

**Before the  
Federal Communications Commission  
Washington, DC 20554**

In the Matter of	)	
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Federal-State Joint board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link Up	)	WC Docket No. 03-109
	)	
Universal Service Contribution Methodology	)	WC Docket No. 06-122
	)	
Implementation of Local Competition	)	CC Docket No. 96-98
Provisions in the Telecommunications Act of 1996	)	
	)	
Developing a Unified Intercarrier Compensation	)	CC Docket No. 01-92
Regime	)	
	)	
Intercarrier Compensation for ISP-Bound Traffic	)	CC Docket No. 99-68
	)	
IP-Enabled Services	)	CC Docket No. 99-68
	)	
Numbering Resource Optimization	)	CC Docket No. 99-200

To: The Commission

**COMMENTS OF NTCH, INC.**

NTCH, Inc., by its attorneys, hereby offers these comments in response to the Commission's group of proposals in the above-referenced dockets. The Commission has been deliberating over needed reforms of the Intercarrier Compensation and Universal Service Fund regimes for the better part of a decade, always seeking more information, refreshing the record, and issuing new public notices in what sometimes appears to the public to be an aversion to action. The stakes in these Dockets are huge, and some parties will invariably make or lose a

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great deal of money depending on the outcome here. Where there is this vast a chasm between the contending factions, the result can be paralysis as every avenue seems to be one that will gravely hurt one party or another. NTCH commends the Commission for, at long last, evincing a willingness to bite the bullet, move forward, and establish the fundamental economics governing the exchange of telecommunications traffic for decades to come.

### **I. The Numbers-Based Contribution Formula Must Fairly Account for All Low Volume Users**

The Commission has proposed a radical departure from the revenue-based USF contribution formula which has heretofore governed this field. Under the new paradigm, carriers and some non-carriers would contribute based on a flat dollar-a-month basis. The Commission cites the ease of calculation and certain fairness considerations in support of this new scheme. It also projects that the amount paid would be only a slight increase for customers who use minimal service. This is not so.

As the Commission recognized in the case of prepaid wireless customers, extremely low volume consumers impose virtually no burden on the PSTN. Because extremely low volume users have heretofore paid extremely low USF contributions -- because the revenue they generate for the carriers is so small -- their USF burden has been slight. In some cases they pay as little as 50 cents per month in USF charges because their minutes of use and corresponding revenue generation are so small. The plan proffered by the Commission would effectively double the contribution rate for the customers who are *least able* to afford it, while lowering the rate for the richest customers who (i) generate the greatest minutes of use, (ii) can most afford to pay, and (iii) impose the greatest burden on the nationwide network.

A flat rate like this is viewed by economists as grossly regressive because of this very effect. Applied equally to everyone, it imposes grossly disproportionate pain on the poor. It would be like requiring everyone in the country to give a one pint of blood to the Red Cross without regard to their circumstances. The plan would be fine for people who are healthy and in their prime, but children, the sick, and the elderly would suffer disproportionately. A one-size-fits-all approach that sounds nondiscriminatory at first blush is neither fair nor sensible when the circumstances of the people affected are taken into account.

To put this in a concrete context, NTCH charges \$29.95 per month for unlimited calls. If customers cannot afford to sustain that level of service after the first month, it allows them to keep the number and pay by the minute at 5 cents per minute. Most of these customers generate *less than \$5 per month* in usage. This means that an "average" customer as projected by Tracfone would be using 826 minutes of use per month, would probably pay at least \$50 or \$60 per month in service fees, and would pay \$1 per month in USF pass throughs (probably less than 2% of his monthly service bill). NTCH's customer, using about 100 minutes per month, would pay 20% of his bill in USF pass throughs. Not only is this unfair on its face, but it would hit most harshly the poorest users who are the least able to afford the charge. This smacks unpleasantly of the bail-out proposals which seem to rescue the powerful and well heeled denizens of Wall Street and Park Avenue while leaving the economically disadvantaged folks on Martin Luther King Avenue to pick up the tab. Not only are they paying a disproportionately high rate for USF support, but they are paying a disproportionately high share of the cost of sustaining the high cost system. Again, the greatest burden is being imposed on the very people who are placing the least stress on the system usage-wise, while at the same time forcing them to actually subsidize the heavy users.

Simply stated, there must be a provision in the plan to cover extremely low volume users -- whether prepaid as in the Tracfone scenario -- or non-prepaid. Every Commission policy in the past has always taken into account the ability or inability of customers to pay the freight that the FCC policy entails. The \$1 per month flat rate simply does not work in the case of extreme low volume users. Accordingly, the Commission should apply a revenue-based formula to these customers, perhaps at a low fixed rate in the 2-3 % range that accommodates the economic circumstances of this demographic. This would somewhat bring the percentage rate of contribution for such customers onto a par with the rate applicable to the "average" customer. A fixed rate would also permit certainty from year to year and quarter to quarter about what the USF contribution factor is going to be.

## **II. Interconnection Rates Charged By Carriers Receiving USF Support Should Be Capped at a Reasonable Level**

NTCH has found that many rural LECs receiving USF support charge excessively high connection charges - sometimes on the order of \$.025 per minute. These charges are well above the \$.0003 usually charged for interconnection -- 800% higher, to be exact. The assessment of this heavy fee actually dampens the enthusiasm of wireless carriers to deliver service to these markets since the carrier is gouged by the local monopoly by exorbitant fees. The result is that consumers in rural areas almost certainly have fewer choices of wireless carriers because the incentive for competitive carriers to enter those markets is dashed.

While it is reforming the USF process and intercarrier compensation, the Commission should remedy the situation by requiring rural LECs to charge no more than the current national average for interconnection. Any shortfall in revenues would be made up by the USF -- and possibly by a bit of belt-tightening by the LECs who tend to gold-plate their operations since

they can get away with passing these charges on to customers and interconnecting carriers who have no choice but to pay. This single remedial step would do much to speed the initiation of more competitive services to rural customers.

Respectfully submitted,

NTCH, Inc.

By \_\_\_\_\_/s/\_\_\_\_\_  
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