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March 30, 2009

Ex Parte

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

Re: Universal Service Fund, CC Docket No. 96-45; High-Cost Universal Service Support, WC Docket No. 05-337; and CTIA Petition for Declaratory Ruling Regarding Wireless Facilities Siting, WT Docket No. 08-165

Dear Ms. Dortch:

Verizon is hereby requesting that the attached comments (Exhibit 1) be placed on the record in the above referenced dockets. These comments were filed in the Commission's proceeding related to a report on rural broadband strategy, GN Docket No. 09-29, but also address issues related to the above dockets.

Also, on March 27, 2009, Tamara Preiss of Verizon Wireless, Will Johnson and the undersigned of Verizon met with Christina Clearwater, Charles Mathias and Peter Trachtenberg of the Wireless Telecommunications Bureau, Jennifer Prime, Melissa Kirkel, Matthew Warner, Claude Aiken, William Kehoe, and William Dever of the Wireline Competition Bureau, and Shana Barehand of the Consumer & Governmental Affairs Bureau to discuss Verizon's position in the proceeding addressing the Commission's report on a rural broadband strategy. During the meeting, Verizon provided an overview of its position and distributed the attached handout (Exhibit 2). The positions discussed and the handout are consistent with the attached comments.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Ann D. Berkowitz".

Attachment

Exhibit 1

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
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Report on Rural Broadband Strategy) GN Docket No. 09-29
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**COMMENTS OF VERIZON AND VERIZON WIRELESS ON REPORT ON RURAL
BROADBAND STRATEGY**

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March 25, 2009

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
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Report on Rural Broadband Strategy) GN Docket No. 09-29
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**COMMENTS OF VERIZON¹ AND VERIZON WIRELESS ON REPORT ON RURAL
BROADBAND STRATEGY**

I. Introduction and Summary

Over the past decade new technologies and robust competition have delivered a far broader variety of communications services to a far greater number of Americans than at any time in our history. Consumers are seeing more competition and decreased costs for their wireline and wireless communications services, as well as the introduction of innovative new services. Today, well over 90 percent of U.S. households can access broadband technologies. More consumers are connecting, seeing speeds increase and getting more out of the host of new services that enhance their online experiences. Likewise, rural areas have experienced continual growth in broadband availability and adoption, with one recent study showing that growth in broadband adoption by rural Americans of 23 percent from 2007 to 2008 – among the highest of any group.²

Verizon continues to invest heavily in order to spread the reach of broadband and offer

¹ In addition to Verizon Wireless, the Verizon companies participating in this filing (“Verizon”) are the regulated, wholly owned subsidiaries of Verizon Communications Inc.

² Pew Internet & American Life Project, “Home Broadband Adoption 2008” at 12, http://www.pewinternet.org/~media/Files/Reports/2008/PIP_Broadband_2008.pdf (July 2008).

innovative broadband services. Verizon continues roll out its next-generation, all-fiber FiOS network, which is available to 13 million homes and businesses. On the wireless side Verizon spent \$9.4 billion last year in the 700 MHz auction to facilitate the deployment of fourth-generation Long Term Evolution (LTE) network, which ultimately will help bring high-speed wireless broadband to consumers across the nation, including those in some underserved regions. Verizon also completed the acquisition of Alltel, which is largely a rural wireless carrier. Alltel's customers are already benefitting from the acquisition in two ways – they are now part of an 83 million-strong nationwide calling family, and Verizon committed to complete the upgrade of Alltel's EV-DO network to higher speed Rev. A technology within a year from closing, which occurred on January 9, 2008. Verizon's efforts underscore its long-term commitment to offer customers the best possible broadband networks and to spur innovation across the Internet. These efforts – and those of other companies – are also the result of forward-looking, consumer-focused policies, as well as a commitment of billions of dollars to deploy the networks that now serve as the critical infrastructure for America's economy.

Despite the substantial investment by Verizon and other broadband providers, a small but significant number of consumers – particularly in hard-to-reach, rural areas – still lack access to broadband. Making broadband available to these unserved, rural areas is a challenge for the Commission and other policymakers that must be a central concern as the Commission develops a national broadband strategy.

Taking into account the recently-enacted broadband initiatives in the American Recovery and Reinvestment Act,³ a successful and comprehensive rural broadband strategy must involve five elements. First, the Commission and other policymakers must rely on hard data – such as

³ Public Law 111-5 (Feb. 12, 2009) (the "Recovery Act").

the data that will flow from the broadband mapping funded by the Recovery Act and from the recently revised Form 477 – to identify precisely where broadband is and is not available in rural areas in order to target attention and resources to areas where they are needed. Second, the Commission should actively coordinate with the National Telecommunications and Information Administration (NTIA) and Rural Utilities Service (RUS) to ensure that NTIA and RUS can target available funds to areas where no broadband connectivity is currently available. Third, as explained below, the Commission should reform the federal Universal Service Fund (USF) to target these funds in a manner that responds to today’s communications challenges without overburdening the consumers that pay for that support. Fourth, the Commission should take steps, in the context of a pending petition by CTIA⁴, to ensure that inefficient or burdensome local tower-siting regulations do not unreasonably delay the deployment of wireless broadband services in rural areas. Finally, as in non-rural areas, the Commission should work with other policymakers and stakeholders to address demand-side factors that inhibit consumer subscription to broadband services, including computer literacy, computer ownership, or other factors that prevent people from recognizing the relevance of broadband to their lives.

II. Policymakers Should Base Decisions on Hard Data Concerning Rural Broadband.

As the Commission and other policymakers consider efforts to increase the availability of broadband in rural areas, it is essential that they rely on hard data that identify where the gaps in broadband availability actually are so that attention and finite resources will be effectively and efficiently targeted to those areas. While the Commission has long collected considerable information from providers about the broadband services that they sell, the available information

⁴ CTIA Petition for Declaratory Ruling to Clarify Provisions of Section 332(c)(7)(B) to Ensure Timely Siting Review and to Preempt under Section 253 State and Local Ordinances that Classify All Wireless Siting Proposals as Requiring a Variance, WT Docket No. 08-165 (July 11, 2008) (the “CTIA Petition”).

about broadband soon will increase exponentially as a result of two developments – legislation requiring and funding state-level broadband mapping and the Commission’s revisions to the Form 477 broadband reporting requirements. The data that will flow from these efforts should be central to any rural broadband strategy.

First, following the lead of Connected Nation in states such as Kentucky, broadband mapping initiatives are well underway in many states that are providing detailed information about where broadband is available or unavailable on an address-by-address basis. Similarly, Congress took a significant step in kick-starting such initiatives in other states and increasing the available data concerning broadband when it enacted the Broadband Data Improvement Act (the “BDIA”) last year. *See* Public Law 110-385 (47 U.S.C. 1301 note) (2008). Among other things, that bill, which was signed into law on October 10, 2008, created an NTIA-administered grant program for state-level initiatives to “provide a baseline assessment of broadband service deployment in each State,” including identification of “areas in each State that have low levels of broadband service deployment,” “the rate at which residential and business users adopt broadband service and other related information technology services,” and “possible suppliers of such services.” *Id.* § 106(e)(1), (2). The BDIA also requires grant recipients “to create within each State a geographic inventory map of broadband service, including the data rate benchmarks for broadband service utilized by the Commission to reflect different speed tiers, which shall – (A) identify gaps in such service . . . based on the geographic boundaries of where service is available or unavailable among residential and business customers; and (B) provide a baseline assessment of statewide broadband deployment in terms of households with high-speed availability.” *Id.* § 106(e)(10).

More recently, Congress funded this initiative as part of the Recovery Act, providing

\$350 million to NTIA to fund these state-level broadband mapping projects and “for the purposes of developing and maintaining a broadband inventory map.” *Id.* (Appropriations Sections related to NTIA broadband provisions). The Recovery Act further required NTIA to “develop and maintain a comprehensive nationwide inventory map of existing broadband service capability and availability in the United States that depicts the geographic extent to which broadband service capability is deployed and available from a commercial or public provider throughout each State,” and to publish this map on a publicly-available web site within two years. *Id.* § 6001(l).

The output of these state-level mapping initiatives will provide invaluable and granular data about the status of broadband, including in rural areas where such information has previously been hard to come by. These data will identify not only gaps in rural broadband availability, but also additional details about the available services, such as speeds, in areas that are already served. This granular information, which will be the product of public-private collaboration and on-the-ground consideration of existing broadband services and local barriers to increased deployment, should be used to identify those rural areas that require special attention in order to ensure broadband deployment and availability.

Second, the Commission took additional steps last year to revise its Form 477 broadband reporting requirements, and its revisions to these requirements are already resulting in the reporting of significant, granular information concerning broadband services.⁵ Among other things, the Commission required all broadband providers to report twice yearly the number of

⁵ *Development of Nationwide Broadband Data to Evaluate Reasonable and Timely Deployment of Advanced Services to All Americans, Improvement of Wireless Broadband Subscriberhip Data, and Development of Data on Interconnected Voice over Internet Protocol (VoIP) Subscriberhip*, Report and Order and Further Notice of Proposed Rulemaking, 23 FCC Rcd 9691 (2008) (“Broadband Data Report”).

broadband connections in service in each individual Census Tract that they serve. In addition, this information must be further broken down by upload and download “speed tier,” technology, and customer type (*i.e.*, residential vs. business). *Id.* ¶ 14.⁶ As the Commission recognized when it adopted these reporting requirements, “[t]his information will provide us with a highly detailed and reliable account of broadband subscription and deployment nationwide, enabling us to make more informed policy determinations and to support more effectively the efforts of states and others seeking to promote broadband services.” Broadband Data Report ¶ 14. The additional information resulting from the revised reporting requirements will provide much more information about broadband in rural areas. In particular, the new data address the concern that the previous zip-code-level data was inadequate, given the large size of zip codes in many rural areas.

The first Form 477 filings responding to these new requirements were due on March 16, and, according to recent reports, the Commission has so far received 95% of the expected reports together with requests for short extensions by some broadband providers.⁷ The Commission should promptly process these data and the data that will be reported for future filing periods to obtain a complete and accurate picture of the status of broadband adoption and availability throughout the nation. Particularly when combined with the availability information that will be produced by state-level mapping initiatives, the Form 477 data should be a cornerstone of any rural broadband strategy or other national broadband plan in order to ensure that attention and resources are appropriately targeted.

⁶ See also Order on Reconsideration, 23 FCC Rcd 9600 (2008) (requiring estimated percentage of connections that are residential).

⁷ Communications Daily, “FCC Collection of More-Detailed Broadband Data Going Well, Official Says” (Mar. 18, 2009).

III. Effective Implementation of the Stimulus Act Will Improve Rural Broadband Deployment in Currently Unserved Areas.

A second, key part of any strategy for rural broadband must be the effective implementation of the broadband grant and loan provisions of the Recovery Act, including effective coordination of the Commission, NTIA, RUS and state governments to ensure that the programs and funding created by the Recovery Act are put to their best use and that taxpayers get the most broadband bang for their buck. The Recovery Act's \$7.2 billion in funding for broadband provides a significant opportunity to make progress towards the universal deployment of broadband services by providing the capital needed to invest in broadband networks in those rural areas where deployment is not economically viable. In order to be effective, however, these projects depend on close coordination between the Commission, NTIA, RUS and the states to identify the areas of greatest need in an accurate and timely manner and to ensure that funds are awarded and spent in a transparent and efficient manner.

Currently, the information needed to identify holes in broadband deployment can be drawn from several sources, and parts of this information are in the possession of several different entities, including in particular the Commission and the states. In order for NTIA and RUS to target funds to those areas most in need – those completely lacking in broadband – it is essential that this information be effectively shared (subject to appropriate protections for commercially sensitive or other confidential information) with NTIA and RUS for purposes of grant-making.

As noted above, the information made available by both the state-level broadband mapping initiatives and the Commission's Form 477 reporting requirements provide an important source of data on which the NTIA and RUS programs should rely – particularly in identifying unserved rural areas. In addition, several states have created state broadband plans or

task forces, which could provide useful insight into the broadband gaps that need to be filled, and the most effective ways to address those needs based on local conditions.⁸ These resources necessarily should inform the federal grant-making process. Even where these formal processes have not been completed, states generally are aware of parts of their geographies that are without broadband access.

Using this data from the Commission and from the states, the initial round of NTIA and RUS grants should be made for projects meeting at least three criteria (beyond specific projects funded in the legislation to create jobs): 1) projects that a state has identified or otherwise agreed will extend broadband service to an unserved area; 2) projects with applicants who have a successful track record of deploying and providing broadband service; and, 3) projects that use a technology that is appropriate for the area to be served. Subsequent rounds of grants could be informed by the updated Form 477 data that the Commission collects, the improved and expanded broadband mapping that states develop via stimulus funds, as well as other work that state and local governments undertake to develop their technology plans.

By facilitating the collection and sharing of broadband data with NTIA and RUS, the Commission will help to ensure the efficiency and effectiveness of the broadband grant process, thus substantially increasing the reach of broadband to rural areas currently lacking service.

IV. Reform of the USF Would Improve Rural Broadband.

Any effective strategy for improving broadband availability in rural areas also must include reform of the Universal Service Fund. The purpose of the fund is to ensure that all Americans have access to communications services. Verizon has supported this goal, and over

⁸ See Alliance for Public Technology & Communications Works of America, “State Broadband Initiatives: A Summary of State Programs Designed to Stimulate Broadband Deployment and Adoption,” http://www.apt.org/publications/reports-studies/state_broadband_initiatives.pdf (November 2008).

time the USF has succeeded. Today, most consumers have access to multiple carriers – wireline and wireless – for their communications needs.

Yet the USF – especially the high-cost fund – is a program that is behind the times and badly in need of reform. It remains focused on legacy technology, and attempts to fit new technologies – wireless and broadband – into an ill-fitting framework. It does little to deploy new services – wireless and broadband – to areas that are unserved; as a result, it is not meeting its fundamental objective: providing universal service. Moreover, it spends consumers’ dollars very inefficiently.

As it considers both a rural broadband strategy and a national broadband plan, the Commission should reform the USF to better serve rural America. This reform should include several elements:

Cap the size of the high-cost fund. One significant problem with today’s USF is that it spends too much money on the wrong things. Rather than funding multiple competitors in a single area, the Commission should cap the entire high cost fund and retarget that support to the deployment of mobile wireless and broadband services in unserved areas.

Use competitive bidding to award funding to mobile wireless carriers. The current system for funding wireless carriers is inefficient and does not focus on extending service to unserved areas. Wireless carriers flock to provide service in these “high-cost” areas because the basis for the subsidy is the cost for the incumbent wireline provider in that locale. So, for example, if the wireline carrier’s costs trigger a \$25 per-month subsidy for each line, each mobile-wireless carrier can receive a \$25 per-month subsidy per device provided in that locale. It is time for the Commission to change this wasteful system.

In order to more efficiently promote the goals of USF and to save consumers money, the

Commission should use competitive bidding to distribute universal service support to mobile-wireless carriers. Competitive bidding is the best way to determine how much a wireless carrier really needs from the USF to offer service throughout a high-cost area. Competitive bidding is not a new concept; it is the standard means by which government and businesses buy goods and services. The government uses competitive-bid contracts for many important projects where high-quality service is essential, such as development of military equipment and repair work to bridges and roads. The Commission should do the same thing in this context and ensure that any contract it signs with a wireless provider that wins the bidding process mandates a certain level of service.

Competitive bidding should require that wireless providers expand their coverage in ways that today's system does not. In order to bid, a wireless provider should agree to serve an entire area. The contracted area could be a wire center or it could be an area that corresponds to the spectrum license that a wireless provider holds. To facilitate build-out in unserved areas, the Commission should also facilitate tower siting, as explained below.

With this new approach, the Commission also should ensure that universal service encourages efficient providers. To do so, the Commission should break the link between funding levels and costs in order to ensure that universal service does not reward companies for high costs. Competitive bidding forces providers to evaluate their own business models and network capabilities, and to make their own judgment about what amount of support is necessary. If that amount is not competitive, the carrier will not win the support.

Provide support for the “middle mile.” In order to improve the availability and quality of broadband services in rural areas, the Commission also should create a separate, temporary subsidy program that would promote broadband deployment by supporting the “middle mile”

transport costs some broadband providers face in high-cost areas. The inadequacy or high cost of the “middle mile” has been highlighted as one of the significant barriers to greater broadband deployment in rural areas.

Broadband Internet service providers in rural areas need transport services to carry their customers’ Internet traffic to and from long-haul networks that connect them to the Internet. Some have referred to those transport services as the “middle mile” to distinguish them from the “last mile” connections to end-users. A broadband Internet provider serving a rural part of a state will, in most cases, have to transport its Internet traffic over a greater distance than a broadband provider serving a city in the same state. In some areas, rural broadband providers have met the demand for middle-mile transport services by constructing their own fiber-optic transport networks, often through a consortium. In certain other rural high-cost areas, however, the cost of the additional transport mileage is high enough to impinge on a rural broadband provider’s ability to offer services in those areas.

To address these additional mileage costs, the Commission should create a program through the USF that would offset some of the transport-mileage costs in these rural areas.⁹ This program should fall within the overall cap on the high-cost fund and should itself be capped at a set amount. Any support also should be available for a fixed duration sufficient to provide recipients an opportunity to build a customer base, add new services, form a consortium or otherwise cover the costs of the transport. The program should also be technology neutral so that support goes to the most efficient technology in that area.

⁹ With this program as well, the Commission should coordinate with NTIA and RUS so that grants or loans from the Recovery Act broadband programs can be a first recourse for middle mile support. USF support should be limited to areas that need support, but for which funds were not available from those other programs.

V. Expediting Tower Siting Procedures Would Facilitate Wireless Broadband in Rural Areas.

A strategy to bring broadband to rural America must consider the ability of providers of broadband services to roll-out those services in a timely and effective manner. As CTIA and other wireless providers have detailed in WT Docket No. 08-165, delays in wireless facilities siting are impeding wireless carriers' ability to construct facilities and bring wireless services, including broadband capabilities, to customers in rural areas. Another significant problem is the proliferation of zoning ordinances that impose a variety of burdensome provisions on wireless facilities siting.¹⁰

As detailed in the CTIA Petition, the Commission can expedite the construction of wireless facilities that will bring wireless broadband services to rural areas by declaring that tower siting applications will be deemed granted when a zoning authority fails to render a final decision on a facilities siting application within 45- and 75-day benchmarks for collocation and non-collocation requests respectively.¹¹ Moreover, the Commission should grant CTIA's request for a ruling that any ordinance that automatically requires a wireless carrier to seek a variance is preempted as an impermissible barrier to entry under Section 253(a) of the Act.¹² By granting the CTIA Petition, the Commission can remove significant barriers to the roll-out of wireless facilities, and facilitate the ability of wireless providers to bring wireless broadband to rural America.

¹⁰ Some examples of burdensome requirements imposed on wireless towers include set-back requirements from roads or other structures (of up to 1000 feet or more), fall-zone requirements, severe height limitations, limitations on the coverage area of towers, mandatory review by third-party RF consultants, and onerous variance requirements.

¹¹ CTIA Petition at 24-26.

¹² CTIA Petition at 35-38.

VI. Demand-Side Programs Would Encourage Adoption of Broadband in Rural Areas.

Finally, any effective broadband strategy must take into account demand-side factors that affect broadband adoption. Well over 90 percent of households have access to broadband services, but fewer than 60 percent of those households choose to subscribe.¹³ This statistic shows that while funding for broadband-infrastructure investment is important, it addresses only a small part of the reason that broadband has not been more broadly adopted. And demand-side issues are no less important in rural areas than others.

A recent survey of dial-up and non-Internet users performed by the Pew Internet and American Life Project demonstrates the importance of demand-side factors in encouraging the growth of broadband.¹⁴ While some respondents did point to lack of availability or the cost of service as reasons that they did not subscribe to broadband, other reasons dominated. In fact, 68 percent of respondents pointed to either “relevance” – such as not interested or too busy – or to “usability” – such as difficulty, waste of time, or physical inability – as the reasons for not subscribing. Pew Study at 2-3. Another factor cited by consumers is the lack of computer ownership. *Id.* at 2. In fact, some studies have suggested that broadband penetration among those owning computers is already around 80 percent.¹⁵ Programs that focus solely on investment in broadband infrastructure do nothing to increase broadband adoption for “[t]wo-thirds of non-broadband adopters.” Pew Study at 3.

¹³ *Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996*, Fifth Report, 23 FCC Rcd 9615, ¶¶ 36, 60 (2008).

¹⁴ See Pew Internet & American Life Project, “Obama’s Online Opportunities II,” http://www.pewinternet.org/~media/Files/Reports/2009/PIP_Broadband%20Barriers.pdf (Jan. 21, 2009) (“Pew Study”).

¹⁵ *Downgrading Telecom Services to Market Weight*, Credit Suisse, at 3 (Feb. 19, 2008).

Initiatives that increase computer literacy and ownership, or programs that otherwise demonstrate the benefits of broadband to non-users, would yield substantial benefits in terms of broadband adoption. These programs should better equip consumers to function in a broadband world and help them to better understand the relevance of the available applications and services in their daily lives. Fortunately, government at all levels, schools, employers, health-care providers, businesses and non-profit organizations are all increasingly using broadband to interact with citizens, employees, customers, and students. Any such initiatives that make the applications and services available online more attractive to each consumer will drive the demand and deployment of better broadband facilities.

One key to increasing demand is introducing students to broadband technology and services. If students have access to broadband access and end-user devices are available to them, and if they are taught to use these resources, then the demand from these new consumers will drive deployment. In order to further these ends, Verizon has developed online educational resources, such as Thinkfinity.org (the Verizon Foundation's highly rated signature program, and a web portal for a host of educational tools for teachers, parents and students), with the goal of increasing computer literacy and bringing kids (and their parents and teachers) online.

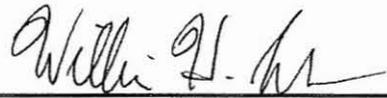
The Recovery Act takes a step in the right direction by providing funds to leverage broadband technology and thereby create demand by supporting computer labs for schools, health-care IT and virtual medical records, and smart power grids. NTIA likewise has the flexibility to devote funds to projects that address these issues, and it should particularly focus on such projects in areas where broadband is already available. As the Commission makes recommendations concerning a rural broadband strategy, it should encourage such efforts and should ensure that policymakers and other stakeholders do not neglect the key demand-side

factors that heavily influence the extent of broadband adoption and deployment.

VII. Conclusion.

By relying on hard data concerning rural broadband deployment; collaborating with NTIA, RUS and the states to ensure the effective implementation of the broadband provisions of the Recovery Act; reforming USF to re-focus on today's communications challenges; facilitating the construction of towers that can deliver wireless broadband services in rural areas; and focusing on demand-side factors that depress broadband adoption, the Commission could do much to promote the universal availability and widespread adoption of broadband in rural America.

Respectfully submitted,



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March 25, 2009



The FCC Acknowledges Receipt of Comments From ...
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Exhibit 2

Verizon Rural Broadband Strategy Comments

Policymakers Should Base Decisions on Hard Data Concerning Rural Broadband.

Effective Implementation of the Stimulus Act Will Improve Rural Broadband Deployment in Currently Unserved Areas

Demand-Side Programs Would Encourage Adoption of Broadband in Rural Areas

Reform of the USF Would Improve Rural Broadband

- Cap the size of the high-cost fund
- Use competitive bidding to award funding to mobile wireless carriers
- Provide support for the “middle mile”

Expediting Tower Siting Procedures Would Facilitate Wireless Broadband in Rural Areas