

Communications
Workers of America
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December 6, 2007

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

Dear Ms. Dortch:

RE: Ex Parte Notice. WC Docket No. 07-22. In the Matter of Application Filed for the Transfer of Certain Spectrum Licenses and Section 214 Authorizations in the States of Maine, New Hampshire and Vermont from Verizon Communications Inc. and its Subsidiaries to FairPoint Communications, Inc.

The CWA and IBEW today released a report entitled *You Make the Call: High Speed Broadband for All or Tax Loopholes for Verizon*.

The report concludes that the \$600 million tax windfall that Verizon is due to receive from its proposed sale of telephone operations in northern New England, if invested in network upgrades, could be enough to provide high-speed Internet access to nearly every residential customer in the company's service area.

Verizon has structured the sale of its phone business in Maine, New Hampshire and Vermont to FairPoint Communications in order to avoid paying any federal taxes on the profits of the \$2.7 billion deal through an arcane tax loophole called a Reverse Morris Trust.

Verizon should not be rewarded for abandoning its lines and its previous broadband commitments by allowing it to pocket this tax "subsidy." The taxpayers of the U.S. – and especially those in Maine, New Hampshire and Vermont - should not subsidize a transaction that harms the public interest, distorts markets and stimulates a company to abandon its operations to a small, undercapitalized firm.

Instead, the \$600 million, if put into a Broadband Infrastructure Fund – as the CWA and IBEW have recommended to the Commission as a condition for approval of the sale - would allow for either of the following:

- Build out fiber to the home to provide access to 84 percent or 857,000 of northern New England's residential consumers served by Verizon.
- Build out DSL to provide access to nearly 100 percent and build out fiber to the home to provide access to 75 percent of northern New England's residential consumers served by Verizon.

The report uses data from the Commission to show that the three states currently rank at or near the bottom in terms of broadband availability in the United States. New Hampshire is last, Vermont is next to last and Maine is fourth from bottom of the 50 states in the percentage of homes with DSL access. Only 64 percent of homes in the three states have broadband access as compared with the national average of 79 percent.

The Commission has a unique opportunity: it should not allow Verizon to game the system, abandon its previous commitments to 1.5 million customers and avoid paying \$600 million in taxes. Instead, this money should be allocated to expand high speed broadband throughout the region. This investment would place northern New England at the forefront of the United States in terms of broadband deployment and speed. It would add significant benefits in terms of jobs, economic development, as well as the health and safety of its residents.

Sincerely,



Kenneth R. Peres, PhD.
Research Economist
Research and Development Department
Communications Workers of America

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