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October 13, 2010

Electronic Submission

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

**Re: GN Docket No. 09-51 – A National Broadband Plan for Our Future;
WC Docket No. 05-337 – High-Cost Universal Service Support; and
CC Docket No. 96-45 – Federal-State Joint Board on Universal
Service**

Yesterday, Joel Lubin, David Hostetter and I, all of AT&T met with Sharon Gillett, Chief of the Wireline Competition Bureau, Zac Katz, Legal Advisor to Chairman Genachowski, and the following members of the Wireline Competition Bureau: Carol Matthey, Elise Kohn, Patrick Halley, Vickie Robinson and Trent Harkrader. In our meeting we discussed reform of the Commission's universal service contribution mechanism.

We recommended that the Commission seek comment on the extent of its legal authority under section 254(d) of the Communications Act. In particular, we advised that the Commission should consider the limits of its authority pursuant that section to require contributions from any "provider of interstate telecommunications." We further recommended that the Commission, consistent with its statutory authority, seek comment on what contribution base would best allocate the universal service burden among the entities that benefit commercially from the broadband Internet ecosystem.

We recommended that the Commission compare alternative contribution mechanisms based in part on their efficacy in promoting a number of principles, including: minimal distortion of marketplace behavior; reasonable probability of maintaining a stable or growing contribution base; openness to variations in method of assessment as applied to different business models; flexibility to respond to future changes in marketplace activity that may cause destabilization.

The attached chart was used illustratively to demonstrate in rough terms the size of certain niches in the broadband Internet ecosystem. While the chart is incomplete in several respects, it may nonetheless be helpful to the Commission as it considers contribution reform.

Pursuant to section 1.1206 of the Commission's Rules, this letter is being filed electronically with your office for inclusion in the public record of the above referenced proceedings.

Marlene H. Dortch
10/13/2010
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If you have any questions, please do not hesitate to contact me at (202) 457-3821.

Sincerely,

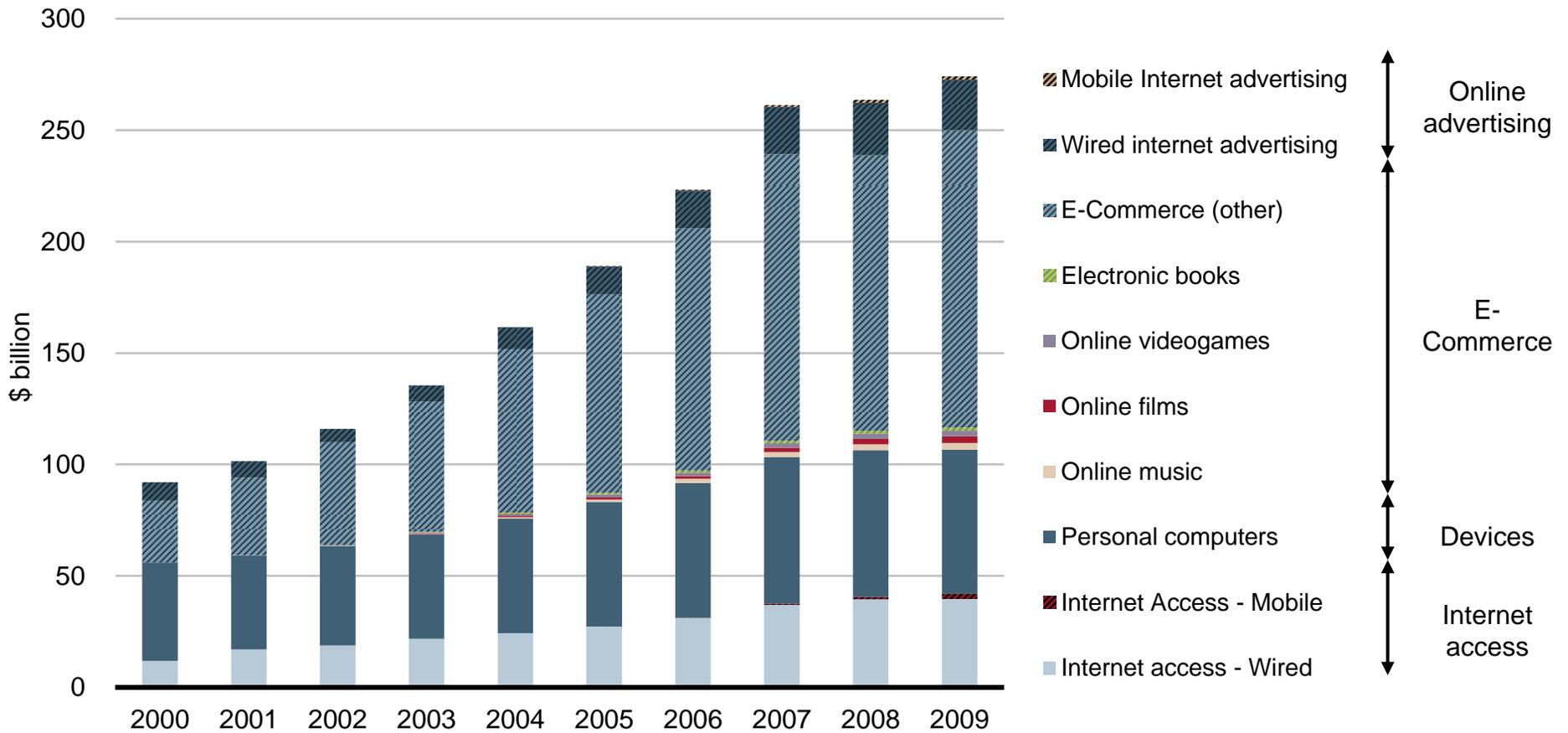
/s/ Henry Hultquist

Attachment

Cc: Sharon Gillett
Zac Katz
Carol Matthey
Elise Kohn
Patrick Halley
Vickie Robinson
Trent Harkrader

Breakdown of Internet Ecosystem Revenues

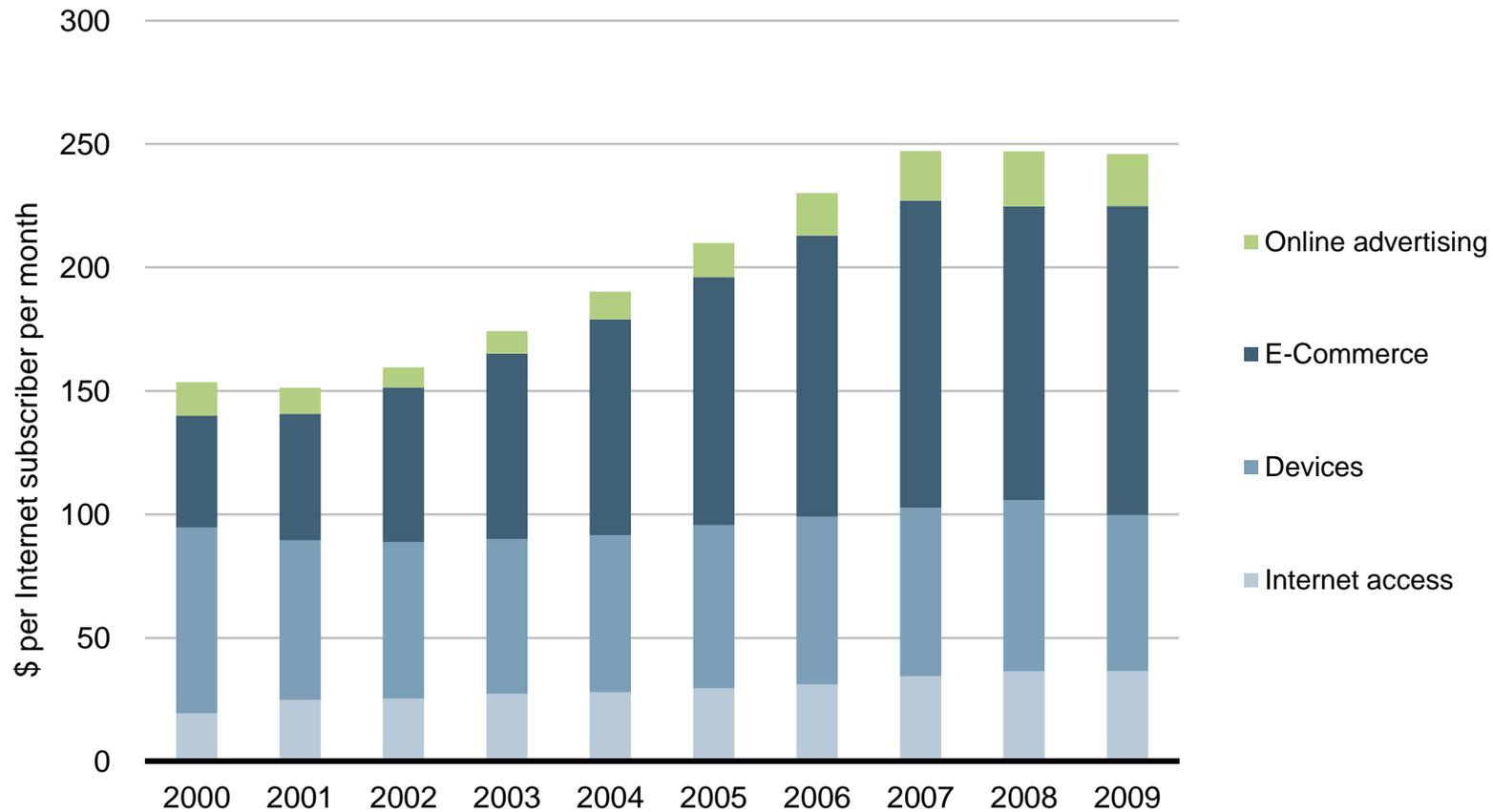
Evolution of the Internet ecosystem – Internet access and devices, online advertising and e-commerce revenues (\$ billion)



Source: PWC, US Department of Commerce, Bureau of economic analysis

Online Spending per Internet Subscriber Significantly Outweighs Spending on Internet Access Services

Evolution of the Internet ecosystem - Internet access and devices, online advertising and e-commerce revenues (\$ per Internet subscriber per month)



Source: PWC, US Department of Commerce, Bureau of economic analysis, Euromonitor