

Advocacy Urges FCC to Analyze Impact on Small Voice over IP Providers Before Regulating

On June 15, 2006, the Office of Advocacy (Advocacy) filed a letter with the Federal Communications Commission (FCC) to urge the FCC to conduct an initial regulatory flexibility analysis (IRFA) before it adopts a rule changing the safe harbor percentage for small wireless carriers and imposing Universal Service obligations on Voice over Internet Protocol (VoIP) providers. The most important points are summarized below. A complete copy of Advocacy's letter may be accessed at <http://www.sba.gov/advo/laws/comments/>.

- The FCC is considering requiring VoIP providers to contribute for the first time to the Universal Service Fund at a rate higher than other types of telecommunications. The FCC has announced that it will vote on the final rule at its meeting on June 21, 2006.
- This final rule appears to be based on a proposed rule issued in 2004 that asked broad questions about whether IP-Enabled Services (such as VoIP) should be regulated and whether they should contribute to Universal Service. The proposed rule did not propose any specific regulations and the IRFA released with the proposal reflected this lack of specificity.
- IP-enabled services include any service or application that relies upon Internet Protocol and is transmitted over the Internet. The most well-known of these services is the transmission of telephone calls over the Internet, often called VoIP.
- In Advocacy's opinion, the FCC has not analyzed the economic impacts on small businesses of increasing the safe harbor percentage or imposing Universal Service obligations on VoIP providers. Advocacy recommended that the FCC postpone adopting a final rule on this issue until it has had an opportunity to complete an initial regulatory flexibility analysis that meets the requirements of the Regulatory Flexibility Act (RFA).
- The RFA and Executive Order (EO) 13272 require government agencies to analyze their impact thoroughly on small entities and consider less burdensome alternatives. EO 13272 also requires agencies to give every appropriate consideration to any comments provided by Advocacy.

For more information, visit Advocacy's website at <http://www.sba.gov/advo/> or contact Eric Menge at (202) 205-6533.