

Via ECFS

June 1, 2015

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: USF Support for Standalone Broadband, WC Docket No. 10-90

Vonage Holdings Corp. (“Vonage”) submits this ex parte letter to support revising USF mechanisms to support stand-alone broadband in rate-of-return markets.¹ Vonage urges the Commission to act now to adopt USF support mechanisms that foster the availability of stand-alone broadband throughout the Nation.²

Congress determined that “[c]onsumers in all regions of the Nation... should have access to telecommunications and information services, including ... advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas.”³ The Commission relied on this statutory objective to add the promotion of broadband deployment as a universal service principle, explaining that “[p]roviding support for broadband networks will further [the] goals” including those set forth in section 254(b)(3).⁴

Although the 2011 *Connect America Fund Order* repurposed the USF system from supporting voice to supporting broadband, the Commission modified only price cap USF mechanisms to support stand-alone broadband.⁵ The Commission sought comment on proposals to provide USF support for stand-alone broadband in rate of return areas,⁶ but has yet to take action on this issue. As the Wireline Bureau acknowledged in its 2013 Public Notice,⁷ under existing rules, high cost

¹ See e.g. Letter from Michael Romano, NTCA—The Rural Broadband Association, WC Docket 10-90, to Marlene H. Dortch, FCC at 1 (April 21, 2015) (advancing proposal, which includes support for stand-alone broadband, on behalf of NTCA, WTA-Advocates for Rural Broadband and NECA — collectively the “Rural Associations”) (“RLEC Association Letter”).

² Vonage consistently has urged the Commission to support stand-alone broadband. See Vonage Comments WC Docket No. 10-90, 09-51, 05-337, at 3 (July 12, 2010); Vonage Comments in Response National Broadband Plan Notice # 19, GN Docket Nos. 09-47, 09-51, 09-137 at 2 (filed Dec. 7, 2009) (“Vonage NBP #19 Comments”); Vonage Reply Comments, WC Docket 05-337; CC Docket No. 96-45 at 1 (June 2, 2008).

³ 47 U.S.C. § 254(b)(3).

⁴ *Connect America Fund Order*, ¶ 44.

⁵ *Id.* ¶ 86 n.127.

⁶ *Connect America Fund Order*, ¶ 1036.

⁷ Public Notice, *Wireline Competition Bureau Seeks Comment on Options to Promote Rural Broadband in Rate-of-Return Areas*, WC Docket No. 10-90, DA 13-1112 at 1 (WCB May 16, 2013).

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support in rate-of-return markets is limited to lines where the user also subscribes to the ILEC's voice offering.⁸ Thus USF support "in the form of ...HCLS...and ...ICLS—is available for a broadband capable loop provided by a rate of return carrier only if the end user purchases voice service."⁹ Because the current policy is inconsistent with repurposing USF to support broadband and a barrier to voice competition in rate-of-return areas, the Commission should revise its rules as soon as possible.

The policy of tying support for broadband to voice lines is inconsistent with the revised USF framework established in the *Connect America Fund Order*. In that order the Commission recognized that networks built primarily for voice are no longer sufficient¹⁰ and pre-*Connect America Fund Order* USF mechanisms were based on decades-old assumptions that failed to reflect today's networks and the evolving nature of communications services.¹¹ The Commission partially modernized the USF regime in rate-of-return markets by establishing a public interest obligation requiring recipients of USF support to provide broadband capable of supporting VoIP service upon reasonable request.¹² Vonage agrees that it is "unfortunate and ironic that the [*Connect America Fund Order*], which aims to modernize the high-cost universal service program to ensure availability of voice and broadband service, and imposes a broadband obligation on rate-of-return carriers, is the very same *Order* that denies funding to RLECs for providing broadband ...on a standalone basis."¹³ Denying support for stand-alone broadband, at this point in the transition from a voice centric USF regime to one focused on broadband, is inconsistent with the policies and objective set forth in the *Connect America Fund Order*.

Providing such support would advance several of the goals articulated in the *Connect America Fund Order*. It would promote broadband adoption;¹⁴ consistent with Section 254(b)(3), it would afford customers in high-cost areas with access to advanced voice and video applications and services comparable to those available in urban areas;¹⁵ and it would promote fairness in the universal service program overall.¹⁶

⁸ *Id.* at 2.

⁹ *Id.*

¹⁰ *Connect America Fund Order*, ¶ 2.

¹¹ *Id.* ¶ 6.

¹² *Id.* ¶ 206.

¹³ Comments of the United States Telecom Association, WC Docket No. 10-90 at 3 (filed June 17, 2013).

¹⁴ Vonage NBP # 19 Comments at 2.

¹⁵ *Id.*

¹⁶ *Id.*

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Promoting broadband adoption. Consistent with one of the most important policy objectives in the *Connect America Fund Order*, USF support for stand-alone broadband will encourage consumers that have no need for the ILEC's voice service to obtain broadband. The Rural Associations calculate the unsupported rate for stand-alone broadband at \$110.33. That cost likely is prohibitive for most broadband consumers. Under current policy, although paying for voice may reduce the costs of broadband, it could force the consumer to pay for voice service they do not want or need, pay for two voice applications, or forgo the preferred voice service (whether VoIP or mobile).¹⁷ For example, a consumer that relies exclusively on a mobile wireless phone likely will not add broadband if it means having to subscribe to a fixed voice service duplicative of the user's existing voice service.¹⁸ Similarly, a user that wants to subscribe to broadband in order to try a VoIP service will be discouraged from purchasing broadband if they cannot afford to pay for both the VoIP application and the fixed line voice necessary to get a lower broadband rate that is supported by USF.¹⁹ This same dynamic applies in the online video market. Consumers intrigued by online video are unlikely to purchase broadband and online video if, in order to do so, they must purchase a voice service they neither want nor need.²⁰

Reasonably Comparable Services. Currently consumers in urban markets can obtain stand-alone broadband and subscribe to numerous Internet applications and services, including voice and video from third party suppliers, and only pay for the services they want. Consumers in rate-of-return markets that wish to obtain third party VoIP services and broadband services must pay twice for voice. This extra burden on consumers in rate-of-return markets is "hardly 'reasonably comparable' service 'at rates that are reasonably comparable to rates' paid for equivalent services."²¹

Fairness in USF. Allowing USF support for stand-alone broadband would promote fairness in the Commission's USF regime. VoIP providers are required to contribute significant sums to support USF, but are ineligible to receive high cost USF support.²² Allowing USF support for stand-alone broadband service "would permit standalone VoIP providers to compete for business from consumers who are benefitting from [USF] subsidies" derived in part from VoIP providers' contributions. As Vonage explained in 2009, "even though VoIP providers do not receive USF

¹⁷ RLEC Association Letter, Attachment 1, Effect on Rural Consumers of Providing or Not Providing Data Connection Support at 1 (showing unsupported rate for stand-alone broadband of \$110.33.).

¹⁸ Vonage NBP #19 Comments at 2.

¹⁹ *Id.*

²⁰ *Id.* at 6.

²¹ *Id.* at 4-5.

²² *See id.* at 4-5. A VoIP provider would have to submit to common carrier regulation in order to apply for Eligible Telecommunications Carrier status.

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support directly, they could benefit by being able to compete for customers in a market expanded by the USF subsidies to which they contribute.”²³

For these reasons, Vonage urges the Commission to provide USF support for stand-alone broadband in rate-of-return markets.

Sincerely,



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²³ See *id.* at 6.