

February 5, 2008

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
12th Street Lobby, TW-A325
Washington, D.C. 20554

Re: Notice of *Ex Parte* Communication: WC Docket No. 05-337; CC Docket No. 96-45

Dear Ms. Dortch:

On Monday, February 4, 2008, Christopher Guttman-McCabe, Vice President, Regulatory Affairs, and Paul Garnett, Assistant Vice President, Regulatory Affairs, CTIA – The Wireless Association® (“CTIA”), met with Scott Bergmann, Senior Legal Advisor to Commissioner Jonathan Adelstein, to discuss proposed changes to the high-cost universal service mechanisms. CTIA is encouraged by the Commission’s recent release of three Notices of Proposed Rulemaking focused on long-term reforms to the high-cost universal service mechanisms.¹ Parties at the meeting discussed the necessity of universal service reforms that promote and reward efficient and ubiquitous investment in mobile and broadband services. CTIA warned against mechanisms that distort the competitive market by discriminating against wireless carriers and failing to hold rural incumbent local exchange carriers (“LECs”) sufficiently accountable to consumers.

At the meeting, CTIA expressed concerns about outdated information on mobile wireless subscription relied upon by the Commission in the *Identical Support NPRM*, which could be used as justification for policies that unfairly discriminate against consumers of mobile wireless services.² CTIA discussed the attached report entitled *Cutting the Cord: Wireless Substitution is Accelerating*, which was issued by Morgan Stanley on September 27, 2007.³ Among its findings, the report concluded that wireless cut-the-cord substitution is prevalent and accelerating across most demographic groups and that steep wireline access line decline is underway. The report also shows a steep decline in the percentage of wireline-only households. The report

¹ See High-Cost Universal Service Support, WC Docket No. 05-337, Notice of Proposed Rulemaking, FCC 08-4 (rel. Jan. 29, 2008) (“*Identical Support NPRM*”); High-Cost Universal Service Support, WC Docket No. 05-337, Notice of Proposed Rulemaking, FCC 08-5 (rel. Jan. 29, 2008) (“*Reverse Auctions NPRM*”); High-Cost Universal Service Support, WC Docket No. 05-337, Notice of Proposed Rulemaking, FCC 08-22 (rel. Jan. 29, 2008) (“*Joint Board NPRM*”).

² See, e.g., *Identical Support NPRM*, FCC 08-4, paras. 9-10 (relying on data from 2005).

³ See Simon Flannery et al., *Cutting the Cord: Wireless Substitution Is Accelerating*, Morgan Stanley Research (Sept. 27, 2007).

projects that wireless substitution could reach more than one-third of households by 2012.⁴ According to Morgan Stanley, “this phenomenon is driven by improved wireless coverage and better pricing and will be supported by new handsets and new wireless technologies.”⁵ Morgan Stanley cites the presence of wireless broadband competition as a “catalyst” to wireless-only migration.⁶ The report also notes that primary line loss accounted for 42.3% of the 9.2 million switched access lines lost in the last year.⁷

The Morgan Stanley report is consistent with the Centers for Disease Control’s *National Health Interview Survey*, which shows that 13.6% of households, with approximately 37 million Americans living in them, were wireless-only as of June 2007.⁸ This data is also consistent with the Commission’s recently released *12th CMRS Competition Report*.⁹ In the Report, the Commission cites to more recent data that shows a “growing number of wireless customers have ‘cut the cord’ in the sense of canceling their subscription to wireline telephone service.”¹⁰ CTIA has referenced both the Morgan Stanley and Centers for Disease Control reports in ex parte submissions in the above-captioned universal service docket.¹¹ As further evidence of these trends, CTIA also previously made the Commission aware of a consumer survey indicating that, if forced to choose, a majority of consumers would keep their wireless phone instead of their landline phone service.¹² In short, CTIA urges the Commission to rely upon the most recent and most accurate data as it considers how best to reform the high-cost universal service mechanisms.

⁴ *See id.* at 3.

⁵ *Id.* at 1.

⁶ *Id.* at 5.

⁷ *Id.* at 6.

⁸ *See* Stephen J. Blumberg, Ph.D. and Julian V. Luke, *Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, January – June 2007* (rel. Dec. 10, 2007).

⁹ *See* Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, WT Docket No. 07-71, Twelfth Report, FCC 08-28, ¶¶ 246, 292 (rel. Feb. 4, 2008).

¹⁰ *Id.* at ¶ 292.

¹¹ *See, e.g.,* Letter from Paul Garnett, CTIA-The Wireless Association®, to Marlene H. Dortch, FCC, filed November 5, 2007; Letter from Paul Garnett, CTIA-The Wireless Association®, to Marlene H. Dortch, FCC, filed August 9, 2007.

¹² *See* Letter from Paul Garnett, CTIA-The Wireless Association®, to Marlene H. Dortch, FCC, filed April 8, 2007.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter, along with the reports referenced above, are being filed via ECFS with your office. Should you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

/s/ Paul W. Garnett

Paul W. Garnett

Attachments

cc: Scott Bergmann