



900 17th Street, N.W. Suite 400. Washington, DC 20006. PH:202 296 6650. FX:202 296 7585. www.comptel

October 22, 2008

Ex Parte

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

Re: In the Matter of Universal Service Contribution Methodologies, WC Docket No. 06-122; In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45

Dear Ms. Dortch:

COMPTEL writes to register its strong objection to AT&T's and Verizon's October 20, 2008 proposal¹ that the Commission institute a telephone number/dedicated connections based universal service contribution methodology to replace the existing revenues based methodology. AT&T and Verizon are apparently concerned about the possibility that the Commission may adopt a contribution methodology based on telephone numbers for residential customers and interstate revenues for business customers² and offer their telephone number/dedicated connections plan as an alternative. The AT&T/Verizon plan will have a grossly disproportionate impact on small business customers and should be rejected out of hand. The last thing the Commission should be doing in this poor economic climate is adopting measures that will put additional

¹ See Letter from Mary L. Henze, AT&T Services, Inc. and Kathleen Grillo, Verizon, to Marlene Dortch filed in WC Docket No. 06-122 and CC Docket 96-45 on October 20, 2008.

² Although there is nothing in the record to suggest that the Commission is considering such a methodology, the trade press has reported that the Order on circulation incorporates such a methodology. See "Martin Unveils Intercarrier Comp, Universal Service Reform Plan, TR Daily, October 15, 2008.

financial strain on the small businesses that employ 50.6% of the country's private sector workforce.³

Under the AT&T/Verizon proposal, carriers would pay \$0.85 per month for each Assessable Number (residential, business and wireless). In addition, carriers would be assessed \$5.00 per month for each business customer "connection" up to 64 kbps and \$35.00 per month for each business customer "connection" over 64 kbps.⁴ As is the case today, carriers would undoubtedly flow these universal service assessments through to their end users, which would mean a significant and disproportionate increase in the universal service charges passed through to small businesses both in absolute and relative terms. For example, a small business customer that currently pays \$155.00 per month for a DS1 would pay a monthly universal service charge of \$17.67 (at 11.4%). Under the AT&T and Verizon plan, that DS1 customer would see its monthly universal service assessment double to \$35.00 even before adding on the per assessable number charge and any increase in the SLC. As another example, a small business customer that currently pays \$69.95 per month for a 1.5 Mbps SDSL line would pay a monthly universal charge of \$7.97. Under the AT&T/Verizon plan, that customer would see its universal service assessment more than quadruple to \$35.00. Finally, a small business customer that has eight 64 kbps lines would pay a "connection" charge of \$40.00 per month, whereas a much larger business customer that has a DS3 or even an OC-48 would pay a connection charge of only \$35.00 per month.

AT&T and Verizon have offered no explanation for the basis of their connection charges or how it would be consistent with the public interest to so disproportionately shift the cost of funding the universal service program to small businesses. Nor could they. Section 254(g) of the Communications Act requires telecommunications carriers to contribute to the universal service fund on an equitable and nondiscriminatory basis. Under the AT&T/Verizon proposal, costs will be shifted on an unequitable and discriminatory basis from carriers that serve large enterprise customers to carriers that serve small business customers.

³ See US Small Business Administration FAQs, available at <http://app1.sba.gov/faqs/faqindex.cfm?areaID=24>.

⁴ AT&T and Verizon define "assessable connection" as an interstate service that connects a business customer's premises on a dedicated basis to the carrier's network.

Ms. Marlene H. Dortch
October 22, 2008
Page 3

Whether or not this cost shift was AT&T and Verizon's intent, it is certainly the effect.

The Commission has tentatively scheduled the intercarrier compensation/universal service item for a vote at the November 4, 2008 Open Meeting. The only publicly available information about the possible contents of the Order on circulation is what has been reported in the press. AT&T and Verizon's proposal to dramatically increase the share of the universal service fund that will be borne by small business customers filed just two weeks before the Open Meeting again demonstrates why the Commission should issue a Further Notice of Proposed Rulemaking requesting public comment on any specific changes it proposes to make in the universal service contribution methodology so that affected parties may comment. Given the billions of dollars at stake and the potential increases to end user telephone bills that will result from a change in the contribution methodology,⁵ the Commission should put all of its cards on the table.

For the foregoing reasons, the Commission should reject AT&T's and Verizon's Direct USF Contribution Methodology Based on Telephone Numbers and Dedicated Connections filed on October 20, 2008.

Respectfully submitted,

/s/

Mary C. Albert

⁵ COMPTEL members have put evidence in the record showing that using a telephone number-based contribution methodology would substantially increase (by as much as 100 times current levels) the universal service assessments passed through to multi-line business customers such as hospitals, government agencies and universities. See October 14, 2008 letter to Marlene Dortch from Thomas Jones on behalf of tw telecom and One Communications filed in Dockets 01-92, 96-45, 99-68, 05-337, and 04-36.

