



December 15, 2010

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

Re: Ex Parte Contact in Universal Service Contribution Methodology, WC Docket No. 06-122; Developing a Unified Inter-carrier Compensation Regime, CC Docket No. 01-92; A National Broadband Plan for Our Future, GN Docket No. 09-51; Petition of AT&T Inc. For Forbearance Under 47 U.S.C. § 160 From Enforcement of Certain of the Commission's Cost Assignment Rules, WC Docket No. 07-21

Dear Ms. Dortch,

On behalf of the Ad Hoc Telecommunications Users Committee, Colleen Boothby, Andrew M. Brown and James S. Blaszak of this firm met with Zac Katz, Legal Advisor for Wireline Communications, International and Internet Issues to Chairman Genachowski, Albert Lewis and Amy Bender of the Wireline Competition Bureau, and Michael Steffen of the Office of General Counsel.

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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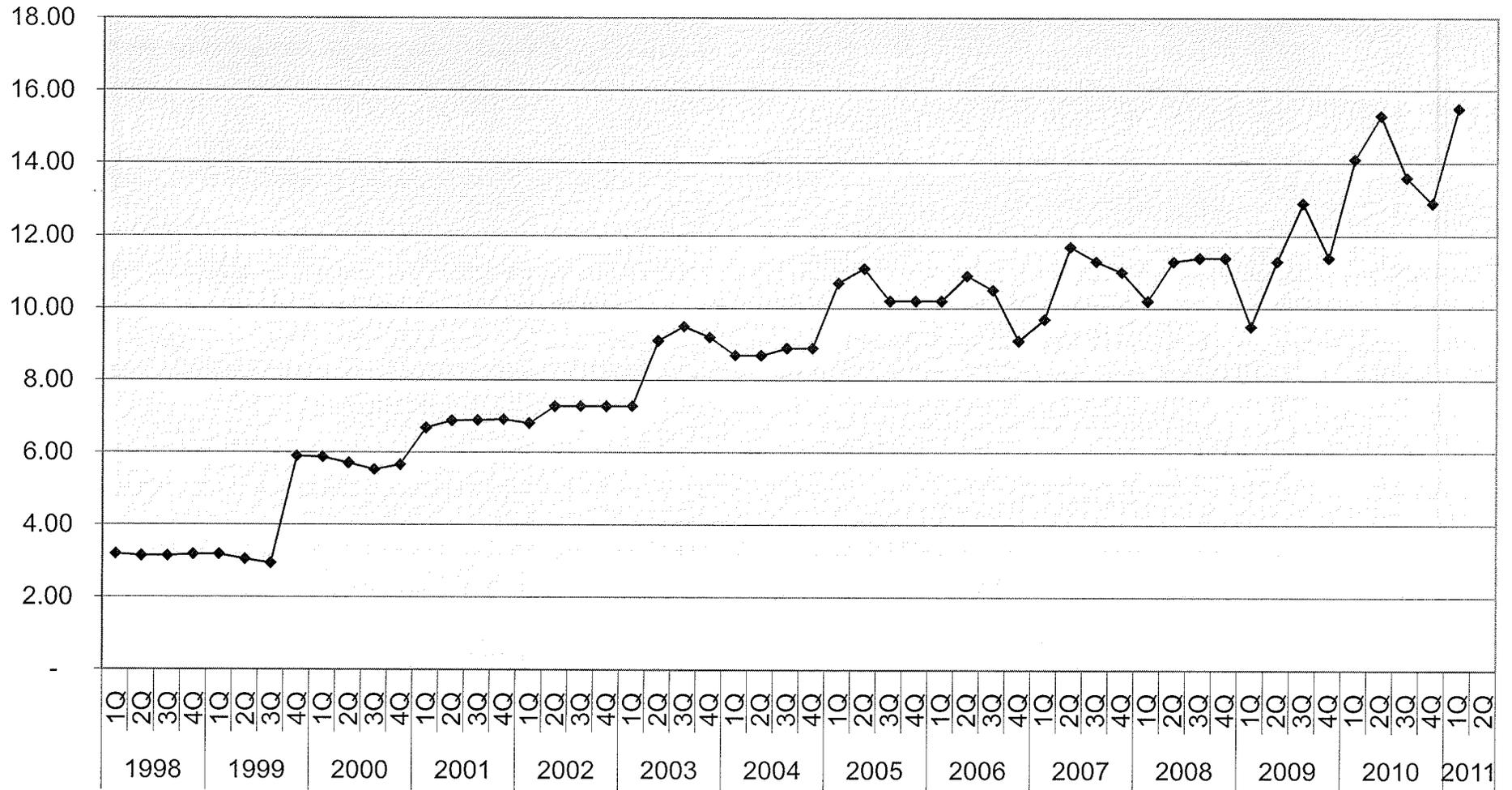
cc: Zac Katz
Albert Lewis
Amy Bender
Michael Steffen

USF/ICC/NBP/Cost Allocations

- I. Universal Service Fund Reform
 - a. Two part problem
 - i. Size of the Fund
 - ii. Unstable USF factor that is likely to continue to increase.
 - b. USF factor has climbed steadily since its inception in 1998
 - i. USF growth
 1. Rule changes
 2. Embedded cost standard for RLEC support
 3. Equal support without regard to technology
 4. Not limited to one line per subscriber
 5. Continued upward pressure
 - a. Growth in low income program
 - b. Broadband
 - c. Inter-carrier compensation revenue neutrality
 - c. Decline in interstate telecommunications revenues and USF growth have resulted in an increasing USF factor that burdens the economy
 - i. Substitution
 - ii. Bundling; rates
 - iii. Section 254(d) presents some problems
 1. Telecommunications carriers must contribute to USF
 2. FCC *may* require providers of telecommunications to contribute to USF.
 - d. A better approach: assigned end user telephone numbers
 - i. Predictable: rate of growth of assigned telephone numbers matches or exceeds USF funding requirements.
 - ii. Business subscribers would carry a greater portion of the USF burden than under the existing revenue-based assessment scheme.
 - iii. Telephone number and capacity-based surcharges should not be assessed on the same line.
 - iv. Capacity tiers should minimize uneconomic effects.
 1. Up to and including 25 Mbps -- \$2.00/mon.
 2. Over 25 Mbps up to and including 100 Mbps -- \$15.00/mon
 3. Over 100 Mbps -- \$250/mon (AT&T Ex Parte, 10/29/08, WC 06-122)
- II. Inter-carrier compensation reform and the size of USF
 - a. Overdue
 - b. Previous carrier proposals are unacceptable
 - i. Predicated on "revenue neutrality

- ii. Revenue neutrality would increase the USF and possibly affect the CAF.
- c. NBP is unclear regarding cost recovery (Recom. 8.7, ¶1) v. revenue replacement (Recom. 8.7, ¶3)
 - i. They are different.
 - ii. Assumptions about the relationship of access service rates and costs?
 - 1. Many SLCs are at cost because they are below the cap. See 47 CFR §69.104.
 - 2. Would the Commission favor above cost SLCs?
- d. Given that the Commission eliminated cost allocations and reporting for big LECs, how can it know the underlying costs of access service elements, and whether rates and costs are aligned?
- e. Embedding revenue neutrality (revenue replacement) in ICC reform would be inconsistent with, “[d]riving funding to efficient levels, including market-based mechanisms where appropriate, to determine the firms that will receive CAF support and the amount of support they will receive.” (NBP at 145, Recom. 8.2).
- f. Section 254(k) prohibition on use of non-competitive services to subsidize competitive services.
- g. Do not rely *only* on reverse auctions
 - i. Industry structure concerns, i.e., possible duopoly in at least some areas.
 - ii. Only eligible telecommunication carriers may receive USF support. (Section 254(e)).

USF Surcharges Over the Years



Extract from Ex Parte Contact of November 19, 2007

WC Docket 06-122

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	92,414,935	30-Jun-2006	FCC <i>Local Telephone Competition</i> , 01/07, Table 2
(2) CLEC Residential Switched Access Lines	12,372,950	30-Jun-2006	FCC <i>Local Telephone Competition</i> , 01/07, Table 2
(3) ILEC Business Switched Access Lines	49,834,733	30-Jun-2006	FCC <i>Local Telephone Competition</i> , 01/07, Table 2
(4) CLEC Business Switched Access Lines	17,409,291	30-Jun-2006	FCC <i>Local Telephone Competition</i> , 01/07, Table 2
(5) Total Res. Switched Access Lines	104,787,885	30-Jun-2006	Line (1) + Line (2)
(6) Total Bus. Switched Access Lines	67,244,024	30-Jun-2006	Line (3) + Line (4)
Number Category	Units	As of:	Source:
(7) ILEC numbers	300,915,000	30-Jun-2006	FCC <i>Numbering Resource Utilization in the US</i> , Aug 07
(8) CLEC numbers	64,072,000	30-Jun-2006	FCC <i>Numbering Resource Utilization in the US</i> , Aug 07
(9) Toll Free numbers	22,709,753	30-Jun-2006	FCC <i>Numbering Resource Utilization in the US</i> , Aug 07
(10) Total Landline Numbers	387,696,753		
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	115,266,674		Line (5) * Line (11)
(13) Assumed Total Numbers Used by Business Switched Access Lines	272,430,080		Line (10) - Line (12)
(14) Estimated Quantity of Numbers Used Per Business Switched Access Line	4.05		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	272,430,080	Table 3, Line (13)
(2) Total Wireless Numbers	243,428,202	http://files.ctia.rog/pdf/CTIA_Survey_Mid_Year_2007.pdf
(3) Estimated Business % of Wireless numbers	25%	<i>FCC Eleventh CMRS Report, at Footnote 555.</i>
(4) Estimated Business Wireless numbers	60,857,051	Line (2) * Line (3)
(5) Total Paging Numbers	7,937,000	<i>FCC Numbering Resource Utilization in the US, Aug 2007</i>
(6) Estimated Business % of Wireless numbers	100%	Assumption
(7) Estimated Business Wireless numbers	7,937,000	Line (5) * Line (6)
(8) Total Estimated Numbers Utilized by Business Users	341,224,130	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)	632,145,743	Table 1, Line (8)
(10) Percentage of Total Universal Service Program Demand Funded by Business Subscribers	54%	Line (8) / Line (9)