

The USF by the Numbers Coalition:

The Benefits of Numbers-Based Collection for Universal Service

The undersigned members of the USF by the Numbers Coalition (Numbers Coalition) support reforming the collection mechanism for the federal Universal Service Fund (USF). All of the coalition members agree that the current revenues-based system is broken and is unsustainable. Some members support a system based on numbers alone while others support a system based on numbers with other elements, but all of the supporters agree that the Commission must reform the revenues-based system to one based exclusively or primarily on telephone numbers.

- 1) **Preserving the future viability of the USF is an important national priority.** The universal service program provides important benefits to rural Americans, to schools and libraries, to rural health care providers, and to low-income Americans through the Lifeline and Link-Up programs.
- 2) **The current revenues-based system of collecting USF funds is difficult to enforce and is not sustainable because of changes taking place in the marketplace.** For example, consumers increasingly purchase “baskets” of services that do not distinguish between interstate and intrastate services, or between “telecommunications” and “information” services. As a result, determining which services should contribute to the USF and how much to contribute is difficult for consumers, carriers, and the government and is becoming more complicated.
- 3) **The current revenues-only-based method skews the marketplace and is inherently arbitrary.** Federal universal service fees are only assessed on end user, interstate telecommunications revenues, not on intrastate services or information services. This means that some consumers pay federal USF fees while other consumers do not, simply because of the regulatory classification of the services they purchase.
- 4) **Consumers as a whole will be better off under a numbers-based system rather than under the current revenues-based system.** The current revenues-based system discourages long distance phone calls and thus causes a loss in overall consumer welfare. In contrast, under the proposed numbers-based system:
 - USF assessments would be stable and predictable;
 - USF assessments would be easier for consumers to understand;
 - Residential consumers would avoid “spikes” in USF assessments at times when families may be least able to shoulder higher phone bills (e.g. when family emergencies or illnesses cause more frequent out-of-state calling);
 - Customers in rural areas will no longer be penalized with higher federal USF fees when they call beyond their local calling areas; and
 - Lifeline consumers will pay less under proposals filed with the FCC than under the current system because Lifeline consumers would be completely exempt from any USF surcharge (unlike under today’s revenue-based system).

Claims that consumers overall will pay more under a numbers-based approach are simply not accurate. The numbers-based based system will be revenue-neutral – it will collect the same amount of funding as the revenue-based approach.

- 5) **Collecting USF fees based on telephone numbers is easier to administer and levels the playing field among competitors.** Flat fees based on working telephone numbers would minimize incentives and opportunities for carriers and customers to avoid contribution obligations. Furthermore, flat fees based on working telephone numbers ensure that all providers of interconnected voice services contribute, thereby making funding for the USF more stable and secure.

Collecting universal service fees based on telephone numbers will help ensure that a stable source of funding will be available for years to come to provide affordable telephone services to low income consumers and rural Americans. We urge policy-makers to replace the existing revenues-based system of funding the Universal Service Fund with a system based exclusively or primarily on telephone numbers as quickly as possible.

Members of the USF by the Numbers Coalition:

AT&T

BellSouth Corp.

CTIA-The Wireless Association(r)

GCI

IDT Corporation

National Cable & Telecommunications Association

USTelecom

Verizon