

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)	
)	
International Comparison and Consumer Survey Requirements in the Broadband Data Improvement Act)	GN Docket No. 09-47
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion)	GN Docket No. 09-137
)	

COMMENTS – NBP PUBLIC NOTICE # 25

**COMMENTS OF VERIZON¹ AND VERIZON WIRELESS ON TRANSITION
FROM CIRCUIT-SWITCHED NETWORK TO ALL-IP NETWORK**

As NBP Public Notice # 25 recognizes, as the industry moves closer and closer to an all-Internet Protocol (IP) network for the exchange of voice traffic, the Commission must re-examine and re-structure its communications policy framework. The industry is undergoing a remarkable transformation. The networks consumers use to communicate have evolved significantly in recent years. Companies have invested billions of dollars – and employed hundreds of thousands of employees – to deploy advanced, next generation networks through much of the country. Companies continue to invest significant capital to upgrade those networks and bring new services to consumers.

¹ In addition to Verizon Wireless, the Verizon companies participating in this filing are the regulated, wholly owned subsidiaries of Verizon Communications Inc. (“Verizon”).

This transition is occurring naturally today, as companies realize the efficiencies and opportunities that broadband and IP bring to consumers. Over time, more and more communications will be sent in IP-based format over IP and broadband networks, and there are concrete steps that the Commission can take both to encourage and manage this transition. The proposed Notice of Inquiry (NOI)² is the right vehicle to pull together all of these pieces into a single policy framework. However, the NOI should not slow down Commission action to resolve several threshold issues that are the building blocks for the transition to an all-IP network:

1. **VoIP Jurisdiction:** the Commission should reaffirm that, consistent with the *Vonage Order*,³ all Voice over Internet Protocol (VoIP) services – including mobile, nomadic, and static VoIP, and regardless of provider or technological platform – are interstate in nature and are subject to the Commission’s exclusive jurisdiction;
2. **VoIP Classification:** the Commission should classify VoIP as an information service;
3. **Intercarrier Compensation:** the Commission should adopt a single, low, default intercarrier-compensation rate that applies in the absence of commercial agreements to all voice traffic, regardless of jurisdiction or technology; and
4. **Universal Service Reform:** the Commission should stabilize and future-proof the Universal Service Fund by adopting a numbers-based contribution mechanism and by rationalizing the way that high cost support is distributed to encourage broadband deployment.

These issues have been briefed repeatedly and are long overdue for resolution.

Verizon has filed detailed comments suggesting how the Commission can resolve these issues in a way that will encourage the deployment and advancement of next generation

² See *Comment Sought on Transition From Circuit-Switched Network to All-IP Network*, NBP Public Notice #25, GN Docket Nos. 09-47, 09-51, 09-137, at 1-2 (Dec. 1, 2009).

³ *Vonage Holdings Corp. Petition for Declaratory Ruling Concerning an Order of the Minnesota Public Utilities Commission*, Memorandum Opinion and Order, 19 FCC Rcd 22404, ¶¶ 18, 31-32 (2004) (“*Vonage Order*”), *petitions for review denied*, *Minnesota Pub. Utils. Comm’n v. FCC*, 483 F.3d 570 (8th Cir. 2007).

networks.⁴ The National Broadband Plan provides the opportunity to establish clear rules on these issues and help speed the industry's transition to an IP-based network.

At the same time, or shortly after resolving these issues, the Commission should explore the following issues in its NOI:

- 1) **Tax Reform:** The Commission can be helpful in assisting policymakers and ensuring that tax policies at all levels of government encourage, rather than discourage, broadband adoption, investment and deployment – particularly in unserved areas. Among other things, the Commission should recommend that Congress take steps to ensure that current rules concerning the depreciation and expensing of network infrastructure investment encourage broadband investment and deployment by *all* providers. Other effective approaches to encourage increased or accelerated broadband investment include investment tax credits for providers and refundable tax credits for low-income Americans to help them afford online access. The Commission can also help highlight the excessive levels of state and local taxes on communications services, which burden consumers with tens of billions of dollars annually in taxes, artificially inflating the costs of communications services and depressing demand.⁵ Furthermore, the imposition of state and local taxes on communications providers and their investments, many of which are tied to legacy classifications as regulated utilities, can lead to excessive and disparate taxation among various broadband providers.
- 2) **Network Transformation:** As the Commission has correctly recognized, the ability to retire legacy copper plant and network equipment when it is no longer needed remains critical to the business case for deploying advanced fiber networks. The Commission should keep in place its current rules that permit providers to retire copper facilities after they have deployed fiber networks and should reject proposals to alter those rules. The Commission should also consider whether there are other measures that would facilitate the retirement of legacy circuit-switched networks in order to promote the transition to new advanced networks.

⁴ See generally Comments of Verizon and Verizon Wireless, *High-Cost Universal Service Support, et al.*, WC Docket Nos. 05-337, 03-109, 06-122, 04-36; CC Docket Nos. 96-45, 99-200, 96-98, 01-92, 99-68, at 21-28 (Nov. 26, 2008); Comments of Verizon and Verizon Wireless, NBP Public Notice #19, GN Docket Nos. 09-47, 09-51, 09-137 at 16-20 (Dec. 7, 2009) (“Verizon NBP #19 Comments”); see, e.g., AT&T Petition for Immediate Commission Action to Reform its Universal Service Contribution Methodology, *Universal Service Contribution Methodology*, WC Docket No. 06-122 (July 10, 2009). See also Verizon NBP #19 Comments at 5-11.

⁵ Comments of Verizon and Verizon Wireless, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, at 127-32 (June 8, 2009).

- 3) **Regulatory Framework for IP:** In addition to reaffirming that all VoIP services are interstate in nature and are subject to the Commission's exclusive jurisdiction, the Commission should review its policies and regulations concerning VoIP and IP and ensure that all VoIP services are subject to similar obligations, without distinguishing between the provider or technological platform.
- 4) **Next Generation 911 (NG911):** The Commission should encourage the completion of NG911 standards and resolve any open regulatory questions that currently hinder the development of these standards, in particular by taking the steps to clarify the regulatory framework for VoIP services detailed above. In addition, the Commission should encourage PSAPs to work jointly with the states, localities, counties and carriers to have a secure IP-based network that can both receive and send packets of data and support the current voice structure. The public safety community, including PSAPs, must proceed to upgrade their current legacy PSAP systems to accommodate a SIP interface, which is a fundamental requirement to begin the transition to a NG911 infrastructure.⁶ The Commission should also ensure that any specific fee established to fund E911 services should be a dedicated fund used solely to support E911 services rather than diverted for general revenue use.
- 5) **Network Reliability and Outage Reporting:** The Commission should encourage voluntary reporting by all providers in the Internet eco-system, based on industry best practices.
- 6) **Carrier of Last Resort:** Whatever Carrier of Last Resort (COLR) obligations still exist are the vestige of the monopoly era when incumbent providers were subject to an affirmative obligation to serve in exchange for a monopoly franchise. Today, COLR obligations make no sense in markets with multiple competitors, and that is particularly true in the context of VoIP services, as such COLR requirements undermine the business case for the deployment of new fiber networks.⁷ The Commission should explore ways to eliminate these obligations altogether.
- 7) **Universal Service Fund Distribution:** The Commission could develop a temporary subsidy to address the obstacle to broadband deployment posed by the cost and availability of middle- and second-mile facilities. This subsidy would partially offset the costs to deploy or purchase middle- and/or second-mile facilities in some rural areas. Such support could be provided through project-based infrastructure grants or by providing support directly to broadband providers in some rural areas to help them offset a portion of their transport costs for a limited time. The Commission should also adopt a competitive bidding system for wireless ETCs, which would rectify problems with the existing

⁶ See Comments of Verizon and Verizon Wireless, NBP Public Notice #8, GN Docket Nos. 09-47, 09-51, 09-137 *et al.*, at 9-13 (Nov. 12, 2009).

⁷ See Verizon NBP #19 Comments at 21-22.

distribution system and free up universal service funding for broadband priorities.⁸

- 8) **IP Interconnection:** The Commission should reject proposals to extend legacy interconnection regulations to IP networks. Carriers today already have established interconnection arrangements, which handle the exchange of both circuit switched and IP traffic. The majority of traffic exchanged over these arrangements continues to be circuit-switched. Over time, as networks evolve, all providers presumably will have an interest in transitioning to alternative arrangements. However, industry standards for interconnection for the exchange of voice traffic in IP format do not exist today. The efficient way to allow these standards to develop would be to follow the tremendously successful example of the Internet, which relies upon voluntarily negotiated commercial agreements developed over time and fueled by providers' strong incentives to interconnect their networks. In contrast, a regulatory mandate to require carriers to divert funds prematurely to establish brand new interconnection arrangements for IP voice traffic would reduce the funds available to deploy broadband more widely. The Commission should instead defer to existing industry efforts, such as through the ATIS Task Force on Next Generation Carrier Interconnection, to develop industry standards, which providers of all types will have a common interest in employing over time, as more and more voice traffic originates in IP format.

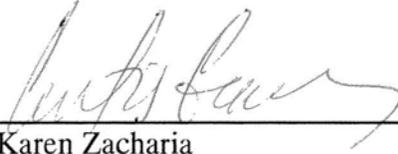
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As the Commission develops a national policy framework for broadband and manages the transition from a circuit-switched to IP-based network, the most profound steps it can take to facilitate the transition would be to resolve the overarching policy issues with which the Commission and the industry have wrestled for years. By reaffirming that all VoIP services are interstate and subject to the Commission's exclusive jurisdiction, classifying VoIP services as information services, adopting a single, low-rate for intercarrier compensation for voice traffic, and reforming the Universal Service Fund by adopting a numbers-based contribution mechanism, the Commission would make enormous strides towards providing the regulatory clarity and

⁸ See Verizon NBP #19 Comments at 11-16.

certainty that industry needs in order to make the investment decisions that will encourage broadband availability for all.

Respectfully submitted,



Karen Zacharia
Curtis L. Groves
VERIZON
1320 North Courthouse Road – 9th Floor
Arlington, Virginia 22201
(703) 351-3084

Michael E. Glover
Of Counsel

John T. Scott, III
VERIZON WIRELESS
1300 I Street, NW – Suite 400 West
Washington, D.C. 20005
(202) 589-3760

Counsel for Verizon and Verizon Wireless

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