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October 22, 2008

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Universal Service Contribution Methodology, WC Docket No. 06-122; Federal-State Joint Board on Universal Service, CC Docket No. 96-45*

Dear Ms. Dortch:

This letter responds to questions raised by Commission staff during *ex parte* meetings with representatives of USA Mobility, Inc. on October 15 and 16, 2008, regarding potential changes to the universal service contribution methodology.

As USA Mobility emphasized in those meetings, its customer base overwhelmingly consists of hospitals and other businesses, governmental entities, and other institutional users. In fact, after mass market consumers migrated in droves to broadband wireless services, USA Mobility discontinued its consumer sales channels (including retail stores and kiosks) and now markets its services only to business and governmental users. Accordingly, as we explained in our *ex parte* meetings, the significant majority of USA Mobility's accounts are institutional users with multiple units in service (each with at least one telephone number assigned). More specifically, USA Mobility can confirm that, out of approximately 3 million units in service, the company serves approximately 85,000 single-unit customers (about three percent of total units in service) that are not part of a known business or government enterprise. While the company has no records indicating the extent to which that group may include "residential" subscribers, it believes that the significant majority of them are small businesses, and total "residential" subscribers make up well under one percent of the Company's customer base. Although USA Mobility continues to believe that it should not be subject to a flat-rate USF assessment of \$1.00 or more with respect to any of its customers, limiting a numbers-based mechanism to "residential" consumers at least would carve out the vast majority of paging subscribers and thereby mitigate the harmful effects.

In response to staff queries as to how a carrier should distinguish “residential” and “business” customers, USA Mobility proposes the following two-part approach:

- *First*, any carrier that offers separate residential and business service plans in the marketplace—such as local exchange and wireless voice carriers—should be required to contribute for each customer based on the service offering to which he or she subscribes. Thus, if the Commission adopts a flat-rate, numbers-based charge only for “residential” consumers, then a voice carrier would pay that charge in connection with any subscriber purchasing a residential service plan, but would contribute based on interstate revenues for subscribers purchasing a business offering.
- *Second*, for those carriers like USA Mobility that do *not* maintain a separate offering for “residential” subscribers, but who may nevertheless serve a small number of such customers, the Commission would assess USF contributions based on the carrier’s good-faith determination of the appropriate customer classification. A carrier might examine a number of factors in making such determinations. For example, the carrier might rely on the name associated with the account, *e.g.*, treating “Acme Plumbing” as a business. Similarly, the carrier might seek to determine whether the contact number associated with the account (*i.e.*, the telephone number at which the customer can be called, not the paging number assigned to a device) is a business or residential telephone number. If such information still does not yield any basis for determining the customer’s status, the provider should be permitted to deem the customer to be a business.

Notably, there is no basis for concern that carriers would game the system by improperly classifying customers as businesses, rather than residential subscribers. To the contrary, as the data submitted by AT&T and Verizon make clear, the flat monthly charge imposed in connection with residential telephone numbers in most cases would be *lower* than the revenue-based charge imposed with respect to business customers today,¹ and this gap would widen over time if the flat residential charge were capped at \$1.00. Accordingly, most carriers would prefer to classify customers as residences to the extent possible.

In summary, while USA Mobility believes that it should not be subject to a numbers-based USF assessment at all, the harms associated with such assessments—which, as USA Mobility has explained, could cripple what remains of the paging industry—would be substantially mitigated if paging carriers were permitted to make good-faith determinations of their customers’ status, treating customers as businesses as a default where account information is not determinative. USA Mobility also is willing to determine whether any *new* customers identify themselves as residential subscribers, although it expects to attract few, if any, such accounts.

¹ See Letter of Mary L. Henze, AT&T Services, Inc. and Kathleen Grillo, Verizon, WC Docket No. 06-122, CC Docket No. 96-45, Direct USF Contribution Methodology: Supporting Data Analysis, Table 2 (Sept. 23, 2008).

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Sincerely,

/s/ Matthew A. Brill

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