

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

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan For Our Future	)	GN Docket No. 09-51
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337

**REPLY COMMENTS OF VERIZON AND VERIZON WIRELESS**

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**REPLY COMMENTS OF VERIZON<sup>1</sup> AND VERIZON WIRELESS**

**I. INTRODUCTION AND SUMMARY.**

Virtually all commenters in this proceeding<sup>2</sup> agree that it is time to shift the focus of the high cost Universal Service Fund (USF or “fund”) away from supporting legacy voice services and towards more ubiquitous deployment of broadband. Differences among commenters relate not to the goal of repurposing the fund for broadband, but rather to the best means of making a broadband-focused USF a reality. There may be many ways to achieve successful universal service reform. But one thing is clear: To put the fund on a sustainable path going forward and protect consumers that pay for the fund, the Commission must establish a budget for the Connect America Fund (CAF) and stick to it. Clearly defined parameters for the all-broadband CAF will enable the Commission to best set broadband spending priorities and force providers to maintain reasonable expectations for high cost funding in the future.

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

<sup>2</sup> See *Connect America Fund; A National Broadband Plan for Our Future; High-Cost Universal Service Support*, Notice of Inquiry and Notice of Proposed Rulemaking, 25 FCC Rcd 6657 (2010) (“*NOI/NPRM*”).

Within the CAF budget, the Commission must make some difficult choices. And the National Broadband Plan<sup>3</sup> reflects a reasonable and realistic framework for repurposing the high cost fund to support national broadband expansion. Most commenters appear to recognize that change is necessary in order to free up universal service funding for broadband. While acknowledging the need for change *in principle*, however, many commenters (including some rural carriers that are among the biggest beneficiaries of the current high cost support system) argue that carriers other than themselves should bear the associated burden *in practice*.

As a part of universal service reform the Commission must require *all* providers to develop sustainable business models that rely primarily on end-user revenue, rather than consumer-funded government subsidies. This process will undoubtedly engender some opposition, but it is the only way to ensure long-term viability of the fund. Forcing consumers to continue to pay the price for insulating a subset of privileged providers from the market dynamics that their industry competitors navigate without such assistance is unfair and unworkable.

Just a few weeks ago, Chairman Genachowski underscored that the USF is presently on an “unsustainable path,” and that one “core principle” of reform is to recognize that “USF funds are finite [and] must not unfairly burden consumers.”<sup>4</sup> To realize meaningful universal service reforms without unfairly burdening consumers, all carriers will have to adapt to program changes necessary to allow the Commission to meet the NBP’s goals. The Commission should follow

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<sup>3</sup> See Federal Communications Commission, “Connecting America: The National Broadband Plan” <http://download.broadband.gov/plan/national-broadband-plan.pdf> (March 16, 2010) (“NBP”).

<sup>4</sup> See “Prepared Remarks of Chairman Julius Genachowski, 47<sup>th</sup> Annual OPASTCO Summer Convention and Trade Show, Seattle, Washington” [http://www.fcc.gov/Daily\\_Releases/Daily\\_Business/2010/db0728/DOC-300473A1.pdf](http://www.fcc.gov/Daily_Releases/Daily_Business/2010/db0728/DOC-300473A1.pdf) (July 28, 2010) (“Genachowski Remarks”).

two key principles offered by Verizon: (1) to protect consumers, the fund cannot grow beyond its current size; and (2) to be fair to providers and their customers, reductions in USF support from existing mechanisms must be spread equally among all similarly situated providers. Adhering to these recommendations will promote the NBP's overall goal of providing all Americans with affordable access to broadband, and will support the basic framework of the CAF. More specifically, the Commission should permanently cap the high cost fund at its present level, cap high cost support for voice services at the study area level while transitioning to the CAF, resist calls to set a broadband speed target that is unattainable and unaffordable, phase out legacy support for voice services on schedules that do not favor one provider over another, and rely on market-based mechanisms to distribute new broadband support from the CAF.

## **II. THE KEY ELEMENTS OF THE NBP'S USF REFORM FRAMEWORK ARE SOUND.**

### **A. Capping The Overall Size Of The High Cost Fund At Current Levels Is Essential To The NBP's Success.**

The key to successful repurposing of universal service funds to support broadband expansion is a clearly defined cap on the fund. Such restraint is consistent with principles of good government and the NBP's recommendation that the Commission manage the USF so that its total size remains close to its current level. NBP at 149-50. Some rural LEC commenters argue against capping the fund, claiming that a larger fund is necessary to achieve the NBP's goals. *See, e.g.,* NECA *et al.* Comments at 9-15, 34-45; TDS Comments at 7, 13; Fred Williamson Comments at 12; Utah Rural Telecom Association Comments at 5; Blooston Rural Carriers at 10-15. These commenters also assert that they should not be subject to the same funding reductions as other carriers and are instead entitled to preferential treatment. *See, e.g.,*

NECA Comments at 35; Kentucky Telephone Association Comments at 2. Such advocacy ignores the fact that ordinary consumers bear the considerable burden of financing the USF. As the New Jersey Board of Public Utilities noted:

The high cost portion of the Fund has grown exponentially in the last 23 years from \$56 million in 1986 to more than \$4.3 billion in 2009. This growth must not continue. . . . The Fund must be capped **and** it must be reduced. . . . Otherwise, the consumers in net contributor states such as New Jersey, who already pay a disproportionate share to support this public policy goal, will be further burdened with no tangible benefit returning to them.

New Jersey Board of Public Utilities at 5 (emphasis in original). The courts, universally, agree with the New Jersey Board's concerns and the Commission's related recommendations in the NBP to control the size of the fund. The Commission has an obligation to "balance the risks of excessive subsidization with the principles set forth in § 254(b)" and "consider not only the possibility of pricing some customers out of the market altogether, but the need to limit the burden on customers who continue to maintain telephone service."<sup>5</sup>

**B. Capping ILEC High Cost Support By Study Area At 2010 Levels While Transitioning To The CAF Is Also Critical To Achieving The NBP's Goals.**

Some commenters contend that service would degrade and they could not continue to operate if legacy high cost support to incumbent LECs is capped at 2010 levels, as proposed in the *NOI/NPRM*.<sup>6</sup> See, e.g., NECA Comments at 36-40; Warriner, Gesinger and Associates Comments at 23-30. Even with an interim study area cap, however, ILECs would still receive predictable support. Moreover, given current telephone penetration rates, the current level of

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<sup>5</sup> See *Rural Cellular Association, et al. v. FCC*, 588 F.3d 1095, 1102 (D.C. Cir. 2009) ("*Rural Cellular*"); *Alenco Comm'ns, Inc. et al. v. FCC*, 201 F.3d 608, 620-21 (5<sup>th</sup> Cir. 2000) ("*Alenco*"); *Qwest Comm's Int'l Inc. v. FCC*, 398 F.3d 1222, 1234 (10<sup>th</sup> Cir. 2005) ("*Qwest II*") (citing *Qwest Corp. v. FCC*, 258 F.3d 1191 (10<sup>th</sup> Cir. 2001)).

<sup>6</sup> *NOI/NPRM* ¶ 54.

support is demonstrably sufficient.<sup>7</sup> And as Windstream recognized, a per-study area or per-line cap on high cost support during the transition to the CAF would prevent the further shift of federal support to a smaller and smaller subset of rate-of-return ILECs. Windstream Comments at 24; *see also* Verizon Comments at 10-11. This would help control the size of the high cost fund (and the contributions needed to fund it) while moderating the impact of redistribution of support on any individual carrier so as not to affect the viability of universal service.

**C. An Unreasonably High Broadband Speed Target Is Unworkable.**

The NBP concluded that an initial universal service broadband speed target of 4 Mbps download/1 Mbps upload broadband transmission speeds would ensure universal access to broadband. NBP at 135. While the propriety of the broadband speed target is not directly at issue in this proceeding, rural LEC commenters (and a few state commissions) criticize it as violating the reasonable comparability and sufficiency principles of Section 254(b) of the Act.<sup>8</sup> 47 U.S.C. § 254(b). Section 254(b)(3) states that consumers in rural areas should have access to advanced telecommunications and information services that are “reasonably comparable to those provided in urban areas,” and Section 254(b)(5) directs that mechanisms to preserve and advance universal service be “specific, predictable and sufficient.” *Id.* Critics of the NBP speed target claim that because higher broadband speeds are likely to be available in some urban areas, the speed target should be set at those levels. These arguments are flawed.

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<sup>7</sup> Ninety-six percent of all households and 94 percent of households making less than \$15,000 per year have phone service. *See Telephone Subscribership in the United States (data through November 2009)*, FCC, Wireline Competition Bureau, Industry Analysis and Technology Division, [http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-296121A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-296121A1.pdf), at 1 (Feb. 2010).

<sup>8</sup> *See, e.g.*, NECA Comments at 15-18; Small Company Committee of the Louisiana Telecommunications Association Comments at 7; Commissioner Larry S. Landis, Indiana Regulatory Utility Commission Comments at 5; Nebraska Public Service Commission and North Dakota Public Service Commission Comments at 4.

“Reasonably comparable” does not mean “identical,” and “sufficient” does not mean “the top speed available.” The Commission concluded in the NBP that the 4 Mbps downstream/1 Mbps upstream target “represents a speed comparable to what the typical broadband subscriber receives today, and what many consumers are likely to use in the future, given past growth rates,” and will therefore “ensure universal access.” NBP at 135. Such an analysis is what Section 254 requires. In a related context—responding to the Tenth Circuit’s remand of the existing non-rural high cost fund—the Commission determined that the term “reasonably comparable” requires an analysis of what *average consumers* actually experience.<sup>9</sup> Likewise, the term “sufficient” means that which is “adequate, but no greater than necessary, to achieve the goals of the universal service program.” *Id.* Therefore, consistent with the Commission’s analysis in the NBP, the universal service broadband speed target should reflect a broadband speed that average consumers actually subscribe to and use—not the top speed available anywhere in the country. The NBP rejected requiring higher broadband speeds at this time, noting that “[w]hile the nation aspires to higher speeds” the initial target itself is still “aggressive” and “one of the highest universalization targets of any country in the world.” NBP at 135. Furthermore, the NBP recommended that the Commission review and reset the broadband availability target at regular intervals. *Id.*

Supporting transmission speeds higher than the NBP’s target via fiber to the home (FTTH) offerings would be prohibitively expensive, resulting in a USF contribution factor that would increase many times over above the current factor (already near a record high of more

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<sup>9</sup> *High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Joint Petition of the Wyoming Public Service Commission and the Wyoming Office of Consumer Advocate for Supplemental Federal Universal Service Funds for Customers of Wyoming’s Non-Rural Incumbent Local Exchange Carrier, Order on Remand and Memorandum Opinion and Order, 25 FCC Rcd 4072, ¶ 3 (2010) (“Qwest II Remand Order”).*

than 15 percent), which is impractical. In recent remarks to OPASTCO, Chairman Genachowski directly addressed criticism of the NBP's speed target, noting that funding the NBP's long-term 100 Mbps goal in all areas today would be cost-prohibitive:

Those who support more than 4 megabits must answer some basic questions: how much is it going to cost, and who is going to pay for it? The Broadband Plan projects that a universal speed funding level of 100 megabits for every U.S. household would require \$320 billion in additional USF support, which could translate into a 7-fold increase in a consumer's contribution to the universal service fund. . . . Even with different assumptions, there's no dispute that we'd be looking at massive and unprecedented new funding requirements, and significant increases in the required contributions to the fund. We can't do that.

See Genachowski Remarks at 5-6. Indeed, there can be no serious dispute that a seven-fold increase in contributions would be unaffordable for many consumers. For example, wireless consumers that purchase voice plans with approximately 900 nationwide talk minutes pay around \$59.99 for those plans today.<sup>10</sup> Excluding taxes and fees, and assuming their providers contribute to the fund based on the wireless safe harbor (37.1 percent), these customers currently pay approximately \$3.12 per month in federal universal service contributions.<sup>11</sup> Without any corresponding changes to the USF contribution system, a seven-fold increase in USF contributions would force those same consumers on a 900-minute wireless voice plan to pay

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<sup>10</sup> See, e.g., Sprint, Shop, Plans—Talk, <http://shop.sprint.com/NASApp/onlinestore/en/Action/SubmitRegionAction?isUpgradePathForCoverage=false&currZipCode=&upgradeOption=&nextPage=DisplayPlans&equipmentSKUurlPart=%3FcurrentPage%3DratePlanPage&filterStringParamName=&newZipCode=20036> (last visited Aug. 11, 2010); AT&T, Wireless, Individual Cell Phone Plans, <http://www.wireless.att.com/cell-phone-service/cell-phone-plans/index.jsp> (last visited Aug. 11, 2010); Verizon Wireless, Plans, Individual Plans, <http://www.verizonwireless.com/b2c/splash/plansingleline.jsp> (last visited Aug. 11, 2010).

<sup>11</sup> Telecommunications Reporting Worksheet, FCC Form 499-A (revised 2010), Instructions for Completing the Worksheet for Filing Contributions to Telecommunications Relay Service, Universal Service, Number Administration, and Local Number Portability Support Mechanisms, <http://www.fcc.gov/Forms/Form499-A/499a-2010.pdf>, at 22. Calculation further assumes a 14 percent USF contribution factor, consistent with recent quarters.

\$21.81 in federal universal service charges per month. In other words, the customer’s universal service assessment would be nearly as much as the customer pays his or her wireless provider for the entire interstate portion of a 900-minute voice plan.

On the wireline side, a residential consumer today makes federal universal service contributions on his or her home phone service based on interstate and international long distance usage and the federal subscriber line charge. Assuming a 14 percent contribution factor, a “medium usage” long distance customer may pay approximately \$1.54 today in federal universal service contributions on his or her wireline service.<sup>12</sup> A seven-fold increase in USF contributions would force those same wireline consumers with such a usage pattern to pay \$10.75 in federal universal service charges per month. By comparison, that is more than many providers’ standard monthly recurring charge for adding an additional line to an existing wireless plan—and nearly \$130 per year.

In essence, what some rural LECs—erroneously—claim is necessary to satisfy Section 254 would be impossible to achieve without violating the equally-important “affordability” standard of Section 254(b)(1). 47 U.S.C. § 254(b)(1). And as discussed above, the courts have held that such an approach is inconsistent with the larger objectives of Section 254. If anything, there is a case for relaxing the 4 Mbps downstream/1 Mbps upstream targets under certain circumstances, such as when meeting them would require redeployment of broadband in areas that are already served, just at slightly lower speeds. CenturyLink Comments at 20; Qwest Comments at 9-11.

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<sup>12</sup> See Letter from Mary Henze, AT&T, and Kathleen Grillo, Verizon, to Marlene Dortch, FCC, *Universal Service Contribution Methodology; Federal-State Joint Board on Universal Service*, WC Docket No. 06-122, CC Docket No. 96-45, at Table 4 (Sept. 23, 2008).

**D. The Commission Should Phase Out Existing Support To All Similarly Situated Carriers On The Same Schedule.**

As discussed above, if the NBP is to succeed, all carriers have to accept the reality that modifying the *status quo* is inevitable. Verizon understands and accepts this, provided all carriers fairly share in funding reductions for legacy voice services. Yet, invoking Verizon Wireless' and Sprint's 2008 merger commitments, some commenters urge the Commission to discriminate against these two carriers and move forward with a phase-out of their high cost support on an accelerated schedule. *See, e.g.*, Windstream Comments at 32; American Cable Association Comments at 10.

Such advocacy is contrary to the plain language of those merger commitments—adopted by the Commission—which expressly provide that they are superseded by a subsequent rule of general applicability. Specifically, Verizon Wireless' commitment to a five-year phase-down of CETC high cost support explicitly provided that “[i]n the event that the Commission adopts a different transition mechanism or a successor mechanism to the currently capped equal support rule in a rulemaking of general applicability ... then that rule of general applicability would apply instead.”<sup>13</sup> Sprint's commitment letter contained identical language.<sup>14</sup> The *NOI/NPRM*

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<sup>13</sup> Letter from John Scott, Verizon Wireless, to Marlene Dortch, FCC, *Applications of Atlantis Holdings LLC and Cellco Partnership d/b/a Verizon Wireless for Transfer of Control*, WT Docket No. 08-95, 1-2 (Nov. 3, 2008). The Commission adopted these commitments in its order approving the Verizon/Alltel merger. *See Applications of Cellco Partnership d/b/a Verizon Wireless and Atlantis Holdings LLC For Consent to Transfer Control of Licenses, Authorizations, and Spectrum Manager and De Facto Transfer Leasing Arrangements and Petition for Declaratory Ruling that the Transaction is Consistent with Section 310(b)(4) of the Communications Act*, Memorandum Opinion and Order and Declaratory Ruling, 23 FCC Rcd 17444, ¶ 197 (2008) (“*Verizon Merger Order*”).

<sup>14</sup> *See* Letter from Lawrence Krevor, Sprint, to Marlene Dortch, FCC, *Sprint Nextel Corporation and Clearwire Corporation Seek FCC Consent to Transfer Control of Licenses and Authorizations*, WT Docket No. 08-94 (Nov. 3, 2008). The Commission adopted these commitments in its order approving the Sprint/Nextel merger. *See Sprint Nextel Corporation and Clearwire Corporation Applications for Consent to Transfer of Control of Licenses, Leases,*

proposes a rule of general applicability that constitutes a “different transition mechanism” and a “successor mechanism to the currently capped equal support rule.” By the very terms of the merger commitments adopted by the Commission, that rule must apply to Verizon Wireless and Sprint in place of the earlier, carrier-specific phase-out schedules included in their merger commitment letters. *Verizon Merger Order* ¶ 197; *Sprint Merger Order* ¶ 108.

Likewise, the Commission should phase out all “access replacement” support for voice services—Interstate Access Support (IAS) for price cap carriers and ICLS for rate-of-return carriers—for all providers at the same time. And to be sure, the Commission should not eliminate IAS in a flash cut, which would be inconsistent with the NBP’s preference for phased reform and its explicit prohibition *against* flash cuts (recently reiterated by Chairman Genachowski, who listed “no flash cuts” as one of the “five core principles of USF reform”). NBP at 143; Genachowski Remarks at 4. As the Chairman stated: “New rules should be phased in over a reasonable time period to give service providers and investors time to adjust to a new regulatory regime. Not forever, but not in an instant.” *Id.*

Moreover, the Commission must recognize that if it implements any funding reductions before awarding support from the CAF and/or the new Mobility Fund for 3G wireless expansion, the Commission cannot simply “stockpile” the funding for future use. During this interim period, such funding reductions must serve to reduce the universal service contribution factor to avoid violating Section 254. Among other things, the Section 254 terms “specific” and “predictable” operate to prohibit the Commission from collecting contributions from providers for USF mechanisms that do not exist or exist in name only. 47 U.S.C. § 254(b)(5) and (d). And

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*and Authorizations*, Memorandum Opinion and Order, 23 FCC Rcd 17570, ¶ 108 (2008) (“*Sprint Merger Order*”).

Section 254(d) expressly provides that a necessary prerequisite to collecting universal contributions is that USF “mechanisms [be] *established* by the Commission.” 47 U.S.C. § 254(d) (emphasis added).

Banking universal service contributions for another day would also constitute an unconstitutional tax.<sup>15</sup> Indeed, it was only because the fund was specifically dedicated to support those entities that were in turn required to contribute to the USF that the Fifth Circuit previously rejected arguments that universal service contributions constitute unlawful taxes. *Id.* The court found that “an assessment on one group for the benefit of a completely unrelated group is how courts have distinguished taxes raised for general federal outlays from fees raised for specific programs.” *TOPUC*, 183 F.3d at 428, n.56. A decision to collect USF contributions from all current customers of telecommunications carriers with the intent to spend the funds on a future program intended to benefit new broadband customers is the very sort of attenuated payer-beneficiary relationship that the Fifth Circuit suggested could violate the Constitution’s origination and taxing clauses. *Id.* at 443.

### **III. THE COMMISSION SHOULD RELY ON MARKET-BASED MECHANISMS TO DISTRIBUTE BROADBAND SUPPORT, NOT MODELS.**

The NBP Model is a useful analytical tool, but market-based mechanisms such as competitive bidding and reverse auctions—not cost or revenue models—are the best way to distribute CAF and Mobility Fund support once those mechanisms are up and running.

Numerous commenters expressed apprehension over a modeling approach—regardless of the particular model being used.<sup>16</sup> This only underscores that complex and time-consuming

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<sup>15</sup> See *Texas Office of Public Utility Counsel v. FCC*, 183 F.3d 393 (5<sup>th</sup> Cir. 1999) (“*TOPUC*”).

<sup>16</sup> See, e.g., National Cable & Telecommunications Association (NCTA) Comments at 16-20; Time Warner Cable Comments at 13; Massachusetts Department of Telecommunications and

disagreements surrounding the propriety and use of a model would likely dominate this proceeding for years to come—especially given the high stakes for all involved. Several commenters echoed Verizon’s conclusion that market-based mechanisms are the Commission’s best option to determine the amount of support necessary to expand broadband to unserved areas. *See, e.g.*, NCTA Comments at 20; Windstream Comments at 16-19; AT&T Comments at 5-12; Qwest Comments at 6-9.

Some commenters contend that market-based mechanisms for distributing high cost support would be detrimental to consumers living in rural areas. *See, e.g.*, NECA Comments at 21-22; Missouri Small Company Group Comments at 8-10. These commenters offer no support (factual or otherwise) for these well-worn and flawed assertions, nor any persuasive policy reason why competitive bidding would not work to distribute broadband support.<sup>17</sup> The NBP itself expressed a clear preference for using market-based mechanisms, “wherever possible,” to “drive funding to efficient levels.” NBP at 137, 145. The *NOI/NPRM* echoed this recommendation, concluding that “the market should help identify the provider that will serve the area at the lowest cost.” *NOI/NPRM* ¶ 19; *see also id.* ¶¶ 10, 18-20. There is no record basis why this recommendation should not apply in rural and urban areas going forward.

Verizon has previously outlined the benefits of a reverse auction approach, and has since explained that this form of competitive bidding can work well with a new CAF. *See April 2008 Comments* at 8-22 and App. 1; Verizon Comments at 28. Market-based mechanisms such as

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Cable Comments at 15-16; NECA Comments at 52-59.

<sup>17</sup> Verizon has long supported use of reverse auctions to distribute high cost universal service support and filed a detailed plan for a competitive bidding system. *See Comments of Verizon and Verizon Wireless, Federal-State Joint Board on Universal Service; High-Cost Universal Service Support*, CC Docket No. 96-45, WC Docket No. 05-337, at 8-22 and App. 1 (April 17, 2008) (“*April 2008 Comments*”); *see also* Verizon Comments at 26-28.

reverse auctions offer an array of benefits, including allowing “direct market signals” to determine support, rather than “cost estimates made from either historical cost accounting data or forward-looking cost models ...”; having the winning bid approximate “the minimum level of subsidy required to achieve the desired universal service goals”; creating “incentives for ETCs to provide supported services at the minimum possible cost”; and providing “a fair and efficient means of eliminating the subsidization of multiple ETCs in a given region.”<sup>18</sup>

Some wireless commenters also oppose limiting broadband or 3G wireless support to a single recipient, arguing that a “one winner” selection process would restrict competition and endanger the availability of reasonably comparable services at affordable rates.<sup>19</sup> A single winner selection process, however, would end “the uneconomic practice” of providing duplicative high cost support in many areas, resulting in an overall reduction in universal service subsidies. *See Reverse Auctions NPRM* ¶ 14. Moreover, Section 254 does not require—and the Commission should not pursue—high cost support for multiple providers in areas that are in theory uneconomical for even one provider to serve. Such a multiple winner approach to universal service funding going forward would violate the sufficiency principles in Section 254, which, as discussed above, require that the Commission award high cost funding that is “adequate, but no greater than necessary, to achieve the goals of the universal service program.” *Qwest II Remand Order* ¶ 3.

Finally, the Commission must remember that any broadband support should be narrowly tailored to areas in which there is no private sector case for broadband deployment. Broadband

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<sup>18</sup> *See High Cost Universal Service Support; Federal-State Joint Board on Universal Service*, Notice of Proposed Rulemaking, 23 FCC Rcd 1531, ¶ 11 (2008) (“*Reverse Auctions NPRM*”).

<sup>19</sup> *See, e.g.*, CTIA Comments at 29; Sprint Comments at 10; U.S. Cellular Comments at 16-18.

deployment is currently expanding throughout the country, and areas that are presently unserved may well be in line for broadband deployment as a result of the expenditure of American Recovery and Reinvestment Act (ARRA) funding,<sup>20</sup> as well as other Rural Utilities Service and National Telecommunications and Information Administration grant programs, state investment programs, tax incentives, public-private partnerships such as Connected Nation, and the announced expansion of 4G services by national and regional wireless carriers over the next few years. The NBP anticipates that if the build-out of 4G services occurs as announced, approximately five million of the seven million currently unserved housing units will have 4G coverage. NBP at 137. The Commission should avoid devoting scarce universal service resources to broadband deployment in areas that, thanks to other investments, are already poised to attain “served” status.

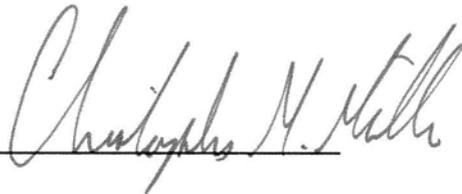
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<sup>20</sup> Just last week, the United States Department of Agriculture announced new ARRA grant awards totaling \$1.2 billion that, along with an additional \$117 million in private investment, will fund 126 broadband infrastructure projects in 38 states and Native American tribal areas. *See* News Release, Agriculture Secretary Vilsack Announces Over 120 Recovery Act Broadband Projects to Bring Jobs, Economic Opportunity to Rural Communities, <http://www.usda.gov/wps/portal/usda/usdahome?contentidonly=true&contentid=2010/08/0391.xml> (Aug. 4, 2010) (last visited Aug. 11, 2010).

**IV. CONCLUSION.**

For these reasons, the Commission should move forward with universal service reforms as discussed herein and in Verizon's initial comments.

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