



September 23, 2013

Ex Parte

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Cisco WebEx LLC Request for Review of a Decision of the Universal Service Administrator*, WCB Docket No. 06-122

Dear Ms. Dortch:

On September 19, 2013, on behalf of Cisco WebEx LLC (“WebEx”), Jeff Campbell of Cisco, Walter Anderson of Wiltshire & Grannis LLP, and the undersigned met with Chin Yoo, Acting Deputy Chief, Wireline Competition Bureau, and Carol Pomponio, Attorney-Advisor, Wireline Competition Bureau. The following individuals joined the meeting via online conference: Bill Hodkowski, Don Brown, Walt Anderson, and Jason Hoenig, WebEx; Anne Langer, Wiltshire & Grannis LLP; and Claudia Fox, Attorney-Advisor, Wireline Competition Bureau. During the meeting, we discussed issues related to WebEx’s Petition for Review of a Decision of the Universal Service Administrator (“Petition”).

Specifically, we provided a demonstration of WebEx’s online-collaboration platform, during which staff was able to interact with the wide variety of dynamic features WebEx integrates into a single service that allows users in remote locations to simulate in-person meetings. The demonstration allowed staff to view the service’s document-sharing, integrated video, active talker, active speaker, host-control, chat, and presence-indication capabilities. We also demonstrated WebEx’s ability to integrate with other software, such as Microsoft Outlook and Office, as well as the variety of ways a customer can access the audio portion of a meeting, including toll, toll-free, VoIP, and call-back, and the ability of customers to switch among those options during the course of meeting.¹

We emphasized that service-classifications must turn on the technical capabilities a provider offers its customers, and it is irrelevant how customers ultimately decide to use the service. WebEx’s capabilities are always available, even if some customers or meeting participants at times choose to forego some—or all—of them. The Commission and the Supreme Court recognized this principle in the *Cable Modem Order* and *Brand X* when they acknowledged that, though some cable-modem subscribers may not use all capabilities of

¹ In response to a staff request, WebEx will shortly supplement the record with detailed illustrations and explanations of the information-service capabilities WebEx offers to its customers.

integrated broadband, cable-modem service is an information service because of the capabilities offered to customers. In addition, a provider's pricing and accounting decisions—which simply reflect the provider's effort to cover its costs in a manner most acceptable to its customers—are also irrelevant to service classification. A provider can change its pricing and accounting methods without changing the capabilities it offers—the only relevant factors in a classification analysis.

Furthermore, we explained that, to maximize flexibility and attract the widest variety of customers to its online-collaboration service, WebEx allows customers to purchase the service in three ways. *First*, customers can buy the WebEx platform and rely exclusively on third-party audio. With this option, there is no integration between the audio and the WebEx platform, which means that customers cannot use key features such as active-talker, active-speaker, and attendee lists, and users may not be able to record meetings seamlessly. This option is typically the least expensive and is most often used by customers with limited budgets and/or a pre-existing relationship with an audio provider that does not partner with WebEx.

Second, customers can buy the WebEx service and audio from a WebEx partner. Here, because WebEx works with its partners to integrate the collaboration platform and the audio stream, users will have access to some set of integrated features, the number and variety of which varies by partner. No partner, however, provides every integrated feature, and there frequently will be a lag between release of the latest features and availability through partners while WebEx and the partner implement the technical integration. This option is more expensive than the first option and is generally chosen by customers who want the advantages of an integrated platform but who have a pre-existing audio-provider relationship and may wish to retain features, such as vanity telephone numbers, that WebEx does not currently offer.

Third, customers can buy the full collaboration service, including audio, from WebEx. This option allows for the tightest integration, as the audio stream is designed specifically for WebEx and allows access to the latest features. This option, however, is also typically the most expensive, in large part because, to provide the audio, WebEx must lease transmission circuits. WebEx does not give its carrier partners reseller certificates and, as a result, WebEx makes indirect USF contributions. WebEx offers the audio stream in a variety of ways, including toll, toll-free, VoIP, and call back. To use this option today, customers must buy a host license, and they can buy audio in a number of ways, including monthly subscriptions, monthly commitments, and per-minute charges. Though the WebEx customer must buy a host license, WebEx allows participants to call into a meeting without logging into the online session. Without this backward compatibility, the service would be far less useful for WebEx's customers, as participants will frequently want to join a meeting at times when they are not near a computer or mobile device with data service, or when they are engaged in an activity, such as driving, that prevents them from focusing on a screen. Those participants, however, can log into the online platform at any time during a meeting—it is always available to them.

During the meeting, we reminded staff that, during the audit period addressed in WebEx's Petition, WebEx allowed customers to purchase audio on a standalone basis. WebEx, however, reported the revenues associated with audio-only sessions as telecommunications and paid the associated USF surcharges. Thus, the only revenues at issue in this proceeding are those

associated with audio that was one integrated component—among many others—of an online-collaboration session.

In addition, we explained that WebEx's focus is its online-collaboration service, and it only sells integrated audio because it (1) allows for a better, more integrated user experience and, thus (2) allows WebEx to sell more of its collaboration service. WebEx, however, is happy to collaborate with other audio providers and does not view them as competitors. Indeed, this flexibility for consumers to retain pre-existing relationships and buy lower-cost audio simply allows WebEx to sell that many more subscriptions to its collaboration service. Moreover, this collaboration demonstrates the vast difference between WebEx and traditional audio providers. If these providers were competitors, customers would choose between WebEx and their existing audio provider—not purchase service from both them.

Finally, we explained that forcing WebEx improperly to make direct USF contributions on the basis of its audio sales would have virtually no impact on the Fund. As discussed, WebEx does not provide reseller certificates to its carrier partners and, therefore, makes indirect USF contributions. And, as WebEx demonstrated, its audio offering is tightly integrated with information services such as active talker and active speaker. There is little difference between the value of the telecommunications component of WebEx audio and the price WebEx pays for telecommunications inputs—and WebEx is paying USF indirectly on that value. Likewise, properly classifying WebEx as an integrated information service does not implicate the Commission's competitive-neutrality principle. Even if WebEx competed with traditional audio providers—which it does not—both WebEx and traditional audio providers make Fund contributions. That WebEx's contributions are indirect while the traditional providers' contributions are direct is a distinction without a difference. Both providers must pay USF charges, and there is no competitive imbalance.

Sincerely,

/s/ Brita D. Strandberg

Brita D. Strandberg
Counsel to Cisco WebEx LLC

cc: Meeting participants