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November 5, 2010

Ex Parte

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Universal Service Contribution Methodology, WC Docket No. 06-122

Dear Ms. Dortch:

On November 4, 2010, Maggie McCready, Chris Miller, Tamara Preiss and the undersigned of Verizon met with Carol Matthey, Trent Harkrader, and Elise Kohn of the Wireline Competition Bureau to discuss reform of the universal service fund (USF) contribution mechanism.

Verizon emphasized that the Commission's contribution mechanism should operate in a specific and predictable manner. We pointed out that today's revenue-based mechanism requires carriers to make difficult distinctions between telecommunications and information service revenue, and that proposals to add broadband revenue to the contribution base would require carriers to make similarly difficult distinctions between assessable broadband revenue and non-assessable revenue. We also emphasized that it is essential for the Commission to ensure that any contribution system operates in a competitively neutral manner. In particular, the Commission should require all companies that compete for the same customers, regardless of technology or business model, to contribute to the fund on an equitable basis.

We also discussed specific reforms the Commission should explore to improve administration of a revenue-based contribution process, in the event the Commission elects to retain such a mechanism:

1. The Commission should identify, on an annual basis, any proposed changes to the Form 499-A or its Instructions and publish those changes for comment before they take effect.
2. The Commission should establish an explicit limitations period for any Form 499-A revisions that would increase a carrier's contribution, which should be symmetric with any limitation on a carrier's right to submit a revised Form 499-A that would decrease contributions.

3. The Commission could replace the current quarterly contribution factor calculation, which requires carriers to project revenues every quarter and results in large quarter-to-quarter swings in the factor, with a more stable system that revises the factor only once per year.
4. The Commission should seek comment on the requirements for distinguishing “reseller” from “end-user” revenue. This process has evolved through changes to the Form 499-A Instructions and has never been subject to notice and comment.
5. The Commission should revisit the mobile wireless and interconnected VoIP “safe harbor” percentages that carriers may use to approximate the percentage of revenue that is interstate. The Commission should also seek comment on an equivalent safe harbor for wireline services.
6. The Commission should seek comment on reporting processes for prepaid calling card revenue. These requirements, which also have evolved largely through changes to the Form 499-A Instructions, have caused significant confusion in the industry over the last several years.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Beyers". The signature is written in a cursive, slightly slanted style.

cc: Carol Matthey
Trent Harkrader
Elise Kohn