

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Technology Transitions Policy Task Force)	GN Docket No. 13-5
)	
Policies and Rules Governing Retirement Of Copper Loops by Incumbent Local Exchange Carriers)	RM-11358
)	
Special Access for Price Cap Local Exchange Carriers)	WC Docket No. 05-25
)	
AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services)	RM-10593
)	

REPLY COMMENTS OF VERIZON

Kathleen M. Grillo
Of Counsel

William H. Johnson
Katharine R. Saunders
VERIZON
1320 North Courthouse Road
Ninth Floor
Arlington, VA 22201

*Attorneys for Verizon
and Verizon Wireless*

November 24, 2015

TABLE OF CONTENTS

- I. The Commission Should Focus on Encouraging the Continued Transition to Next-Generation Services, Rather than Implementing Burdensome New Requirements on Well-Established Technologies..... 2**
 - A. The Existing Processes Should be Streamlined, Not Expanded 2**
 - B. The Record Also Confirms that the Proposed New Criteria, at Most, Apply Only to Interstate Telecommunications Services Discontinued in the Context of a Technology Transition..... 4**
 - C. The Commission Should Presume that VoIP, Wireless, and Over-the-Top Based Services Are an Adequate Substitute for Traditional Telephone Service 5**
 - D. The Commission Should Be Wary of Suggestions to Expand the Proposed Criteria . 7**
 - 1. The Commission Should Not Adopt Commenters’ Suggestions to Expand the Existing Section 214 Review Process..... 7**
 - 2. The Commission Should Not Adopt Suggestions to Extend the Notice Period or Prolong the 214 Process..... 9**
 - 3. The Commission Should Not Be Misled by CWA’s Attempts to Further Its Own Parochial Interests 10**

Having already determined that it should encourage the deployment of next-generation facilities and services, the Commission should not heed commenters' calls to expand Section 214 to reach deeply into providers' transitions to more advanced facilities and services. Nor should the Commission use this Section as an entrée to regulate purely local services or engage in service quality regulation that is largely redundant of work handled by state commissions. Yet some commenters in this proceeding urge this approach. Commenters ask the Commission to convert the Section 214 application process into one that examines minute aspects of a provider's technological specifications, even in the case of next-generation services already widely embraced by consumers. Such a one-off, service-by-service and provider-by-provider approach to Section 214 would be particularly harmful if it were to require some providers to jump through these new hoops as they move to newer services, but allowed others, such as the cable providers who also serve millions of customers via new technologies, a free pass.

Rather than add new requirements or expand the Section 214 process, the Commission should look for ways to further streamline the transition, including by adopting the proposed safe harbor approaches that Verizon and CenturyLink, among others, proposed in initial comments. The Commission should automatically grant Section 214 applications which involve outdated, legacy services when discontinuing the service will not terminate the end user's ability to call 9-1-1. Similarly, the Commission should find that the VoIP, wireless, or over-the-top based services that customers today subscribe to, whether carried over fiber, wireless, or cable technology, are an adequate substitute for traditional telephone service.

The Commission also should reject the Communications Workers of America's (CWA) efforts to use this proceeding as an avenue to further its own parochial goals associated with its ongoing contract negotiations with Verizon. CWA's comments ignore the existence of hundreds

of thousands of miles of fiber installed and maintained by their own members, fiber that has improved service for millions of Verizon customers. Indeed, by pushing for enhancement of the Commission’s proposed criteria, CWA appears to be arguing – bizarrely and incorrectly – that the fiber-based facilities their members have worked hard to install are not sufficient to provide customers a safe and adequate means of communication. CWA also attempts to use Section 214 improperly to resurrect its (false) allegations about the state of existing copper facilities.

CWA’s position is wrong. Fiber facilities, like cable and wireless, are not some future hypothetical technology: they today successfully serve millions and millions of customers. The Commission does not – and should not – require additional “criteria” to assess whether voice service provided over these facilities is an acceptable substitute for traditional POTS service. As other commenters acknowledge, there are processes or mechanisms already in place to review almost all of the issues raised in the proposed criteria. Nor should the Commission agree to CWA’s request to use Section 214 to examine legacy services offered over copper facilities. Such an approach is outside of the Commission’s jurisdiction and appears designed solely to advance CWA’s claims in its labor negotiations. Instead of adopting CWA’s suggestions, the Commission should build on the existing successful and consumer-driven technology transition to streamline the Section 214 process where possible.

I. The Commission Should Focus on Encouraging the Continued Transition to Next-Generation Services, Rather than Implementing Burdensome New Requirements on Well-Established Technologies

A. The Existing Processes Should be Streamlined, Not Expanded

Rather than adopting new criteria that raise the bar for moving to more advanced services, the record here documents the importance of either keeping the existing processes or, better still, streamlining them.

Commenters correctly note that the Commission “has not identified any reason why the current environment requires a new and complicated set of criteria for judging whether alternative services are adequate and why the criteria the Commission has employed to evaluate the numerous changes to and discontinuances of services that it has considered for the last seven decades as technology has evolved are lacking.”¹ And to be clear, under the existing Section 214 processes, there is no guarantee that permission to discontinue will be granted on the requested terms just because a provider applies. Parties today have the ability to weigh in on a proposed discontinuance with any concerns, and the Commission may remove an application from the automatic grant track for further review, consideration, or denial. Thus, there is a lack of evidence as to why the Commission should adopt these criteria at all.

Instead, commenters rightly explain that if anything, the existing processes should be streamlined. For example, similar to Verizon’s proposal,² AT&T argues that if the Commission adopts any changes to the existing process, it should permit applications that are properly certified to be automatically granted without the ability to be taken off of that track.³ Multiple parties urge that the Commission adopt a timeline for issuing public notices associated with Section 214 applications,⁴ and for resolving applications that are not automatically granted in the future.⁵

¹ ITTA Comments at 7.

² Verizon Comments at 7.

³ *See, e.g.*, AT&T Comments at 15-16.

⁴ *See, e.g.*, AT&T Comments at 15; CenturyLink Comments at 8; Verizon Comments at 8.

⁵ CenturyLink Comments at 8; Verizon Comments at 9.

B. The Record Also Confirms that the Proposed New Criteria, at Most, Apply Only to Interstate Telecommunications Services Discontinued in the Context of a Technology Transition

As Verizon noted in its initial Comments, the Commission’s proposed criteria might be appropriate, at most, for a narrow group of Section 214 applications: those seeking to discontinue interstate voice services expressly in connection with a transition from TDM to IP or from wireline to wireless.

Even those commenters who argue in favor of the proposed criteria focus on the context of a provider seeking to discontinue TDM-based voice service in favor of offering only VoIP.⁶ These commenters do not address the application of the criteria to the discontinuance of other types of telecommunications services which do not impact voice service or the ability to reach 911. Nor should they. As pointed out by initial commenters, these types of discontinuances are routine as providers continually review and rationalize their offerings.⁷ Providers need the ability to discontinue services that subscribers no longer demand, or which depend on parts or third party inputs that manufacturers have ceased to offer.⁸

And of course, as commenters have noted, the proposed criteria are not intended to address and are not in fact applicable to a change in technology that does not implicate a service discontinuance. “[T]here is a fundamental difference between a technology transition (e.g. upgrading copper loops or subloops to fiber optic cable) and a discontinuation of a legacy service (e.g. no longer providing directory assistance and operator service). Upgrading an existing

⁶ See, e.g., NASUCA Comments at 3 (arguing that “[f]rom the perspective of retail customers, the legacy services of most concern in Section 214 applications are voice service and Digital Subscriber Line (‘DSL’) data service.” Of course, the Commission does not have jurisdiction to apply Section 214 to DSL service or to local voice, only to interstate telecommunications services.

⁷ See, e.g., Verizon Comments at 7.

⁸ See, e.g., CenturyLink Comments at 8.

service from copper to another technology does not implicate Section 214.”⁹ The Commission’s Network Change and Copper Retirement rules are the correct avenue for filings relating to these transitions, not Section 214.

C. The Commission Should Presume that VoIP, Wireless, and Over-the-Top Based Services Are an Adequate Substitute for Traditional Telephone Service

Even where a provider is discontinuing interstate telecommunications service associated with traditional TDM technology in favor of VoIP or wireless, commenters rightly suggest that the criteria might not be necessary in some instances. Those commenters who disagree seek improperly to blur the distinction between copper retirement and Section 214 service discontinuation.

The Commission ought to presume that a VoIP, wireless, or over-the-top service that customers today subscribe to, whether carried over fiber, copper, wireless, or cable technology, is an adequate substitute for traditional telephone service. Consumers have already widely adopted voice services using these technologies. The Commission itself recognized more than five years ago that consumers view facilities-based VoIP services, such as those offered by cable providers, as “close substitutes” for local service.¹⁰ Commissioner O’Rielly recently reiterated this point, noting that residential VoIP connections now exceed the number of residential switched access lines.¹¹ That trend will only continue, as VoIP subscriptions have increased at a compound annual growth rate of 14 percent, even as retail switched access lines decline by 10

⁹ Alaska Rural Coalition Comments at 6.

¹⁰ See CenturyLink Comments at 2; *id.* at n.7 (citing *Petition of Qwest Corporation for Forbearance Pursuant to 47U.S.C. § 160(c) in the Phoenix, Arizona Metropolitan Statistical Area*, Memorandum Opinion and Order, 25 FCC Rcd 8622, 8650 ¶ 54 (2010)).

¹¹ Commissioner Michael O’Rielly, *Rethinking Outdated Voice Regulations*, FCC BLOG (Nov. 12, 2015 2:09 PM), <https://www.fcc.gov/blog/rethinking-outdated-voice-regulations>.

percent annually.¹² Further, as CenturyLink notes, more than 45 percent of households now do not have a landline telephone and instead rely exclusively on wireless services.¹³ That number climbs to almost 70 percent of adults between the ages of 25 and 34.¹⁴

Thus, as Alaska Communications Systems explains, in cases where the broader market has already confirmed that consumers consider a group of services to be substitutes for one another, the proposed criteria are unnecessary.¹⁵ Such examples might include the transition from POTS to IP services, given the millions of customers today who already get voice service from cable or other VoIP providers.¹⁶ While the FCC does not, of course, have jurisdiction over intrastate or local services, where there are TDM-based interstate voice services that a provider seeks to discontinue, as CenturyLink suggests, the Commission should take notice of the massive adoption of these technologies and presume that a replacement voice service that is already widely in use and carried by one of these technologies is per se an adequate substitute for interstate voice services.¹⁷ In those instances, the proposed criteria are unnecessary and a Section 214(a) service discontinuance application should be afforded streamlined treatment if

¹² See *id.* (citing Industry Analysis and Technology Div., FCC, *Local Telephone Competition Report: Status as of December 31, 2013* (Oct. 2014), https://apps.fcc.gov/edocs_public/attachmatch/DOC-329975A1.pdf).

¹³ CenturyLink Comments at 2, n.4 (citing Stephen J. Blumberg and Julian V. Luke, *Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, July-December 2014*, Centers for Disease Control and Prevention National Center for Health Statistics (June 2015), available at <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201506.pdf> (“CDC June 2015 Report”).

¹⁴ See CDC June 2015 Report at 2 (explaining that 69.2 percent of adults aged 25-29 and 67.4 percent of adults aged 30-34 live in households with only wireless telephones; more than fifty percent – 53.7 percent – of adults aged 35-44 live in such households).

¹⁵ Alaska Communications Systems Comments at 8-9.

¹⁶ See *id.*

¹⁷ See, e.g., CenturyLink Comments at 6.

voice services via cable, wireless, or VoIP will continue to be available in the market, even after the discontinuance of traditional interstate service.¹⁸

While some commenters may disagree, their confusion appears to be based in a fundamental misunderstanding of the difference between network change notices and copper retirement and Section 214 applications and the purposes of each. For example, Public Knowledge suggests that providers should not be able to point to multiple services that together form an adequate substitute service for a legacy wireline service, arguing that to be acceptable, a substitute must be made of just one single replacement wireline service.¹⁹ But as AT&T explains, Section 214 does not dictate that any discontinued service be replaced with the same type of service.²⁰ And adopting such a mandate would undermine the Commission's prior conclusions that it should encourage deployment of fiber and the services that fiber makes possible. By urging that fiber-based services meet a higher standard than those on copper, these commenters seek a complete – and inappropriate – revision of the Commission's copper retirement rules and principles.

D. The Commission Should Be Wary of Suggestions to Expand the Proposed Criteria

1. The Commission Should Not Adopt Commenters' Suggestions to Expand the Existing Section 214 Review Process

While some commenters support the Commission's proposed criteria, many of their suggestions would create uncertainty for providers and duplicate existing processes and procedures. Nor are the proposed new criteria necessary given today's widespread adoption of new technologies. Adopting these proposed changes would be particularly problematic if they

¹⁸ *Id.*

¹⁹ *See* Public Knowledge Comments at 2.

²⁰ AT&T Comments at 11.

created a lopsided set of rules that disadvantaged only one set of providers while allowing their large competitors, such as cable operators, additional flexibility to move to newer technologies and services.

As the record shows, adopting the proposed new criteria as well as the *FNPRM*'s²¹ other suggested modifications to the discontinuance process “would only impose additional burden and delay” and would “create[] disincentives for broader investment in next-generation networks and services.”²² Thus, if the Commission moves forward, it should reject suggested alternatives that would only exacerbate the burdens and delay. In particular, the Commission should be wary of suggestions that would, as Verizon explained in its initial comments,²³ pre-suppose that in all cases there must be a direct substitute for a discontinued service, or improperly focus on the underlying facilities rather than on the services provided on them.

For example, the Commission should not use new discontinuance criteria to enact some commenters' suggestions that any proposed replacement service must provide the same “functionality” into perpetuity.²⁴ As Alaska Communications Systems noted, the “Commission’s ‘functional test’ is fundamentally at odds with its broader effort to use every available tool to stimulate, accelerate, foster, and remove obstacles to the deployment of next-generation broadband services throughout the nation.”²⁵ Commenters' focus²⁶ on things like facsimile machines – which have largely been replaced by scanning and email – and credit card processors

²¹ *Technology Transitions, et al.*, Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, 30 FCC Rcd 9372 (2015) (“*FNPRM*”).

²² ITTA Comments at 4.

²³ Verizon Comments at 9-11.

²⁴ *See, e.g.*, AARP Comments at 16.

²⁵ Alaska Communications Systems Comments at 4. *See also* AT&T Comments at 11-12.

²⁶ *See, e.g.*, AARP Comments at 16.

– which are being supplanted by products like Square – ignores the rapid technological advances already taking place. Indeed, as AT&T notes, many functionalities and services once thought important – like alternately billed arrangements and operator services – have largely been displaced by the advent of wireless and other services.²⁷

Similarly, the Commission should not adopt suggestions that would impose detailed metrics or criteria relating to network capacity and reliability, service quality, and coverage, (or re-invigorate forborne data collection requirements),²⁸ because these proposed metrics relate to facilities and networks and are inappropriate to a Section 214 discontinuance review. For example, AARP argues that the FCC should adopt criteria to judge service quality of replacement services based on standards set in some service level agreements that providers have with particular customers.²⁹ But AARP’s suggestion appears inappropriately to try to stretch specific terms of negotiated agreements to create industry wide requirements across all markets and services. There is no basis to do so.

2. The Commission Should Not Adopt Suggestions to Extend the Notice Period or Prolong the 214 Process

The Commission declined in the *FNPRM* to adopt the cumbersome notice requirements some had proposed should apply when ILECs seek to discontinue certain legacy special-access services.³⁰ Now XO and Incompas have another go at requesting those same requirements. But just like last time, the Commission should reject such requirements as they would impede the transition to Ethernet services and IP-based networks. For example, these commenters ask for

²⁷ AT&T Comments at 12 (noting that its operator handled traffic volumes have dropped by 93 percent since 2004).

²⁸ See, e.g., CWA Comments at 8.

²⁹ See AARP Comments at 12-13.

³⁰ See *FNPRM*, ¶¶ 15-78.

detailed one year's notice before ILECs discontinue TDM-based special-access services and replace them with IP-based services, and they ask for far more detail than the Commission's current rules require. But the Commission should not adopt these rules, which would make transitioning away from these legacy services even more difficult than it already is. If anything, as discussed above, the Commission should be streamlining the transition process, not complicating it or making it even more protracted.

Even if it does not streamline its procedures, the FCC should not adopt new notice requirements that would prolong the Section 214 process and increase the associated burdens. The Commission already has in place a policy that ensures that interested parties, including customers, have ample notice of proposed service discontinuances and an opportunity to comment or object. And they have. The Commission has taken discontinuance applications off the automatic-grant track and has suspended tariffs and when it has had concerns. Elongating this process and interjecting substantial new uncertainties would further decrease providers' certainty that they can discontinue the old when they deploy the new.

3. The Commission Should Not Be Misled by CWA's Attempts to Further Its Own Parochial Interests

In its comments, CWA argues that the Commission should implement the broad criteria proposed and, in addition, add additional criteria relating to labor relations. CWA spends significant time attempting to argue that Verizon is engaged in what they term "de facto" copper retirement and related discontinuances and asserting that customers are dissatisfied with Verizon's efforts to replace some copper landlines with fiber. But CWA's assertions here are straight out of its announced labor negotiation playbook, in which it calls on its members to

“build political and regulatory pressure on the company” as a negotiation strategy.³¹ Indeed, CWA admits as much, acknowledging that its “survey” of technicians it relies on in its comments was conducted in connection with forming its strategy “for pending negotiations” with Verizon.³²

Thus CWA’s allegations should be reviewed in context with its efforts to further its own parochial interests in ongoing labor negotiations with Verizon. In any event, CWA is wrong on the facts. As the Commission is aware, Verizon has invested billions of dollars on its wireline network in recent years.³³ Since in most areas cable companies are the dominant providers for the higher speed broadband services that consumers increasingly demand, Verizon is working to deploy fiber to offer a competitive alternative for consumers. Thus, Verizon has deployed hundreds of thousands of miles of fiber optic cables to serve customers; currently passing approximately 20 million premises with fiber.³⁴ And, where appropriate and in accordance with the Commission’s rules, Verizon has retired outdated copper facilities and moved all services in some discrete areas to its all-fiber infrastructure.

In these copper-to-fiber migrations, customers’ POTS telephone service is not discontinued: customers can choose to retain the same POTS service at the same price, terms, and conditions, over fiber as they had previously received over copper. Devices such as fax, security alarms connected to a central station, or medical monitoring equipment will continue to work in the same way as they did over copper. And even though DSL is not subject to Section

³¹ See <http://standuptoverizon.com>

³² CWA Comments at 17.

³³ Letter from M. McCready to M. Dortch, GN Docket No. 13-5 (filed Oct. 23, 2015).

³⁴ See Fran Shammo, Thomson Reuters StreetEvents Edited Transcript, *VZ - Q3 2015 Verizon Communications Inc Earnings Call*, at 15 (Oct. 20, 2015), <http://www.verizon.com/about/investors/quarterly-reports/3q-2015-quarter-earnings-conference-call-webcast> (*follow* Transcript).

214, customers who previously had high speed internet over copper facilities have access to Verizon's Fios Internet at a special rate. Verizon communicates multiple times with customers during this process, using letters, outbound calls, and postcards to explain the migration process, and working with them to schedule migrations at convenient times.

CWA claims that there is "enormous" dissatisfaction and complaints when copper landlines are replaced with fiber,³⁵ but also alleges that Verizon has improperly allowed copper facilities to deteriorate.³⁶ Both claims are wrong. CWA's argument appears to be that providers should provision services on copper, and only on copper, indefinitely, thus depriving customers of the benefits of fiber. Although CWA attaches a letter from a number of mayors that CWA claims supports its argument, it ignores Verizon's response, which lays out Verizon's extraordinary investment in infrastructure and its work to deploy fiber, its investments in its workforce, and its record of corporate responsibility.³⁷ In fact, far from being dissatisfied when they move to fiber, customers benefit in many ways. For example, as a result of programs to encourage customers experiencing repeated service issues with copper to migrate to fiber, Verizon and its affiliates have experienced approximately 1.4 million fewer repair or troubleshooting dispatches than would have been required had these customers remained on copper facilities.³⁸ That means that there are at least 1.4 million instances in which customers have not experienced an outage or other problem with their service, and, correspondingly, have not had to

³⁵ CWA Comments at 14.

³⁶ *Id.* at 15.

³⁷ See Letter from W. R. Mudge, Verizon, to Hon. B. de Blasio, *et al.* (Oct. 14, 2015), attached at Exhibit A.

³⁸ See Letter from M. McCready to M. Dortch, GN Docket No. 13-5, at 2 (filed July 15, 2015) ("Verizon July 15 Letter").

schedule a repair appointment or miss work to meet a repair technician.³⁹ While that may mean fewer truck rolls for CWA’s members, customers benefit from this added reliability.

CWA attempts to make this docket about what it terms “de facto” service discontinuance, by regurgitating its comments from the copper retirement proceeding.⁴⁰ But CWA was wrong in that proceeding and is wrong here. Contrary to CWA’s assertions, Verizon’s rate of troubles per access line has improved by more than 18 percent, to just over two troubles per 100 lines – well over the benchmark generally set by states that engage in service quality regulation.⁴¹ And although CWA attempts to cherry-pick complaints from Verizon’s Home Phone Forum to support its claim that customers are displeased – just as it tried to do in the copper retirement proceeding – in fact, customers are benefitting from these efforts and their complaints are decreasing overall.⁴² And in any event, many of the complaints CWA chose identify problems inherent in copper facilities: that copper by nature is susceptible to service outages when it gets wet. But that is an issue that is resolved by deploying fiber facilities. Further, CWA includes complaints relating to the ability to reach customer support and to alleged long intervals for repair. Both of these claims at most go to staffing levels, which have nothing to do with service

³⁹ Verizon New York, Inc., *Study on the State of Telecommunications in New York State*, Comments in Response to Notice, Case 14-C-0370, at 8-9 (filed Oct. 23, 2015) (Verizon NY PSC Comments”).

⁴⁰ See CWA Comments at 15.

⁴¹ See Verizon July 15 Letter, at 3.

⁴² See, e.g., Verizon Pennsylvania LLC, Petition of Communication Workers of America for a Public, On-the-Record Commission Investigation of the Safety, Adequacy, and Reasonableness of Service Provided by Verizon Pennsylvania LLC, Answer to Petition, Docket No. P-2015-2509336, at 14-16 (filed Nov. 10, 2015) (noting that in Pennsylvania, customer complaints have declined by 60 percent from 2012 levels, and are significantly lower when adjusted for overall line losses); accord Verizon NY PSC Comments, at 20-21 (demonstrating that PSC complaints about Verizon have declined significantly and noting recent state service quality assessment showing continued improvement in repair answer-time performance, major service outages, and complaint levels).

discontinuances.⁴³ CWA also mischaracterizes Verizon Voice Link, which Verizon currently offers as an optional replacement service to a limited set of voice-only customers with a history of copper repair issues in areas where there is not fiber.⁴⁴

Finally, CWA makes a series of labor-related allegations about how Verizon's workforce is deployed, based on its negotiation-inspired "survey" of its members. But not only are those self-serving allegations irrelevant to the question of Section 214 discontinuances, they ignore the facts. Similar to the shift nationwide, the number of Verizon's copper access lines is now approximately one-third of what it was seven years ago, even as the number of fiber lines has more than tripled over the same time frame. Since the gain in fiber lines does not fully compensate for the decline in copper, Verizon had an overall decline in the number of access lines, primarily copper, and thus, a corresponding decline in the amount of repair and maintenance issues associated with those lines. Moreover, as noted above, since fiber is more reliable than copper, increasing fiber penetration itself causes a decline in required repair and maintenance issues.

⁴³ And regardless, Verizon has previously addressed almost the exact same allegations from CWA; *see* Verizon July 15 Letter.

⁴⁴ Verizon July 15 Letter, at 4.

Respectfully submitted,

/s/ Katharine R. Saunders

Kathleen M. Grillo
Of Counsel

William H. Johnson
Katharine R. Saunders
VERIZON
1320 North Courthouse Road
Ninth Floor
Arlington, VA 22201
(703) 351-3097

*Attorneys for Verizon
and Verizon Wireless*

November 24, 2015

EXHIBIT A



W. R. (Bob) Mudge
President
Wireline Operations

One Verizon Way
Basking Ridge, NJ 07920

October 14, 2015

The Honorable Bill de Blasio
Mayor of New York City

The Honorable Ras Baraka
Mayor of Newark

The Honorable Byron Brown
Mayor of Buffalo

The Honorable William Carpenter
Mayor of Brockton

The Honorable Rodney Elliott
Mayor of Lowell

The Honorable Steven Fulop
Mayor of Jersey City

The Honorable Eric Jackson
Mayor of Trenton

James Kenney
Democratic Candidate
for Mayor of Philadelphia

The Honorable Stephanie Miner
Mayor of Syracuse

The Honorable William Peduto
Mayor of Pittsburgh

The Honorable Joseph Petty
Mayor of Worcester

The Honorable Daniel Rizzo
Mayor of Revere

The Honorable Kathy Sheehan
Mayor of Albany

The Honorable Jose Torres
Mayor of Paterson

Dear Mayors de Blasio, Baraka, Brown, Carpenter, Elliott, Fulop, Jackson, Miner, Peduto, Petty, Rizzo, Sheehan, Torres and Mr. Kenney:

I write in response to your letter of September 29 to Verizon Chairman Lowell McAdam regarding broadband deployment, our service quality record and the ongoing contract negotiations with our union-represented employees, among other issues.

Verizon is proud of the integral and positive role we play in the communities we serve through the investments we make, the jobs we create, and the services we provide. We care deeply about our employees, our customers and our reputation for

service. Unfortunately, your letter does not accurately reflect Verizon's unparalleled efforts and commitment to our more than 100 million customers across the country, many of whom live in the cities that you represent. Nor does it accurately represent our operations and the status of our labor negotiations, so I would like to ensure that you have a more complete picture.

Few companies can match Verizon's extraordinary investment record. In the past 10 years alone, Verizon has made over \$150 billion in capital investments. The Progressive Policy Institute recently recognized Verizon, once again, as one of its top "Investment Heroes" among *all* American companies across *all* industries. As part of this overall investment, Verizon has actually exceeded our initial goal for fios deployment. I am a bit perplexed, therefore, by the overall concern that Verizon has not kept its "promise" to expand broadband. The fundamental facts are that Verizon decided more than a decade ago to embark on the most aggressive and innovative fiber deployment in United States history. The outcome of that decision has been the collective investment of more than \$30 billion, which has led to fios availability to 16 million households and small businesses. An argument that Verizon is not committed to broadband investment is illogical.

Verizon does not just invest in infrastructure, however. We also invest in a highly-skilled workforce of over 170,000 people, tens of thousands of whom live in the cities you represent. These are excellent jobs. The average annual compensation and benefit package of an installation and repair technician in New York City is worth more than \$160,000. Beyond New York City, the average annual compensation and benefit package for all of our union-represented employees across our wireline footprint in the Eastern United States is worth approximately \$130,000.

In addition to our employees, Verizon creates jobs through the billions of dollars we spend annually with vendors. We are proud to be a charter member of the Billion Dollar Roundtable, one of only 21 U.S. companies that conduct more than \$1 billion in business with U.S. minority and women-owned enterprises (MWBES) each and every year. Last year, Verizon spent more than \$5 billion in business with MWBES and provided business opportunities to thousands of small and medium-sized businesses across the country.

All of this employment and investment comes together to provide services to our customers, and those services are subject to competition. Our wireline business in particular, which employs almost all of our employees who are represented by the Communications Workers of America (CWA) and the International Brotherhood of Electrical Workers (IBEW), has faced major shifts in consumer demand and the competitive landscape as consumers have moved exclusively to wireless services or to our cable competitors. Significantly, Verizon's traditional access line business across our entire national wireline footprint shrunk from 56 million lines in 2000 to 19 million in 2015, undermining the economics of the business as it has historically operated. Your letter notes the importance of broadband competition, and we agree. In most areas, the dominant broadband providers are cable companies, and Verizon is working to build

a competitive alternative to those cable providers, many of whose employees are, unlike Verizon's, not represented by unions. We can only do so, however, if economic conditions allow it, so factors like regulation that favors cable over its competitors, and Verizon's higher labor costs and less flexible work rules, result in less competition than there otherwise could be.

Given these facts, Verizon's goal in our on-going negotiations with the unions is to create a strong and healthy wireline business that enables us to compete with cable and thereby allows us to continue to provide great jobs with competitive wages and benefits.

While union leadership points to Verizon's profitability, it fails to note that almost all of the company's profit is earned through sources other than the wireline business that is the subject of the current negotiations. Through our current bargaining process we are asking CWA and IBEW to work with us in navigating through these challenges as we work to create a more competitive and sustainable wireline unit. Operating with outdated legacy constraints that ignore today's business and industry realities – and for the most part do not apply to our competitors, which employ non-union-represented employees – hinders our ability to expand our broadband investments.

Finally, regarding your specific comments about the build-out of our fiber-based cable television network in New York City, it appears that you have not been provided with correct information. Verizon has complied with our contractual six-year build-out obligation under the New York City franchise agreement. Moreover, Verizon's build-out in New York City – an investment of more than \$3.5 billion and the single largest communications infrastructure project in any city in United States history – exemplifies our unparalleled investment in infrastructure. We already have installed more than 15,000 *miles* of fiber-optic distribution cable. While our initial goal of passing all locations in New York City was met in October of 2014, our build continues, as was planned, while we build out infrastructure within the complex and voluminous multi-dwelling buildings that are unique to New York City. We are proud that within a relatively short timeframe, millions of New York consumers and small businesses have obtained access to fios service today. Our investment in our fiber network in New York City has been extraordinarily challenging – which likely is why Verizon is the only company that has been willing to undertake it – but we respectfully suggest that Mayors around the country should be looking for ways to encourage such investment, not creating conditions that will discourage it.

In sum, Verizon is very proud of the investment and employment that we are responsible for in your cities. We also are proud of our record of corporate responsibility. We are a major contributor to philanthropic organizations across the country, are committed to environmental sustainability, and have a stellar record of employee and supplier diversity. We have been named, among other acknowledgements, on Working Mother's "100 Best Companies for Women" list, a "Top 50 Employer" by Workforce Diversity Magazine, and by Military Times as the number one company in the country for recruiting and hiring veterans and service members.

We are committed to providing excellent services to our customers, and are looking for opportunities to offer advanced broadband services in competition to the cable incumbents. Our goal in our negotiations with the CWA and IBEW is to create a strong and healthy wireline business that enables us to do so, and therefore to continue to provide great jobs with competitive wages and benefits. Like you, we want to see continued investment in broadband and competition with cable. Such investment, however, will take place only when regulatory and other conditions encourage it.

Sincerely,

W. Roland Mudge