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April 13, 2009

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

Re: *The Commission's Consultative Role in the Broadband Provisions of the Recovery Act, GN Docket No. 09-40*

Dear Ms. Dortch:

This letter responds to the Commission's request for comments on the Commission's consultative role under the terms of the American Recovery and Reinvestment Act of 2009 (Recovery Act). The attachment to this letter sets out Verizon's recommendations to the National Telecommunications and Information Administration (NTIA), the Rural Utilities Service (RUS), and the Commission concerning the effective implementation of the broadband programs contained in the Recovery Act.

As explained in further detail in the attachment, extending the reach of broadband services to all Americans is an important national priority, and one that Verizon fully supports. With that goal in mind, any Commission consultation with NTIA and RUS should be consistent with these recommendations, which are aimed at ensuring that federal funding is effectively targeted to address effectively the most significant obstacles to ubiquitous broadband availability and adoption. NTIA and RUS should focus the Recovery Act's finite federal resources on extending the reach of broadband to areas that currently remain unserved, and to addressing the significant demand-side issues that prevent more widespread adoption in both unserved and underserved areas.

Over the last several years, tremendous amounts of private sector investment have enabled much progress towards these goals. In reliance on the light-touch regulatory approach designed to encourage network investment, broadband providers have invested hundreds of billions of dollars – and employed hundreds of thousands of employees – to deploy wireline and wireless broadband networks widely throughout the vast majority of the country. Verizon has been on the forefront of that investment, both with respect to its wireline and wireless networks. Verizon's investments in next-generation broadband networks – such as its all-fiber FiOS

network and the upcoming LTE wireless network – are driving competitors to respond with their own investment and deployment. As a result of these investments, over 90 percent of households in the United States already have access to broadband, and that number continues to grow. Moreover, close to 80 percent of households with computers already subscribe to broadband.

Notwithstanding these successes, work remains to be done to achieve ubiquitous broadband availability and adoption. Some areas still lack access to broadband services from any provider, generally because of the high-cost of extending either last-mile or middle-mile facilities to those areas. And demand-side issues, such as computer literacy and ownership, have inhibited broadband adoption in areas where service is available. The more than \$7 billion in broadband-related funding provided by the Recovery Act provides an unprecedented opportunity to address these obstacles that stand in the way of achieving the nation’s broadband goals. Given the scope of the work to be done, it is essential that stimulus funds be effectively targeted and efficiently administered by NTIA and RUS in order to ensure the best use of taxpayer dollars and the most progress towards overcoming obstacles to broadband availability and adoption, and the Commission’s consultation and cooperation with NTIA and RUS should be aimed at the same goal.

Maintain Focus on the Biggest Issues: Unserved Areas and Demand-Side Factors.

Because the funds available for the NTIA and RUS broadband programs are not unlimited, it is essential that NTIA and RUS target these funds efficiently towards the most pressing broadband need – extending broadband service to unserved areas. The top priority for broadband stimulus funds should be extending broadband service to unserved areas – *i.e.*, those parts of the country where end-users currently cannot obtain broadband service from any provider using any technology.¹

The reasons that unserved areas have not yet been reached with broadband vary, and NTIA and RUS should encourage projects that address the full range of obstacles faced by these areas. In some areas that are sparsely populated or that have difficult terrain, the primary issue may be the cost of deploying the “last mile” facilities to reach end-users. In other rural communities that are distant from the long haul facilities that can carry traffic to the Internet backbone, the problem maybe the lack of availability or high costs for the “middle mile” facilities. These are the facilities that connect a rural broadband provider to a long haul carrier that can carry the traffic to and from the Internet backbone. Without adequate middle mile capacity, a rural broadband provider may not be able to provide service that will meet the needs of its end-users, or may not be able to provide service at all, even if the “last mile” facilities are in place. And in still other areas, a combination of “last mile” and “middle mile” challenges may be present. Therefore, NTIA and RUS should consider both types of issues, and should encourage and fund projects that address each of these potential problems that may account for an area being unserved.

¹ Although satellite broadband and dial-up services are ubiquitously available and are used by many end users to obtain Internet access, it is clear from Congress’ heavy focus on extending broadband to “unserved” areas that Congress did not intend for these technologies to be considered for this purpose.

Together with information generated by state-level broadband mapping initiatives or otherwise provided by state and local officials, the data already being collected by the Commission on its revised Form 477 can help NTIA and RUS identify and target funds to these unserved areas. Subject to appropriate protections for competitively sensitive and other confidential information, the FCC should make such information readily available to NTIA and RUS for purposes of administering the Recovery Act's broadband programs.

If funds remain after funding projects targeted at the unserved, then NTIA should focus remaining funds on projects that address demand-side issues – such as computer literacy, computer ownership, and lack of understanding of the benefits of broadband – that limit broadband adoption in both unserved and underserved areas. Independent analysis shows that such demand-side issues contribute significantly more to decisions by consumers who have not adopted broadband than other issues such as availability or price. Moreover, projects aimed at these issues offer the benefits of being competitively and technologically neutral and of encouraging private investment to deploy or upgrade broadband networks.

An Inclusive, Flexible, and Transparent Approach Will Benefit the Public Interest.

In order to best further the goals of broadband deployment, job creation, and economic stimulus, NTIA and RUS – with the consultation of the Commission – should take an inclusive and flexible approach that encourages broad participation and casts a wide net for meritorious projects focused on the country's most pressing broadband needs. By doing so, NTIA and the RUS will have the benefit of the widest range of potential projects and applicants from which to choose, thus allowing them to select those projects that will best address the obstacles to broadband deployment and adoption and provide taxpayers with the best broadband bang for their buck.

The top priority and primary goal should be to get broadband service to unserved areas while creating jobs and fostering economic activity, and the best way to achieve that goal is to encourage a wide range of proposals by providers (including qualified private entities) capable of effectively building and managing broadband facilities on a sustainable basis. Likewise, in order to provide flexibility in addressing the needs of particular unserved areas in a cost-effective manner, NTIA and RUS should not adopt arbitrary, new speed thresholds or other new definitions of "broadband" for purposes of eligibility. Instead, NTIA and RUS should rely on the definition of "broadband" already adopted by the Commission as the baseline, recognizing that proposals could benefit consumers by providing higher speeds. This flexible approach is consistent with Congress's intent, as the Conference Report noted that the "Conferees are mindful that a specific speed threshold could have the unintended result of thwarting broadband deployment in certain areas." *Id.* at 775. Given the varying needs and circumstances of particular communities – and the varying capabilities, limitations and costs of different technological approaches – a one-size-fits-all approach could result in an inefficient use of taxpayer dollars on gold-plated projects. Finally, NTIA and RUS also should select projects and manage broadband programs in a way that promotes transparency and accountability, including

by selecting responsible providers with sustainable plans to reach unserved areas with broadband.

Avoiding Ancillary Regulatory Disputes and Restrictions Will Encourage Participation, Broadband Investment, and Job Creation. In order to ensure that the Recovery Act's broadband programs do not get bogged down in regulatory wrangling that would undermine quick job creation and economic stimulus, the Commission should emphasize in its consultation with NTIA and RUS that they should avoid imposing regulatory "strings" or eligibility criteria that will deter participation or otherwise inhibit sustainable broadband investment and job creation.

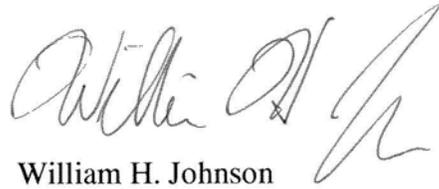
Most notably, as it sets out any nondiscrimination and network interconnection requirements in its request for proposal, NTIA would best further the Recovery Act's goals by sticking with the framework established by the Commission in its Broadband Policy Statement for wireline broadband providers. Those principles – together with consumer demands, competitive necessity, and active public attention and scrutiny – already protect consumer choice and ensure access to the full range of content, applications and services available over the Internet. The only additional interconnection condition that would be appropriate would be to specify that recipients may not refuse to deliver and terminate VoIP and other IP traffic to end-users over their local networks funded by grants on the grounds that the traffic originated as VoIP or other IP traffic. This requirement would respond to a recurring, documented issue that has arisen in some rural areas, and would ensure that consumers served by taxpayer-funded networks get the same benefits as others.

Similarly, NTIA should maintain the light regulatory touch that has encouraged innovation and competition in the wireless market, and should not extend the Commission's wireline principles to wireless broadband. The Commission's principles were crafted to address wireline broadband services, and good reasons exist not to apply those principles to wireless providers. Wireless networks present unique technical challenges and concerns that distinguish them from wireline broadband networks. Moreover, the level of competition in the wireless market ensures consumer choice without the costs of additional regulation. In any event, as a result of customer demand, the momentum in the wireless marketplace is already strongly in the direction of increased openness. Verizon Wireless' Open Development Initiative, for example, encourages third parties to develop new devices and applications that will run on Verizon Wireless' network, thus increasing consumer choice and providing a platform for innovation.

By avoiding protracted debates concerning ancillary policy disputes – or hastily adopted and ill-considered requirements on such subjects – NTIA and RUS will have a broader slate of potential projects from which to choose and will be able to minimize delay and maximize the job creation and stimulative effects of the Recovery Act's broadband provisions, while avoiding negative spillover effects on broadband investment and deployment more generally. Any new broadband policies should be addressed and developed in a more considered fashion on the basis of a full record in a rulemaking proceeding, not in the rushed context of stimulus grants. carriage and *Computer Inquiry* regulation for the sophisticated broadband services at issue here.

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Sincerely,

A handwritten signature in cursive script, appearing to read "William H. Johnson". The signature is written in black ink and is positioned above the printed name.

William H. Johnson