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New York City Criticizes Verizon on FiOS Delivery

Verizon promised New York City to deliver FiOS to anyone who wanted it by 2014



Verizon Communications Inc. has placed greater emphasis on its wireless operations under Chief Executive Lowell McAdam, who took over in 2011. *PHOTO: MARK WILSON/GETTY IMAGES*

By **RYAN KNUTSON** and **JOSH DAWSEY**

June 17, 2015 5:55 p.m. ET

New York City says Verizon Communications Inc. has failed to live up to a 2008 promise to deliver fiber-optic connections for television and high-speed Internet to anyone who wants them.

There are more than 40,000 requests for service pending, about 75% of which have remained outstanding for 12 months or longer, according to a copy of a municipal audit reviewed by The Wall Street Journal. The audit was conducted by the city's Department of Information Technology and Telecommunications.

The city plans to release the audit on Thursday. It examines Verizon's compliance with

the franchise agreement that the company signed with the city in 2008, allowing it to deploy its fiber network FiOS. As part of the deal, Verizon agreed to string fiber wires past all city dwellings by 2014.

Verizon says it has held up its end of the deal. The primary reason many buildings still don't have service, the company said, is because it is struggling to get access from landlords.

Mayor Bill de Blasio called out Verizon in 2013 while working as the city's public advocate and running for mayor. At the time, he railed against the company for its apparently slow progress building FiOS and said neighborhoods particularly left behind included many of the city's poorer areas, such as Upper Manhattan and the South Bronx. Last fall, the mayor pledged to audit Verizon's compliance.

Maya Wiley, counsel to Mr. de Blasio, said the city hopes to work with Verizon to get service installed in more buildings, and will at first refrain from harsh measures like suing the carrier for breach of contract. The de Blasio administration has made broadband Internet access part of its agenda to fight income inequality and wants to create more competition among Internet providers, something that could please the city's tech community.

"Part of what the broadband agenda means is making sure that the city is holding its franchise holders accountable," Ms. Wiley said.

Verizon spokesman John Bonomo said the carrier has invested \$3.5 billion building FiOS in New York City and that its interests are aligned with the city on getting more residents signed onto FiOS. The network is cheaper to operate and delivers much faster Internet speeds than traditional copper wires and many cable networks.

"We've got a state-of-the-art network we've spent a lot of money on and we want people to buy our services," Mr. Bonomo said.

The audit, Mr. Bonomo said, appears to be rooted in politics around the company's looming negotiations with its unionized workforce. Negotiations over a new contract with about 39,000 employees covered by the Communications Workers of America and the International Brotherhood of Electrical Workers are expected to begin next week.

The company is expected to push for tough concessions, particularly on health-care coverage. The last round of contract talks, in 2011, resulted in a strike.

City officials said the audit had nothing to do with the carrier's union talks.

The audit says Verizon isn't connecting some buildings because the carrier is holding out for an exclusive agreement with building owners to be the sole network provider. Mr. Bonomo said the carrier does ask for exclusive agreements in some cases, but that isn't not why buildings don't have service.

Getting Verizon to build more FiOS is of special concern to the administration. Cable companies have divided the city and in most cases don't directly compete with one another. Time Warner Cable Inc. was first granted franchises in 1970, and Cablevision Systems Corp. first received franchises in 1983. While both companies have expanded into other areas, they don't overlap. Both agreements were renewed in 2011.

Councilman Mark Levine, who represents a large swath of Upper Manhattan, said constituents complain to him about not having fiber service and frequently ask when it is coming. His building doesn't have the service, he said.

"I think the demand is greater than they are recognizing," he said.

Franchise agreements like the one Verizon signed with the city in 2008 have fallen out of favor recently as new entrants in other parts of the country, such as Google Inc., have promised to build out faster Internet connections in exchange for terms that don't require them to build service to entire cities.

Verizon has placed greater emphasis on its wireless operations under Chief Executive Lowell McAdam, who took over in 2011. Since then, the company has agreed to sell wireline assets in Florida, Texas and California. Verizon has said it no longer plans to build FiOS in new territories but will instead focus on increasing penetration in areas where it already provides service.

Verizon has already come under fire from the CWA, which charged recently that Verizon was failing to repair its existing copper wireline footprint and pushing customers to a less adequate wireless service. A Verizon spokesman said that wasn't true.

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Verizon Union Says Company Is Not Fixing Landline Phones

By RYAN KNUTSON

Verizon Communications Inc.'s largest union says the company is refusing to fix broken landlines.

The Communications Workers of America, which represents about 35,000 Verizon employees, says Verizon isn't repairing copper lines in some areas in the Northeast. Instead, the union says, the carrier is steering customers to buy a wireless home phone service called Voice Link.

The CWA plans to file public information requests this week with a handful of state regulators including in New York, New Jersey and Pennsylvania to see whether it can uncover data showing the extent of the problems. Verizon is required to report information about service issues to local regulators, but the union says not all of that information is likely being disclosed to the public.

"Verizon is systematically abandoning the legacy network and as a consequence the quality of service for millions of phone customers has plummeted," said

Bob Master, CWA's political director for the union's northeastern region.

The dispute comes as Verizon and the union are about to enter negotiations later this month for a new contract.

Verizon spokesman Rich Young said the CWA's allegations are aimed at pressuring the carrier in advance of those talks and he denied the union's claims.

"It's pure nonsense to say we're abandoning our copper networks," Mr. Young said.

Mr. Young said the company is investing in its copper network, and it only offers Voice Link, which delivers service over Verizon's cellular network, as a temporary replacement while repairs are being done. About 13,000 customers have decided to keep the Voice Link service, Mr. Young said.

The CWA, meanwhile, acknowledged that if Verizon invests more in its network it will equal more jobs for union members, who are working on the copper repairs.

Verizon has expressed a desire to shut off its copper line

system in the future in favor of cheaper wireless and higher-speed fiber technology. In addition to being faster and in some cases cheaper to build, those technologies face fewer regulations than services delivered over copper infrastructure. **AT&T** Inc. has also said it wants to eventually shut off its copper network.

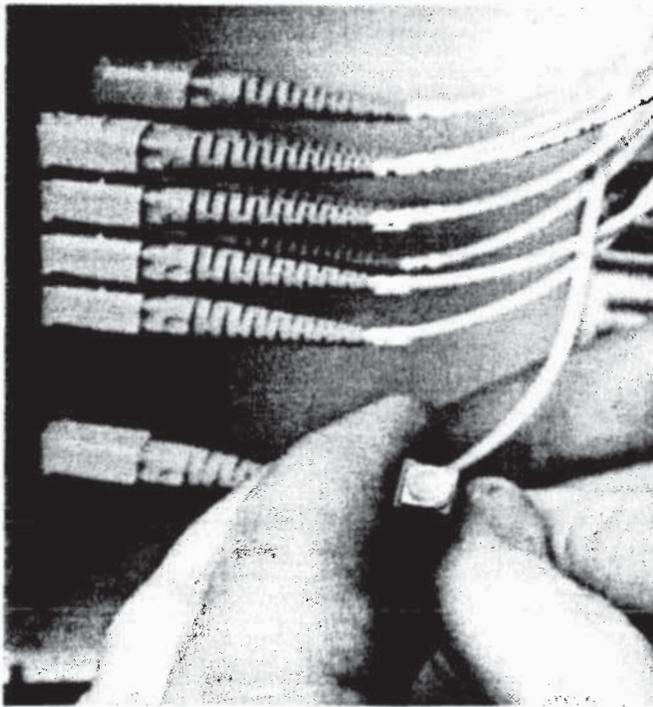
Verizon has about 10.5 million residential landline voice customers, about half of which are on copper. In the past few years, the company has moved about 800,000 people off its copper network onto its newer, fiber-based FiOS service. Earlier this year, it agreed to sell its wireline assets in California, Texas and Florida to **Frontier Communications Corp.** for \$10.5 billion.

Spending on its wireline network is also declining. Last year, the company invested \$5.8 billion on its wirelines, a 7.7% reduction from the year before. Mr. Young attributed the drop in spending not to reduced maintenance but to a slowdown in its FiOS build out.

The CWA's Mr. Master said the union's interests are aligned with those of consumers. Many customers want to keep their copper landline phones because in the event of a power outage the lines will keep running, while wireless and fiber phone systems will stop working as soon as the batteries die, according to Mr. Master.

Kenneth Schaefer is a Verizon customer in Bedminster Township, Pa., and says his copper landline stopped working about half a dozen times last year. Verizon offered him Voice Link, but Mr. Schaefer declined because he doesn't get good cell reception in his house and doubts Voice Link will work either. He would switch to another provider but says Verizon is the only landline phone provider in his area.

Verizon got in hot water after Hurricane Sandy, when it tried to avoid fixing damaged copper lines in Fire Island, N.Y., by giving customers Voice Link. The company fixed the wireline network after residents complained Voice Link suffered from poor quality and wouldn't work with services like credit card machines, fax machines and other technologies that need to be plugged into the phone network.



Verizon spent \$5.8 billion on wireline phone service in 2014.

ALEX BRONSTEIN/REUTERS