

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

In the Matter of)	
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)	
Universal Service Contribution Methodology)	WC Docket No. 06-122
)	
A National Broadband Plan For Our Future)	GN Docket No. 09-51
)	
)	

**REPLY COMMENTS OF
AD HOC TELECOMMUNICATIONS USERS COMMITTEE**

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The Ad Hoc Telecommunications Users Committee (“Ad Hoc”) hereby submits these Reply Comments in response to the comments on the Further Notice of Proposed Rulemaking filed by other parties in the above-captioned proceeding.¹

I. THE COMMISSION HAS SUFFICIENT INFORMATION IN THE RECORD AND BROAD PUBLIC SUPPORT TO REFORM THE CURRENT USF CONTRIBUTION SYSTEM.

Virtually all commenters, comprising an array of interests that includes providers, end-users, and public interest organizations, acknowledge the compelling need to reform the current USF contribution system.² Although the commenting parties do not

¹ *Universal Service Contribution Methodology*, WC Docket No. 06-122, *A National Broadband Plan For Our Future*, GN Docket No. 09-51, Further Notice of Proposed Rulemaking, FCC 12-46 (released April 30, 2012) (the “Further Notice”).

² See, e.g., Comments of AT&T on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) (“AT&T Comments”) at 17; Comments of Google, Inc. on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) (“Google Comments”) at 3-4, 11; Comments of Alaska Communications Systems Group, Inc. on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 5-6; Comments of American Petroleum Institute on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) (“API Comments”) at 2-3; Comments of Sprint on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) (“Sprint Comments”) at 3; Comments of Higher Education Associations on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 1-5, Comments of United States Cellular Association on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 2.

universally agree on which specific reforms or assessment model to adopt, the record indicates general support for and agreement with the Commission's stated reform goals of efficiency, fairness, and sustainability. Notably, the reform alternatives presented by the Commission in the *Further Notice* and the commenting parties' various positions supporting and opposing those alternatives, look remarkably similar to what was already contained in the record.

As Ad Hoc noted in its earlier Comments, the Commission has considered reform of the current contribution methodology for over a decade³. The latest refresh of the record offers little, if any, new data or information and no new reform alternatives for the Commission to consider. Clearly, the record in this proceeding is fully mature, and it is time for the Commission to adopt meaningful reform of the contribution methodology.

To that end, several other commenters joined Ad Hoc in affirming a principled commitment to reform of the current methodology, regardless of the specific assessment model adopted by the Commission.⁴ As Ad Hoc stated in its comments, any of the reform alternatives currently under consideration by the Commission—numbers, connections, or modified revenues—could improve the current system if properly and fairly implemented consistent with the Commission's stated goals for reform. The Commission must, however, ensure that the reforms it adopts fulfill the stated goals in practice, particularly with respect to fairness and sustainability, by resisting blatant attempts to shift contribution burdens from one group to another

³ Comments of the Ad Hoc Telecommunications Users Committee on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) ("Ad Hoc Comments") at 3-5.

⁴ See AT&T Comments at 18; Comments of CTIA—The Wireless Association® on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) ("CTIA Comments") at 2, 9; Sprint Comments at 3; Comments of T-Mobile USA, Inc. on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 5-8.

through the use of, for example, residual funding mechanisms targeted at a particular group of end-users or providers.

II. A NUMBERS-BASED METHODOLOGY REMAINS THE MOST EFFICIENT, FAIR, AND SUSTAINABLE OPTION FOR FUNDING UNIVERSAL SERVICE

In its prior Comments, Ad Hoc set forth the affirmative argument in favor of adopting a pure numbers-based assessment methodology.⁵ A numbers-based methodology is the most administratively simple methodology currently under consideration by the Commission. Furthermore, a numbers-based assessment broadly and fairly distributes the contribution burden while offering a limited exception for those low income subscribers that are truly unable to contribute the funding of the universal service program. Most importantly, a numbers-based system provides a broad and stable base for assessments that will be sustainable for the foreseeable future. As indicated in the record, numerous commenters acknowledge the benefits of and offer support for a numbers-based methodology for these reasons.⁶

Commenters opposed to a numbers-based methodology offer criticisms that are as predictable as they are rebuttable. Indeed, over the last decade, most of these arguments have been fully developed in the record of this proceeding. The last round of comments to refresh the record indicates that critics of a numbers-based assessment have no new information to provide to the Commission that will inform its evaluation of a numbers-based methodology. Nevertheless, Ad Hoc reiterates the following responses:

⁵ See Ad Hoc Comments at 9-28.

⁶ API Comments at 4-5; AT&T Comments at 18; Comments of Time Warner Cable Inc. on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 11; Comments of Verizon on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 46 (“Verizon Comments”); Comments of the Retail Industry Leaders Ass’n on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 6-7. See also CTIA Comments at 9 (noting that a numbers-based system would be easier to administer but must be carefully implemented to address specific issues such as low income subscribers and wireless family plans).

- **Protection of Low Income Subscribers:** Several commenters argue that low income subscribers will be unfairly burdened with contribution obligations under a numbers-based assessment methodology.⁷ Ad Hoc shares the concern of those that do not want to burden low income subscribers with untenable contribution obligations, a problem that is easily solved under a numbers-based methodology by exempting numbers assigned to Lifeline subscribers from assessment.⁸ Indeed, low income subscribers are protected most easily under a numbers-based methodology because the exemption is simply administered and easily targeted to low income subscribers, something that may be more challenging under a less transparent connections- or revenues-based system.
- **No broad “escape” of assessment by users of non-numbers-based services:** Several parties assail a numbers-based methodology by simply stating the obvious fact that services or subscribers that do not use numbers will not face assessment.⁹ Entirely absent from these arguments, however, is any data supporting the claim that a significant number of users of non-number-based services (such as broadband) do not also subscribe to services that use numbers or that adoption of a modest numbers-based assessment will significantly shift consumer preferences entirely away from numbers-based services to non-numbers based services. Indeed, the data over the past decade

⁷ Comments of AARP on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) (“AARP Comments”) at 48; Comments of i-wireless, LLC on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 3-4; TracFone Wireless, Inc. on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 4-5.

⁸ Ad Hoc Comments at 19-20 (reiterating Ad Hoc’s longstanding support for an assessment exemption for low income subscribers).

⁹ See, e.g., AARP Comments at 48; Comments of the Coalition for Rational Universal Service and Intercarrier Reform on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 7-8; Comments of Critical Messaging Ass’n on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 9-10; Comments of NTCA et al. on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) (“NTCA Comments”) at 36-37.

has shown an increase in the demand for numbers, not a decrease, indicating that a numbers based methodology is a perfectly viable and fair method for allocating contribution obligations.

- **A numbers-based system is not easily “gameable”:** One of the primary benefits of a numbers-based system is its transparency: a number is a number. Arguments that parties can “game” a numbers-based system fail to explain how such manipulation would logically occur when there are not a wide range of readily available and substitutable services for those that use numbers.¹⁰ Indeed, to the extent that end-users consolidate their use of unused numbers, which is likely to be modest, the more efficient use of numbering resources should be considered a *benefit* of a numbers-based assessment.

- **A numbers-based system distributes contribution obligations fairly:** Certain commenters assert that a numbers methodology unfairly distributes the burden of supporting USF contribution obligations.¹¹ But, given the broad base of numbers used across a wide variety of services, end-users and devices, this argument lacks credibility. The Commission should skeptically view arguments that blur the concerns of a specific industry that may assume potentially larger contribution obligations under a particular methodology with attacks on the overall “fairness” of the methodology.

¹⁰ Comments of the National Ass’n of State Utility Consumer Advocates on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 21; NTCA Comments at 36; Comments of XO Communications Services, LLC on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) (“XO Comments”) at 33-35.

¹¹ Comments of Ass’n of TeleServices Int’l, Inc. on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) (“ATSI Comments”) at 4-5; Comments of OnStar, LLC on the FNPRM, WC Docket No. 06-122 (filed July 6, 2012) at 7.

- **A numbers-based methodology assesses connections, not usage:**

Many commenters attempt to characterize an obvious fact about a numbers-based methodology as an argument against its adoption: a numbers based assessment uniformly and non-discriminatorily applies to a particular type of connection to the network and does not vary based on the usage or the supposed “value derived” from the end-user’s network connection. Yet there is no particular economic reason why the contribution methodology should levy assessments based on those measurements. Indeed, the current revenues system does not assess end-users based on their usage or value derived from the network services purchased and any replacement methodology need not do so either.

As has been the case for over a decade, in adopting contribution methodology reform, the Commission will have to balance a reformed system that is simple and reasonably administrable with basic notions of fairness and sustainability. Large users of network services, like businesses, are typically also large users of numbers. None of the methodologies under consideration is perfect, but a numbers-based system is the most transparent, easily adopted and administered, and fairest system of the options currently before the Commission. The worst decision that the Commission could make would be to delay further action while it attempts to construct a perfect solution or pursue previously unsuccessful attempts to reach consensus on usage-based methodologies.

III. A CONNECTIONS-BASED MODEL IS VIABLE BUT IMPOSES SIGNIFICANT ADMINISTRATIVE AND IMPLEMENTATION COSTS AND REQUIRES DIFFICULT LINE-DRAWING

As noted in its Comments, Ad Hoc would support a connections-based assessment model if it is structured and implemented in a manner that achieves the Commission's goals for fairness, efficiency and sustainability.¹² A connections-based model, once implemented, would solve many of the fairness and sustainability problems associated with the current revenues-based system. Over time, it would also likely be more efficient to administer.

However, as many other commenters agree, the Commission faces a significant implementation challenge in determining (and gaining consensus on) appropriate assessment levels for connections to the network, and prior attempts to achieve these goals have not been successful.¹³ If it pursues a connections-based approach, the Commission should begin immediately developing a proposal that assesses network connections in a fair and non-discriminatory manner. Ad Hoc reiterates its strong belief that residual funding mechanisms that impose additional or undefined contribution obligations on specific end-users, providers, or services, would fail this requirement and must not be included.

IV. MOST COMMENTERS AGREE THAT MODIFICATIONS TO A REVENUES-BASED SYSTEM REQUIRE EXPANSION OF THE REVENUES BASE TO INCLUDE BROADBAND INTERNET ACCESS SERVICES

As previously stated in its Comments, Ad Hoc believes that reform of the current revenues-based model will ameliorate existing inefficiencies and inequities, but it will not

¹² Ad Hoc Comments at 28-36.

¹³ See, e.g., Verizon Comments at 47-48; AT&T Comments at 22; XO Comments at 36-37; Comments of CenturyLink on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 18; ATSI Comments at 9-10.

fix the inherent flaws which require repeated, subjective line drawing by the Commission with respect to assessable services.¹⁴ Many other commenters agree with the basic conclusion that the current revenues-based model is inefficient, inappropriate given marketplace changes, and fundamentally broken as it is currently administered and applied.¹⁵

If the Commission is unwilling to adopt a new methodology, modifications that improve the current system are preferable to preserving the system as it is currently structured. The record indicates that the only way to reduce the trajectory of the contribution factor in any meaningful way is to expand the base of assessable revenues. Many commenters agree that the Commission should include broadband Internet access in the assessable revenue base.¹⁶ In the absence of including such revenues, the contribution factor is unlikely to change significantly, and Ad Hoc does not support half measures that preserve those parts of the existing revenues that inefficiently and unfairly distribute the contribution burden.

CONCLUSION

For the reasons set forth above, Ad Hoc urges the Commission to proceed with reform of the contribution methodology. The record in this proceeding is complete, and the choices before the Commission are fully developed.

¹⁴ Ad Hoc Comments at 36-43.

¹⁵ AT&T Comments at 17; Sprint Comments at 4; Google Comments at 2-4; Comments of Vonage Holdings Corp. on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 2.

¹⁶ See, e.g., Comments of Cincinnati Bell Inc. on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 2, 6-7; Comments of COMPTTEL on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 14-18; Comments of Earthlink et al. on the FNPRM, WC Docket No. 06-122 (filed July 9, 2012) at 5-7; AARP Comments at 25; XO Comments at 28-31.

Respectfully submitted,

AD HOC TELECOMMUNICATIONS USERS COMMITTEE

By:

A handwritten signature in black ink, appearing to read "Andrew Brown", is written over a horizontal line.

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Certificate of Service

I, Amanda Delgado, hereby certify that true and correct copies of the preceding Reply Comments of Ad Hoc Telecommunications Users Committee were filed this 6th day of July, 2012 via the FCC's ECFS system and by email to:
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