Randal S. Milch
Executive Vice President &
General Counsel

140 West Street, Room 2910
New York, NY 10007

Phone 212 395-2384
Fax 908 766-3834
Mobile 202 494-9054
randal.s.milch@verizon.com

June 24, 2011

VIA E-MAIL

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-40-10
Implementation of Conflict Minerals Provision of Section 13(p) of the Securities Exchange Act of 1934

Dear Ms. Murphy:

This letter is submitted on behalf of Verizon with respect to pending rulemaking under Section 1502 ("Conflict Minerals Provision" or "Provision") of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Verizon strongly supports efforts to curb violence in the Democratic Republic of the Congo and its adjoining countries (the "DRC Zone") by enhancing supply chain transparency for "Conflict Minerals." While we do not believe that Verizon is subject to the Provision – because we are not a "manufacturer" – it is important to us as a corporate citizen to take steps to ensure that the distant reaches of our supply chain do not support atrocities in the DRC Zone. Accordingly, Verizon is coordinating closely with its suppliers to learn what steps they are taking today – in advance of the Securities and Exchange Commission's ("Commission") final rules ("Rules") – to bring transparency to our supply chains.

As many have identified in their comment letters to you, one of the consequences of the Provision is that the stringent requirements for due diligence and audit will lead to sourcing of Conflict Minerals from locations other than the DRC Zone. For the forseeable future, it is going to be much easier to demonstrate that the minerals are from somewhere other than the DRC Zone, than to prove that minerals mined in the DRC Zone are responsibly sourced. Unfortunately, as pointed out by many commenters, the incentive to source from locations other than the DRC Zone could have devastating impacts on the economies of the countries in the DRC Zone, which include Sudan, Angola, Zambia, Tanzania, Uganda, Central Africa Republic and the Republic of the Congo, in addition to the Democratic Republic of Congo.

From our perspective as a purchaser of finished products from many different manufacturers, Verizon believes these entirely predictable consequences are coming to pass. While sourcing Conflict Minerals from outside the DRC Zone provides our suppliers with greater certainty as to the source of their inputs, abandonment of legitimate businesses vital to the economies of the DRC Zone was not the intended policy outcome of the Provision.

The Legislative Goals of the Provision are at Risk of being Frustrated

Under the Provision, issuers are required to provide a full Conflict Minerals Report (detailing due diligence efforts to trace the source and chain of custody of the Conflict Minerals to the greatest possible specificity, along with a certified independent private sector audit) *whenever* conflict minerals necessary for their products come from the DRC Zone – no matter what level of certainty or evidence exists that such Conflict Minerals were responsibly sourced. As many prior comment letters have indicated, the costs of due diligence and the associated audit effectively penalize any sourcing of Conflict Minerals from the DRC Zone; there is thus a strong incentive to avoid sourcing from the DRC Zone altogether. In the words of William M. Ngeleja, Minister of Energy and Minerals, United Republic of Tanzania:

> It is advised that, given the burden imposed by the proposed regulations, it would be unfortunate, but entirely rational, for a manufacturer to decide to avoid the compliance costs and management time involved by changing the source of their materials away from the region entirely. It appears likely, therefore, that unless amendments are made to the regulations, Tanzania will irreparably suffer economically. Letter to the Commission, dated May 23, 2011, available at http://www.sec.gov/comments/s7-40-10/s74010-258.pdf

Verizon has been monitoring broader industry efforts to grapple with the Provision. The early focus appears to be on smelters - large facilities that convert raw ores into more refined metals. A partnership between the Global e-Sustainability Initiative ("GeSI") and the Electronic Industry Citizenship Coalition ("EICC") has recently initiated a "Conflict Free Smelter" certification program, establishing diligence and traceability protocols to ensure that the minerals taken in by the smelters for processing do not finance armed conflict in the DRC Zone. The Conflict Free Smelter program has necessarily incorporated the Provision's additional diligence and traceability requirements for DRC Zone-based sources of Conflict Minerals.

While smelters using DRC Zone sourcing are thus placed at competitive disadvantage to smelters that can simply source from other regions, the timing constraints of the Provision are making matters worse. In order to accommodate the Provision, EICC/GeSI established April 1, 2011,[1] as the date by which all smelters sourcing from the DRC Zone were required to meet

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[1] GeSI/EICC's April 1, 2011, deadline to demonstrate compliance reflects the typical nine-month timeframe from a mineral's extraction to final processing, such that the effected supply chain may be "conflict free" by January 1, 2012.

Provision-based diligence and traceability requirements in order to be considered a "Conflict Free Smelter" for the first reporting period under the proposed Rules. Because the countries in the DRC Zone are (quite understandably) unable quickly to put in place the complex reporting and traceability structures needed to prove their minerals are conflict-free, at this time smelters that desire to be considered "conflict free" are compelled to avoid the DRC Zone entirely. As Ir. Moise Bucumi, Minister of Energy and Mines for the Republic of Burundi, describes:

> I understand that the conflict minerals legislation does not require US reporting companies to stop buying from the DRC or countries surrounding the DRC such as Burundi, but that are [*sic*] the effects that we believe will occur, not least due to the imposition of traceability targets by electronic group associations EICC and GeSI on international smelters. Letter to the Commission, dated May 12, 2011, available at http://www.sec.gov/comments/s7-40-10/s74010-252.pdf

In fact, at this time none of the smelters that have been certified as "conflict free" derive any of their Conflict Minerals from the DRC Zone, and we understand that they are explicitly avoiding sourcing any materials from the DRC Zone in order to maintain their certification. Of the three smelter companies that have received a "conflict free" certification for their smelters, one (H.C. Starck GmbH) affirms in their "Raw Material Procurement Statement"[2] that they "do not purchase any raw materials from the DRC or adjoining countries, even if we are offered material with allegedly official certifications from other state authorities." This suggests not only a current *de facto* ban on minerals from anywhere within the DRC Zone, but further illustrates how difficult it will be for even legitimate DRC Zone mining operations to ever provide sufficient comfort to smelter companies like Starck. The policy[3] of the second smelter company, Cabot Supermetals, is even more explicit: "We reject any new offer of ore if there is any possibility that the source is the DRC [Zone]." The third company, Exotech Inc., only utilizes scrap metals.[4]

While we understand that the EICC/GeSI process has been recently revised to include additional diligence protocols for sourcing minerals from within conflict-ridden areas, under current processes smelters sourcing minerals from the DRC Zone cannot hope to be certified as Conflict Free in time to accommodate the reporting deadlines the Provision imposes. As a result, all smelters sourcing minerals from the DRC Zone risk being excluded from the global supply chain for the foreseeable future if the Rules are implemented as proposed.

For companies, such as Verizon, which are not involved in the process of manufacturing or in the sourcing of minerals, compliance with the Provision will be largely an exercise in encouraging

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[2] Available at http://www.hcstarck.com/en/home/hc_starck_group/the_way_we_move/raw_material_procurement_statement.html

[3] Available at http://www.cabot-corp.com/Tantalum/Capacitors/Product-Information/GN200809161037AM6983/

[4] See http://www.exotech.com/Products/Tantalum.aspx

through contract our manufacturers to comply with the Provision. As evidenced by the approach of these conflict-free smelters, manufacturers in turn are likely to react to the Provision by making choices about sourcing of their minerals which have the effect of thwarting the goals of the Provision.

The Commission Should Phase-In Full CMR Reporting only after DRC Zone Countries are Able Fully to Participate in "Conflict Free Smelter" Programs

Accordingly, a phase-in of the applicability of the final Rules is needed to avoid further harm to the DRC Zone. Once global supply lines begin to avoid the DRC Zone altogether – with "*Congo Free*" smelters winning an ever greater proportion of the world's mineral business – the damage to the DRC Zone's citizens and economies will be difficult to reverse. Verizon recommends delaying the full applicability of the due diligence requirements of the Conflict Minerals Report until after fiscal year 2014, to allow the DRC Zone countries to develop the traceability protocols and related infrastructure required in order to supply to Conflict Free Smelters.

Similarly, an overbroad application of the Rules to issuers who do not have exposure to or expertise with manufacturing and/or supply chain issues as part of their business will inevitably lead to industry responses like the ones described in this letter, which are harmful, albeit inadvertently, to the goals of the Provision. Accordingly, we recommend that the Commission move away from the position (taken in the proposed Rules) that non-manufacturing issuers who merely label products they contract for, or who have "any influence over" the manufacturing of applicable products, are nevertheless fully subject to the Provision. Direct and substantial control over the manufacturing of a relevant product should be the test for applicability.

The Commission has Statutory Authority to Adopt this Approach

The Commission can adopt these recommendations pursuant to the exemptive authority provided by Section 36 of the Securities Exchange Act of 1934 (the "Exchange Act") provides authority for the Commission to adopt our recommendations. Specifically, Section 36 of the Exchange Act authorizes the Commission "by rule, regulation, or order" to

> conditionally or unconditionally exempt any person, security or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of the Exchange Act or any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.

15 U.S.C. § 78mm(a)(1).

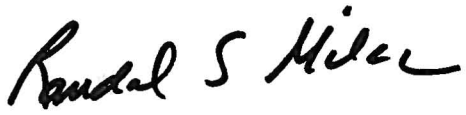
In enacting Section 36, Congress indicated that it expected that the Commission would use this authority in order to promote "efficiency, competition and capital formation." H.R. Rep. No. 104-622, 104th Cong., 2d Sess. 38 (1996). Permitting issuers to begin reporting after reasonable traceability regimes are in place would be the most efficient means of achieving the Act's goals, and the same can be said for focusing the Rules' requirements on those issuers who can comply most constructively – manufacturers. Moreover, this approach would lessen the competitive

disadvantage imposed on U.S. issuers by the Provision as compared to non-issuers (foreign or domestic). In this regard, the Commission recently cited Section 36 in a Dodd-Frank Act rulemaking in which it found "an exemption by rule . . . appropriate" where otherwise issuers would have been burdened with "little" corresponding benefit. *See* Shareholder Approval of Executive Compensation and Golden Parachute Compensation, Exchange Act Release Nos. 33-9153, 34-63124, 75 Fed. Reg. 66590, at 66597-66598 (Oct 28, 2010) (exempting issuers with outstanding indebtedness under the Troubled Asset Relief Program from the requirements of Section 14(a)(2) of the Exchange Act pursuant to Section 36(a)(1) and Section 14A(e) of the Exchange Act). An exercise of exemptive authority is appropriate to avoid harming the legitimate participants in the DRC countries' vital mining industry.

Thank you very much for considering our views. We would be happy to discuss our suggested approach, or any other matter that you believe would be helpful. Please contact:

Christopher T. Lloyd
Verizon Communications
Public Policy and Corporate Responsibility
1300 I Street NW
Suite 400W
Washington, DC 20005
202-515-2562 (phone)
c.t.lloyd@verizon.com

Sincerely,



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