitably:**

- VoIP providers should contribute to the universal service fund as soon as is practicable.
- FCC has authority to include VoIP providers in the contributor base under Section 254 (d) of the Communications Act since they are providers of interstate telecommunications.
- Additional authorization for including VoIP providers in the contributor base is found in Section 254 (b), Universal Service Principles: “Equitable and Nondiscriminatory Contributions” and “Specific and Predictable Support Mechanisms.”
- Wireless contribution burden should be spread equitably and clear rules for traffic studies should be established.
- Calling card provider contributions should be clarified.