

**Before the  
Federal Communications Commission  
Washington, DC 20554**

In the Matter of	)	
	)	
Inquiry Concerning the Deployment of	)	GN Docket No. 10-159
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, as	)	
Amended by the Broadband Data	)	
Improvement Act	)	
	)	

**REPLY COMMENTS OF VERIZON AND VERIZON WIRELESS ON THE SEVENTH  
BROADBAND DEPLOYMENT NOTICE OF INQUIRY**

Next-generation wireline and wireless broadband networks are in place across the United States, now reach 95 percent of the population, and are expanding to cover even more Americans with even faster speeds. As the Commission has correctly recognized, this is the result of massive and ongoing private investments in the broadband infrastructure that forms the foundation for the nation’s digital economy. Despite that fact, a few parties assert either that the Commission should proclaim broadband deployment across the board to be an abject failure or that it should create massive additional subsidies to fund their particular business case. Their claims are misplaced. Instead, the Commission should work in this and related proceedings to identify those few areas that are truly unserved and are unlikely to be economically reached by private investment in the near future and craft targeted policies to extend broadband to those areas. The Commission should reject proposals to adopt an unrealistic baseline definition for broadband, or to create massive additional subsidies that are merely layered onto the existing system.

## DISCUSSION

Most commenters agree with the Commission's many previous findings that wireline and wireless broadband networks already reach the vast majority of all Americans, and continued deployment will soon push broadband access to near-ubiquitous levels. *See, e.g.*, Comments of Frontier Communications Corporation at 2 (“Even though the average home density in Frontier’s legacy territories is just 13 homes per square mile, Frontier’s high-speed broadband service is available to 92 percent of the homes and businesses in these territories.”); Comments of CTIA at Summary (“The mobile wireless sector is the fastest growing platform for broadband – 98 percent of Americans live in census blocks with either 3G or 4G mobile wireless broadband availability. . . .As wireless providers continue to invest heavily in expanding 3G networks and deploying new 4G broadband services, consumers are benefiting significantly – particularly rural, low-income and minority consumers.”); Comments of United States Telecom Association at i; Comments of Comcast Corporation at 3; Comments of AT&T at 3; *see also Communications Daily*, Satellite (Sept. 22, 2010) (discussing new satellite broadband options that will come on-line in mid-2011 with download speeds of up to 8 Mbps).

Indeed, as Verizon and others demonstrated at length in their opening comments, massive private investment (hundreds of billions of dollars) in high-speed, next-generation wireline and wireless networks has already driven broadband to 95 percent of the population by the Commission’s own measure. Comments of Verizon at 6-17. And continuing broadband network upgrades and additional deployment promises to soon reach all but the most remote parts of the country. Given these facts, the Commission should focus its broadband policies in this and the related National Broadband Plan proceedings on reaching those few, isolated areas

that are truly unserved and are unlikely to be reached economically by private investment in the near future.

The Commission should reject arguments by a few commenters that it should shift course away from the one charted in the National Broadband Plan and instead pursue different broadband policies that are unrealistic and unaffordable. For instance, Free Press blindly asserts – without citation – that “*most* consumers are not receiving the type of Internet capability envisioned by Congress.” Comments of Free Press at 1 (emphasis in original) (“Free Press Comments”). Further, Free Press professes that the “Internet capability envisioned by Congress” in Section 706 is not the 4/1 Mbps (download and upload) broadband connection identified in the National Broadband Plan but rather a 5-10 Mbps symmetrical connection required to stream high-definition (HD) video both to and from a particular user. *Id.* at 5. Free Press reasons that such a requirement stems from the reference in Section 706 to “high *quality*. . . video.” *Id.* (emphasis added). This is fiction. Foremost, as other commenters note, the Commission must interpret Section 706 in a way that is both practical and affordable for consumers who ultimately would bear the cost of unrealistic policies. *See, e.g.*, Comments of the Michigan Public Service Commission at 2 (indicating that the Commission should rely on a “reasonable definition” of broadband that enables “consumers to use a variety of applications over the internet.”). And as the Commission found in the National Broadband Plan, even a 4/1 Mbps broadband connection is forward-looking in that it targets “what many consumers *are likely to use in the future*, given past growth rates.”<sup>1</sup>

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<sup>1</sup> *See Connecting America: The National Broadband Plan*, <http://download.broadband.gov/plan/national-broadband-plan.pdf>, at 135 (2010) (“National Broadband Plan”) (emphasis added).

Moreover, Free Press' suggestion that Section 706 requires a "symmetrical" minimum download and upload speed requirement – indeed, one capable of supporting HD video in both directions – is baseless. Free Press Comments at 6. Free Press argues that, as a matter of law, "broadband" services must be symmetrical because of definitions in the 1996 Act concerning the ability to originate and receive high quality services. *Id.* But Free Press stretches words of the statute past the breaking point. As the Commission found in the National Broadband Plan, consumers today typically make much more use of downstream capacity, and this statutory language cannot be read to ignore the nature of consumer demand. While consumer demand for upstream capacity is increasing over time and providers are responding to that shift in demand by increasing upstream speeds, most consumers use far more downstream capacity, and that is likely to continue for some time. As a result, it would make no sense to include a symmetry requirement in the baseline definition of broadband. Indeed, it could be counterproductive to the extent providers are encouraged to increase upstream capacity at the expense of downstream capacity solely to satisfy regulatory goals rather to respond to actual consumer demand.

In fact, since 1996, the Commission has never found that this statutory language only considers symmetrical services to be broadband – much less symmetrical services that are capable of supporting upstream and downstream HD video. Such a requirement would ignore the way in which most consumers actually use their broadband services today and the configuration of services that most benefits consumers.

Similarly, two rural local exchange carrier (LEC) association commenters argue that the Commission should abandon the National Broadband Plan framework. According to these parties, the Commission should both adopt a national dramatically faster baseline definition for broadband, and create massive additional subsidy mechanisms (presumably payable to them) to

fund deployment. *See* Comments of OPASTCO at 3-11 (“OPASTCO Comments”); Comments of the National Telecommunications Cooperative Association at 2-3 (“NTCA Comments”).

These subsidies would be provided through significant new Universal Service Fund (USF or “fund”) support or indirect intercarrier compensation subsidies that would be layered on top of the current system. OPASTCO Comments at 4-11.

These arguments are largely a rehash of many comments in the more specific National Broadband Plan high cost universal service proceeding that the Commission initiated to repurpose the fund for broadband. For reasons explained in more detail in Verizon’s comments and reply comments in that proceeding, dramatically increasing USF or intercarrier compensation subsidies – the cost of which would ultimately be borne by consumers – is simply not a viable option.<sup>2</sup> The Commission can, and should, revamp the USF for broadband, but any changes to the fund must be based on what consumers (who pay for the fund through charges on their bills) pay today, not a massive new and open-ended carrier entitlement.

This much is clear: To put the USF on a sustainable path going forward the Commission must establish a budget for the proposed all-broadband universal service Connect America Fund (CAF) and stick to it. And within the CAF budget the Commission must actually make difficult choices about how to allocate scarce resources for broadband. The National Broadband Plan itself reflects a reasonable and realistic framework for repurposing the high cost fund to support national broadband expansion. Moreover, as part of universal service and intercarrier compensation reform the Commission must require *all* providers to develop sustainable business

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<sup>2</sup> *See* Comments of Verizon and Verizon Wireless, *Connect America Fund; A National Broadband Plan For Our Future; High-Cost Universal Service Support*, WC Docket Nos. 10-90 and 05-337, GN Docket No. 09-51 (July 12, 2010); Reply Comments of Verizon and Verizon Wireless, *Connect America Fund; A National Broadband Plan For Our Future; High-Cost Universal Service Support*, WC Docket Nos. 10-90 and 05-337, GN Docket No. 09-51 (Aug. 11, 2010).

models that rely primarily on end-user revenue, rather than consumer-funded subsidies. This process will undoubtedly engender opposition, but it is the only way to ensure long-term viability of Commission programs.

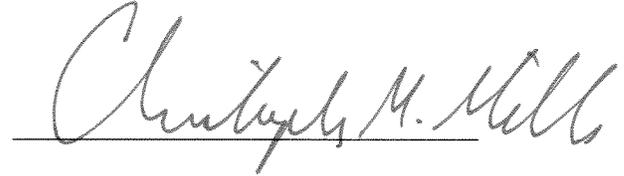
In remarks before OPASTCO itself just a few months ago, Chairman Genachowski underscored that the USF is presently on an “unsustainable path,” and that one “core principle” of reform is to recognize that “USF funds are finite [and] must not unfairly burden consumers.”<sup>3</sup> To realize meaningful universal service and intercarrier compensation reforms without unfairly burdening consumers, all providers will have to adapt to changes necessary to allow the Commission to meet the National Broadband Plan’s goals. The Commission should follow two key principles: (1) to protect consumers, the USF cannot grow beyond its current size; and (2) to be fair to providers and their customers, reductions in support from existing mechanisms must be spread equally among all similarly situated providers. Adhering to these recommendations will promote the National Broadband Plan’s overall goal of affordable access to broadband for all Americans.<sup>4</sup>

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<sup>3</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).

<sup>4</sup> With respect to USF reform in particular, the Commission should also take a number of more specific steps as discussed in Verizon’s comments in the universal service broadband proceedings. In addition to resisting arguments that it should adopt a broadband definition that is not realistic or affordable, 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, 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.

Respectfully submitted,



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