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NOTICE OF EX PARTEREDACTED

FILED/ACCEPTED

November 20, 2012

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Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554Federal Communications Commission  
Office of the SecretaryRe: *In the Matter of Petitions for Waiver of Commission's Rules Regarding Access to Numbering Resources*, CC Docket 99-200 (the "Waiver Requests").REDACTED

Dear Ms. Dortch:

Level 3 Communications, LLC ("Level 3") submits this *ex parte* letter to respond to certain questions of the Wireline Competition Bureau ("Bureau") concerning the Waiver Requests and to respond to the *ex parte* of Vonage Holdings Corp. ("Vonage"), dated October 22, 2012 ("Vonage Ex Parte").<sup>1</sup>

Specifically, the Bureau is interested in Level 3's views on the financial impact to Level 3 of granting the Waiver Requests, and on granting a waiver to Vonage. The Bureau is also

<sup>1</sup> There have been two additional filings in response to the Vonage Ex Parte. On October 31, Level 3, Bandwidth.com, and COMPTTEL filed an *ex parte* responding to the policy arguments made by Vonage. See Letter from James C. Falvey, Counsel for CLEC Coalition, to Marlene H. Dortch, Secretary, Federal Communications Commission, CC Docket No. 99-200 (Oct. 31, 2012) ("October 31 CLEC Coalition Ex Parte"). In addition, on November 13, Level 3 filed a partial response to inquiries made by the Commission relating to Vonage financial figures. Letter from Michael J. Mooney, General Counsel, Regulatory Policy, Level 3 Communications, LLC, to Marlene H. Dortch, Secretary, Federal Communications Commission, CC Docket No. 99-200 (Nov. 13, 2012) ("November 13 Level 3 Ex Parte").

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interested in the financial impact to the industry generally. Vonage provided information to the Bureau in the Vonage Ex Parte, and Level 3 is responding to that presentation as well.

The Level 3-specific numbers that Vonage presented in the Vonage Ex Parte<sup>2</sup> are generally accurate. Level 3 provides approximately [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] in network and related services to Vonage, including approximately [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] for numbering resources, [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] for outbound and [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] for inbound voice services and approximately [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] in international termination services. In Level 3's view these services are integrally related to the numbering resources that Level 3 provides to Vonage and Level 3 expects that those services will decline significantly if Vonage is able to acquire its own numbering resources. The remaining spending relates to a collocation arrangement that may or may not continue. In short, Level 3 expects to see a significant and rapid erosion in the revenue that it receives from Vonage in the event that a waiver is granted. Vonage provided a range of decrease that it anticipates in the Vonage Ex Parte, but upon Level 3's request for an unexpurgated version, Vonage did not share that number with Level 3. We are therefore unable to comment upon it.

Vonage also suggests that Level 3 may make up some of the lost revenue by providing new services to Vonage. Level 3 has asked Vonage what services it would be interested in receiving from Level 3 but has received no substantive response. Level 3 is developing a product to host telephone numbers assigned to customers, but commercialization of that product is at least two to three quarters away. However, Level 3 estimates that it would only recover a relatively small fraction of the revenues lost by grant of Vonage's waiver request from introduction of its service.

The Bureau is also interested in the financial impact across the entire industry of waiver grants. As Level 3 has informed the Bureau in the November 13 Level 3 Ex Parte, while a number of other CLECs, including Bandwidth.com and the CLECs represented by COMPTTEL, oppose granting the Waiver Requests generally and the Vonage waiver specifically, that it would be difficult for Level 3 to provide a non-speculative prediction of industry-wide effects. Any Level 3 estimates would require extrapolation, and would be inherently unreliable. If the Commission is inclined to focus on the financial impacts on the industry, the best way to obtain reliable information in that regard would be through a Notice of Proposed Rulemaking ("NPRM") that would provide an opportunity for all industry players to submit data.

The Bureau also expressed interest in the financial impact of putting the Waiver Requests out on an NPRM, as well as the financial impact if, at the end of such an NPRM process, non-carriers were conditionally granted direct access to telephone numbering resources. Again, as previously indicated in the November 13 Level 3 Ex Parte, Level 3 also does not have the information necessary to provide a non-speculative response to this question. However, an NPRM process, in addition to helping answer the myriad of technical, operational, and other concerns raised in this Docket, would maintain the current level playing field.

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<sup>2</sup> Vonage Ex Parte at 3.

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Further, if, at the end of an NPRM process (and again assuming for argument's sake that the current rules would be changed), the Commission were to provide a future date at which its "new rules" would be effective, it would allow the industry the opportunity to develop and test reliable new products and services. In any NPRM, the Commission should consider asking the industry the reasonable lead time that would be required to design and test such new services. Having such products and services ready when any new rules take effect could ultimately lessen the financial impact of these rule changes on the industry overall.<sup>3</sup>

The other issue that Vonage raises that Level 3 wishes to address is whether grant of the Vonage waiver or of the Waiver Requests would facilitate IP-IP interconnection. Level 3's limited experience to date suggests that it would not. Level 3 requested that a current waiver holder directly interconnect with Level 3 on an IP-IP basis. The specific entity to which Level 3 sent the interconnection request declined to enter into negotiations with Level 3 for IP-IP interconnection. In subsequent correspondence, certain unidentified affiliates of the requested entity expressed a tepid interest in discussing interconnection. This behavior underscores the need for the Commission to solicit public input and consider the interplay between various Commission policies and rules in the context of grants of numbering authority. An NPRM process is the only way for the Commission meaningfully to accomplish this result.

As required by Section 1.1206(b), this *ex parte* notification is being filed electronically for inclusion in the public record of the above-referenced proceeding. Please direct any questions regarding this matter to the undersigned.

Sincerely,

/s/ Michael Shortley  
Michael J. Shortley, III  
Vice President - Legal

cc: Julie Veach  
Victoria Goldberg  
Randy Clarke  
Marilyn Jones

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<sup>3</sup> For further information responsive to the Vonage Ex Parte, *see* November 13 Level 3 Ex Parte, and October 31 CLEC Coalition Ex Parte.