

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

In the Matter of

AT&T Petition to Launch a Proceeding  
Concerning the TDM-to-IP Transition;  
Petition of the National  
Telecommunications Cooperative  
Association for a Rulemaking to Promote  
and Sustain the Ongoing TDM-to-IP  
Evolution

GN Docket No. 12-353

Technology Transitions Policy Task Force

GN Docket No. 13-5

**REPLY COMMENTS OF THE USA COALITION**

The Universal Service for America Coalition (“USA Coalition” or “Coalition”), by its attorneys, respectfully submits these reply comments on the issues raised in the Federal Communications Commission (“FCC” or “Commission”) Notice seeking comment on recent petitions filed by AT&T and the National Telecommunications Cooperative Association (“NTCA”) regarding the ongoing evolution to networks based on Internet Protocol (“IP”) technology.<sup>1</sup> The USA Coalition urges the Commission to ensure that any Universal Service Fund (“USF”) support used to promote the PSTN’s transition to IP interconnection is made available to all carriers in a competitively-neutral manner that does not unfairly favor one type of provider over another or one technology over another.

Specifically, the USA Coalition joins with T-Mobile, NCTA, and other commenters in urging the Commission to consider the impact of subsidies on *all* carriers’

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<sup>1</sup> Public Notice, Pleading Cycle Established on AT&T and NTCA Petitions, GN Docket No. 12-353, DA 12-1999 (rel. Dec. 14, 2012) (Notice).

abilities to compete in a marketplace where participants rely upon IP-based technologies.<sup>2</sup> As NCTA explains, “all providers face choices about when and how to deploy technologies as they develop and there is no reason that incumbent LECs should receive government subsidies for undertaking investments that they and other providers have been able to undertake without such subsidies.”<sup>3</sup> For this reason, the USA Coalition agrees with CTIA and T-Mobile’s call for the Commission to “reject NTCA’s invitation to subsidize one group of competitors’ IP networks in rural areas based on legacy ILEC status” while denying this support to other types of carriers.<sup>4</sup>

To the extent the Commission chooses to make Universal Service Fund support available to RLECs to update the RLEC networks to permit IP-based interconnection, the Commission should make such funding available to all ETCs (including wireless ETCs). Failure to do so would create competitive distortions, permitting subsidized carriers to race ahead to complete their transition to IP networks, while requiring competitive carriers to implement IP interconnection with the ILECs at an artificially-fast pace and without USF support.<sup>5</sup> The impact of this biased approach to support would be most acutely felt by competitive carriers in rural areas that lack the economies of scale and large customer base necessary to offset the high capital costs required for the rapid transition to IP interconnection.

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<sup>2</sup> T-Mobile Comments at 9; NCTA Comments at 14; CTIA Comments at 8-10; Cox Comments at 4.

<sup>3</sup> NCTA Comments at 14.

<sup>4</sup> T-Mobile Comments at 9; CTIA Comments at 8-9.

<sup>5</sup> *See* Cox Comments at 4 (noting that providing special financial incentives for ILECs to shift to IP interconnection ‘would create market distortions and be inconsistent with the Commission’s long-term universal service and intercarrier compensation goals); Sprint Comments at 25 (noting that implicit and explicit subsidies to RLECs not available to other carriers distort competition).

For the same reason, the Commission should reject NTCA's request that RLECs be permitted to impose "incentive-based" charges on IP voice traffic.<sup>6</sup> As a practical matter, these charges would continue the subsidies the Commission sought to eliminate in the *USF/ICC Reform Order*. Depending on how the proposed charges are implemented, the charges could violate Section 254(e) of the Act, which requires that Universal Service Fund support be "explicit."<sup>7</sup> At a minimum, any policy permitting such charges would clearly run contrary to the Commission's long-standing goal of eliminating the implicit subsidies contained in access charges.

These charges also would require other rural carriers, which must bear their own IP-transition costs, to bear the RLECs' transition costs as well in the form of direct payments to the RLECs. FCC rules requiring these payments to RLECs from direct competitors would have a greater distortive effect on competition than providing support to RLECs through Universal Service Fund support, as such charges would provide a direct transfer of wealth from competitors to the incumbents.

It is also unclear that the costs borne by RLECs in transitioning to IP-based interconnection are significantly greater than those costs borne by other carriers. As Sprint notes:

[NTCA's Petition] does not identify, much less document, any additional costs that RLECs would incur by interconnecting on an IP basis. Nor does the petition challenge the record evidence in the pending ICC Transformation FNPRM proceeding which shows that incumbent LECs would likely incur minimal or no additional costs by exchanging voice traffic on an IP basis. NTCA's petition also does not explain why RLECs should be "rewarded" for making IP investments that benefit themselves

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<sup>6</sup> See Sprint Comments at 22.

<sup>7</sup> 47 U.S.C. § 254(e).

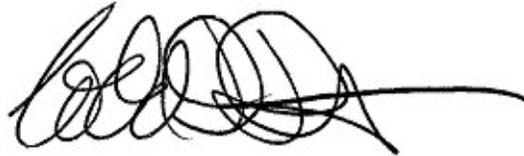
and their customers. Nor does the petition explain why RLECs need an additional “economic incentive” to interconnect with other voice providers.<sup>8</sup>

In short, there is no basis for providing additional funds to RLECs, whether through Universal Service Fund support or through the right to assess access charges, to promote the transition to IP interconnection. To the extent the Commission makes support available for the transition to IP interconnection, it should be made available to all carriers on a competitively-neutral basis.

## **CONCLUSION**

For the forgoing reasons, the USA Coalition calls upon the Commission to adopt pro-competition policies to promote the transition to IP networks. Further, to the extent that the Commission makes Universal Service Fund support or other forms of support (including access charges) available to one type of carrier, those same mechanisms should be available to all carriers consistent with the principle of competitive neutrality.

Respectfully submitted,



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<sup>8</sup> Sprint Comments at 22-23.