

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

In the Matter of)	
)	
Universal Service Reform)	WT Docket No. 10-208
)	
Mobility Fund)	
)	

REPLY COMMENTS OF VERIZON AND VERIZON WIRELESS

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I. INTRODUCTION AND SUMMARY.

The Commission has struggled for years to implement comprehensive universal service reform, derailed in the past either by the challenges of trying to settle all issues at once or piecemeal reforms that failed to address all stakeholders’ concerns. The Commission gets it right with this proceeding and the underlying Universal Service Fund (USF or “fund”) reform recommendations in the National Broadband Plan,² which offer an historic opportunity to break the logjam and provide the Commission with concrete experience in bringing market forces to bear on the USF program. In the present record on the proposed Mobility Fund there is consensus among commenters to shift the focus of the USF from voice to broadband, so long as the Commission holds the line on universal service spending. Broadly, that is also the Commission’s announced goal for the USF program, achievable through a multi-year transition and starting with this proceeding to launch the targeted Mobility Fund for 3G (or better) wireless

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 *Connecting America: The National Broadband Plan*, <http://download.broadband.gov/plan/national-broadband-plan.pdf> (2010), at 144 (recommending elimination of CETC support and establishing two new broadband programs—the Mobility Fund and the Connect America Fund) (“National Broadband Plan” or “NBP”).

infrastructure in areas that lack 3G (or better) service today. These important national priorities are attainable only if the Commission does not waver from and acts now on the National Broadband Plan recommendations to (1) eliminate all legacy competitive eligible telecommunications carrier (ETC) support—not just Verizon Wireless and Sprint funding; and (2) rely on market-based mechanisms, such as the competitive bidding system proposed here, to distribute universal service funding in the future to those areas that lack broadband—instead of unworkable, bloated cost-based mechanisms.

The Commission should move forward with the proposed Mobility Fund this year. At the earliest opportunity—beginning in 2011 in any event—the Commission must also start eliminating the rest of legacy CETC support. Some commenters suggest that the proposed size of the Mobility Fund is not sufficient to satisfy all of the nation’s broadband and mobility needs. The only way to ensure adequate funding for new universal service broadband and mobility priorities without burdening consumers with a dramatic increase in USF charges is to eliminate and repurpose remaining CETC support. The Commission has also made clear that the Mobility Fund is not designed to be the sole funding mechanism for broadband. Rather, the Mobility Fund is intended to push infrastructure out and extend coverage, in a strategic and targeted way, to some of the few remaining areas that do not have 3G (or better) coverage and to lay the groundwork for broadband deployment. In other words, the Mobility Fund is appropriately designed to be targeted.

More specifically, going forward in this and other USF reform proceedings the Commission should reduce the rest of all legacy CETC support this year by first eliminating duplicative high cost support for wireless family share lines, as proposed in the National Broadband Plan, and phase out remaining CETC support over the next few years. This will free

up significant additional funding for broadband, which—whether distributed through the Mobility Fund, the anticipated Connect America Fund, or otherwise—should be awarded by competitive bidding. With respect to the particular competitive bidding mechanism proposed for the Mobility Fund, the Commission can effectively manage the legal, technical, and other details necessary to get the mechanism up and running. Parties agree on many of those details. Where there are differences of opinion the Commission should resolve those issues based on a logical reading of the statute and what is best for consumers. For instance, despite some commenters’ concerns the Commission has legal authority to use USF support for the nation’s broadband and mobility needs and to distribute that support by competitive bidding. To make best use of scarce resources such support should go only to unserved areas and only to one provider in those areas. Program participation requirements and support conditions should be tailored as narrowly as possible to what is necessary to achieve program objectives in order to encourage providers to bid and participate. In no event should the Commission condition receipt of Mobility Fund or other new USF support on compliance with some commenters’ “pet projects”—controversial regulatory issues that have nothing to do with USF reform initiatives.

II. THE COMMISSION MUST MOVE FORWARD NOW AND ELIMINATE REMAINING CETC SUPPORT TO CLEAR THE WAY FOR ADDITIONAL BROADBAND FUNDING.

Many commenters complain about the size of the proposed Mobility Fund, suggesting that it is not sufficient to satisfy the nation’s broadband and mobility needs.³ Other commenters complain that in some areas one-time grant funding, without additional ongoing USF support,

³ See, e.g., Mobile Future Comments at 5-6; Rural Telecommunications Group Comments at 2-3; T-Mobile Comments at 5-6; United States Cellular Corp. (“US Cellular”) Comments at 14-15; CTIA Comments at 11-12; Rural Cellular Association Comments at 9-10.

does not present a viable business case to deploy additional 3G (or better) infrastructure.⁴ These complaints largely ring hollow. The proposed Mobility Fund is not by itself designed to satisfy all USF program objectives. It is instead one of a series of Commission “initiatives to promote deployment of broadband and mobile services in the United States through a financially sensible transformation of USF.”⁵ The Commission envisions that additional, ongoing universal service support for dual-use (voice and broadband) networks will come next in its proposed Connect America Fund. NBP at 144; *NPRM* ¶ 8. Moreover, as other commenters point out, the experience the Commission will gain here with market-based distribution of limited universal service Mobility Fund support is perhaps just as valuable as the coverage gains that result from this program. *See, e.g.*, National Cable & Telecommunications Association Comments at 1, 7 (“NCTA supports the proposal because it is appropriately limited in size and scope and will provide the Commission with a valuable experiment in the use of competitive bidding.”).

In the short term, the only way to free up sufficient additional support for the Commission’s broadband priorities is to make good on the National Broadband Plan recommendation and Commission proposal to eliminate remaining CETC support in addition to the Verizon Wireless and Sprint funding. NBP at 147-48.⁶ Ultimately, among other

⁴ *See, e.g.*, Rural Cellular Association Comments at 9-11; Mid-Rivers Communications Comments at 4; Rural Telecommunications Group Comments at 5-6; USA Coalition Comments at 20-24.

⁵ *Universal Service Reform; Mobility Fund*, Notice of Proposed Rulemaking, 25 FCC Rcd 14716, ¶ 4 (2010) (“*NPRM*”).

⁶ *See also Connect America Fund; A National Broadband Plan for Our Future; High-Cost Universal Service Support*, Notice of Inquiry and Proposed Rulemaking, 25 FCC Rcd 6657, ¶¶ 59-62 (2010) (“*Connect America Fund NPRM*”); *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service; Request for Review of Decision of Universal Service Administrator by Corr Wireless Communications, LLC*, Order and Notice of Proposed Rulemaking, 25 FCC Rcd 12854 (2010), *reconsideration pending* (“*Corr Order*”).

recommendations the National Broadband Plan envisions that \$1.4 billion annually in legacy CETC support should be repurposed for broadband, and support to Verizon Wireless and Sprint is only approximately \$400 million of that amount. *Id.* As NASUCA explains, if the Commission is to achieve meaningful USF reform and repurpose the fund for broadband, then the Commission must act now and adopt “[a] plan to evolve or eliminate all current wireless CETC funding over time. . .”. Comments of the National Association of State Utility Consumer Advocates at 5 (“NASUCA Comments”).

At the earliest opportunity the Commission should adopt an order and final rules to eliminate the remainder of CETC funding. As anticipated, the Commission’s next USF item will likely be the additional further notice on the proposed Connect America Fund, which is expected also to address many related intercarrier compensation issues. If the Commission anticipates voting the item at its February 8, 2011 open meeting, then at that time the Commission should begin eliminating all remaining CETC support. There is no cause for additional delay; the Commission received comments on the phase-out last July. If, however, the Commission chooses for some reason not to move that quickly, then at the very least the Commission should follow NASUCA’s suggestion and initiate the additional reductions “in the Final Order that will follow this NPRM.” *Id.* at 4. In any event, the Commission must adopt final CETC rules and begin eliminating the support in 2011 to avoid further delay in implementing the National Broadband Plan schedule for repurposing the fund for broadband. NBP at 144.

All the pieces are in place, and there are no legal or procedural impediments to eliminating this legacy voice support. The National Broadband Plan recommendations to free up broadband funding by first repurposing CETC support were issued in March of last year. *Id.* In the *Connect America Fund NPRM* (issued in April of last year), the Commission then provided

notice of and sought comment on how to implement these reductions. *Connect America Fund NPRM* ¶¶ 59-62. Interested parties commented extensively on the proposed reductions in current high cost universal service support tied up in the National Broadband Plan and in the initial Connect America Fund proceeding.⁷ Even outside of the formal *Connect America Fund NPRM* comment cycle, universal service funding reduction issues have been subject to extensive discussion in the industry and in ex parte comments filed with the Commission.⁸

Further, in the *Corr Order* (issued in September of last year) following extensive comment from all interested parties, the Commission adopted detailed, workable procedures to phase out Verizon Wireless and Sprint support, which can now be applied industry-wide. *Corr Order* ¶¶ 14-17. At the same time the Commission provided explicit, detailed instructions to the Universal Service Administrative Company to administer these support reductions. *Id.* ¶¶ 18-22. Finally, just before the new year the Commission cleared the last operational hurdle, changing the interim CETC cap procedures so that when a carrier relinquishes its ETC status in particular states—which may happen as support is eliminated—funding will now be freed up for

⁷ See, e.g., Comments of the USA Coalition, *Connect America Fund; A National Broadband Plan for Our Future; High-Cost Universal Service Support*, WC Docket Nos. 10-90 & 05-337; GN Docket No. 09-51, at 41-54 (July 12, 2010) (“Connect America Fund NPRM Comments”); CTIA Connect America Fund NPRM Comments at 5-12; Qwest Connect America Fund NPRM Comments at 20-24; NECA, NTCA, OPASTCO, WTA and Rural Alliance Connect America Fund NPRM Joint Comments at 34-45.

⁸ See, e.g., Letter from Grant Spellmeyer, US Cellular, to Marlene Dortch, FCC, *A National Broadband Plan for Our Future* GN Docket No. 09-51; *Implementing a Nationwide, Broadband, Interoperable Public Safety Network in the 700 MHz Band*, PS Docket No. 06-229; *Special Access Rates for Price Cap Local Exchange Carriers*, WC Docket No. 05-25; *700 MHz Mobile Equipment Capability*, RM-11592; *Reexamination of Roaming Obligations of Commercial Mobile Radio Service Providers and Other Providers of Mobile Data Services*, WT Docket No. 05-265 (Dec. 9, 2010); Letter from Rebecca Murphy Thompson, Rural Cellular Association, to Marlene Dortch, FCC, *Connect America Fund; A National Broadband Plan for Our Future; High-Cost Universal Service Support*, WC Docket Nos. 10-90 & 05-337; GN Docket No. 09-51 (Dec. 8, 2010).

broadband instead of being redistributed under existing voice support programs to other CETCs in the state.⁹ With the right mechanisms now in place and procedural issues out of the way the Commission should adopt final rules and begin eliminating the remaining CETC support as soon as possible to ensure sufficient universal service funding for national broadband priorities.

Specifically, the Commission can, and should, free up a significant amount of additional universal service funding for broadband right away by acting first to eliminate CETC support this year (in 2011) for multiple wireless handsets in the same household. The National Broadband Plan recognized that “[i]n order to accelerate the phase-down of legacy support, the FCC could *immediately adopt a rule* that any wireless family plan should be treated as a single line for purposes of universal service funding.” NBP at 148 (emphasis added). In 2010 dollars, over the next decade this approach could free up nearly \$6 billion for broadband. *Id.* The significance of potential new funding for broadband from eliminating duplicative support for multiple wireless handsets in the same household is also confirmed by the Commission’s latest Wireless Competition Report, which found that “67 percent of all mobile wireless subscribers were part of a family plan in 2009, up from just 35 percent in 2004.”¹⁰ The Commission provided for notice and comment on eliminating duplicative family plan subsidies as a first step (i.e., in 2011) toward eliminating legacy CETC support last July. *See Connect America Fund NPRM* ¶ 60 (citing to National Broadband Plan recommendations to eliminate legacy CETC support, including an initial reduction to duplicative family plan support).

The “initial reduction” to CETC support need not be tied to duplicative subsidies for

⁹ *High-Cost Universal Service Support; Federal-State Board on Universal Service, Order*, WC Docket No. 05-337, CC Docket No. 96-45, ¶ 5 (Dec. 30, 2010) (“*Relinquishment Order*”).

¹⁰ *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of Competitive Market Conditions With Respect to Mobile Wireless, Including Commercial Mobile Services, Fourteenth Report*, 25 FCC Rcd 11407, ¶ 164 (2010).

family plan handsets if the Commission prefers a different approach. The Commission could, for example, eliminate 40 percent of the remaining legacy CETC funding before the end of 2011 (and phase out reductions to the remaining 60 percent of this support) over the next few years. This alternative approach would be consistent with the Commission's implementing procedures for the Verizon Wireless and Sprint reductions. *See Corr Order* ¶ 18 (retroactively implementing, in 2010, the 20 percent per-year Verizon Wireless and Sprint 2008 merger condition reductions—effectively reducing these carriers' high cost USF support by 40 percent initially, followed by a phased reduction of remaining support).

After an initial reduction in legacy CETC funding before the end of 2011, the Commission should eliminate remaining support in equal percentage amounts over the next few years consistent with the procedures laid out in the *Corr Order*. *Id.* ¶¶ 14-17. The National Broadband Plan recommends that the Commission complete the phase-out within five years, by 2016. NBP at 144. As a practical matter, however, if the Commission moves promptly the CETC phase-out may be substantially complete well before then—thus freeing up more broadband funding more quickly.

The Commission should pay no heed to the arguments of some parties who suggest that the Commission actually take a step backward, reverse the *Corr Order* and redistribute Verizon Wireless and Sprint funding to other wireless carriers for voice services.¹¹ At every turn, the Commission has, appropriately, rejected these arguments. The Verizon Wireless and Sprint merger commitments were adopted by the Commission to protect consumers and to “control the

¹¹ *See, e.g.*, US Cellular Comments at iv-v, 16-18; Rural Cellular Association Comments at iv, 11-12; Rural Telecommunications Group Comments at 4-5. These same parties are seeking reconsideration of the *Corr Order*.

explosive growth in high-cost universal service support disbursements to competitive ETCs.”¹²

Reductions in Verizon Wireless and Sprint support were never intended to result in a windfall to these carriers’ competitors—and providing even more redundant support for legacy voice services does nothing to advance national broadband priorities.

III. A MARKET-BASED MECHANISM IS THE BEST WAY TO DISTRIBUTE USF SUPPORT.

As the Commission recognized in the National Broadband Plan and again in the *NPRM*, market-based mechanisms such as competitive bidding are the most efficient way to distribute scarce universal service funding to promote deployment in those areas where broadband is not available. NBP at 145; *NPRM* ¶ 4. Many commenters agree. *See, e.g.*, NTCH, Inc. Comments at 2 (“For too many years we have seen USF funds go to support bloated and inefficient legacy systems to the detriment of competition and improved service in the very localities in America that the USF is intended to benefit. The current system rewards inefficiency and duplication and therefore that is precisely what it gets, much to the dismay of American consumers who must pay for these inefficiencies month after month, year after year, by a 10 or 12% surcharge tucked at the end of their phone bill.”); Public Utilities Commission of Ohio Comments at 8 (“[R]everse a[u]ctions provide a sound, fiscally responsible means for awarding support.”).

The policy and legal reasons certain commenters oppose competitive bidding lack merit and are the same arguments recycled by these parties for many years. Competitive bidding is the standard way that government purchases goods and services for the best price. There is nothing so special about communications services—as opposed to other important services such as

¹² *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, ¶ 192 (2008).

engineering, medical, and even military services that are regularly purchased through competitive-bid contracts—that justifies retaining bloated, cost-based USF distribution mechanisms such as those now in place. And the Commission certainly should not extend these inefficient systems to new broadband programs.

The policy arguments advanced by some commenters opposed to competitive bidding reflect a fundamental misunderstanding of the purpose of the USF program. For example, some commenters suggest that competitive bidding will harm competition.¹³ As an initial matter, these suggestions are factually inaccurate. The proposed targeted Mobility Fund is designed only to provide infrastructure grants in selected areas that do not have 3G (or better) wireless service already. *NPRM* ¶ 5. In other words, there is no competition to impede in these areas because no wireless provider is offering any 3G (or better) service. Moreover, these commenters continue to ignore the statute. Nowhere in the USF policy goals listed in Section 254(b) of the Act does it say that universal service programs should be designed to prop up multiple providers with government subsidies in areas that are prohibitively expensive for even one provider to serve. 47 U.S.C. § 254(b). Universal *service* is just that—a *service* program designed to ensure that “[c]onsumers in all regions of the Nation. . . have access to telecommunications and information services. . . .” 47 U.S.C. § 254(b)(3).

For the same reason, dire predictions of “calamitous results” from competitive bidding for Mobility Fund support are vastly overblown and inaccurate. US Cellular Comments at 18. For instance, some commenters warn that this approach may lead some providers to submit low, below-cost, or even zero-dollar bids in order to ensure that competitors do not become

¹³ See, e.g., Mid-Rivers Communications Comments at 5-6; Rural Telecommunications Group Comments at 7; US Cellular Comments at 18-24; Rural Cellular Association Comments at 2-3; Cellular South, Inc., et al. Comments at 7-15 (“Cellular South Joint Comments”).

entrenched with government subsidies in particular areas.¹⁴ These remarks beg the question—so what? If a provider is willing to take on Mobility Fund obligations and bring new 3G (or better) services to an area that does not have service today, for little or no government support, then this is a win-win. Consumers in that area will see tangible coverage gains, and at the same time the Commission can spend scarce universal service dollars on other national priorities. In addition, as proposed in the *NPRM*, there is no “market” in these unserved areas to disrupt. These grants will, by design, only go to areas that do not have 3G (or better) service today. *NPRM* ¶ 5.

Some commenters also raise tired and misplaced quality of service arguments, suggesting that competitive bidding will engender a “race to the bottom.”¹⁵ These concerns are baseless. Government and commercial entities regularly use competitive bidding processes to purchase important—often critical—infrastructure, like those facilities the Commission proposes to subsidize through Mobility Fund grants. In fact, critical education and rural healthcare facilities are purchased today with universal service support based on competitive-bid contracts, and competitive bidding is the hallmark of the Commission’s widely successful USF E-Rate program. 47 C.F.R. § 54.504. Merely because these facilities and services provide important functions does not mean that the resources available to pay for them must be (or even could be) infinite.

Moreover, the alternative proposed by some commenters—cost-based support¹⁶—would be a disaster, resulting in gross inefficiencies and gold-plating as with existing mechanisms. And

¹⁴ See, e.g., Rural Cellular Association Comments at 4-5; Rural Telecommunications Group Comments at 7-8.

¹⁵ See Rural Telecommunications Group at 7; Rural Cellular Association Comments at 5; NECA, NTCA, OPASTCO, ERTA and WTA Comments at 4; Texas Statewide Telephone Cooperative Comments at 6.

¹⁶ See, e.g., Rural Cellular Association Comments at 14-16; US Cellular Comment at 25-26.

there is no reason to believe that a cost-based support mechanism would result in meaningful competition or better service quality. Again, for purposes of this limited program, there is no competitor offering a 3G (or better) wireless service in any unserved area eligible for a Mobility Fund grant. Further, the Commission's experience with existing CETC support, awarded today based on the incumbent wireline carrier's costs, is that cost-based funding primarily attracts competitors to the more densely populated sections of supported service areas. As for service quality, these standards can, and should, be the same regardless of the distribution mechanism (market-based or cost-based), and if a supported carrier fails to meet these standards support should be redistributed .

In addition, the Commission's long experience in trying to determine a wireline carrier's true "costs" teaches that this is in many ways impossible. This process inevitably results in contentious, litigated disputes over which costs should "count" and the proper weighting of such expenses. These concerns are exacerbated in the wireless context because the Commission has never conducted a full-scale wireless cost proceeding, and it makes no sense to go down this pointless path now. The benefit of a market-based mechanism such as competitive bidding is that carriers themselves must determine what their own cost of service, and associated revenues, will be and bear the risk of error.

Some parties also allege that the Commission lacks the legal authority to distribute any universal service support through a competitive bidding mechanism. They are wrong. Section 254 does not require or prohibit any particular USF distribution mechanism so long as the mechanisms are "specific, predictable, and sufficient" to—overall—satisfy statutory objectives. 47 U.S.C. § 254(b)(5). As in the past, parties complain that competitive bidding violates the Act

because it may not ensure “sufficient” funding for any particular company. *Id.*¹⁷ These concerns overlook the fact that universal service “is to benefit the customer, not the carrier.” *Alenco Commc’ns v. FCC*, 201 F.3d 608, 621 (5th Cir. 2000); *see also Rural Cellular Ass’n, et al. v. FCC*, 588 F.3d 1095, 1102 (D.C. Cir. 2009). And one of the primary benefits of competitive bidding is that the sufficiency of funding is knowable from the bidding process itself. It is the bidders themselves—not regulators—that have the best knowledge of their own costs and revenues. *Alenco*, 201 F.3d at 622 (“What petitioners seek is not merely predictable funding mechanisms, but predictable market outcomes. Indeed, what they wish is protection from competition, the very antithesis of the Act.”).

Other legal attacks on competitive bidding by commenters who seek only to preserve and grow their existing subsidies are badly flawed. The Cellular South Joint Commenters throw up a battery of disjointed arguments. For example, these commenters contend that competitive bidding would transform the fund into an unconstitutional tax. Cellular South Joint Comments at 16. Cellular South’s concerns have nothing to do with competitive bidding. The nature of universal service is to collect funding from certain carriers and their customers and redistribute support to other carriers and consumers. This process will always result in a disparity (positive or negative) between the amount that individual carriers must contribute to the fund and the amount that is redistributed, whether through a competitive bidding mechanism or otherwise, to those individual carriers. Awarding universal service funding based on competitive bidding rather than through the current distribution mechanism or some other system is unrelated to any disconnect between the amount that a provider pays into the system and the amount that provider receives back.

¹⁷ *See, e.g.*, Cellular South Joint Comments at 19.

Some commenters also claim that competitive bidding would violate Section 254(d) because it would be “inequitable” for carriers that do not win the bid to compete against carriers that do. *See, e.g.,* Cellular South Joint Comments at 17. This, too, is off the mark. The equitable and nondiscriminatory language in Section 254(d) runs to the benefit of the consumer, not the carrier. Universal service is *not* a provider entitlement, as the *Alenco* court explicitly recognized. *Alenco*, 201 F.3d at 622; *see also* 47 U.S.C. § 214(e) (providing that ETCs are “eligible to receive universal service support”—not that they are entitled to government subsidies.) (emphasis added). Likewise, US Cellular suggests that competitive bidding violates the Act because such a system does not “treat all market participants equally.” US Cellular Comments at 20 (citing *Alenco*, 201 F.3d at 616). That is wrong. Competitive bidding for mobility funding treats all market participants identically. All wireless carriers have the same opportunity to qualify themselves to participate in the program and to submit bids. As proposed in the *NPRM*, there will be no mystery to the application process or the criteria for selecting winning bidders. What US Cellular really seeks is “protection from competition” and a “predictable market outcome,” a USF program result that the *Alenco* court expressly rejected. *Alenco*, 201 F.3d at 622.

Moreover, complaints about funding levels cannot be rationally connected to competitive bidding. There is today disparity and unfairness among the “winners and losers” under the current USF program mechanisms. And these complaints ring particularly hollow to Verizon, which is, overall, one of the largest net payers into the federal USF—meaning that Verizon customers pay hundreds of millions more annually into the fund than Verizon companies receive back in USF support.

IV. THE COMMISSION CAN EFFECTIVELY MANAGE THE LEGAL, TECHNICAL, AND OTHER DETAILS OF THE SPECIFIC COMPETITIVE BIDDING MECHANISM PROPOSED IN THE *NPRM*.

Commenters for and against the Mobility Fund program and use of market-based USF distribution systems offer views on many of the legal, technical, and other details of the specific competitive bidding mechanism proposed in the *NPRM*. In addition to our initial comments on the mechanics of this system, Verizon offers the following reactions. Overall, we continue to caution the Commission against making program participation requirements too onerous. Successful auctions require bidders, and carriers will be enticed to submit bids only if they believe that they can navigate program procedures and realize a reasonable return.

- ***Legal authority to use USF support for broadband or mixed-use networks (NPRM ¶¶ 1-2).*** Although the proposed competitive bidding mechanism is not intended to distribute broadband-specific support, the subsidized infrastructure is designed to lay the groundwork for broadband deployment, and as a practical matter Mobility Fund facilities will be used to offer both voice and broadband services in many areas. Accordingly, a few parties suggest that the Commission needs to be more specific about its legal authority to use universal service for broadband. *See* NASUCA Comments at 3 (raising issues with the Commission’s previous conclusion that wireless broadband is an information service); MetroPCS Comments at 2. But as we previously explained, their arguments are misplaced.¹⁸ Specifically, the ambiguous terms of Section 254, read in combination with the terms of Section 706(b), can fairly be interpreted to give the Commission authority to provide universal service support for broadband deployment.

¹⁸ *See, e.g.,* Comments of Verizon and Verizon Wireless, *Framework for Broadband Internet Service*, GN Docket No. 10-127, at 21-23 (July 15, 2010).

- ***Number of providers (NPRM ¶15)***. The Commission proposes to support only one provider per area (i.e., one winner per auction). Some commenters continue to push for multiple winners and subsidized competition. *See, e.g.*, USA Coalition Comments at 11; Rural Cellular Association Comments at 2; US Cellular Comments at 19; T-Mobile Comments at 7. Allowing for multiple auction winners is not a good idea, and is not consistent with the purpose of universal service. The proposed Mobility Fund program is a targeted initiative designed to realize coverage gains in discrete unserved areas. Multiple winners would drain program resources with limited corresponding benefit to consumers. Universal service funding is finite, and the USF is not designed to subsidize competition in areas that are prohibitively expensive for even one provider to serve. Moreover, a multiple-winner competitive bidding mechanism would be problematic. Competitive bids are supposed to reflect anticipated costs and revenues, which would be difficult to estimate with multiple winners. Multiple winners would result in higher bids that would not provide as useful information about revenue streams in unserved areas.
- ***Eligibility requirements (NPRM ¶¶ 47-48)***. Some commenters suggest that the Commission not require Mobility Fund recipients to meet existing ETC requirements and instead establish a set of requirements specific to the Mobility Fund program. *See, e.g.*, AT&T Comments at 6; Sprint Comments at ii. If the Commission believes a program-specific ETC designation can be structured in a way that is consistent with statutory requirements (perhaps through a selective exercise of forbearance authority) this approach does have advantages. 47 U.S.C. §§ 214(e)(1)(A) and 254(e). Some ETC obligations—such as detailed reporting and compliance requirements under state

rules and the federal default rules—may be too burdensome in the context of one-time infrastructure grants and would deter would-be bidders from participating in the program. 47 C.F.R. 54.202. The Commission has a history of limited forbearance in the ETC context, allowing wireless resellers to participate in the Lifeline program despite the Section 214 requirement that ETCs use some of their own facilities. 47 U.S.C. § 214(e).¹⁹

- **Prioritizing unserved areas (NPRM ¶¶ 28-32).** Some commenters suggest that the Commission should prioritize Mobility Fund grants to areas that have no wireless service at all (versus no 3G or better wireless service) or to tribal lands or insular areas. *See, e.g.*, AT&T Comments at 7-8; PR Wireless Comments at 4-5; Gila River Comments at 7. Verizon is not opposed in concept to this approach but notes that these areas are likely to be the most expensive of all areas to serve. Accordingly, focusing only on such areas may quickly exhaust program resources. Alternatively, to ensure meaningful coverage gains overall, the Commission could set aside some portion of program funding for these areas and weight funding priority for other unserved areas on a national scale based on anticipated coverage gains as proposed.
- **Pet projects.** Most commenters offer constructive and targeted input regarding the mechanics of the proposed competitive bidding mechanism. A few commenters,

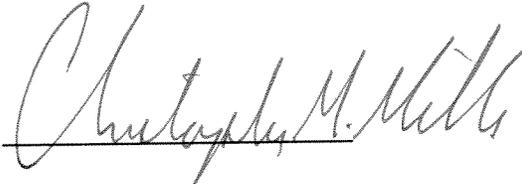
¹⁹ *See, e.g.,* *Petition of TracFone Wireless, Inc. for Forbearance from 47 U.S.C. § 214(e)(1)(A) and 47 C.F.R. § 54.201(i)*, Order, 20 FCC Rcd 15095 (2005); *Virgin Mobile USA, L.P. Petition for Forbearance from 47 U.S.C. § 214(e)(1)(A)*; *Petition for Designation as an Eligible Telecommunications Carrier in the State of New York*; *Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*; *Petition for Limited Designation as an Eligible Telecommunications Carrier in the State of North Carolina*; *Petition for Limited Designation as an Eligible Telecommunications Carrier in the State of Tennessee*, Order, 24 FCC Rcd 3381 (2009); *i-wireless, LLC Petition for Forbearance from 47 U.S.C. § 214(e)(1)(A)*, Order, 25 FCC Rcd 8784 (2010); *Consumer Cellular Petition for Forbearance*, Order, 25 FCC Rcd 10510 (2010).

however, suggest that the Commission should impose conditions on receipt of Mobility Fund support that are unrelated to program objectives and merely further these parties' preferred (and self-interested) regulatory initiatives. *See, e.g.*, Free Press Comments at 3 (proposing compliance with network neutrality requirements); MetroPCS Comments at 2-4 (proposing mandatory resale and data roaming obligations); Rural Cellular Association Comments at 13 (proposing automatic voice and data roaming obligations); Rural Telecommunications Group Comments at 14 (proposing data roaming obligations); Worldcall Interconnect Comments at 13-14 (proposing to require high-speed special access offerings, and interconnection and peering obligations). The Commission should reject all of these suggestions. These issues are more appropriately addressed in the active and more specific Commission proceedings targeting these proposals. Layering such requirements onto Mobility Fund grant recipients ahead of the rest of the industry—or in some case instead of the rest of the industry—will make program participation unattractive and cause the competitive bidding mechanism to fail. There is no basis to target Mobility Fund recipients for special, and more burdensome, regulatory treatment. If anything, to encourage maximum program participation, and to increase the odds of realizing significant coverage gains in unserved areas, the Commission should scale back on regulatory obligations for Mobility Fund recipients.

V. CONCLUSION.

For reasons discussed herein and in Verizon's initial comments, the Commission should move forward with the proposed one-time grants to support deployment of wireless infrastructure in those few, isolated areas that lack access to 3G (or better) service today. The Commission should award support through competitive bidding. At the same time, or sooner, the Commission should eliminate remaining CETC support.

Respectfully submitted,

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