



August 17, 2010

By Electronic Filing

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: Notice of oral ex parte communications Universal Service
Contribution Methodology, WC Docket No. 06-122

Dear Ms. Dortch,

On behalf of the Ad Hoc Telecommunications Users Committee (Ad Hoc), Susan M. Gately of Economics and Technology, Inc., Andrew M. Brown and James S. Blaszak of this firm met with Vicki Robinson and Carol Pomponio of the Telecommunications Policy Access Division to discuss issues associated with the interstate Universal Service Fund contribution assessment methodology. Claudia Fox of Telecommunications Policy Access Division participated in the meeting via telephone.

The substance of the discussions is reflected in the attachments hereto, which were distributed at the meeting.

Sincerely,

A handwritten signature in black ink that reads 'Dorothy Nederman'.

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cc: Vicki Robinson
Carol Pomponio
Claudia Fox

Reformation of the USF Contribution Assessment Methodology

- A. The USF surcharge problem
 - 1. Ever upward
 - 2. The surcharge will continue to climb if the Commission persists in requiring that USF contributions be calculated based on telecommunications revenues.
 - a. Substitution
 - b. Bundling

- B. The jurisdictional problem
 - 1. Section 254(d) states that telecommunications carriers must contribute and the Commission may require other providers of telecommunications to contribute.
 - 2. Broadband currently is classified as an Information Service. Assessing Broadband revenues would present risk and unpredictability.

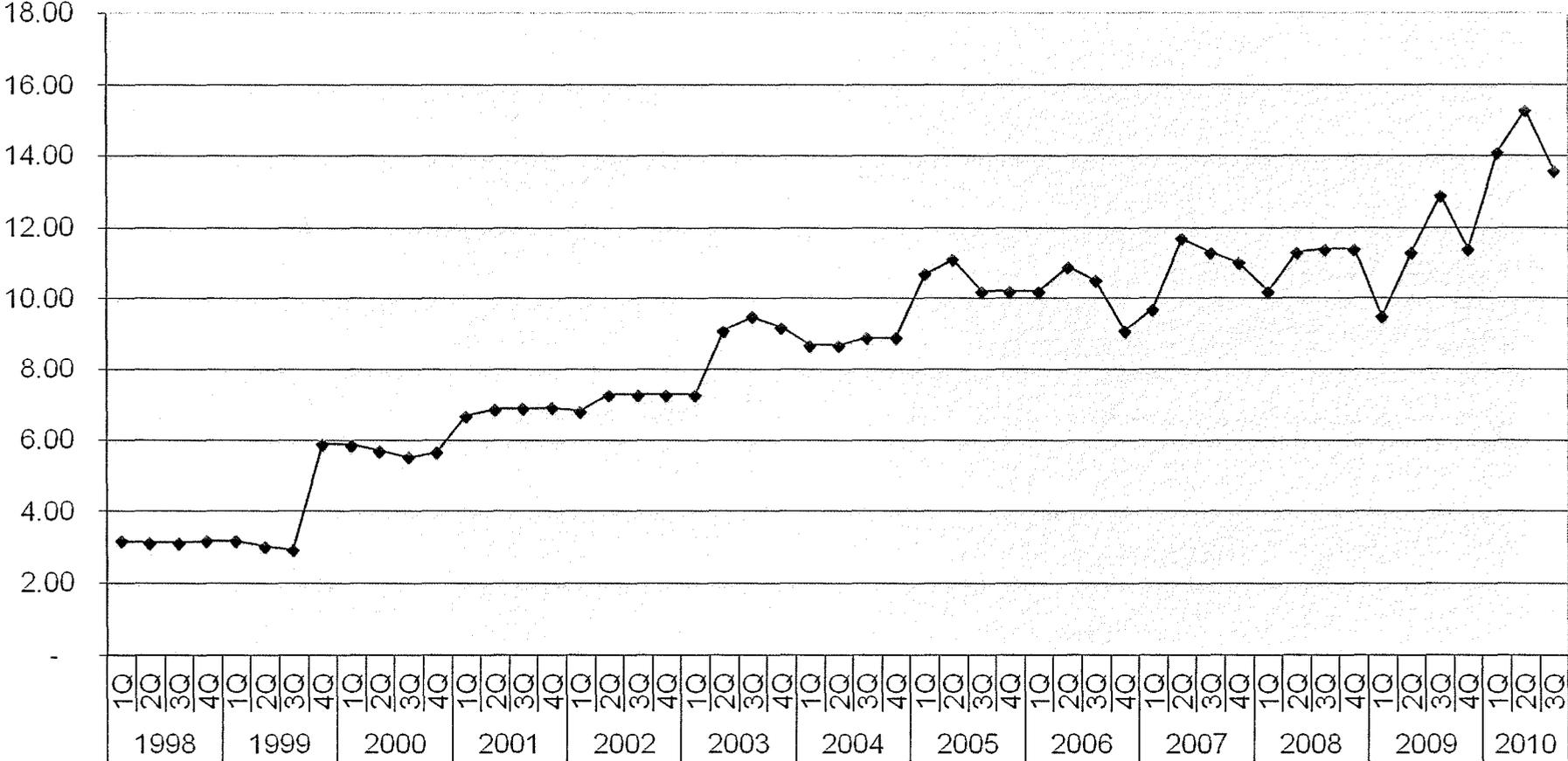
- C. Telephone numbers-based assessment methodology
 - 1. Predictable: telephone numbers have grown at least as fast as USF funding requirements.
 - 2. Equitable: residential subscribers are treated more than equitably. Business subscribers would shoulder a greater portion of the USF burden than under a revenue-based assessment scheme.

- D. Capacity-based surcharges
 - 1. Two types of carriers
 - a. Carriers who provide services with which there are associated telephone numbers and services with which there are no associated telephone numbers.
 - b. Carriers who provide only services with which there no associated telephone numbers.
 - c. The tail should not wag the dog.

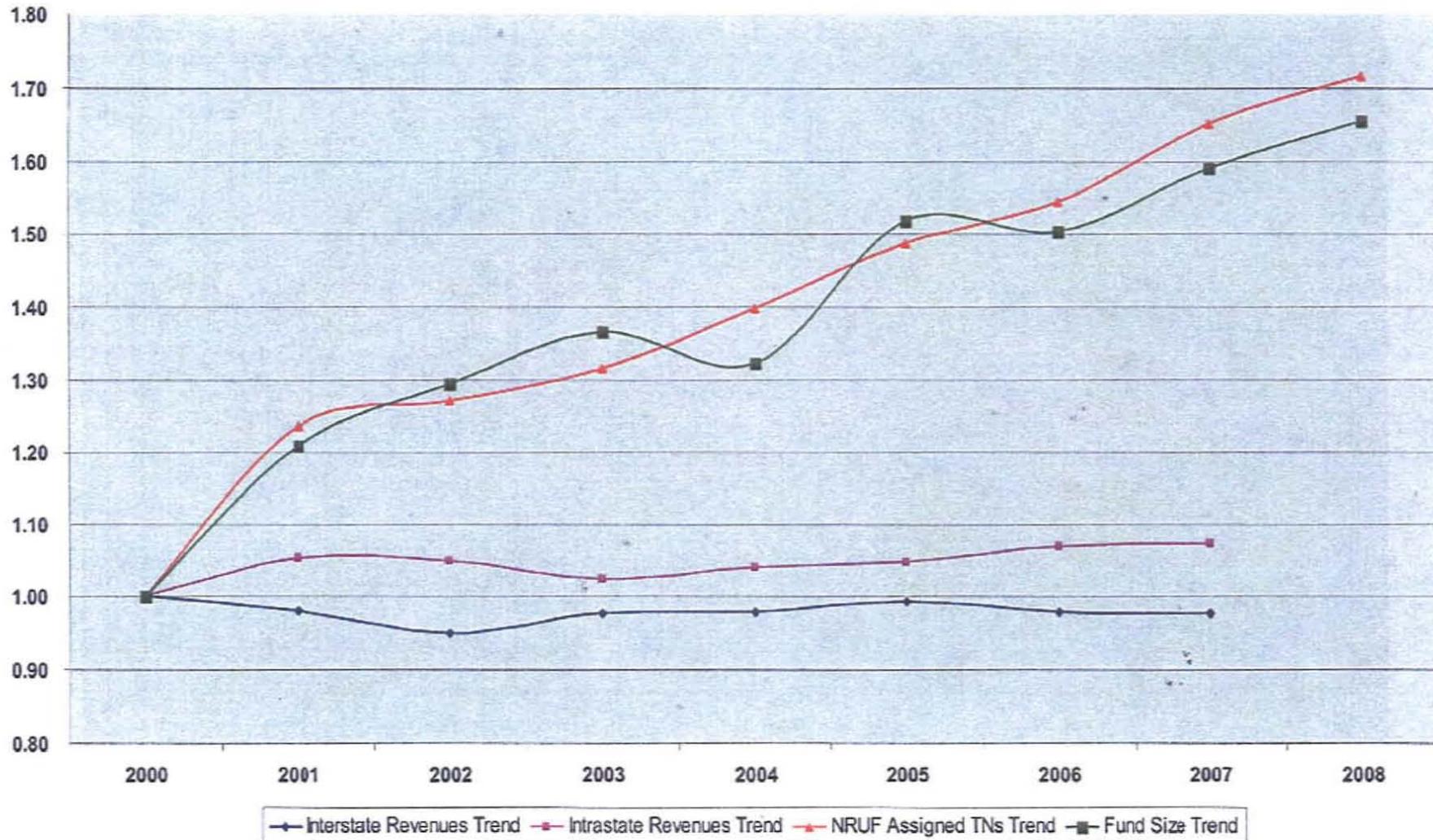
- E. Capacity-based and telephone numbers-based surcharges should not be imposed on the same line.
 - 1. Multi-use lines
 - a. Switched voice
 - b. Data service
 - c. Internet access service
 - 2. Residential and business customers subscribe to multi-use Broadband connections.

- F. Capacity tiers should minimize the uneconomic effects of USF surcharges.

The USF Surcharge Problem



Trends: Interstate & Intrastate Revenues, Assigned TNs, and Fund Size
2000 - 2008



Data sources:

Revenues - Trends in Telephone Service, Table 15.1

Telephone Numbers - Numbering Resource Utilization in the United States, Table 1

Fund Size - Contribution Factor Public Notices

Potential impacts of expanding USF revenue base – Modeling exercise

	2009 Actual	Add Local service to base	Use “all telecom” as base
Fund Size	\$7.5-B	7.5-B	\$7.5-B
Contribution Base	\$75-B	\$145-B	\$245-B
Interstate Factor	11.3%	5.5%	3.2%
Intrastate Factor	0%	5.5%	3.2%

Table 1

Monthly Per Number Assessment Required to Fund Current Universal Service Program Demand
(Assuming Exemption for Lifeline Customers)

Number Category		Units	As of:	Source:
(1)	ILEC numbers	282,648,000	30-Jun-2009	FCC Numbering Resource Utilization in the US, Feb 2010
(2)	CLEC numbers	105,711,000	30-Jun-2009	FCC Numbering Resource Utilization in the US, Feb 2010
(3)	Toll Free numbers	25,534,225	30-Sep-2009	FCC Numbering Resource Utilization in the US, Feb 2010
(4)	Paging numbers	4,689,000	30-Jun-2009	FCC Numbering Resource Utilization in the US, Feb 2010
(5)	Wireless numbers	280,156,000	31-Dec-2009	CTIA Website CTIA Mid-Year Wireless Survey 2010
(6)	TOTAL NUMBERS	698,738,225		Sum of lines (1) - (5)
(7)	Lifeline Connections	9,593,020	31-Mar-2010	USAC Appendix LI08 for 4 Q 2010 at http://www.usac.org/about/governance/fcc-filings
(8)	TOTAL NUMBERS-BASED UNITS (ASSUMING LIFELINE EXEMPTION)	689,145,205		Line (6) - Line (7)
USF Program Demand		Dollars	Estimate as of:	Source:
USF Program Forecast Demand 4 Q 2007				
(9)	4th Quarter 2008	\$ 2,079,940,000	10-Jun-2010	Public Notice, Proposed 3rd Quarter 2010 Universal Service Contribution Factor FCC DA 10-1055
(10)	Annualized 2007 Demand	\$ 8,319,760,000		Line (9) * 4
Calculation of Required Per Number Assessment				
(11)	Total Monthly Numbers-based Units	689,145,205		Line (8)
(12)	Annualized Numbers-based Units	8,269,742,460		Line (11) * 12
(13)	Required Monthly Per Number Assessment	\$ 1.01		Line (10) / Line (12)

Table 2

The Quantity of "Assigned" Numbers Continues to Grow

	Wireline			Other		TOTAL
	ILEC	CLEC	ILEC + CLEC	Wireless	Pagers	
	(Numbers are all shown in thousands)					
December, 2000	303,336	24,799	328,135	99,019	24,000 Est**	451,154
June, 2001	305,938	27,942	333,880	111,734	23,621	469,235
December, 2001	305,430	30,941	336,371	128,493	18,001	482,865
June, 2002	Data missing	Data missing	Data missing	Data missing	Data missing	Data missing
December, 2002	297,433	29,892	327,325	141,766	14,111	483,202
June, 2003	304,966	30,169	335,135	151,861	12,641	499,637
December, 2003	299,903	31,699	331,602	160,623	11,208	503,433
June, 2004	308,155	43,779	351,934	169,987	9,260	531,181
December, 2004	305,132	51,112	356,244	183,998	8,469	548,711
June, 2005	302,725	56,932	359,657	197,308	7,999	564,964
December, 2005	299,264	62,433	361,697	211,905	8,251	581,853
June, 2006	300,915	64,072	364,987	225,844	7,937	598,768
December, 2006	298,255	71,335	369,590	240,404	6,102	616,096
June, 2007	296,478	74,109	370,587	250,004	6,186	626,777
December, 2007	294,213	78,825	373,038	260,143	5,854	639,035
June, 2008	291,730	85,267	376,997	269,351	5,380	651,728
December, 2008	289,115	95,070	384,185	277,562	5,288	667,035
June, 2009	282,648	105,711	388,359	280,156	4,689	673,204

Average Annual Growth Rate -- December 2000 to June 2009 5%

Growth Rate - June 2008 to June 2009 3%

Source: FCC *Number Resource Utilization in the United States*, Reports for the periods listed above. Quantity of pager numbers listed in the December 2000 report is inconsistent with other industry data, and estimate is used for that data point instead.

Table 3

Businesses Use (on average) Four Numbers for Each Switched Access Connection

Line Category	Units	As of:	Source:
(1) ILEC Residential Switched Access Lines	72,785,000	31-Dec-2008	FCC <i>Local Telephone Competition</i> , 06/10, Table 2
(2) CLEC Residential Switched Access Lines	24,634,000	31-Dec-2008	FCC <i>Local Telephone Competition</i> , 06/10, Table 2
(3) ILEC Business Switched Access Lines	45,718,000	31-Dec-2008	FCC <i>Local Telephone Competition</i> , 06/10, Table 2
(4) CLEC Business Switched Access Lines	19,092,000	31-Dec-2008	FCC <i>Local Telephone Competition</i> , 06/10, Table 2
(5) Total Res. Switched Access Lines	97,419,000	31-Dec-2008	Line (1) + Line (2)
(6) Total Bus. Switched Access Lines	64,810,000	31-Dec-2008	Line (3) + Line (4)
Number Category	Units	As of:	Source:
(7) ILEC numbers	282,648,000	30-Jun-2009	FCC <i>Numbering Resource Utilization in the US</i> , Feb 10
(8) CLEC numbers	105,711,000	30-Jun-2009	FCC <i>Numbering Resource Utilization in the US</i> , Feb 10
(9) Toll Free numbers	25,534,225	30-Jun-2009	FCC <i>Numbering Resource Utilization in the US</i> , Feb 10
(10) Total Landline Numbers	413,893,225		
Calculation of Average Quantity of Numbers Used Per Business Switched Access Line			

(11)	Assumed Quantity of Numbers Per Residential Switched Access Line	1.1	Generous assumption based upon study of residential number utilization
(12)	Assumed Total Numbers Used by Residential Switched Access Lines	107,160,900	Line (5) * Line (11)
(13)	Assumed Total Numbers Used by Business Switched Access Lines	306,732,325	Line (10) - Line (12)
(14)	Estimated Quantity of Numbers Used Per Business Switched Access Line	4.7	Line (13) / Line (6)

Table 4

Business Users Will Pay Half of All USF Assessments Under a Numbers-Based Plan

Number Category	Units	Source:
(1) Assumed Total Wireline Numbers Used by Business Switched Access Lines	306,732,325	Table 3, Line (13)
(2) Total Wireless Numbers	280,156,000	CTIA Website CTIA Mid-Year Wireless Survey 2010
(3) Estimated Business % of Wireless numbers	25%	<i>FCC Eleventh CMRS Report, at Footnote 555.</i>
(4) Estimated Business Wireless numbers	70,039,000	Line (2) * Line (3)
(5) Total Paging Numbers	4,689,000	<i>FCC Numbering Resource Utilization in the US, Feb 2010</i>
(6) Estimated Business % of Wireless numbers	100%	Assumption
(7) Estimated Business Wireless numbers	4,689,000	Line (5) * Line (6)
(8) Total Estimated Numbers Utilized by Business Users	381,460,325	Line (1) + Line (4) + Line (7)
Calculation of Portion of Total Universal Service Funding that Would Be Collected From Business Users Under a Pure Numbers Based Plan		
(9) Total Numbers-Based Units (Assuming Lifeline Exemption)	689,145,205	Table 1, Line (8)
(10) Percentage of Total Universal Service Program Demand Funded by Business Subscribers	55%	Line (8) / Line (9)

Table 5

Updated 11/13/2007

Results of Analysis of Percentage of USF Revenue Collected from Business Under Present Revenue-Based Mechanism

Estimation Method 1		Consumer	Business	As of:	Source:
(1)	Wireline Revenues -- 2006 Forecast	\$ 56,686,050,000	\$69,282,950,000	Prelim 2006	Based upon 499 Q Data through 11/06 and Investor Briefings. See Note 1
(2)	Wireless Revenues -- 2005	\$ 99,669,750,000	\$33,223,250,000	30-Jun-2007	CTIA Semi-Annual Wireless Survey Summary, p.2. See Note 2.
(3)	Wireline Interstate Factor	43%	43%	30-Jun-2007	See Factors Development below
(4)	Wireless Interstate Factor	23%	23%	30-Jun-2007	See Factors Development below
(5)	Estimated USF Revenue Base	\$ 47,299,044,000	\$37,433,016,000		(Line 1 * Line 3) + (Line 2 * Line 4)
(6)	Estimated Business % of USF Contribution		44%		Line 5 "business" revs / (Line 5 "consumer" revs + Line 5 "business" revs)

Estimation Method 2		USF Revenue Base	Estimated "Business" Market Share	As of:	Source:
(7)	ILECS	\$ 16,843,000,000		30-Dec-2005	www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/telrev05.zip
(8)	CLECS	\$ 4,837,000,000		30-Dec-2005	www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/telrev05.zip
(9)	IXCs	\$ 23,249,000,000		30-Dec-2005	www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/telrev05.zip
(10)	Wireless	\$ 25,732,000,000		30-Dec-2005	www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/telrev05.zip
(11)	ILECS		40%	1st Quarter 2006	See Factors Development below
(12)	CLECS		65%	1st Quarter 2006	See Factors Development below
(13)	IXCs		60%	1st Quarter 2006	See Factors Development below
(14)	Wireless		25%	1st Quarter 2006	See Factors Development below
(15)	Estimated "Business" Portion of USF Base	\$ 30,263,650,000			(Line 7 * Line 11) + (Line 8 * Line 12)+(Line 9 * Line 13) + (Line 10 * Line 114)
(16)	Estimated Business % of USF Base		43%		Line 6 / (sum of lines 7 through 10)

"Factors" Development

Line (3)	Wireline Interstate Factor	Ratio of Interstate/Int'l Revenue to Total Revenues for all services EXCEPT Mobile. Data from FCC website www.fcc.gov/Common_Carrier_Reports/FCC-State_Link/IAD/telrev05.zip , Table 6.
Line (4)	Wireless Interstate Factor	Ratio of Interstate/Int'l Revenue to Total Revenues for all Mobile services. Data from FCC website www.fcc.gov/Common_Carrier_Reports/FCC-State_Link/IAD/telrev05.zip , Table 6.
Line (11)	"Business" Share of ILEC USF Revenue Base	Ratio based upon estimates developed using reported SLC revenues as proxy for all surchargeable local service revenues
Line (12)	"Business" Share of CLEC USF Revenue Base	Ratio developed using same SLC revenue proxy used for ILEC revenues applied to CLEC line counts
Line (13)	"Business" Share of IXC USF Revenue Base	Ratio developed based upon analysis reported in AT&T, Verizon and Sprint annual reports.
Line (14)	"Business" Share of Wireless USF Revenue Base	FCC Eleventh CMRS Report, at Footnote 555.

NOTES

- Note 1 Annualized Wireline Revenue based upon 499Q reports wireline services through 11/06. Consumer/Business split based upon Verizon, AT&T Inc. and Qwest taken from 3 Q 2007 Investor Briefing Reports, found at carrier websites accessed on November 13, 2007 in "Investor Relations" sections. "Business" category contains revenues for both "business" and "enterprise" categories for those carriers that break it out separately.
- Note 2 Total Wireless Industry Revenues for 2007 of \$132.8-Billion. Revenues were split between "consumer" and "business" based upon estimate used by the FCC in the Tenth CMRS Report (footnote 487) that 25% of wireless revenues are attributable to business customers.

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 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
)	
Numbering Resource Optimization)	CC Docket No. 99-200
)	
Implementation of the Local Competition Provisions in the Telecommunications Act of 1996)	CC Docket No. 96-98
)	
Developing a Unified Inter-carrier Compensation Regime)	CC Docket No. 01-92
)	
Inter-carrier Compensation for ISP-Bound Traffic)	CC Docket No. 99-68
)	
IP-Enabled Services)	WC Docket No. 04-36

COMMENTS OF AT&T INC.

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November 26, 2008

B. The Contribution Methodology In The *Appendix B Draft Order* Should Be Adopted With Certain Modifications

With just a few modifications, the contribution methodology proposed in the *Appendix B Draft Order* will provide long-overdue stability to the universal service fund, clarity to consumers, and certainty to providers, the Commission, and the Universal Service Administrative Company (“USAC”). Under this proposal, the Commission would assess contributors based on all of their NANP telephone numbers—residential and business telephone numbers alike—and their interstate dedicated business connections. In an *ex parte* letter filed on November 21, 2008, AT&T detailed a few improvements that the Commission should make to this proposal.⁷¹ Specifically, AT&T recommended that the Commission modify the capacity/assessment tiers for the business connection assessment, adopt AT&T’s and Verizon’s proposed definition of “Assessable Number,” modify the implementation period, and apply the new methodology to certain other fees. AT&T also explained that if the Commission decides that any special treatment is warranted with respect to how certain classes of end users (*e.g.*, public universities) are assessed USF fees, such special treatment should be implemented differently from the special treatment afforded to certain types of *services* (*e.g.*, Lifeline service). And AT&T also explained why the proposal contained in Appendices A and C to the *Further Notice* would be nearly impossible for contributors to implement and for the Commission and USAC to audit—which is why the proposal in the *Appendix B Draft Order* is preferable with respect to contribution methodology. We summarize all these points below.

First, the Commission should amend the capacity/assessment tiers in the *Appendix B Draft Order*. Although AT&T recognizes that the *Appendix B Draft Order* proposes tiers that

⁷¹ See AT&T Nov. 21 *Ex Parte*.

were originally suggested by AT&T and Verizon,⁷² the revised tiers set forth in AT&T's filing from October 28, 2008 are more appropriate.⁷³ The original tier proposal could cause certain customers, particularly small-business customers, to pay considerably more in USF fees than they do today. In addition, the revised tiers should minimize the possibility that the USF fee associated with a particular connection would distort the market by giving customers incentives to purchase different services simply because of the differences in regulatory fees.

Second, AT&T urges the Commission to adopt AT&T's and Verizon's proposed definition of "Assessable Number" and reject the proposed definition contained in the draft orders. AT&T and Verizon proposed a clear and simple definition of Assessable Number: "An Assessable Number is a North American Numbering Plan (NANP) telephone number that enables a Final Consumer to make or receive calls."⁷⁴ By contrast, the definition proposed in the drafts is confusing; it introduces—without explanation—new concepts and terminology not previously used by Congress or by the Commission; and it is unnecessarily overbroad. In particular, although the Commission's draft orders would treat "functional equivalent identifiers" such as IP addresses as "Assessable Numbers," they do not explain how such a proposal could

⁷² *Appendix B Draft Order* ¶ 81 (an assessable connection up to 64 kbps will be assessed \$5/month; an assessable connection over 64 kbps will be assessed \$35/month).

⁷³ *See id.* ¶ 3. The revised tiers are as follows: interstate dedicated business connections with capacity up to and including 25 mbps should be assessed \$2/month; connections that are over 25 mbps and up to and including 100 mbps should be assessed \$15/month; and connections over 100 mbps should be assessed \$250/month.

⁷⁴ Letter from Mary L. Henze, AT&T, and Kathleen Grillo, Verizon, to Marlene Dortch, FCC, *Universal Service Contribution Methodology*, WC Docket No. 06-122; *Federal State Joint Board on Universal Service*, CC Docket No. 96-45, Attachment at 1 (filed October 20, 2008). AT&T and Verizon obviously agree that for purposes of this definition, only NANP telephone numbers used in the United States and its territories and possessions should be included. *See, e.g., Appendix B Draft Order* ¶ 63 n.162.