

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

Universal Service Contribution
Methodology

WC Docket No. 06-122

REPLY COMMENTS OF VONAGE AMERICA, INC.

Vonage America, Inc. (“Vonage”) is committed to lowering the cost of communications service for all consumers. Vonage likewise believes that as an interconnected VoIP service provider, it should contribute on an equitable and nondiscriminatory basis to the Universal Service Fund (“USF”). In its initial comments responding to the Commission’s *Notice of Proposed Rulemaking*,¹ Vonage explained that the Commission should abandon its counterproductive efforts to patch the existing USF contribution system and move quickly to adopt comprehensive reform. The comments filed in this proceeding support Vonage’s call for immediate reform and confirm the breadth of support for a numbers-based contribution method. This record constitutes a mandate for immediate reform, a mandate that the Commission should accept.

¹ *Universal Service Contribution Methodology; Federal-State Joint Board on Universal Service; 1998 Biennial Regulatory Review – 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 with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size; Number Resource Optimization; Telephone Number Portability; Truth-in-Billing and Billing Format; IP-Enabled Services*, Report and Order and Notice of Proposed Rulemaking, WC Docket No. 06-122, ¶¶ 65-69 (rel. June 27, 2006) (“Order” or “NPRM”).

I. The Record Supports Vonage’s Call for Immediate Reform.

As Vonage explained in its initial comments, there is already a consensus that the existing revenue-based USF contribution system must be reformed. Comments filed in this proceeding show, yet again, the dire need for a principled and comprehensive solution to the problems facing universal service. In the words of AT&T, “the Commission cannot allow this proceeding to divert it from the task of fundamental reform.”² Parties from throughout the industry echo this concern, calling again and again for the Commission promptly to address the flaws in the existing contribution system.³

There is likewise broad agreement that the Commission should adopt a numbers-based contribution methodology. The comments filed in this proceeding demonstrate the wide-ranging support for such reform: LECs, providers of cable and “over the top” VoIP services, wireless carriers, trade organizations, PUCs, and small businesses have all

² Comments of AT&T, Inc. at 1.

³ *See, e.g.*, Comments of BellSouth Corp. at 1 (“[T]he time has come for the Commission to undertake comprehensive universal service reform.”); Comments of Cingular Wireless LLC at 2 (“[C]omprehensive reform should occur without unnecessary delay, and before any further modification of the interim revenue-based system is needed.”); Comments of CTIA – The Wireless Association® at 1 (“CTIA . . . urges the Commission to proceed expeditiously with comprehensive reform.”); Comments of IDT Telecom, Inc. at 1 (“This proceeding is Exhibit 1 for the argument that the Commission needs to move away from a revenue/usage-based Universal Service Fund (“USF”) contribution methodology and toward a numbers/connections-based contribution methodology.”); Comments of the Information Technology Industry Council at 2-3 (“[T]he Commission should not waste its time on further interim USF solutions that merely serve to shore up a contribution mechanism that operates under an outdated and unsustainable methodology.”); Comments of Time Warner, Inc. at 1 (“The time is ripe for adoption of a permanent order implementing . . . critical reform.”); Comments of the United States Telecom Association at 1 (“The United States Telecom Association (USTelecom) urges the Commission to focus on comprehensive reform of the universal service contributions system rather than spend considerable resources on further modifications to the current system.”); Comments of Verizon at 2 (“The recent revisions to the revenue-based contribution mechanism are an incremental step toward a system that is equitable and non-discriminatory, as required by Section 254(d). These reforms, however, are not sufficient, and therefore do not lessen the need to move promptly to a different and more rational mechanism.”); Comments of the VON Coalition at 1 (“We urge the Commission to move promptly to adopt comprehensive Universal Service reform measures.”).

called for an assessment based on working telephone numbers.⁴ There is no longer any basis for the Commission’s stated concern that “a consensus approach to reform has not developed.”⁵

Not surprisingly, given this consensus, the record is replete with evidence of the benefits of a numbers-based contribution mechanism. Most importantly, many comments demonstrate that a numbers-based approach will assure compliance with the Communications Act mandate that universal service contributions be “equitable and nondiscriminatory,” as well as the Commission’s own rules requiring universal service support mechanisms to be competitively neutral.⁶ Entities also have echoed Vonage’s assessment that a numbers based approach will provide significant and meaningful advantages over the existing revenues-based model, including sustainability, efficiency, administrative ease, and benefits to consumers.⁷

The record, in short, provides the Commission with more than sufficient grounds for adopting a numbers-based contribution mechanism, and the Commission should immediately move forward with this long-needed reform.

⁴ See, e.g., Comments of AT&T, Inc. at 3-5; Comments of BellSouth Corp. at 3-5; Comments of IDT Telecom, Inc. at 13-20; Comments of Verizon at 4-5. Comments of National Cable & Telecommunications Association at 5-6; Comments of Time Warner, Inc. at 3-6; Comments of Cincinnati Bell Wireless LLC at 7-8; Comments of Cingular Wireless LLC at 2-3; Comments of CTIA–The Wireless Association® at 2-8; Comments of the United States Telecom Association at 3-4; Comments of the Iowa Utilities Board at 2-5; Comments of the Office of Advocacy, U.S. Small Business Administration on the Notice of Proposed Rulemaking and Initial Regulatory Flexibility Analysis at 9-10; Comments of the VON Coalition at 5-7.

⁵ Order at ¶ 21.

⁶ 47 U.S.C. § 254(b)(4); *Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd. 8776, 8801 (1997) (adopting the principle of competitive neutrality pursuant to 47 U.S.C. § 254(b)(7)). See, e.g., Comments of AT&T Inc. at 4; Comments of BellSouth Corp. at 3; Comments of Cincinnati Bell Wireless LLC at 8; Comments of the Information Technology Industry Council at 2-5; Comments of the National Cable & Telecommunications Association at 5; Comments of Time Warner, Inc. at 5; Comments of the VON Coalition at 5.

⁷ See note 4, *supra*.

II. The Commission Should Reject Efforts to Make the Broken System Worse.

Despite the overwhelming support for an immediate move to a numbers-based contribution mechanism, a handful of parties suggest further interim steps that would compound flaws in the existing system. A minority of comments seek to increase the burdens associated with interconnected VoIP providers using the safe harbor or traffic studies, or even to eliminate these options outright.⁸ Vonage has separately challenged the legality of the Commission's original approach,⁹ and leaves resolution of those issues to the courts. Vonage merely notes, however, that proposals to increase the burden on interconnected VoIP service providers would magnify the harms arising from the most recent interim measures.¹⁰

⁸ See, e.g., Comments of Alexicon Telecommunications Consulting at 9; Comments of Embarq Corporation at 3; Comments of the Nebraska Rural Independent Companies at 5-6.

⁹ See generally Motion for Expedition of Vonage Holdings Corporation, *Vonage Holdings Corp. v. FCC*, No. 06-1276 (D.C. Cir. 2006) (filed Aug. 8, 2006); Vonage Holdings Corp. Petition for Review, *Vonage Holdings Corp. v. FCC* (filed Jul. 18, 2006).

¹⁰ See generally Ex Parte Comments of Vonage, *Federal-State Joint Board on Universal Service; IP-Enabled Services*, CC Docket No. 96-45, WC Docket No. 04-36 at 3-4 (filed June 14, 2006).

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For the foregoing reasons, Vonage urges the Commission to immediately move to a numbers-based contribution mechanism.

Respectfully Submitted,



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