

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

Lifeline and Link Up Reform and Modernization)	WC Docket No. 11-42
)	
Lifeline and Link Up)	WC Docket No. 03-109
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Advancing Broadband Availability Through Digital Literacy Training)	WC Docket No. 12-23
)	

OPPOSITION OF VERIZON¹

The Commission should reject two requests to partially reconsider its recent Lifeline reform Order:² (1) payphone providers’ plea to use scarce Lifeline support for new payphone subsidies; and (2) a misplaced suggestion to classify interconnected voice over Internet protocol (“VoIP”) service as a telecommunications service.³ The Commission correctly found that the APCC’s payphone proposal would undermine efforts to modernize Lifeline for the broadband era and that payphone service lines do not meet the statutory criteria for supported services. In addition, the Commission’s Lifeline docket is not the place to address long-running VoIP classification issues.

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

² *Lifeline and Link Up Reform and Modernization, et al.*, WC Docket No. 11-42 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11 (rel. Feb. 6, 2012) (“Order”).

³ *See* Petition for Partial Reconsideration of American Public Communications Council, Inc., WC Docket Nos. 11-42 *et al.* (filed March 28, 2012) (“APCC Petition”); and Petition for Clarification of the Public Service Commission of the District of Columbia, WC Docket Nos. 11-42 *et al.* (filed April 2, 2012) at 3-4 (“DC PSC Petition”). Verizon neither endorses nor supports the other reconsideration requests at this time.

DISCUSSION

1. The Commission made the right decision in denying the APCC’s petition seeking Lifeline support for payphones.⁴ As the Commission correctly concluded, its principal tasks in this proceeding are to reform the Lifeline program to eliminate waste, fraud, and abuse, and to modernize it to support the broadband services that consumers increasingly demand.⁵ As the Commission recognizes, “an essential first step toward repurposing the universal service fund to support broadband as well as voice service” is “ensur[ing] that the size of the fund remains reasonable” since continued growth in funding for legacy voices services that consumers increasingly do not want will drive end-users off the very networks the USF was created to support.⁶ Yet the APCC seeks to add additional pressure on the fund for a service that the vast majority of the general public no longer uses. As the APCC acknowledges, the number of payphones has fallen from 2.2 million in 1997 to approximately 400,000 today.⁷ It makes no sense to divert scarce universal service resources away from national broadband priorities in order to support a legacy voice service that the market and technology is passing by, as APCC admits.

The APCC Petition also does not refute the Commission’s conclusion that Lifeline support for payphone service lines would not actually be passed through to low-income

⁴ Order at ¶ 395.

⁵ *Id.*

⁶ See *Connect America Fund; A National Broadband Plan for Our Future; High-Cost Universal Service Support*, Notice of Inquiry and Notice of Proposed Rulemaking, 25 FCC Rcd 6657, ¶¶ 51-52 (2010).

⁷ APCC Petition at 6.

consumers, and instead would simply result in a windfall to payphone service providers.⁸ APCC's responses – that subsidized payphone service line rates would allow more payphones to continue to exist and that it would be impractical to pass these benefits directly to low-income consumers⁹ – miss the point. More than 93 percent of Americans have mobile phones, meaning virtually every person in America has a mobile phone, except for those such as the very young that are unable to use a phone.¹⁰ These consumers, including low-income consumers, will benefit more from the application of universal service funds to support Lifeline discounts on services people actually want rather than to preserve the availability of payphones. Similarly, the few remaining consumers who do not yet use mobile service will benefit more from using universal service support to make Lifeline service affordable, bringing it closer within their reach, rather than preserving payphones. And all low-income consumers will benefit from increased access to broadband services, which the Commission plans to study through targeted pilot programs.¹¹ Providing support for payphone service lines would divert resources away from these more compelling goals.

The Commission also is correct that low-income support should not be provided for payphone service lines because they are not “subscribed to by a substantial majority of residential customers.”¹² The APCC argues that it should not be held to this statutory standard because “there has been no finding” that mobile services (which receive Lifeline support) have

⁸ Order at ¶ 396.

⁹ APCC Petition at 7-11.

¹⁰ See Opposition of Verizon and Verizon Wireless, WC Docket No. 03-197 and CC Docket No. 96-45 (filed Jan. 18, 2011) at 4.

¹¹ Order at ¶¶ 323-53.

¹² *Id.* at ¶ 397, citing 47 U.S.C. § 254(c)(1)(B).

met it,¹³ but that is simply incorrect.¹⁴ The Federal-State Joint Board on Universal Service explicitly found that “mobility service is subscribed to by a substantial majority of residential customers,”¹⁵ and the Commission recently rejected arguments that mobile service should be analyzed as distinct from other voice services for purposes of this statutory requirement.¹⁶

2. The Commission should reject the DC PSC’s assertion that the Commission should “classify VoIP services as telecommunications services.”¹⁷ The many long-running issues regarding the regulatory classification of VoIP have been pending and vetted for years in other Commission dockets and are far outside the scope of this Lifeline program proceeding. Moreover, the DC PSC’s request is based on the assumption that the Commission’s decision to allow Lifeline funding to support “voice telephony service” provided over any technology, including IP-based networks, “may result in a large number of VoIP service providers saturating the market for Lifeline customers,” “without having to comply with the obligations required of other Title II ETCs.”¹⁸ First, this assumption is wrong. Because Lifeline providers must still be ETCs, and the Act requires ETCs to be telecommunications carriers, VoIP providers that do not

¹³ APCC Petition at 12.

¹⁴ For this reason, APCC’s competitive neutrality arguments also fail. *See id.* at 20-22.

¹⁵ *High-Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Recommended Decision, 22 FCC Rcd 20477, 20492 ¶ 65 (Jt. Bd. 2007).

¹⁶ *Connect America Fund, et al.*, WC Docket No. 10-90 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17776 ¶ 309 (2001).

¹⁷ DC PSC Petition at 3-4.

¹⁸ *Id.* at 4.

also offer a common carrier voice service have historically not sought ETC status.¹⁹ Nothing has changed in that respect. The Commission merely confirmed that existing ETCs can satisfy their obligations using any technology – and, as also has always been true, are allowed to upgrade their networks to IP platforms.²⁰ Second, it is not at all clear why it would be a problem for VoIP providers (even those that do not also offer a traditional common carrier service) to serve Lifeline customers. Virtually all services are migrating to IP platforms. And the touchstone of the Commission’s new universal service policies is to encourage – indeed, accelerate – this transition. Legacy circuit-switched copper networks and services are nearing the end of their life cycle, and all consumers (low-income consumers included) benefit from public policies that encourage carriers to upgrade networks and deliver services that incorporate new technologies.

¹⁹ See, e.g., Order at ¶ 334; see also 47 U.S.C. § 214(e). If the Commission re-visits the requirement to obtain full ETC status in order to participate in Lifeline, appropriate gating criteria for support recipients can be considered at that time.

²⁰ See *Connect America Fund, et al.*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket Nos. 10-90 *et al.*, FCC 11-161 (Nov. 18, 2011), ¶¶ 76-78 (simplifying the core functionalities of “voice telephony service” to focus on technology-neutral descriptions).

* * *

For these reasons, the Commission should deny the DC PSC's request that the Commission classify VoIP as a telecommunications service, and should deny the APCC's request to reconsider the well-founded denial of Lifeline funding for payphones.

Respectfully submitted,

By: /s/ Christopher M. Miller

Michael E. Glover, *Of Counsel*

Christopher M. Miller
1320 North Courthouse Road
9th Floor
Arlington, VA 22201-2909
(703) 351-3071

Attorneys for Verizon
and Verizon Wireless

May 7, 2012