INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

OPASTCO

WESTERN TELECOMMUNICATIONS ALLIANCE

October 10, 2008

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

Re: ***In the Matter of Universal Service Contribution Methodology***
WC Docket No. 06-122

Dear Ms. Dortch:

The undersigned, on behalf on the Independent Telephone & Telecommunications Alliance (ITTA), Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), and Western Telecommunications Alliance (WTA), hereby submit this letter in support of reforming the contribution mechanism for making payments into the universal service fund (USF) that is pending in the above-captioned docket. The Commission must act to stabilize the funding source for USF to ensure that there are sufficient funds to fulfill the USF's statutory purposes, and to ensure that rural telephone companies can continue to provide affordable services to their subscribers. In doing so, the Commission must not implement carve-outs for so-called "wireless family plans" in a numbers-based or connections-based contribution system.

One of the most significant actions the Commission can take to stabilize the USF is to revise its practice of assessing contributions based only on interstate and international end user revenues. Prompt action to establish a contribution mechanism that draws more broadly from the universe of communications service providers will protect consumers by avoiding ever-increasing percentage mark-ups on bills because the base of interstate and international revenues continues to decline.

Despite solid support for a more rational and equitable solution, there is one proposal which seems inconsistent with the goal of stabilizing USF contributions: establishing a carve-out for lines associated with wireless family-plans during a transition period. Wireless carriers have substantially increased their revenues in recent years by encouraging families to obtain multiple wireless lines at bulk-rated discount pricing. Such a pricing option has been very valuable for consumers, has been instrumental in increasing the competitiveness of wireless telephone with wireline telephony, and has spurred increased minutes and revenues for wireless companies. The current contribution mechanism assesses all of the interstate and international revenue associated with these family plans without any reduction whatsoever, and for good reason: within the perspective of good public policy, each of these handsets is an equal beneficiary of the public switched network on which it relies.

The wireless industry has in fact embraced a model that ranks each handset equally: many wireless competitive eligible telecommunications carriers (CETCs) have included each "family plan handset" in their line count data submitted to USAC and have received USF based on every family plan "line."[1]

Given this continued benefit and the fact that revenues from all family plan lines have been assessed in the past, the undersigned companies do not believe that there is any valid reason to make a carve-out for family plan lines from a new numbers or connections-based assessment system. Each handset has benefited and continues to benefit from not only the network but in many instances USF support that relates back directly to that handset. To the extent the Commission may be concerned that application of USF assessments to each handset could engender "sticker shock," any phase in of charges should be over a relatively short period of time, for instance, six months. (The Associations, however, are not aware of any wireless-provided details that would support a sticker shock argument to our knowledge, and it is not apparent that there will be significant differences in end user contributions based on the change.) Therefore, the undersigned companies oppose the wireless family-plan number carve-out.

The Commission must act to stabilize the funding source for USF. Prompt action to establish a contribution mechanism that draws more broadly from the universe of communications service providers will further the statutory purpose of universal service.

Respectfully submitted,

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[1] With the more recent CETC freeze, the FCC has limited the future ability of CETCs to recover such funds. *High-Cost Universal Service Support*, WC Docket No. 05-337, 23 FCC Rcd 8834 (2008). However, this freeze does not receipts based on these family plan line counts, subject only to the statewide caps imposed by the Order. Thus, even under the CETC freeze, the CETCs continue to benefit from receiving USF based on each one of the lines associated with family plans.