INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

June 24, 2013

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

Re: ***Assessment and Collection of Regulatory Fees for Fiscal Year 2013; Procedures for Assessment and Collection of Regulatory Fees; Assessment and Collection of Regulatory Fees for Fiscal Year 2008*, MD Docket Nos. 13-140, 12-201, 08-65: Ex Parte Communication**

Dear Ms. Dortch:

On June 20, 2013, Micah Caldwell and Alan DeLevie of the Independent Telephone & Telecommunications Alliance ("ITTA"), Mike Saperstein of Frontier Communications, Jeb Benedict and Kathryn Krause (by phone) of CenturyLink, and Malena Barzilai (by phone) of Windstream Communications met with Mika Savir of the Enforcement Bureau, and Thomas Buckley, Roland Helvajian, and Megan Hartnett of the Office of Managing Director, regarding the Commission's implementation of certain necessary and long-overdue reforms in connection with its assessment of fiscal year ("FY") 2013 and FY 2014 regulatory fees.[1]

In the meeting, we discussed the comments ITTA recently filed on behalf of the mid-size carrier community in which we supported the Commission's efforts to update its fee assessment methodology to more accurately reflect the subject areas worked on by current Commission FTEs and urged the Commission to adopt ITTA's proposal to assess all voice providers on the same basis by including wireless voice providers in the interstate telecommunications service provider ("ITSP") category for fee assessment purposes.[2]

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[1] *See In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2013; Procedures for Assessment and Collection of Regulatory Fees; Assessment and Collection of Regulatory Fees for Fiscal Year 2008*, MD Docket Nos. 13-140, 12-201, and 08-65, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, FCC 13-74 (rel. May 23, 2013) ("*NPRM*").

[2] Comments of the Independent Telephone & Telecommunications Alliance, MD Docket Nos. 13-140, 12-201, 08-65 (filed June 19, 2013) ("ITTA Comments"); *see also* Letter from Micah Caldwell, ITTA, to Marlene H. Dortch, FCC, MD Docket Nos. 12-201, 08-65 (filed Apr. 26, 2013); Letter from Micah Caldwell, ITTA, to Marlene H. Dortch, FCC, MD Docket Nos. 12-201, 08-65 (filed Feb. 11, 2013); Letter from Genevieve Morelli and Micah Caldwell, ITTA, to

Wireline carriers have been over-assessed regulatory fees for more than a decade in comparison to the wireless sector, and wireline companies continue to bear the most significant burden in regulatory fees among industry sectors, even though they no longer require the same expenditure of Commission resources as they did when the current fee calculation rules were last updated fully fifteen years ago. Since 1998, wireline carriers – and their consumers -- have been bearing an unfair share of regulatory fees. ITTA urged the Commission to move forward with its proposal to update its fee assessment analysis to ensure that it accurately reflects the expenditure of Commission resources for each relevant fee category.[3] Moreover, because such reform is so long overdue, the Commission should apply any rate increases resulting from its updated reallocations immediately during this fiscal year. Should the Commission nonetheless determine to phase-in such reallocations (such as by applying a cap), ITTA believes that the Commission should ensure a full transition to new regulatory fees in FY 2014.

Delaying the overdue correction in the Commission's updated FTE allocation – by using anything more than a short phase-in period -- would merely perpetuate the unbalanced distribution of regulatory fees that has existed for many years. There is no reasonable basis to continue forcing the wireline industry to subsidize other regulated industry sectors. Every class of regulatory fee payor –broadcasters included -- has been long aware that the fee regime was overdue to be reformed to reduce the disproportionate burden on wireline carriers. Going forward, to ensure that the regulatory fee process continues to reflect the Commission's actual costs by industry sector, the Commission should continue to update its FTE data on a regular basis (at least biennially) as the marketplace changes and evolves.

The Commission also should adopt ITTA's proposal to combine wireless voice services into the ITSP category with wireline and VoIP services so that all voice providers are treated in a similar, straightforward manner.[4] Wireless services are comparable to wireline services in many ways and encompass similar regulatory policies and programs, such as universal service, intercarrier compensation, and number portability.[5] Yet, wireless voice providers pay only about $.017 per handset in regulatory fees. In contrast, the regulatory fees per subscriber paid by ITTA member companies are as much as *six times* as high, and that anti-competitive disparity only continues to rise with ongoing access line loss and wireless substitution.[6] Thus, ITTA fully

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Marlene H. Dortch, FCC, MD Docket Nos. 12-201, 08-65 (filed Nov. 14, 2012); Reply Comments of the Independent Telephone & Telecommunications Alliance, MD Docket No. 08-65 (filed June 6, 2008); Comments of the Independent Telephone & Telecommunications Alliance, MD Docket No. 08-65 (filed Sept. 25, 2008); Letter from Joshua Seidemann, ITTA, to Marlene H. Dortch, FCC, MD Docket No. 08-65 (filed July 17, 2008).

[3] *See NPRM* at ¶ 17.

[4] *See id*. at ¶¶ 11-12.

[5] *Id*. at ¶ 12.

[6] *See* ITTA Comments at 8 (providing examples of the astronomical and ever-increasing regulatory fees paid by ITTA member companies, as follows. CenturyLink: $0.41/access line in 2011-12; $0.43 in 2012-13; and $0.45 in 2013-14. Frontier: $0.35/access line in 2011-12; $0.37

supports the Commission's implementation of this proposal through adoption of a "permitted amendment" that would take effect in FY 2014.[7]

Finally, the Commission should account for cross-over issues when staff works on items affecting multiple industry sectors. For example, the Commission's comprehensive reforms of the Universal Service Fund and intercarrier compensation regimes that have occupied a significant portion of the Wireline Competition Bureau's workload over the past few years affect virtually the entire communications industry, yet wireline providers have too long been compelled to bear all of the costs associated with these efforts. The Commission could rely on Bureau estimates of the industry impact of cross-industry proceedings to which staff has been assigned to further calibrate regulatory fees after it has taken the first two steps described above.

Together, such actions would ensure that regulatory fees are allocated in an equitable and competitively neutral manner in furtherance of the Commission's statutory mandate to make certain that fees levied on regulated entities are adjusted to account for "factors that are reasonably related to the benefits provided to the payor of the fee."[8] Moreover, adopting these reforms would promote the Commission's goals of fairness, administrative ease, and sustainability and correct the long-standing disparity in regulatory fee obligations between wireline and wireless voice providers, reducing the increasingly unfair burdens such regulatory costs impose on wireline carriers and their customers.[9]

Please do not hesitate to contact the undersigned with any questions regarding this submission.

Respectfully submitted,

Mel Caldwell

Micah M. Caldwell
Vice President, Regulatory Affairs

cc: Mika Savir
Thomas Buckley
Roland Helvajian
Megan Hartnett

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in 2012-13; and $0.41 in 2013-14. HickoryTech: $0.75/access line in 2009-10; $0.83 in 2010-11; $0.92 in 2011-12; and $1.01 in 2012-13).

[7] *See NPRM* at ¶ 13.

[8] 47 U.S.C. § 159(b)(1)(A).

[9] *See In the Matter of Procedures for Assessment and Collection of Regulatory Fees; Assessment and Collection of Regulatory Fees for Fiscal Year 2008*, Notice of Proposed Rulemaking, 27 FCC Rcd 8458 (rel. July 17, 2012), at ¶¶ 14-16.