

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
1998 Biennial Regulatory Review –)	CC Docket No. 98-171
Streamlined Contributor Reporting)	
Requirements Associated with Administration)	
of Telecommunications Relay Service, North)	
American Numbering Plan, Local Number)	
Portability, and Universal Service Support)	
Mechanisms)	
)	
Telecommunications Services for Individuals)	CC Docket No. 90-571
with Hearing and Speech Disabilities, and the)	
Americans with Disabilities Act of 1990)	
)	
Administration of the North American)	CC Docket No. 92-237
Numbering Plan and North American)	NSD File No. L-00-72
Numbering Plan Cost Recovery Contribution)	
Factor and Fund Size)	
)	
Number Resource Optimization)	CC Docket No. 99-200
)	
Telephone Number Portability)	CC Docket No. 95-116
)	
Truth-in-Billing and Billing Format)	CC Docket No. 98-170

Reply Comments

The Voice on the Net (VON) Coalition hereby files these Reply Comments in the above-captioned proceeding in which the Commission is considering revising its methodology for calculating contributions to the Universal Service Fund (“USF”). For the reasons stated herein, the VON Coalition supports the Commission’s proposal to require carriers to contribute to the USF based on the number of connections provided to the public network rather than on end-user telecommunications revenues.

Background

The VON Coalition consists of companies that are developing and offering voice products and services for use on the Internet and Internet Protocol (“IP”) networks.¹ Largely through the efforts of VON Coalition members, packet-switched voice services are emerging as an exciting new technology benefiting consumers throughout the world.

In the above-captioned Notice of Proposed Rulemaking (“*NPRM*”), the Commission is considering whether to revamp its methodology for assessing contributions to the USF.² Under the current method, the Commission calculates USF contributions based upon a carrier’s end-user telecommunications revenues. Under its proposal, the Commission would instead assess a carrier’s universal service contributions based on the number and capacity of that carrier’s end-user connections to the public network. The Commission notes that this approach may provide greater certainty to carriers, reduce administrative costs, avoid market distortions, and simplify the USF regime. *NPRM* at ¶ 17.

Discussion

The VON Coalition supports the Commission’s proposal to assess USF contributions based upon the number of connections to the public network a carrier provides. A connection-based contribution methodology will ensure that USF payments are assessed in a fair and economically efficient manner, will avoid the need for the Commission and carriers to address complex definitional issues, and will vastly simplify the current USF regime.

¹ Additional information regarding the VON Coalition is available on its website, <http://www.von.org>.

² *In the Matter of Federal-State Joint Board on Universal Service et al.*, CC Docket No. 96-45 et al., Further Notice of Proposed Rulemaking and Report and Order, FCC 02-43 (rel. Feb. 26, 2002) (“*NPRM*”).

A connection-based assessment will ensure that USF contributions are assessed in a more economically efficient manner. As the Coalition for Sustainable Universal Service (“CoSUS”) notes, the current revenue-based assessment methodology is inherently inefficient in economic terms because it seeks to recover non-traffic sensitive costs on a usage-sensitive basis.³ Such a methodology has the effect of distorting demand for telecommunication services. A flat-rate connection-based approach does not result in this type of adverse effect on demand. Basing USF contributions on connections to the public network will also ensure that the costs of the programs supported by the USF are borne by all users of the public network, the same users that benefit from these programs. Perhaps most importantly, by basing contributions on connections, which will continue to grow in number, the Commission can ensure that the USF has a stable and sustainable funding base.

A connection-based methodology will also obviate the need for the Commission and carriers to address complex definitional issues regarding which services and revenues are subject to USF contributions. As the Commission recognizes, under a connection-based regime, carriers would no longer have to distinguish between telecommunications and non-telecommunications services or interstate and intrastate revenues. *NPRM* at ¶ 71. As the Information Technology Association of America (“ITAA”) explains, under the current revenue-based assessment regime, revenue derived from the provision of dial-up access to an Internet Service Provider (“ISP”) is considered intrastate, whereas revenue derived from a Digital Subscriber Line (“DSL”) connection to the same ISP is considered interstate in nature and is consequently subject to USF

³ See Comments of Coalition for Sustainable Universal Service (“CoSUS”), CC Docket No. 96-45 et al., at 45 (April 22, 2002).

contributions.⁴ Under the proposed connection-based approach, such distinctions between intrastate and interstate revenue become irrelevant and the only determination required is whether an entity provides a connection to a public network.

Finally, a connection-based methodology will simplify the current USF regime for the benefit of consumers and carriers. Under the current method, consumers pay USF fees to both their local and long distance carriers, whereas a contribution scheme based on connections to the public network will require a consumer to pay a USF fee only to the carrier providing the connection. Eliminating dual payment of USF fees will go a long way to alleviating customer confusion and frustration surrounding the USF. Carriers will also benefit from the relative simplicity of a connection-based regime by avoiding the administrative costs of identifying which revenues are subject to a USF assessment. As CoSUS succinctly comments, “It is far more difficult to identify interstate telecommunications revenues than it is to identify network connections.”⁵

⁴ Comments of Information Technology Association of America (“ITAA”), CC Docket No. 96-45 et al., at 7 (April 22, 2002).

⁵ Comments of CoSUS at 47.

Conclusion

For the reasons stated above, the VON Coalition urges the Commission to act expeditiously to adopt its proposal to assess USF contributions based upon the number of connections to the public network a carrier provides.

Respectfully submitted,

VOICE ON THE NET COALITION



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Voice on the Net Coalition

May 13, 2002