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November 13, 2001

EX PARTE – Via Electronic Filing

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, DC 20554

Re: CCB Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, and 95-116

Dear Ms. Salas:

On November 9, 2001, Staci Pies of Level 3 Communications and I met with Katherine Schroder, Chief, Accounting Policy Division, Common Carrier Bureau, Paul Garnett, Greg Guice, Jim Lande, Kenneth Lynch, and Geoffrey Waldau, all of the Common Carrier Bureau, regarding the above-captioned proceedings. Our presentation is summarized in the attached document, a copy of which was provided to the attendees.

In accordance with the rules, this letter is being filed electronically in each of the above-captioned dockets.

Sincerely,



John T. Nakahata

Attachment

c: Ms. Katherine Schroder, Chief, Accounting Policy Division, Common Carrier Bureau
Paul Garnett, Common Carrier Bureau
Greg Guice, Common Carrier Bureau
Jim Lande, Common Carrier Bureau
Kenneth Lynch, Common Carrier Bureau
Geoffrey Waldau, Common Carrier Bureau

Summary of Level 3 Presentation on Universal Service Contribution Reform

- Level 3 is a provider of advanced telecommunications and information services, including voice-over-Internet-protocol (VoIP). It is building the world's first end-to-end global network optimized for Internet-protocol technology. Level 3 has no circuit switches, and does not provide any circuit-switched voice services. Level 3 also operates collocation gateways and provides managed modem services. Level 3 has continued to have growing revenues, and its strategy is to be the low cost bandwidth provider.
- IP technology will lower the marginal costs of what is today thought of as toll traffic to the point that it will no longer make sense to meter traffic by destination or time. IP technologies allow voice applications to be integrated with computer processing functions, so that consumers get a host of new and advanced calling features. Voice service is just one of many applications that can run on an IP-based communications platform, much like word processing is only one application that can run on a desktop computer.
- As the Commission recognized in its *1998 Report to Congress*, 13 FCC Rcd 11501 (1998), VoIP is difficult to fit into the Communications Act's statutory classifications. The line between telecommunications services and information services in an IP-network is unstable and not technologically-based. Moreover, as services are bundled, it will become impossible (as it already is for wireless) accurately to separate interstate from intrastate end user revenue.
- Level 3 believes that universal service *cannot* be sustained under the current interstate end-user telecommunications revenue-based contribution system without substantial regulatory intervention. A better alternative, more consistent with broadband development, is to change the universal service contribution system.
- A per connection, capacity-based assessment is more consistent with the evolving technological and marketplace changes, including bundling and IP services.
- The coalition proposal by Ad Hoc Telecommunications Users Committee, e-TUG, AT&T and WorldCom moves universal service contribution to a more stable base, and provides a reasonable transition plan to move to a capacity-based contribution mechanism. The "permanent" plan, however, may not be permanent in that the technological and customer classification distinctions are likely not to be stable. Nonetheless, this plan is a good transitional plan.