



October 27, 2010

Ms. Sharon Gillett
Chief, Wireline Competition Bureau
Federal Communications Commission
Washington, D.C. 20554

Re: *Ex Parte* Presentation, WC Docket No. 06-122
Universal Service Contribution Methodology

Dear Ms. Gillett:

This letter is written on behalf of the ATX Group, Inc. and addresses the impact of potential changes in the Universal Service Fund (USF) contribution methodology on providers of automotive telematics. ATX urges the Commission to ensure that USF charges remain proportional to the usage characteristics of a particular service—as Congress required in mandating equitable and nondiscriminatory assessments, and as occurs under the existing revenue-based methodology. In structuring reform proposals, the Commission is addressing not only the legacy voice-centered system upon which USF has traditionally been based, but also the emerging broadband environment. In the latter, there will be varying services whose capacity requirements will contrast significantly. Automotive telematics is but one discrete service where broadband can expand applications and users. Imposing a uniform USF fee across all services—including those that make minimal use of the PSTN or broadband networks—would irreparably harm the continued evolution of telematics services, and in turn would undermine economic growth more broadly.

ATX, a unit of Cross Country Automotive Services, provides vehicle-centric services to vehicle owners through multiple automobile manufacturers across North America. ATX integrates wireless communications, location technology, and vehicle sensing and alerting systems to respond to emergencies and other driver needs. From its beginnings as a voice-centric system able to locate precisely motorists confronting a vehicle emergency, ATX's technology platform is now a data driven menu of emergency and other services serving all automobile models. The investment commitment by automobile manufacturers, ATX and its competitors brought precise and ubiquitous location capability to vehicles without government mandate and without the need for corresponding PSAP investment. As automotive telematics evolves to the broadband environment, these services will continue to be dominated by customer emergency assistance needs, yet with appreciably more valuable services reaching even more vehicles.

In using the current cellular network, each telematics vehicle is assigned a phone number. ATX, or its OEM partner, purchases airtime from a carrier. The airtime is distributed among all telematics vehicles served by the system. Communications are limited to data or voice transmissions between the vehicle and call center. ATX-equipped vehicles communicate solely through the ATX Call Center. The communication, if it takes place at all, is of very short duration.

Corporate Headquarters
8550 Freeport Parkway
Irving, TX 75063-2547
Tel 972.753.6200
Fax 972.753.6275

European General Office
Hansaallee 249
40549 Düsseldorf,
Germany
Tel +49 0211 5368 0
Fax +49 0211 5368 1106

www.atxg.com

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Throughout the Commission's examination of USF assessment methods, automotive telematics providers have urged the Commission to recognize the danger of imposing a uniform fee (for example, a \$1.00 monthly charge) on every telematics-equipped vehicle. Such an approach would throttle the rollout of enhanced vehicle and highway safety services. By applying the assessment to all users, the Commission would violate the Communications Act's requirements of fair, non-discriminatory and competitively neutral contributions. As we have stated previously,¹ it contradicts sound public policy and established precedent for a USF assessment level to approach or exceed the cost of the underlying interstate telecommunications. Yet, that would be the result if a \$1.00 monthly fee were assessed on all telematics users.

The effect on provisioning broadband services would be similarly destructive. Historic telematics services such as automatic crash notification (ACN) and in-vehicle SOS button response, door unlock, stolen vehicle recovery, remote diagnostics and roadside assistance are being enhanced and expanded. Next generation telematics offerings will deploy incident specific data transmissions directly to the 9-1-1 center and emergency medical facilities, with critical accident, patient diagnostics and other on-scene information relayed. Combined with critical driver safety features, the expansive and positive effect of competitive broadband across all economic sectors is clear. Yet a crucial element of any competitive broadband marketplace is a USF assessment structure that is fair and equitable and comprehends the interests of all users and not just incumbent providers.

Automotive telematics in the broadband environment will continue to rely on capacity being distributed among all vehicles served by the system. Communications to and from the vehicle will similarly continue to be extremely limited and of very short duration. Costs, of which broadband capacity will only be an incremental element, will be recouped in virtually all circumstances by subscriptions from individual vehicle owners. Accordingly, just as a flat charge assessed on each telephone number would be inequitable if applied to existing telematics services, extending such an approach in the broadband context (*e.g.*, by imposing flat connections-based charges, irrespective of usage) would be wholly inappropriate. Just as a telephone-number charge would approach or exceed the cost of the interstate telecommunications service to each vehicle, a connection-based charge would have the same disproportionate relationship with the underlying cost of broadband connectivity. As a result, such excessive charges would choke broadband's rollout to all vehicle fleets.

ATX urges the Commission to pursue a forward- looking contribution approach that recognizes the varying capacity demands across users and services. It must reject number or connection based schemes that impose a uniform assessment that has grossly disproportionate impacts across users. Any model must also acknowledge that those providing the spectrum are the most effective and efficient means to collect any assessment. Discrete and confined services

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¹ A copy of ATX's July 30, 2009 ex parte letter is attached.

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such as automotive telematics rely on assessment structures that are fair and equitable, an important precept of the law. Any USF reform must instill this principle into its contribution model. Otherwise, the rollout of critical driver safety features to all vehicles will be blocked by a market-distorting regulatory assessment.

On behalf of the ATX Group, we appreciate the Commission's consideration of our views. Please call upon us with any questions. A copy of this letter will be filed with the Commission's Secretary.

Respectfully,



Gary Wallace
Vice President, Corporate Relations

Copy Provided to:

Ms. Vickie S. Robinson, Wireline Competition Bureau
Ms. Carol Pomponio, Wireline Competition Bureau
Ms. Claudia Fox, Wireline Competition Bureau



July 30, 2009

Ms. Marlene H. Dortch
Secretary to the
Federal Communications Commission
Washington, D.C. 20554

Re: *Ex Parte* Presentation
Universal Service Assessment- Automotive Telematics
CC Docket Nos. 96-45, WC Docket No. 06-122

Dear Ms. Dortch:

On July 10, 2009, AT&T filed a petition urging the Commission's immediate action to reform the Universal Service Fund (USF) contribution method by adopting AT&T's proposal to assess each telephone number a \$1.00 monthly fee. Applied to all users, the proposal violates the law's fair and non discriminatory standard and is not competitively neutral. It will stop critical public safety features now being deployed across the automotive industry. The ATX Group urges the Commission to reject an across the board \$1.00 monthly fee and ensure that any USF fee parallels a service's use of the network.

ATX, a unit of Cross Country Automotive Services, serves markets in North America and Western Europe. ATX integrates wireless communications, location technology, computer capability and live operators to respond to emergencies and other driver needs. ATX technology locates precisely where an individual facing an emergency is, communicates with the vehicle and its occupants, provides assistance and notifies emergency response agencies for help to be dispatched. Telematics is the only wireless offering providing the location of every call to a 9-1-1 center, even where the center cannot receive Phase II location information.

ATX telematics include automatic crash notification (ACN) and Mayday in-vehicle button response and were developed around the cellular network. From this core technology, the range of location-based emergency capabilities -ACN, Mayday button response, Remote Door Unlock, Stolen Vehicle Recovery and Roadside Assistance- are provided. The investment of original equipment manufacturers (OEMs), ATX and its competitors replicates the Commission's objective to bring location capability to wireless phones, yet without government mandate but with market demand and private investment.

In using the cellular network, each telematics vehicle is assigned a phone number. ATX, or its OEM partner, purchases airtime from a carrier. The airtime is distributed among all telematics vehicles served by the system. Communications are limited to data or voice transmissions between the vehicle and call center. The communication, if it takes place at all, is of very short duration. The cost, of which

Corporate Headquarters
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Fax: 972.753.6275

European General Office
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40549 Düsseldorf,
Germany
Tel: +49 0211 5368 0
Fax: +49 0211 5368 1100

www.atfg.com

airtime constitutes only an incremental part, is in most circumstances recouped by a subscription purchased by the vehicle owner, not through the vehicle's sale price.

A telematics phone number reflects neither network use nor ability to communicate beyond the call center and vehicle. In these proceedings ATX has presented a model, extrapolated from its own and customer records, showing that the average number of calls per year from each vehicle is less than 2 and the average annual use per subscriber amounts to less than 15 minutes. A hypothetical 300,000 telematics equipped vehicle fleet using 700,000-1,000,000 minutes per month involves an average cost per minute of \$.10. The monthly USF assessment under the current structure is approximately \$10,000. Under AT&T's proposal of \$1.00 per month per telephone number, the assessment will be \$300,000 per month. The additional \$3.4 million per year in costs provides no additional features or efficiency to the vehicle owner, OEM or telematics provider. It must be added to the cost of operating the telematics system. That the fee will approach or exceed the cost of the airtime presents a confounding contradiction and results in a market determining factor.¹

Section 254(b)(4) of the Communications Act establishes the standard for the Commission to assess the fees supporting the USF. That standard requires that contributions be "equitable and non discriminatory." This underlying premise of any contribution mechanism requires fairness in allocating contribution duties. A wide disparity among users means that each cannot be assessed the same fee. AT&T's proposal, with one exception, disregards this premise. It ignores that while automotive telematics is assigned a large number of phone numbers, the extent and frequency of network use is extremely confined. The exception involves AT&T and other carriers prepaid calling services. These services involve a handset device, a telephone number and access to the entire public switch network. Other than administrative convenience, AT&T does not distinguish why such should be assessed a fee based on network use and services such as telematics are not.

Automotive telematics is now being deployed to the broader and more price sensitive mass market vehicle. ATX is currently launching telematics-based safety features on three, new, mass-market vehicle platforms. This path encompasses providing low-cost data centric features, with ACN its core feature, priced significantly lower than telematics initial offerings. This rollout relies on convincing large numbers of vehicle owners; the additional \$12.00 annual fee will be devastating to an offering that does not anticipate an interstate call for virtually all vehicles. The fee will have a profound effect and dictate decisions that should be left to the consumer.²

¹ *Ex Parte* Communication of ATX Group, Inc., (March 16, 2006) and *Ex Parte* Communication of ATX Group, Inc., (April 19, 2006) set forth in CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116 and 98-170.

² Comments of Toyota Motor Sales, Inc. (November 26, 2008), Comments of Volvo Group North America and WirelessCar North America (November 26, 2008), Comments of OnStar Corporation (November 26, 2008) and Comments of the ATX Group, Inc. (November 26, 2008) set forth in CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116 and 98-170.

The Commission recognizes automotive telematics value in shaping wireless location responsibilities³ as have associations dedicated to improving emergency response.⁴ ATX recently began delivering emergency phone calls with electronic, vehicle location data from embedded, cellular-connected vehicles to all 9-1-1 centers in California and to most 9-1-1 centers in 27 other states. ATX is also now demonstrating an innovative, speech-enabled texting service that keeps driver interaction brief and easy to use, minimizing the risk of distracting the driver away from focusing on the safe operation of the vehicle. That next generation telematics offerings will deploy data transmission directly to the 9-1-1 center, with critical accident and incident data factors relayed, shows how investment producing more innovation and efficient technology at lower costs, will be choked by the disproportionate \$1.00 monthly fee.

The enormous challenge associated with reforming USF funding is made more so by proposals that cast aside the law's strictures and halt the rollout of critical driver safety features. The expanse of network users and their varying circumstances underlies the law's requirement that a USF fee to be equitable and recognize level of use. Where a wide disparity exists between users, each cannot be assessed the same fee. ATX urges the Commission to adhere to the law and promote, not deter emergency response. Automotive telematics services should not be assessed \$1.00 per month USF fee.

Respectfully,



Gary Wallace
Vice President, Corporate Relations

³ In the Matter of Revision of the Commission's rule to Ensure Compatibility with Enhanced 911 Emergency Calling Systems, *Report and Order and Second Further Notice of Proposed Rulemaking*, CC Docket No. 94-102, IB Docket No. 09-67 FCC 03-290 at paragraph 72 (2003).

⁴ Letter of the Association of Public Safety Communications Officials, International (APCO) and National Emergency Number Association (NENA), November 25, 2008, set forth in WC Docket 06-122 and CC Docket 96-45.