July 9, 2012

Via ECFS

Vickie Robinson
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: WC Docket 06-122, *Universal Service Contribution Methodology*

Dear Ms. Robinson:

I submit the following comments in response to your Notice of Proposed Rulemaking, on behalf of myself and my company, ZipDX LLC.

The comments herein are further to those made in our January 2, 2011 letter in this docket. We reiterate our previous advocacy regarding a contribution methodology:

The "new" FUSF should strive for simplicity and for minimization of the administrative burden imposed by the Fund. Less money spent on administration (both by the Fund itself, and by contributors to it) means there should be more money available for actual delivery of benefits.

Given that virtually ALL United States households are now somehow connected to the PSTN and the Internet, EVERYBODY will end up paying into FUSF. Bear in mind that when FUSF is assessed on a service provider (or other commercial entity), that provider must somehow pass that cost on to their customers. They may do it via an explicit line item on the bill, or it may be buried in other costs. But it is the end customer that ultimately pays.

As you finalize this rule-making, it would really be wonderful if you could SIMPLIFY the system by moving away from all the debate about which applications (or services) will pay and which will not. It would be great if Forms 499 could be simplified or eliminated. It would be terrific if virtually all of the energy that goes into FUSF could directly further the cause, rather than be absorbed in what is today an administrative nightmare for all involved.

There is a simple concept which I believe deserves very serious consideration as you seek reform. BASE THE SYSTEM ON SYMMETRY BETWEEN:

- CONTRIBUTORS THAT PAY INTO THE FUND, and the types of services that drive contribution; and
- THE SERVICE PROVIDERS THAT DRAW FROM THE FUND, and the types of services that are eligible for support.

If you could adopt this approach, many of the dilemmas posed in your NPRM would be resolved, or at least have a framework for resolution.

SYMMETRICAL CONTRIBUTION AND SUPPORT

The Commission has presented numerous proposals and queries regarding the basis of contributions to FUSF. We propose that "contributors" and the "services driving contribution" would be, generally, the same as those "service providers" and "services eligible for support" that draw from the fund.

The distinction, of course, would be that those drawing from the fund are operating in areas that are difficult and expensive to serve.

The motivation for this approach is that it would greatly simplify the system and it would make it far less arbitrary than it is today (and promises to be in the future if the present general framework is maintained). It would be a "fair" system (or as fair as such a transfer system can be).

FUSF exists because we as a society believe that there are benefits to us all if we can get as much of our population as possible connected to the public networks (PSTN and now Internet). It means more of us will have access to distance learning and on-line encyclopedias and news and medical information and weather. And on-line shopping and TV reruns and music videos. And pornography and cyber-bullying and SPAM. Some will make good use of this capability and others will not. There are terrific opportunities and some downsides, but we generally accept that connectivity is a good thing.

FUSF will fund some very specific things – various kinds of mobile services, and specific broadband services, and to a declining extent, fixed-line telephony.

Let's base FUSF CONTRIBUTIONS on those exact same services. The effect will be to have the large numbers of people in lower-cost, well-served areas pay a small tax so that a small number of people in more expensive and challenging locations will be able to join the networks.

There is no benefit to "taxing" the APPLICATIONS that ride over those networks. Singling out long-distance calling or email or video services or conference calling or file-sharing or music-downloading or on-line shopping or Facebooking is just arbitrary. If you aren't going to FUND those activities explicitly from FUSF, it is not appropriate to cross-subsidize. Taxing those applications doesn't really "expand the contribution base" because it is the same consumers, at the end of the wire, that end up paying for it.

There are a small number of specific services, with specific criteria, that are eligible for FUSF funding. If you are willing to fund mobile service, then you can collect a tax on mobile service. Same for fixed-line service. If you are willing to fund broadband, collect a tax on that. If you define different service tiers for different levels of funding, you can tax those same tiers at different rates.

Regarding your questions on enterprise, VoIP, data center, etc. services: if they are not eligible for FUSF funding, then they don't contribute. If FUSF DOES fund them, then they do contribute.

You should set your contribution rates at some fixed fee per service (or service tier, with those services and tiers being defined identically to how they are on the funding side). Contribution rates should not be based on revenue; "bundling" should not be a consideration. If a Service Provider is delivering a service that is a "funded" service, then they contribute the appropriate fee to FUSF.

You can eliminate virtually all of the jurisdictional issues which are becoming impossible to measure and enforce. You can greatly reduce the number of parties that have to contribute (and you've already identified that a small number of contributors make up the bulk of the contribution dollars, so eliminating this "long tail" greatly reduces an administrative burden which really offers minimal – or even net negative – benefit). You can contain the on-going debate about which applications, with what nuances, are "in" or "out" of the contribution dragnet.

This approach will be self-balancing. We can expect that the popularity of services will generally be similar in the "funded" and the "contributing" regions. So as wireline PSTN connections fall out of favor, but broadband increases in popularity, the "contribution base" from the latter will grow to offset the decline in the former. If bandwidths of 100 Mbps or more are in demand down the road, you'll make that an eligible service for funding, and it will become part of the contribution base as well.

There will still be opportunities to game the system, but you'll have an easier management challenge, and a reduced administrative burden, if you adopt this approach. It deserves serious exploration.

Regards,

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