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*Via ECFS*

*Ex Parte Memorandum*

October 23, 2008

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 – 12<sup>th</sup> Street, SW, Room TW-A325  
Washington, DC 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:

On October 10, 2008, CTIA – The Wireless Association® (CTIA) submitted an *ex parte* memorandum in WC Docket No. 06-122 supporting the “family plan” adjustment to the “Numbers” USF contribution plan submitted jointly by AT&T Services, Inc. and Verizon in September. In the course of that memorandum CTIA asserts (at p. 1 & n. 3) that the analysis of the “Numbers” proposal submitted by the American Association of Paging Carriers (AAPC) on October 9, 2008, “grossly overstates” current USF assessments on wireless telephony carriers, allegedly because “wireless carriers typically contribute based upon *actual* interstate wireless revenues that are lower than the 37.1% ‘safe harbor’ value”. (Emphasis in original).

As an initial matter, AAPC is puzzled by CTIA’s criticism of AAPC’s use of the 37.1% “safe harbor” to analyze the impact of a “Numbers” contribution methodology on wireless telephony carriers. AT&T and Verizon – the two largest wireless telephony carriers – also used the 37.1% “safe harbor” value for their analysis when arguing that a “Numbers” would be beneficial to consumers, including wireless telephony subscribers.<sup>1</sup> One would think that AT&T and Verizon know very well what percentage of their wireless revenues are reported as interstate; and their use of the 37.1% “safe harbor” allocation obviously implies that it is a fair representation of current wireless telephony USF contributions and pro forma USF contributions under their “Numbers” proposal. AAPC believes that AT&T and Verizon’s use of the “safe harbor” allocation in their analysis is more persuasive of its fairness than CTIA’s obviously self-serving use of a lower

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<sup>1</sup> AT&T/VZ *ex parte* memorandum, WC Docket No. 06-122, CC Docket No. 96-45, September 23, 2008, at Table 4 & n. 5.

interstate allocation when it wants to complain about an alleged rate shock if the “Numbers” proposal is adopted without a family plan adjustment.

In any event, CTIA’s criticism is at best misplaced. The thrust of AAPC’s analysis is that the “Numbers” proposal is a mask for a massive and unjustified offloading of USF contribution obligations from cellular/PCS subscribers and large business wireline subscribers onto the backs of low-usage business and residential wireline subscribers. That simple fact remains, and is amply demonstrated by the AT&T/VZ analysis submitted on September 23, 2008 of their “Numbers” proposal, irrespective of the 37.1% “safe harbor” allocation employed *in a portion* of AAPC’s analysis.

As pointed out by AAPC, Table 1 of the AT&T/VZ analysis states that interstate Wireless Telephone end user revenues for 2006 were \$26,857,000,000. This purports to be the actual interstate revenue allocation for 2006 and is not dependent in any way upon whether it constituted 37.1% of total revenues, or, a lesser percentage as claimed by CTIA. At the current contribution factor of 11.4%, the USF contribution obligation of wireless telephony carriers for 2006 thus would have been \$3,061,698,000 under the current contribution system.

By contrast, even using the higher amount of net wireless telephony numbers for 2007 of 203,816,317 (rather than 2006 net wireless telephony numbers), the USF contribution obligation of wireless telephony carriers at \$1.07 per number (the alternative with the “family plan” adjustment) would total \$2,617,001,510, ***a reduction of \$445 million for wireless telephony carriers at the same time ETC distributions to wireless telephony carriers threaten to “bust” the USF budget.***

According to the Commission’s data, wireless telephony regulatory fee payment units as of December 31, 2006 were 229 million,<sup>2</sup> or 88% of the 260 million wireless telephony fee payment units as of December 31, 2007.<sup>3</sup> Applying that same 88% factor to AT&T/VZ’s net 203,816,317 wireless telephony numbers for 2007 yields an estimated net 179,358,359 wireless telephony numbers for 2006 after making the family plan adjustment and the prepaid service adjustment. Therefore, if the 179,358,359 net wireless telephony numbers for 2006 paid \$1.07 per month as estimated by AT&T and VZ under their “Numbers” proposal, the USF contribution obligation of wireless telephony carriers actually would have been \$2,302,961,329, nearly a ***\$700 million reduction for wireless telephony carriers at the same time ETC distributions to wireless telephony carriers threaten to “bust” the USF budget.***

The essential result does not change if the “family plan” adjustment is eliminated for wireless telephony carriers, although the amount of USF contributions offloaded obviously is somewhat

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<sup>2</sup> See *Assessment and Collection of Regulatory Fees for Fiscal Year 2007 (Report and Order and Further Notice of Proposed Rulemaking)*, MD Docket No. 07-81, FCC 07-140, released August 6, 2007, at Attachment C, p. 2 (estimating 229 million fee payment units for Cellular Public Mobile as of December 31, 2006).

<sup>3</sup> See *Assessment and Collection of Regulatory Fees for Fiscal Year 2008 (Report and Order and Further Notice of Proposed Rulemaking)*, MD Docket No. 08-65, released August 8, 2008, at Attachment B, p. 2 (estimating 260 million fee payment units for Cellular Public Mobile as of December 31, 2007).

reduced. Using 2007 number data and 2006 revenue data, AAPC's earlier submission estimated a USF contribution obligation of \$2,728,478,991 for wireless telephony carriers without the family plan adjustment, compared to a contribution obligation of \$3,061,698,000 under the current system, a \$333 million reduction for wireless telephony carriers. More realistically, applying the same 88% factor used above to adjust 2007 numbers to 2006 numbers, an estimated total of 198,107,386 wireless telephony numbers (without the family plan adjustment) would have paid \$1.01 per month times 12 months, or a total USF contribution obligation of \$2,401,061,518 for wireless telephony carriers. That is still more than a \$600 million reduction for wireless telephony carriers at the same time ETC distributions to wireless telephony carriers threaten to "bust" the USF budget.

AAPC does not take a position on whether the family plan adjustment is warranted, as claimed by CTIA. Whether a "Numbers" proposal is adopted with or without such an adjustment, however, the result is a massive offloading of USF contribution obligations by wireless telephony carriers at the same time the Commission is struggling to rein in ETC distributions to wireless telephony carriers. CTIA did not and cannot refute these basic facts.

Respectfully submitted,

AMERICAN ASSOCIATION OF  
PAGING CARRIERS

By:   
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*Its Attorney*