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FCC Mail Room

June 11, 2010

**EX PARTE**

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Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

**ORIGINAL**

**RE: Prepaid Calling Card Universal Service Contributions; Universal Service Contribution Methodology, WC Docket No. 06-122**

Dear Ms. Dortch:

It has come to our attention that Verizon and AT&T have announced to the Commission of their intention to report in their assessable base of universal service revenues only those revenues that they actually receive from selling prepaid calling cards – not the ultimate retail price of those cards when they are resold. Allcom likewise intends to cease contributing on the basis of its non-contributing resellers' revenues (or our best estimates of those revenues) for this year and future years. See Letter from Jaime M. Tan, AT&T, to Marlene H. Dortch, FCC (Dec. 18, 2009) also see Letter from Alan Buzacott, Verizon, to Marlene H. Dortch, FCC (April 30, 2010).

Line 411 of the FCC Form 499-A, the universal service revenue reporting form, indicates that carriers should include in their assessable base of universal service revenues the "face value" of prepaid calling cards, see Telecommunications Reporting Worksheet, FCC Form 499-A (Reporting Calendar Year 2008 revenues). This reference to the face value of prepaid calling cards, as well as the related Worksheet Instructions for line 411 are seemingly conflicting and have caused significant confusion in the prepaid calling card industry over the last several years and prompted the Universal Service Administrative Company (USAC) to request that the Bureau issue guidance. See Letter from Richard A. Belden, USAC, to Julie Veach, FCC, at 1 (Aug. 19, 2009); see also Telecommunications Reporting Worksheet, FCC Form 499-A (2009), Instructions for Completing the Worksheet for Filing Contributions to Telecommunications Relay Service, Universal Service, Number Administration, and Local Number Portability Support Mechanisms, page 27 ("Gross billed [prepaid calling card] revenues should represent the amounts actually paid by end user customers and not the amounts paid by distributors or retailers and should not be reduced or adjusted for discounts provided to distributors or retail establishments").

The USAC Letter requested that the Bureau resolve a conflict between calling card contribution language on the Form 499-A and a reference in the Worksheet instructions to carrier contribution revenues generated from customers. The Commission's more general universal service contribution

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rules also expressly require that carriers actually receive – not the ultimate sales price of a service. 47 C.F.R. § 54.706(b) (a carrier “shall contribute on the basis of its projected collected interstate and international end-user telecommunications revenues...”) (emphasis added). In addition, USAC requested guidance as to what amount wholesale calling card providers should report as assessable in the many situations where a card does not have a “face value” and/or the wholesale card provider does not know the ultimate sales price charged by retailers or other resellers.

It is Allcom’s preference that the Commission issue an order or guidance resolving this matter. Given the reality of the prepaid calling card market, however, Allcom now has little choice. To avoid an untenable competitive disadvantage in 2010 and future years, absent intervening Commission action, like AT&T and Verizon, we also intend to contribute only on the prepaid calling card revenue Allcom actually receives, not the ultimate retail sales price of those prepaid calling cards that Allcom sells to non-contributing resellers. This approach is most consistent with the text of section § 54.706(b).

Moreover, we urge the Commission to move forward with badly needed, fundamental reform of the universal service contribution system. Competition for what remains of the once-robust prepaid calling card business is intense, and different interpretations of ambiguous universal service contribution requirements distort the market and unfairly reward some providers while penalizing others. It is well known in our industry that because of the competition retailers and other non-contributing resellers have taken to discounting to the end-users the prepaid calling cards at prices that would be impossible for the prepaid calling card providers to determine. The Such Distortions are exacerbated by the ballooning universal service contribution factor, which is at an all-time high this quarter of more than 15 percent. The Commission should replace the current revenue-based contribution system with a more practical mechanism, such as a system based on a small, flat-rate charge per phone number.

Should you have any questions, please contact me.

Sincerely,

Arthur Lopez  
Sr. Manager Carrier Operations  
Allcom Telink Corporation

Enclosed:

- Letter from Jaime M. Tan, AT&T, to Marlene H. Dortch, FCC (Dec. 18, 2009)
- Letter from Alan Buzacott, Verizon, to Marlene H. Dortch, FCC (April 30, 2010)
- Letter from Richard A. Belden, USAC, to Julie Veach, FCC, at 1 (Aug. 19, 2009)
- Telecommunications Reporting Worksheet, FCC Form 499-A (Reporting Calendar Year 2008 revenues)
- Telecommunications Reporting Worksheet, FCC Form 499-A (2009), Instructions for Completing the Worksheet for Filing Contributions to Telecommunications Relay Service, Universal Service, Number Administration, and Local Number Portability Support Mechanisms