

Before the  
PUBLIC SERVICE COMMISSION  
OF THE DISTRICT OF COLUMBIA

In the Matter of )  
 )  
Verizon Washington, DC )  
Inc.'s Price Cap Plan 2007 for )  
The Provision of Local )  
Telecommunications Services )  
In the District of Columbia )

Formal Case No. 1057

Statement of  
Jim Pappas

On behalf of  
Communications Workers of America

On the  
Joint Motion for Approval of Unanimous Settlement

CWA Local 2336  
5321 First Place, NE  
Washington, DC 2001  
(202) 291-1500

Dated: April 17, 2008

technicians and customer service representatives.<sup>3</sup> The settlement incorrectly assumes that poorly trained frontline employees are the reason for Verizon's services problems. This not only insults my members, who are valiantly trying to do more with less, but ignores the real explanation for Verizon's abysmal service record. Quite simply, Verizon is not investing in its copper network in the District and is slashing the frontline workforce. There are not enough people to do the work, and not enough dollars to maintain a quality copper network.

The Commission has a unique opportunity in this proceeding. Verizon needs a renewal of its Price Cap plan. Therefore, the Commission should take this opportunity to insist upon real solutions with real teeth that will fulfill your mandate to protect District consumers' right to quality telecommunications service. The Commission should reject the settlement and insist upon concrete, enforceable conditions to ensure quality telecommunications services provided by Verizon.

CWA makes the following recommendations to address the serious service quality problems at Verizon DC.

1. Require that Verizon DC publicly report its retail service quality data. The Commission should post this data on its website available to the public.
2. Establish financial penalties for failure to meet the retail service quality benchmarks. The Commission should impose a \$450,000 fine for each failure to meet each one of the service quality benchmarks on a quarterly basis.
3. Require Verizon DC to hire enough frontline employees to meet service quality benchmarks. Require Verizon DC immediately to hire at least 100 additional technicians to improve service.

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<sup>3</sup> Terms of Full and Unanimous Settlement between Verizon Washington, DC Inc. and the Office of the People's Counsel, In the Matter of Verizon Washington, D.C. Inc.'s Price Cap Plan 2007 for the Provision of Local Telecommunications Services in the District of Columbia, Formal Case No. 1057, March 5, 2008 ("Settlement").

## The Commission Must Adopt Financial Accountability Measures to Ensure Compliance with Service Standards

The record in this proceeding is filled with evidence of Verizon's deteriorating service, and specific recommendations to the Commission to adopt financial accountability measures to ensure compliance with its service standards. Office of the People's Counsel witness Susan Baldwin provided extensive documentation of Verizon's service problems. Ms. Baldwin testified that Verizon DC has "consistently missed the mark" in meeting the Commission's service standards over the past two-year period, from 2005 to 2007. She cited public data compiled by the Federal Communications Commission documenting a "serious decline in service quality" in recent years.<sup>4</sup> She emphasized that Verizon DC's consistent failure to meet the Commission's service standards demonstrates "that consequences are essential." She explained that competition has not served to ensure quality service, but instead has encouraged Verizon to cut costs leading to declining service. She cited numerous examples from other states that attach financial accountability to service standards. In light of Verizon's consistent failure to meet service standards, Ms. Baldwin concluded that the Commission should attach financial penalties to Verizon's failure to meet service standards. Ms. Baldwin provided two alternate methods to do so. The Commission could either levy fines or require an automatic adjustment to the price cap formula for non-performance.<sup>5</sup>

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<sup>4</sup> Verizon's out-of-service repair interval (business and residence) increased from 20.5 hours in 2001 to 34.7 hours in 2006, a 69 percent increase. For residential customers, the out-of-service repair interval increased from 19.8 hours in 2001 to 38.5 hours in 2006, a 94 percent increase. Direct Testimony of Susan M. Baldwin, Exhibit OPC (B), Submitted on Behalf of the Office of the People's Counsel, Public Version, In the Matter of Verizon Washington, D.C. Inc.'s Price Cap Plan 2007 for the Provision of Local Telecommunications Services in the District of Columbia, Formal Case No. 1057, Dec. 30, 2007, pages 73 – 87 ("Baldwin Direct Testimony").

<sup>5</sup> Baldwin Direct Testimony, 73-87; Rebuttal Testimony of Susan M. Baldwin, Exhibit OPC (B), Submitted on Behalf of the Office of the People's Counsel, Public Version, In the Matter of Verizon Washington, D.C. Inc.'s Price Cap Plan 2007 for the Provision of Local Telecommunications Services in the District of Columbia, Formal Case No. 1057, Jan. 31, 2008, pages 68-72.

CWA makes the following recommendations to address the serious service quality problems at Verizon DC.

1. Require that Verizon DC publicly report its retail service quality data. The Commission should post this data on its website available to the public.

Today, Verizon submits proprietary data to the Commission on its performance on the Commission's service benchmarks. Members of the public, including the Office of the People's Counsel, do not have access to that data. In many other jurisdictions, this data is available to the public. Thus, members of the public serve as an additional watchdog to alert the Commission if there are negative trends. In addition, since the data is reported by Verizon, members of the public can alert the Commission if the data appears to be inconsistent with their actual service experience. This Commission requires Verizon to make its quarterly reports on its wholesale performance available to the public. There is simply no reason that the retail data should remain proprietary. While the FCC's Armis data is publicly available on the FCC website, this data does not track the Commission's service benchmarks. The Commission, therefore, should follow other leading state Commissions and require Verizon to make public its reports to the Commission on its retail service performance, and to post that information on the Commission website.

2. Establish financial penalties for failure to meet the retail service quality benchmarks. The Commission should impose a \$450,000 fine for each failure to meet each one of the service quality benchmarks on a quarterly basis.

There is a major flaw in the Commission's retail service standards. There are no automatic financial penalties for non-compliance. If the Commission finds that Verizon fails to meet service standards, it must open a proceeding to require Verizon to file a remedial plan. There are no financial penalties for past failure. The process is lengthy. In August 2007, the Commission ordered Verizon to file a remedial plan for its failure to meet service benchmarks in the fourth

D.C. OFFICE OF CABLE TELEVISION

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COUNCIL OF THE DISTRICT OF COLUMBIA

PUBLIC SERVICES AND CONSUMER AFFAIRS  
PUBLIC HEARING

+ + + + +

THURSDAY,  
FEBRUARY 7, 2008

+ + + + +

This transcript produced from a  
DVD provided by the Office of People's  
Counsel.

1        what DC has is a patched up network and it is  
2        this patched up network that provides  
3        telephone, internet and emergency services to  
4        our residents.

5                    At these hearings, you will hear  
6        stories from customers of how this translates  
7        into bad phone service, repeated problems,  
8        many wasted and frustrating hours on the phone  
9        or having to take off work to get the same  
10       problem supposedly fixed again and again. You  
11       can't fix problems in a timely fashion when  
12       workers are transferred from DC to build FiOS  
13       at in the suburbs.

14                   The statistics show that service  
15       problems are rampant throughout our city.  
16       According to the FCC, between 2001 and 2006,  
17       complaints went up 194 percent. During that  
18       same period, out of service intervals  
19       increased 69 percent. Over the past several  
20       months, CWA has collected information through  
21       an online survey and interviews with employees  
22       and customers about the quality of service

1 members of this Committee for this  
2 opportunity. My name is Jim Pappas and I'm  
3 president of the Communication Workers of  
4 America Local 2336 representing the workers of  
5 Verizon in Washington, DC. Our members not  
6 only provide telecommunications and  
7 information services to the city, we're also  
8 residents of DC. Our jobs are here. We pay  
9 taxes here and we are consumers and use the  
10 services of DC. We recognize that our  
11 interests and well-being are tied to the  
12 interests and well-being of this city. And  
13 that's why I'm here today.

14 CWA's members provide  
15 telecommunication service in DC, and that  
16 gives us a unique first-hand view of the  
17 quality of service in our town. I represent  
18 the view of the men and women who actually  
19 work on and service the network, and the  
20 consensus opinion is that Verizon's network  
21 and services have badly deteriorated. I  
22 believe the deterioration is calculated and

1 and Northern Virginia for nearly four years,  
2 they do not serve, yet, a single home in DC.  
3 Even if Verizon brings fiber to DC tomorrow,  
4 many of our citizens will be dependent on the  
5 copper network for many years to come.

6 The simple fact is that Verizon is  
7 abandoning its copper network and placing its  
8 resources in investment in fiber. And Verizon  
9 has stripped our city bare to support the FiOS  
10 build in the surrounding areas. They have  
11 moved entire operations out of our city and  
12 sold the buildings to fund FiOS elsewhere.

13 CWA represents virtually all of  
14 the non-management employees working for  
15 Verizon in DC. Between 2004 and October of  
16 2007, the Verizon workforce in DC has been  
17 reduced by approximately 44 percent. Verizon  
18 of Washington, DC is hardly a DC company at  
19 all. Our city is served by our neighbors and  
20 run by corporate executives in New York.  
21 Washington, DC is simply a customer.

22 Because Verizon is no longer

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

VERIZON NEW ENGLAND, INC. , et al )  
)  
)  
**RE: Request for Approval of Affiliated Interest** )  
**Transaction and Transfer of Assets of Verizon's** )  
**Property and Customer Relations to be Merged** )  
**With and Into FairPoint Communications, Inc.** )  
)  
Docket No. DT 07-011 )

**Direct Testimony  
of**

**KENNETH R. PERES, Ph.D.**

**On Behalf of the  
Communications Workers of America and  
International Brotherhood of Electrical Workers**

August 1, 2007

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**TABLE FOUR**  
**Verizon Service Quality Performance in New Hampshire as Measured by**  
**ARMIS Data from the FCC**

Residence	2001	2002	2003	2004	2005	2006
Number of Complaints	86	81	191	106	154	244
Complaints per 1 million lines	159	157	389	225	347	600
Average Installation Intervals in Days	0.9	0.7	0.6	0.5	0.5	1.4
Out-of-service Repair Intervals (hours)	19.9	24.2	32	25.3	27.8	35.4
Repeat as a % of Initial Out-of-service Troubles	13.3	13	15.2	14.1	15.7	17.1
Total Trouble Reports per 100 Lines	1.42	1.43	1.71	1.63	1.87	1.96

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Source: ARMIS Report 43-05, Table II

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From 2001 to 2006, residential consumers of Verizon experienced a 277% increase in complaints per 1 million access lines, a 184% increase in the number of complaints, a 56% increase in average installation intervals, a 78% increase in average out-of-service repair intervals, a 29% increase in repeat out-of-service trouble reports as a percentage of initial out-of-service reports, and a 38% increase in total trouble reports per 100 access lines.

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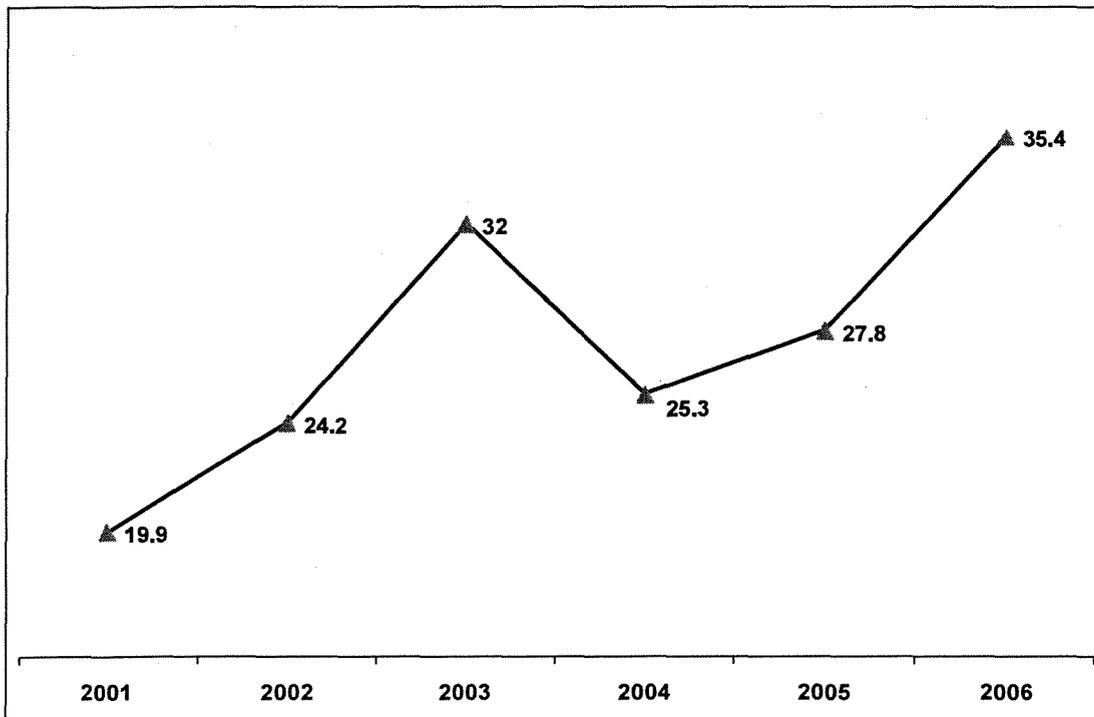
**Q. Are there state data that also illustrate Verizon's poor service quality performance in New Hampshire?**

A. Yes. While the specific service quality measurements are proprietary, the trends and percentage changes in specific service quality areas are readily apparent.

1 **Q. How long have these out-of-service conditions lasted?**

2 A. Publicly available data from the Federal Communications Commission shows that  
3 there has been a significant increase in the average duration of an out-of-service  
4 condition experienced by Verizon's customers.

5 **CHART ONE**  
6 **Residential Out-of-service Repair Intervals in Hours for Verizon NH**



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8 Source: Federal Communications Commission, ARMIS Data

9 **Q. Does Verizon face similar service quality problems in the other Northern New**  
10 **England states affected by the proposed transaction?**

11 A. Yes. In Vermont, from 2001 to 2006, Verizon experienced an 87% increase in the  
12 percentage of residential out-of-service conditions not cleared within 24 hours, a  
13 54% increase in the percentage of business out-of-service conditions not cleared  
14 within 24 hours, a 26% increase in the percentage of calls not answered by the

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**TABLE SEVEN**  
**Verizon Service Quality Performance in New Hampshire,**  
**Maine and Vermont**

<b>Out-of-service Repair Intervals in Hours</b>											
<b>Residence</b>											
		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	Maine	18.3	29.5	17.5	15.9	18.1	20.2	24.2	22.2	22.9	25.5
	New Hampshire	19.8	24.2	20.1	16.9	19.9	24.2	32	25.3	27.8	35.4
	Vermont	23.5	25.2	19.9	17.8	18.3	25.8	35.5	29.9	27	26.7
<b>Business</b>											
	Maine	11.9	15.7	13.6	12.1	11.7	11.9	12.5	11.4	11.1	11.8
	New Hampshire	11.6	11.7	12.5	11.3	10.6	12.2	15.8	13.6	15	15.4
	Vermont	14	12.5	13.7	11.4	10.4	11.6	15.4	13.7	12.5	12.7
<b>Residence &amp; Business</b>											
	Maine	17.2	27.4	16.8	15.2	17	19.1	22.6	20.7	21.3	23.7
	New Hampshire	18.1	21.8	18.6	15.8	18.2	22.2	29.5	23.4	26	32.5
	Vermont	21.6	23	18.8	16.6	16.9	23.5	32.5	27.6	25.1	24.9
<b>Total Trouble Reports per Month per 100 Line</b>											
<b>Residence</b>											
	Maine	1.15	1.76	1.27	1.14	1.19	1.31	1.31	1.28	1.4	1.46
	New Hampshire	1.33	1.67	1.49	1.41	1.42	1.43	1.71	1.63	1.87	1.96
	Vermont	1.56	1.78	1.58	1.42	1.39	1.47	1.72	1.75	1.84	1.77
<b>Business</b>											
	Maine	0.62	0.84	0.68	0.65	0.64	0.57	0.52	0.51	0.53	0.54
	New Hampshire	0.76	1.17	0.74	0.78	0.79	0.72	0.81	0.73	0.75	0.78
	Vermont	0.85	0.87	0.72	0.7	0.71	0.7	0.75	0.71	0.66	0.59
<b>Residence &amp; Business</b>											
	Maine	0.98	1.51	1.1	1	1.03	1.09	1.07	1.05	1.14	1.18
	New Hampshire	1.15	1.51	1.25	1.22	1.23	1.22	1.44	1.36	1.54	1.61
	Vermont	1.33	1.48	1.31	1.19	1.18	1.23	1.42	1.43	1.48	1.4

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Source: ARMIS Report 43-05, Table II

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As can be seen, Verizon's service quality in these two categories has been deteriorating across the board in each of the three states. However, Verizon provides the worst service quality to New Hampshire. In 2006, New Hampshire residential consumers experienced a 34% higher rate of customer trouble reports

**STATE OF MAINE  
PUBLIC UTILITIES COMMISSION**

Joint Petition of Verizon New England Inc., )  
d/b/a Verizon Vermont, Certain Affiliates )  
thereof, and FairPoint Communications, )  
Inc., for approval of an asset transfer, )  
acquisition of control by merger and )  
associated transactions )

Docket No. 2007-67

**Direct Testimony  
of**

**KENNETH R. PERES, Ph.D.**

**On Behalf of the  
Communications Workers of America and  
International Brotherhood of Electrical Workers**

July 13, 2007

1 approves this transaction, FairPoint will face very difficult challenges simply  
2 finding the resources needed to properly operate and maintain the Northern New  
3 England properties. At the very least, FairPoint should “inherit” a system that  
4 meets the minimum standards and SQI benchmarks for adequate service quality.  
5 This will require significant resources that should be provided by Verizon. I put  
6 this responsibility on Verizon because it allowed service quality to deteriorate and  
7 benefited from a level of capital and operating expenses that was lower than what  
8 was needed to maintain the system properly. Even though regulators have tried to  
9 address these service quality problems, Verizon has not fixed them. The solution,  
10 however, should not be “anybody but Verizon.” If another firm is to come in and  
11 take over the system left by Verizon, it will have to make significant additional  
12 capital and operating expenditures, merely to bring the system up to a minimally  
13 satisfactory level of service quality. I do not try to quantify these needed  
14 expenditures, but the testimony I present below concerning the level of Verizon’s  
15 service quality highlights the difficulty facing any successor firm. FairPoint’s  
16 ability to bring the system to an acceptable, much less a superior, level of service  
17 quality, should be carefully examined in light of the results of Verizon’s  
18 stewardship in recent years.

19 **Q. Are there federal data that illustrate Verizon’s poor service quality**  
20 **performance in Maine?**

21 A. Yes. The following table illustrates Verizon’s deteriorating service from 2001 to  
22 2006 according to data filed with the Federal Communications Commission.

**TABLE THREE**  
**Verizon Service Quality Performance in Maine as Measured by**  
**ARMIS Data from the FCC**

Residence	2001	2002	2003	2004	2005	2006
Complaints per 1 million lines	75	143	113	171	167	171
Average Installation Intervals in Days	0.8	0.8	0.8	0.8	0.7	1.2
Out of Service Repair Intervals (hours)	18.1	20.2	24.2	22.2	22.9	25.5
Repeat as a % of Initial Out of Service Troubles	10.9	11.6	12.7	12	13.7	14.1
Total Trouble Reports per 100 Lines	1.19	1.31	1.31	1.28	1.4	1.46

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Source: ARMIS Report 43-05, Table II

3 From 2001 to 2006, residential consumers of Verizon experienced a 128% increase  
 4 in complaints per 1 million access lines, a 50% increase in average installation  
 5 intervals, a 41% increase in average out-of-service repair intervals, a 29% increase  
 6 in repeat out-of-service trouble reports as a percentage of initial out-of-service  
 7 reports, and a 23% increase in total trouble reports per 100 access lines.

8 **Q. Are there state data that also illustrate Verizon's poor service quality**  
 9 **performance in Maine?**

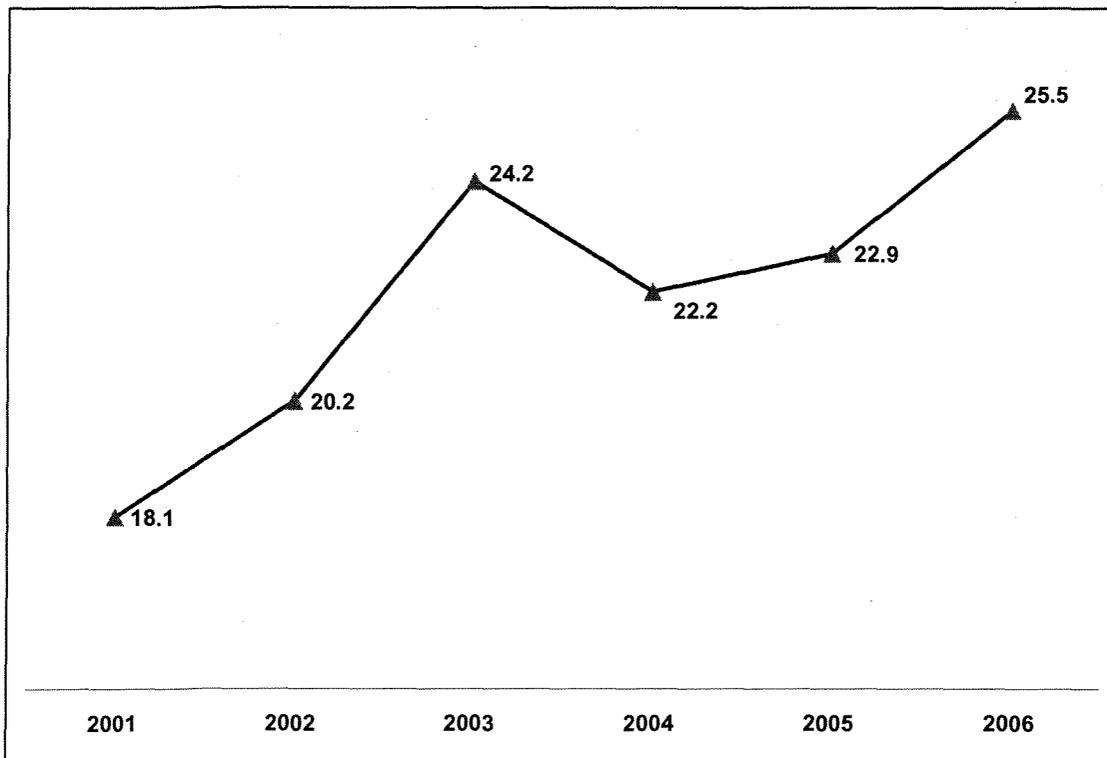
10 A. Yes. The following table illustrates Verizon's deteriorating service during the  
 11 Second AFOR from its first plan year of 2001/ 02 to the current plan year of  
 12 2006/07.<sup>7</sup>

<sup>7</sup> As noted in the table, the annual figures are for the AFOR reporting year which extends from July through June. The 2007 figures provided in the table only extend from July 2006 through May 2007 – June figures have not yet been released.

1 **Q. How long have these out-of-service conditions lasted?**

2 A. The Maine SQI does not measure the duration of the out-of-service conditions and,  
3 thus, does not distinguish between outages that last only a short time and those that  
4 last many days. However, according to data collected by the Federal  
5 Communications Commission, there has been a significant increase in the average  
6 duration of an out-of-service condition experienced by Verizon's customers.

7 **CHART TWO**  
8 **Residential Out of Service Repair Intervals in Hours for Verizon Maine**  
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11 Source: Federal Communications Commission, ARMIS Data

12 **Q. Has the PUC recently reviewed Verizon's service quality?**

13 A. Yes. Verizon's service quality was examined in Docket No. 2005-155 which  
14 consists of an investigation into a New Alternative Form of Regulation for Verizon

1 return its service quality to levels that existed at least prior to  
2 the Second AFOR (2001)... Because the present penalty-  
3 rebate mechanism does not provide sufficient incentive for  
4 Verizon to improve its service quality, we will revise the  
5 penalty rebate structure.<sup>10</sup>  
6

7 **Q. Did the Maine PUC Hearing Examiner make any recommendations**  
8 **concerning Verizon's poor service quality performance?**

9 **A.** Yes. Verizon's service quality was so poor that the Maine PUC examiner  
10 recommended that the state's service quality measurement and penalty structure be  
11 strengthened.

12 We address the service quality issue at this time...because we find  
13 that certain important aspects of Verizon Maine's service quality  
14 are inadequate and also deteriorating. For these reasons, we find  
15 that it is necessary to adopt a stronger SQI [Service Quality Index]  
16 and rebate/penalty structure now, rather than wait...<sup>11</sup>  
17

18 For example, he recommended adopting a new standard for the duration of  
19 residential out-of-service conditions. He also recommended a progressive penalty  
20 structure for poor service.

21 **Q. Does Verizon face similar service quality problems in the other Northern New**  
22 **England states affected by the proposed transaction?**

23 **A.** Yes. In 2006, Verizon-New Hampshire had the worst performance of the three  
24 states in relation to out-of-service intervals in hours for both residential and  
25 business customers in 2005 and 2006.<sup>12</sup>

26 In Vermont, from 2001 to 2006, Verizon experienced an 87% increase in  
27 the percentage of residential out-of-service conditions not cleared within 24 hours,

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<sup>10</sup> Docket No. 2005-155, Examiner's Report, p. 266.

<sup>11</sup> Docket No. 2005-155, Examiner's Report, p. 8.

<sup>12</sup> ARMIS Report 43-05.

**STATE OF VERMONT  
PUBLIC SERVICE BOARD**

Joint Petition of Verizon New England Inc., )  
d/b/a Verizon Vermont, Certain Affiliates )  
thereof, and FairPoint Communications, )  
Inc., for approval of an asset transfer, )  
acquisition of control by merger and )  
associated transactions )

Docket No. 7270

**Direct Testimony  
of**

**KENNETH R. PERES, Ph.D.**

**On Behalf of the  
Communications Workers of America and  
International Brotherhood of Electrical Workers**

May 24, 2007

1 the subsidiary's financial health, capital investment, service quality and consumer  
2 rates. The conditions included the following:

- 3 • a service quality plan with the suspension of dividend payments and  
4 the imposition of customer rebates for substandard service;
- 5 • cost savings to flow to consumers;
- 6 • limits on dividend payments equivalent to the difference between  
7 EBITDA (earnings before interest, taxes, depreciation and  
8 amortization) and 100% of depreciation expenses in order to ensure  
9 adequate capital investment;
- 10 • limitations on dividend payments, debt and inter-affiliate transactions  
11 in order to limit the ability of FairPoint to use Berkshire as a cash cow.

12 FairPoint accepted the conditions imposed by the NY PSC. It is important  
13 to bear in mind that the NY PSC imposed these conditions in the context of a  
14 relatively miniscule transaction (\$20.3 million and 7,200 access line equivalents)  
15 with dramatically smaller attendant risks – both to FairPoint and the business it  
16 was acquiring.<sup>4</sup>

#### 17 **IV. Verizon's Service Quality Performance**

18 **Q. How has Verizon's service quality performance been in Vermont?**

19 **A.** Verizon – and its consumers – have experienced a number of significant service  
20 quality problems.

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<sup>4</sup> FairPoint Communications, SEC Form 10K, 2006

1 **Q. Are there federal data that illustrate Verizon's poor service quality**  
 2 **performance in Vermont?**

3 A. Yes. The following table illustrates Verizon's deteriorating service from 2001 to  
 4 2006, according to data filed with the Federal Communications Commission.

<b>Verizon Service Quality Performance as Measured by ARMIS Data to the FCC</b>						
Residence and Business	2001	2002	2003	2004	2005	2006
Complaints per 1 million lines	342	497	933	770	942	977
Average Installation Intervals in Days	1	1.1	1.2	1.1	1.1	1.5
Out of Service Repair Intervals (hours)	16.9	23.5	32.5	27.6	25.1	24.9
Repeat as a % of Initial Out of Service Troubles	12.4	13.2	14.1	15.1	17.3	16.7
Source: ARMIS Report 43-05, Table II, Columns af, ai, aj, Rows 140, 141, 142						

5  
 6 From 2001 to 2006, Verizon experienced a 139% increase in residential  
 7 and business complaints per 1 million access lines, a 50% increase in average  
 8 installation intervals, a 47% increase in average out-of-service repair intervals,  
 9 and a 35% increase in repeat out-of-service trouble reports as a percentage of  
 10 initial out-of-service reports.

11 **Q. Are there state data that also illustrate Verizon's poor service quality**  
 12 **performance in Vermont?**

13 A. Yes. The following table illustrates Verizon's deteriorating service from 2001 to  
 14 2006, according to data obtained from the Department of Public Service.

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<b>Verizon Service Quality Performance as Measured by Data to the VT DPS</b>		
	<b>2001</b>	<b>2006</b>
% Out of Service Over 24 Hours - Residential	24.3%	45.4%
% Out of Service Over 24 Hours - Business	5.7%	8.8%
% Calls Not Answered in 20 secs – Residential	19%	24%
% Installation Appointments Not Met	1.2%	2.1%
Customer Trouble Report Rate	1.1	1.3
Source: Vermont Department of Public Service		

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From 2001 to 2006, Verizon experienced an 87% increase in the percentage of residential out-of-service conditions not cleared within 24 hours, a 54% increase in the percentage of business out-of-service conditions not cleared within 24 hours, a 26% increase in the percentage of calls not answered by the company within 20 seconds, and a 75% increase in the percentage of missed installation appointments.

**Q. What is special about the percentage of out-of-service troubles not cleared within 24 hour standard?**

**A.** Clearing troubles in a timely manner is critical as a matter of public health and safety. The lack of service for any appreciable time can represent a significant danger especially in the cases of emergencies and accidents.

1 **Q. Does Verizon face similar problems in the other Northern New England**  
2 **states that FairPoint hopes to acquire?**

3 A. Yes. In 2006, Verizon-New Hampshire had the worst performance of the three  
4 states in relation to out-of-service intervals in hours for both residential and  
5 business customers in 2005 and 2006.<sup>5</sup>

6 Similarly, in 2006, Verizon-Maine failed to clear 37.7% of its out-of-  
7 service troubles within 24 hours. In the first quarter of 2007, the company failed  
8 to clear 32.6% of its out-of-service troubles within 24 hours. Verizon's level of  
9 performance in relation to this category is worse than any other phone company in  
10 Maine that is measured by the PUC.<sup>6</sup>

11 A recent report by an examiner with the Maine Public Utilities  
12 Commission (PUC) stated:

13 ...a review of Verizon's service quality results during the current  
14 AFOR [Alternative Form of Regulation in effect since 2001]  
15 reveals that service quality has declined. The increase in missed  
16 metrics indicates that Verizon's performance is getting worse. In  
17 addition, Verizon has not met the benchmark for Residential  
18 Troubles Not Cleared metric during any year of the Second AFOR  
19 and often, particularly since 2003/04, it has missed that benchmark  
20 by wide margins (more than 50% in excess of the benchmark).  
21 Last year and this year, the performance is even worse.<sup>7</sup>

22  
23 Verizon's service quality was so poor that the Maine PUC examiner  
24 recommended that the state's service quality measurement and penalty structure  
25 be strengthened.

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<sup>5</sup> ARMIS Report 43-05.

<sup>6</sup> Maine Public Utilities Commission, Local Telephone Company Service Quality Reports, 2006 and 1<sup>st</sup> Quarter 2007.

<sup>7</sup> Maine Public Utilities Commission, Docket No. 2005-155, *Examiner's Report (Revenue Requirement and Service Quality Issues)*, May 9, 2007, p. 247.

1 We address the service quality issue at this time...because we find  
2 that certain important aspects of Verizon Maine's service quality  
3 are inadequate and also deteriorating. For these reasons, we find  
4 that it is necessary to adopt a stronger SQI [Service Quality Index]  
5 and rebate/penalty structure now, rather than wait...<sup>8</sup>  
6

7 **Q. Why has Verizon had such poor service quality – especially in relation to**  
8 **clearing out-of-service conditions?**

9 A. Timeliness of repair is directly related to the available workforce and the  
10 condition of the outside plant. Obviously, it will take longer to repair out-of-  
11 service conditions if there are too few available workers and/or the condition of  
12 the plant has deteriorated. Conversely, such conditions can be more readily  
13 cleared if a company increases the available workforce and capital invested in  
14 plant maintenance and improvement. Apparently, Verizon management decided  
15 against allocating enough capital and labor resources to improve service quality.

16 **V. FairPoint's Impaired Ability to Improve Service**  
17 **Quality Performance in Vermont if the Transaction is**  
18 **Approved**

19 **Q. What would be needed for FairPoint to improve service quality**  
20 **performance?**

21 A. As discussed above, the most direct way to improve service quality is to allocate  
22 more capital and labor resources directly to service quality. Improvements in  
23 systems efficiency are not the answer. Even Peter Nixon recognized this when he

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<sup>8</sup> Maine Hearing Examiner Report, p. 8.

*Before the*  
**FEDERAL COMMUNICATIONS COMMISSION**  
**Washington, DC 20554**

In the Matter of )  
 )  
Application for Transfer of Certain Verizon ) WC Docket No. 07-22  
Spectrum Licenses in Maine, New )  
Hampshire and Vermont to FairPoint )

**Petition to Deny of**  
**Communications Workers of America**  
**International Brotherhood of Electrical Workers**

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April 27, 2007

### **E. Service Quality Will Erode Given Inadequate Capital Investment in Infrastructure and the Loss of Experienced Workers**

Both Verizon and FairPoint have experienced significant service quality problems in the Maine, New Hampshire and Vermont region. These problems will be exacerbated by FairPoint's inadequate capital expenditures planned for the region, problems associated with developing and integrating new support, billing and administrative systems and the likely depletion of the experienced workforce.

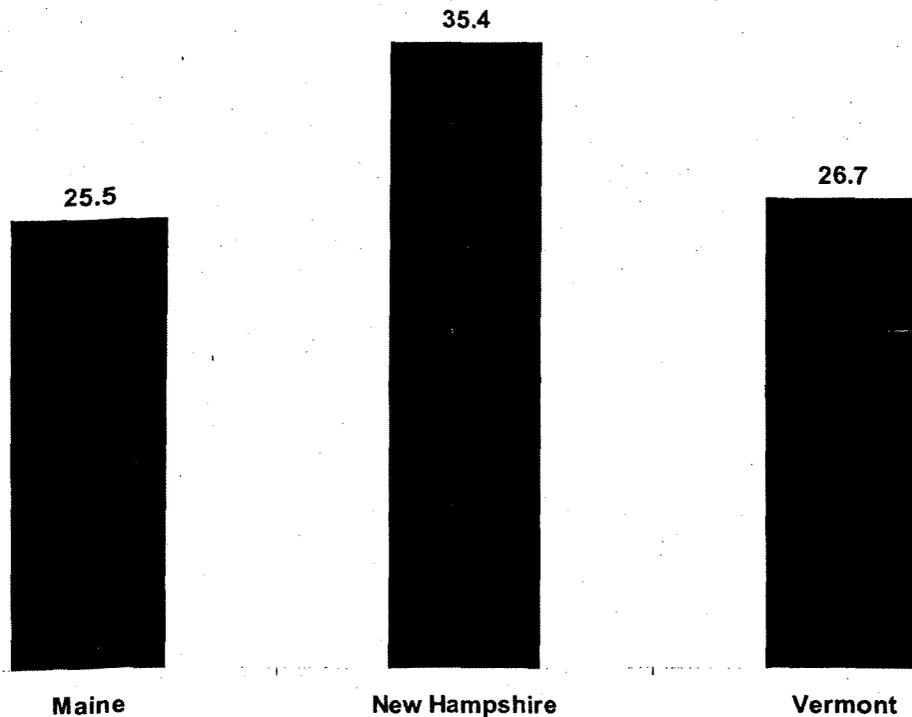
FairPoint has experienced service quality problems. For example, the company's six subsidiaries in Maine had among the highest complaint rates for service, disconnection notice and billing in 2005 and 2006 according to the State Public Utility Commission. One of FairPoint's subsidiaries, China Telephone, appears to have had the highest complaint rate in both years. Since March 2006, the PUC's public service division has been monitoring four aspects of FairPoint's service – billing, phone response and two measures of E911 services. In addition, the Maine Public Advocate's office filed a complaint against the company, arguing that FairPoint may be overcharging its subsidiaries.<sup>38</sup>

Verizon also has delivered poor quality service. For example, a recognized industry standard is for a company to clear its out of service troubles within twenty-four hours. This is an important standard since out-of-service conditions can affect health and safety as well as the general ability to communicate and conduct business. Yet, in 2006 Verizon was unable to clear its residential out-of-service troubles within 24 hours in each of the three states.

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<sup>38</sup> Bangor Daily News, FairPoint Comes Calling, January 18, 2007

### Residential Out of Service Repair Intervals for Verizon in 2006



FCC, ARMIS Report 43-05, Table II, Column af, and Row 144..

Verizon's poor service quality performance also is reflected in state collected data. For example, for 2006, Verizon-Maine failed to clear 37.7% of its out-of-service troubles within 24 hours. In the first quarter of 2007, the company failed to clear 32.6% of its out-of-service troubles within 24 hours. Verizon's level of performance in relation to this category is worse than any other phone company in Maine that is measured by the PUC.<sup>39</sup>

<sup>39</sup> Maine Public Utilities Commission, Local Telephone Company Service Quality Reports, 2006 and 1<sup>st</sup> Quarter 2007.

Before the

State Corporation Commission of Virginia

Application of )  
Verizon Virginia Inc. )  
and )  
Verizon South Inc. )  
For a Determination that )  
Retail Services Are Competitive )  
And Detarriffing of the Same )

Case No. PUC-2007-00008

Public Comments of the Communications Workers of America

Carol Summerlyn  
CWA Representative  
3961B Stillman Parkway, Suite B  
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Dated April 20, 2007

price increases and service decline. The Commission cannot reasonably conclude that basic telephone service is competitive throughout the Commonwealth.<sup>8</sup>

## **II. Competition Drives Verizon to Neglect Basic Wireline Service**

Verizon is building a fiber network in some communities in the Commonwealth, targeting initial investment to regions with more densely populated, affluent customers and where facilities-based cable VoIP competition is most intense. CWA supports rapid deployment of Verizon's FiOS network throughout the Commonwealth,

During this transition period, most Verizon customers continue to rely on the old copper network for wireline service. These customers are experiencing deteriorating service, because Verizon invests its capital resources in the FiOS build-out, neglecting routine maintenance and even small needed improvements in the copper network.

FCC service quality data document declining quality of service provided to Verizon's customers. Data supplied by Verizon to the FCC as part of its ARMIS Report reveal these alarming trends in the years from 2000 to 2006. [See Appendix, Chart1 and 2]

- Out of Service Repair Intervals for residential customers increased 51.5 percent over this period. In 2006 (the most recent data available), out-of-service repair intervals averaged 40.9 hours – almost two days without dialtone. Verizon residential customers in urban and rural MSAs experienced similarly lengthy delays in restoring dialtone. Since this is an average, it is likely that many customers waited significantly longer to have vital telephone service restored by Verizon.<sup>9</sup>

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<sup>8</sup> Verizon references proceedings in California and New York as evidence of telecommunications regulation in response to competition. In the New York proceeding, the New York Commission determined that “incumbents should continue to offer a ‘basic service’ and that such service should continue to be subject to a regulated cap.” The New York Commission added that “(w)here competition is not yet pervasive, or on matters of public safety, network reliability, and essential consumer protections, certain regulatory protections and oversight remain necessary and we will continue employing a more traditional regulatory approach...” New York consumer protection and service quality standards remain in force, and are much more stringent than those in Virginia. See State of New York Public Service Commission, Professing on Motion of the Commission to Examine Issues Related to the transition to Intermodal Competition in the Provision of Telecommunications Services, Statement of Policy, April 11, 2006, pp. 7-8. California continues to regulate basic telephone service.

<sup>9</sup> CWA Calculation based on FCC Armis Data, Report 43-05.

- Complaints filed by residential customers with the FCC increased by 73 percent over this period.<sup>10</sup>
- In 2006, one-quarter of Verizon customers reported a “repeat” trouble on their line. A “repeat” trouble is a problem on the line that a customer previously reported, Verizon claimed that they resolved, and that the customer then experienced again as a trouble within 30 days.<sup>11</sup>

In order to understand the facts on the ground behind these troubling statistics, CWA convened a roundtable on April 16, 2007 of CWA-represented technicians who work at Verizon as cable splicers. The technicians were based in the communities of Richmond, Virginia Beach, Lynchburg, Falls Church, Roanoke. They average 18 years service with Verizon. We summarize their comments here, and anticipate supplementing these comments at the public hearing scheduled for July 23, 2007.

The CWA-represented technicians from all five regions concurred that Verizon is not allocating capital resources to maintain the copper network. According to a technician from Roanoke with more than 30 years service, “if there is an outage due to defective cable, there is no money in engineering to replace it. I put the customer on the ‘best bad’ copper pair available. Next time it rains and there is water on the line, I’m called back because we haven’t really fixed the problem.”

Another technician based in Lynchburg with over 20 years at Verizon added that Verizon’s Performance Plan (called “PEP”) that requires technicians to complete at least four jobs a day to get a good evaluation creates perverse incentives. “We’re up against the clock, and sometimes can’t thoroughly fix a problem without sacrificing a good performance evaluation.”

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<sup>10</sup> CWA Calculation based on FCC Armis Data, Report 43-05.

<sup>11</sup> CWA Calculation based on FCC Armis Data, Report 43-05. Repeat troubles as a percent of initial troubles is based on this formula: (Initial-Subsequent-Initial Trbl Rpt + Repeat Trble Rpt + Repeat-Subsequent-Repeat Trble Rep)/Init Trbl Rpt – Subsequent-Initial Trbl Rpt).

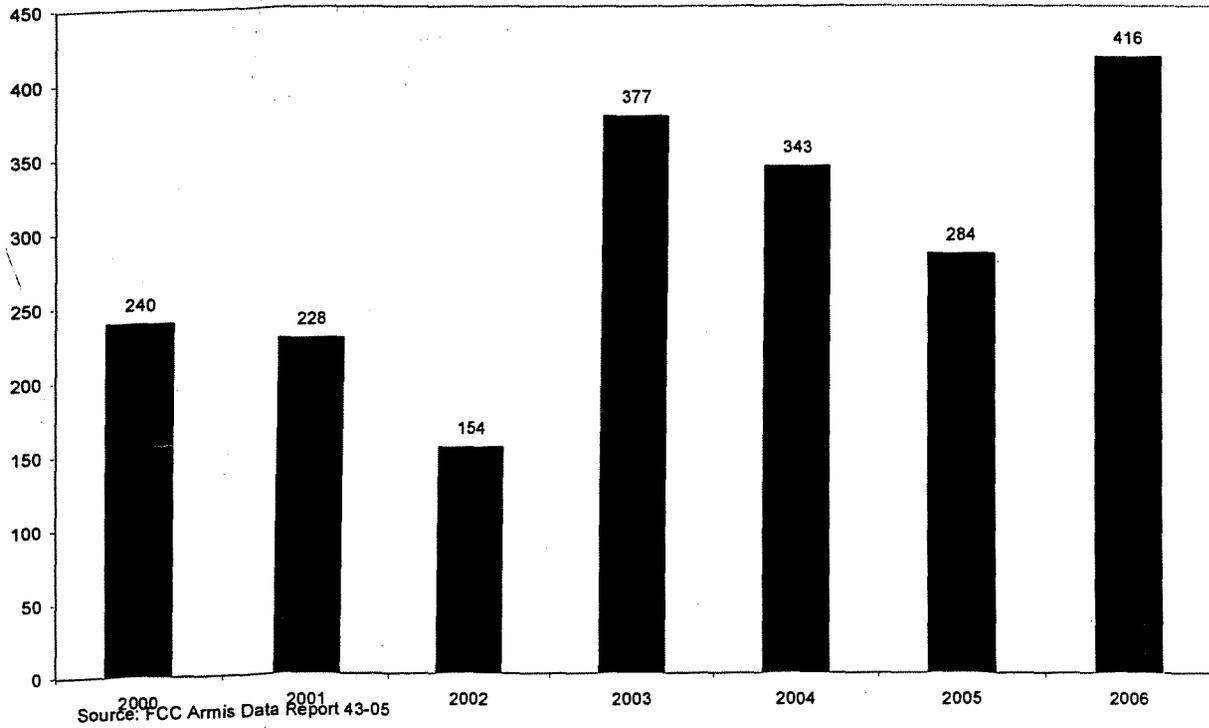
The service problems on Verizon's copper network serves as powerful evidence to refute Verizon's claim that existing levels of competition protect residential customers. In fact, Verizon has decided to concentrate its capital budget on the construction of its fiber to the home network in a limited number of communities serving more affluent customers, neglecting the vast majority of its customers who remain connected to the copper network. The Commission must not abandon these consumers as well, but must maintain, and indeed strengthen, regulatory oversight.

### **III. Conclusion**

The Commission should reject Verizon's application to declare competitive its basic retail telephone service to residential and small business customers. Verizon fails to demonstrate that there is actual robust competition to mass market customers sufficient to constrain pricing and service decline. Radical deregulation of basic telephone service would result in price increases to many customers who rely on Verizon's wireline service for basic telephone service. As we have demonstrated, during this period of transition to new broadband networks, Verizon has chosen to abandon investment in its copper network, leaving the vast majority of Verizon's customers with declining service quality. Virginia consumers would be better served by strengthened service quality and consumer protection regulation that apply to all carriers, incumbents and competitors alike. At a minimum, the Commission must continue to exercise its obligations to protect Virginia consumers with regulatory oversight over basic telephone service to residential and small business customers.

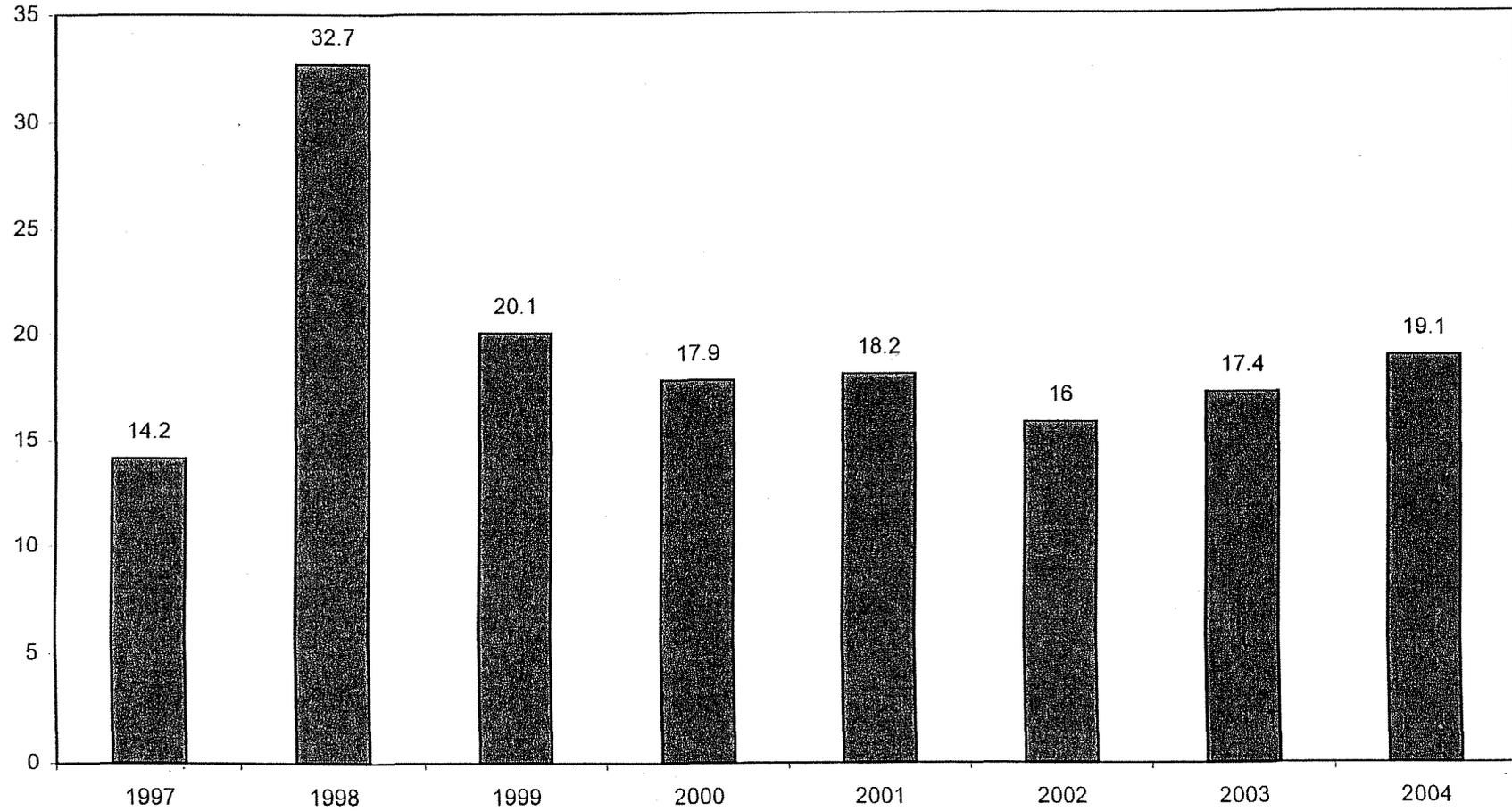
## **Appendix**

**Verizon - Virginia  
State Complaints per 1 Million Lines**

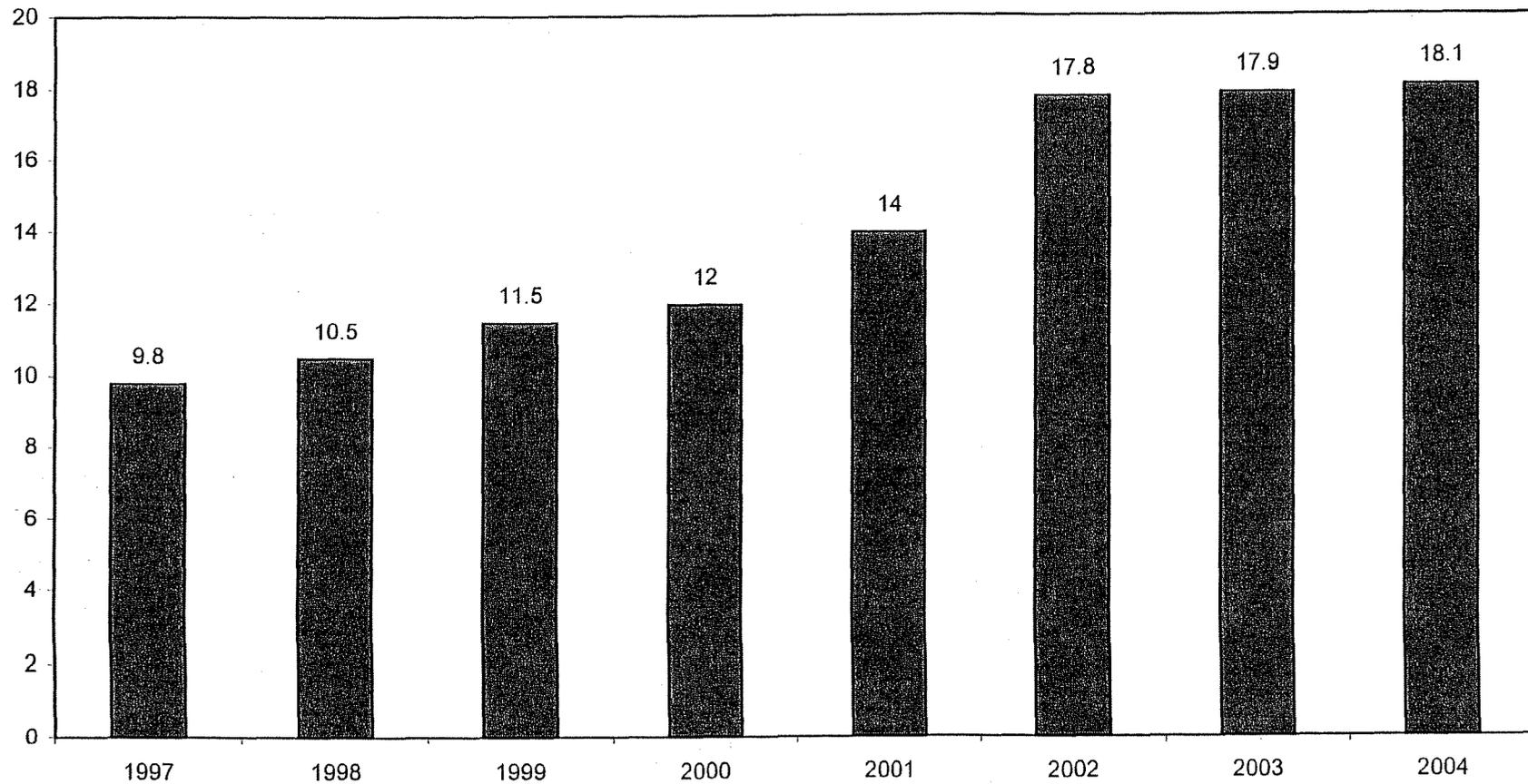




**Sprint United Tennessee  
Out of Service Repair Intervals in Hours  
Up 35 Percent**



**Sprint United Tennessee**  
**Repeat Out-of-Service Trouble Reports**  
**as % of Initial Out-of-Service Trouble Reports**  
**Up 85 Percent**



BEFORE THE  
PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

Application of Sprint Nextel Corporation :  
for Approval of the Transfer of Control of :  
Sprint Missouri, Inc., Sprint Long : Case No. IO-200-6-0086  
Distance, Inc. and Sprint Payphone :  
Services, Inc. from Sprint Nextel :  
Corporation to LTD Holding Company :

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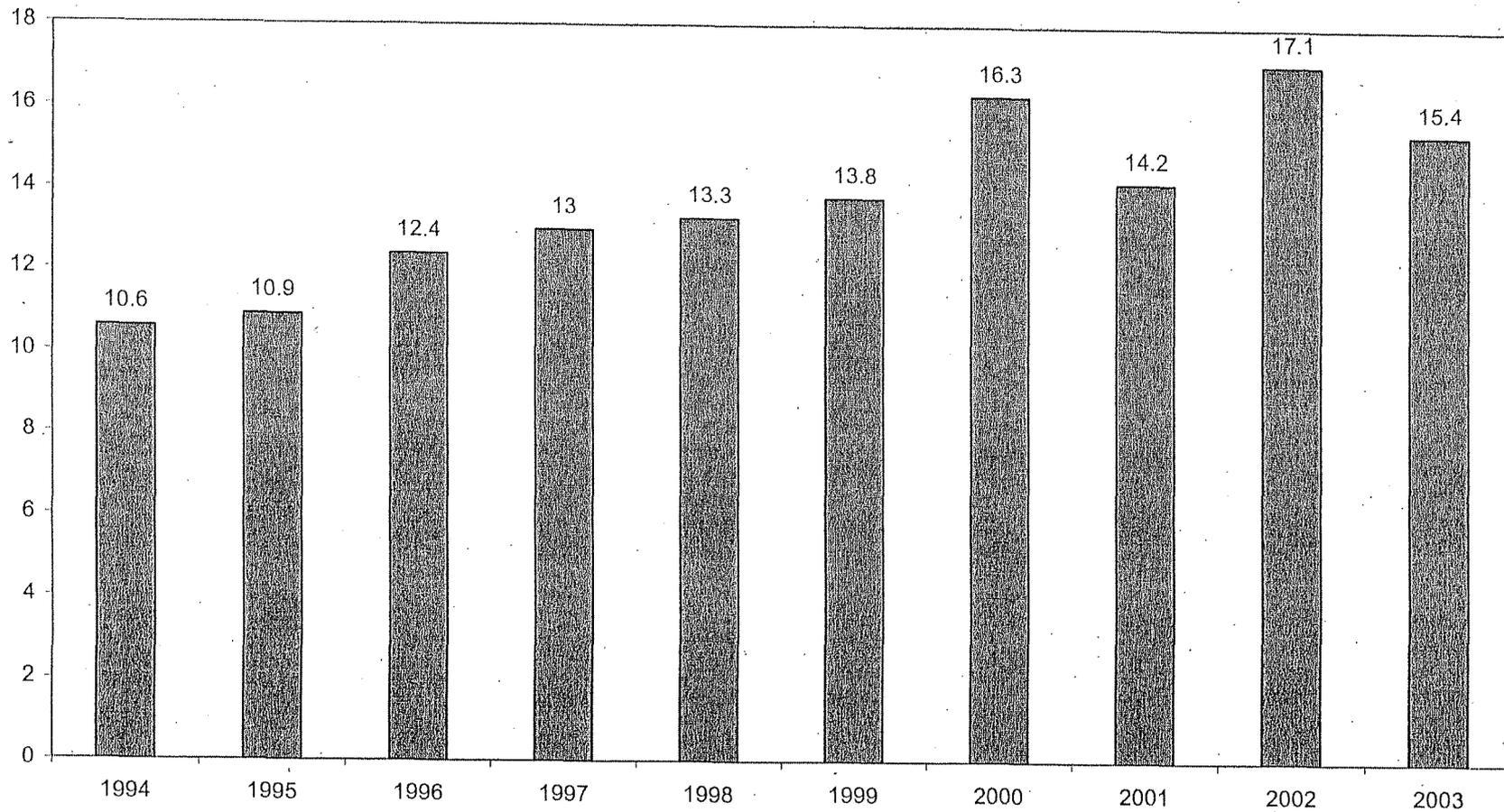
CWA EXHIBITS

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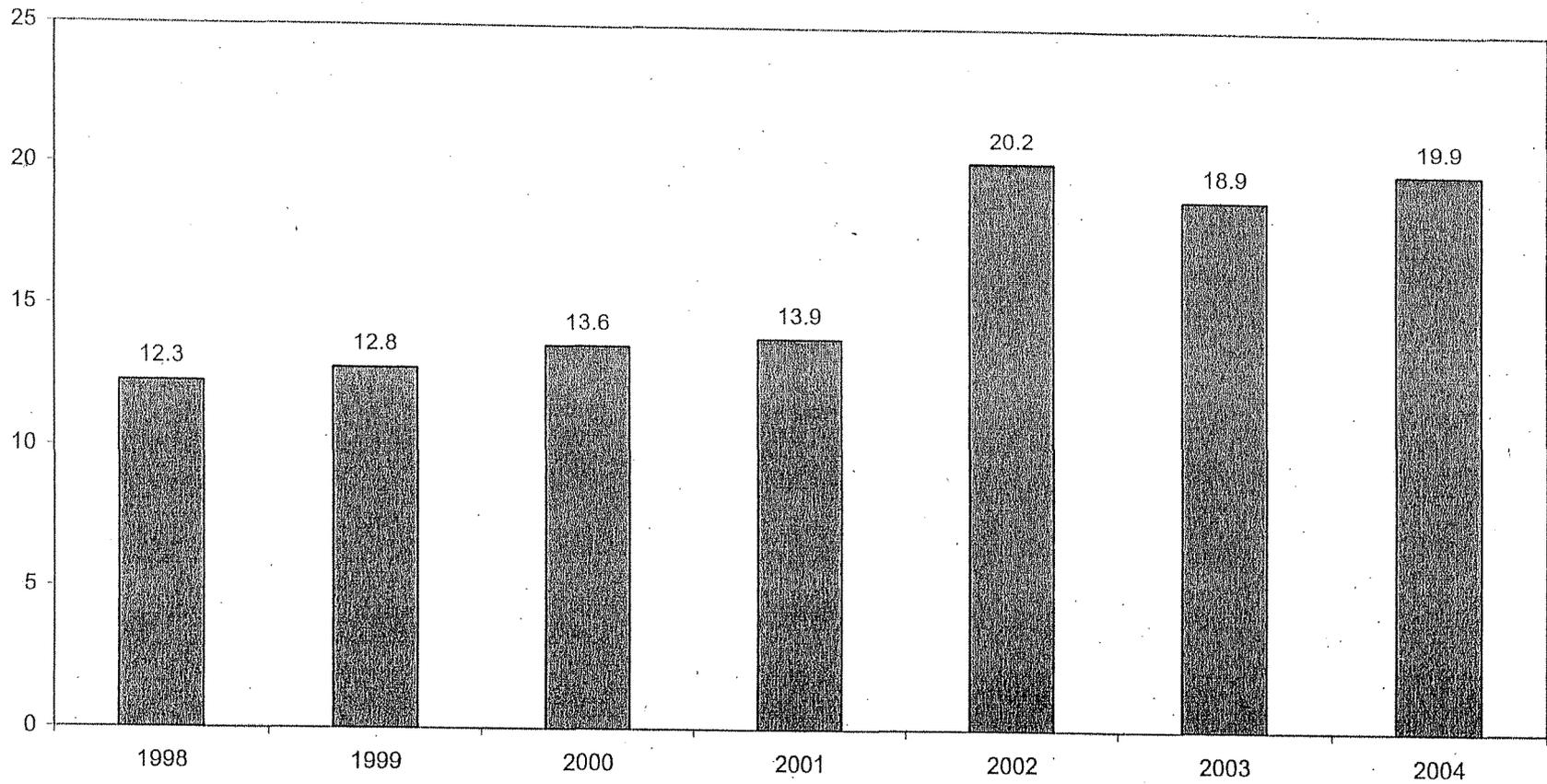
\*\*\* CONTAINS INFORMATION ALLEGED TO BE HIGHLY CONFIDENTIAL \*\*\*

December 6, 2005

CWA Exhibit 16:  
Sprint - Missouri  
Out of Service Repair Intervals in Hours  
Up 20 Percent, 1998-2004



**CWA Exh. 17**  
**Sprint United Missouri**  
**Repeat Out-of-Service Trouble Reports**  
**as % of Initial Out-of-Service Trouble Reports**  
**Up 62 Percent**



BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of The United Telephone :  
Company of Pennsylvania d/b/a Sprint and :  
Sprint Long Distance, Inc., for all :  
approvals required under the Pennsylvania : Docket No. A-313200F0007  
Public Utility Code in connection with : Docket No. A-311379F0002  
changes of control of The United :  
Telephone Company of Pennsylvania d/b/a :  
Sprint and Sprint Long Distance, Inc. :

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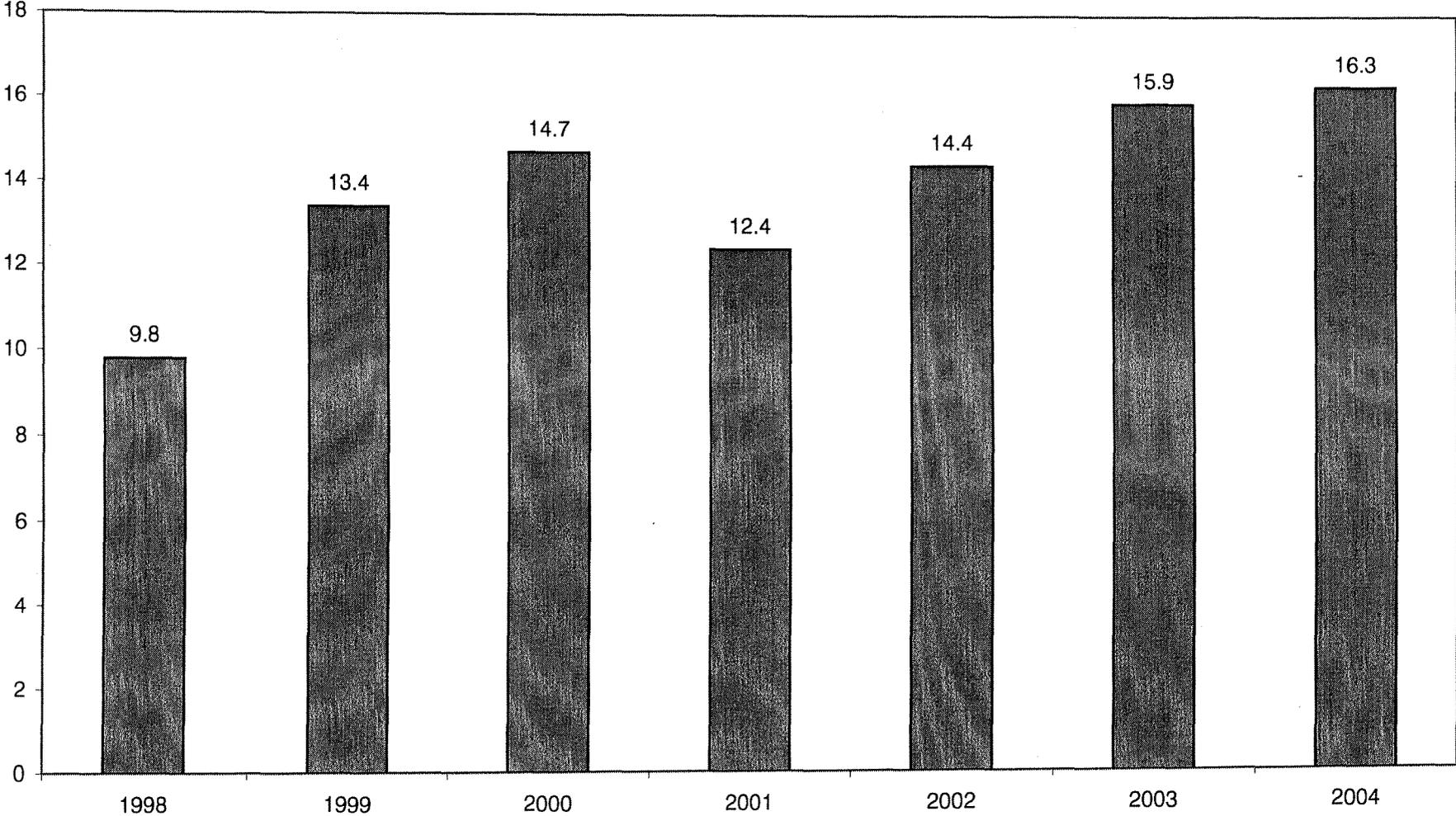
CWA EXHIBITS

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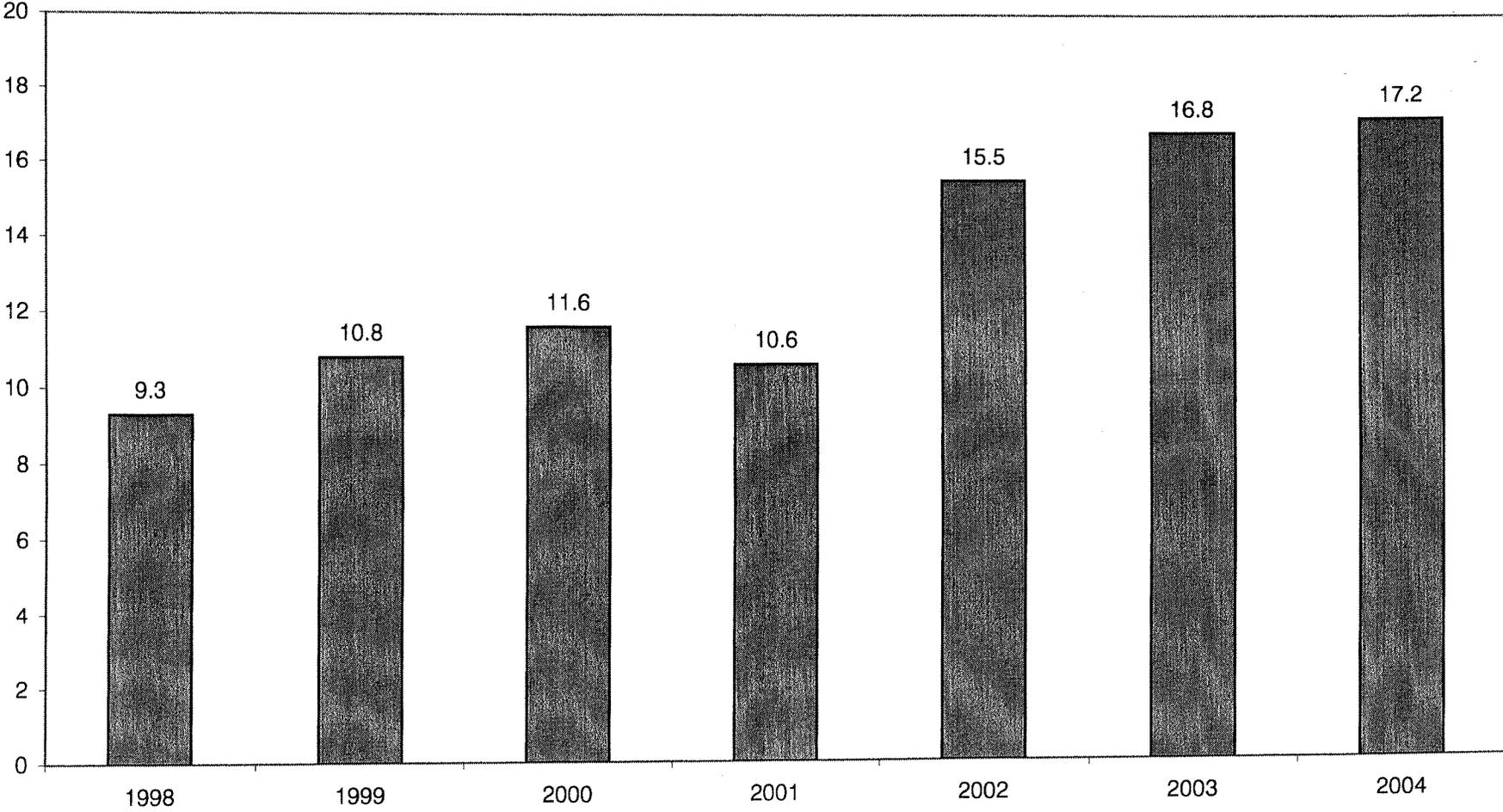
\*\*\* CONTAINS INFORMATION ALLEGED TO BE HIGHLY CONFIDENTIAL \*\*\*

October 25, 2005

**CWA Exhibit 16. Sprint United Pennsylvania  
Out of Service Repair Intervals in Hours  
Up 66 Percent**



**CWA Exhibit 17. Sprint United Pennsylvania  
Repeat Out-of-Service Trouble Reports  
as % of Initial Out-of-Service Trouble Reports  
Up 85 Percent**



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

In the Matter of )  
 )  
Applications of )  
Nextel Communications, Inc. )  
Transferor, and )  
Sprint Corporation, Transferee )  
For Consent to Transfer Control )  
Of Entities Holding Commission )  
Licenses and Authorizations Pursuant )  
To Sections 214 and 310(d) of the )  
Communications Act )

WT Docket No. 05-63

**Petition to Impose Conditions of  
Communications Workers of America**

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March 30, 2005

\$7.9 billion in capital was invested in that division. In other words, Sprint's Local Division provided financial resources to Sprint's Global Markets business. (See Appendix A for the financial analysis).

Based on the SEC financial data, it clear is that the overwhelming portion of what in 2003 was allocated as FON debt should remain with the combined Sprint Nextel at the time of any Local Division spin-off.<sup>18</sup> The Commission must condition merger approval upon Sprint commitment to an equitable debt and asset allocation at the time of the proposed Local Division separation, subject to full Commission review. Absent such a condition, Sprint's local customers will suffer deteriorating service and delayed investment in advanced services due to inadequate capital available for investment.

Already, Sprint's Local Division is experiencing the effects of Sprint's corporate policy of using profits from the Local Division to support the Global Markets division and debt retirement. According to FCC Armis reports, the service provided by Sprint's local telephone companies declined substantially on a number of critical measures related to network maintenance, repair, and adequate staffing in the years between 1997 and 2003.

The number of repeat trouble reports per 100 access lines at Sprint's two largest local telephone companies that serve primarily rural and suburban customers increased at North Carolina Tel & Tel by 165 percent and at United Florida by 165 percent. Repair intervals over the same period increased at North Carolina Tel and Tel by 49 percent, at United Florida by 83 percent, and at Central Tel of Nevada by 45 percent. Repeat out-of-service trouble reports as a percent of initial out-of-service trouble reports increased at North Carolina Tel & Tel by 199

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<sup>18</sup> In 2004, Sprint recombined PCS and FON making it more difficult to ascertain from SEC financial records the allocations of debt across business divisions.

percent, at United Florida by 109 percent, and at Central Tel of Nevada by 47 percent. (See Appendix B for service quality charts).

Sprint's primarily rural and suburban local customers are already victims of Sprint's corporate policies to shift Local Division profits into its long-haul Internet business. To protect against further service deterioration and a widening digital divide, the Commission must condition merger approval in this instant proceeding upon commitments to subject debt and asset allocation at the time of the spin-off to Commission review to assure an equitable distribution.

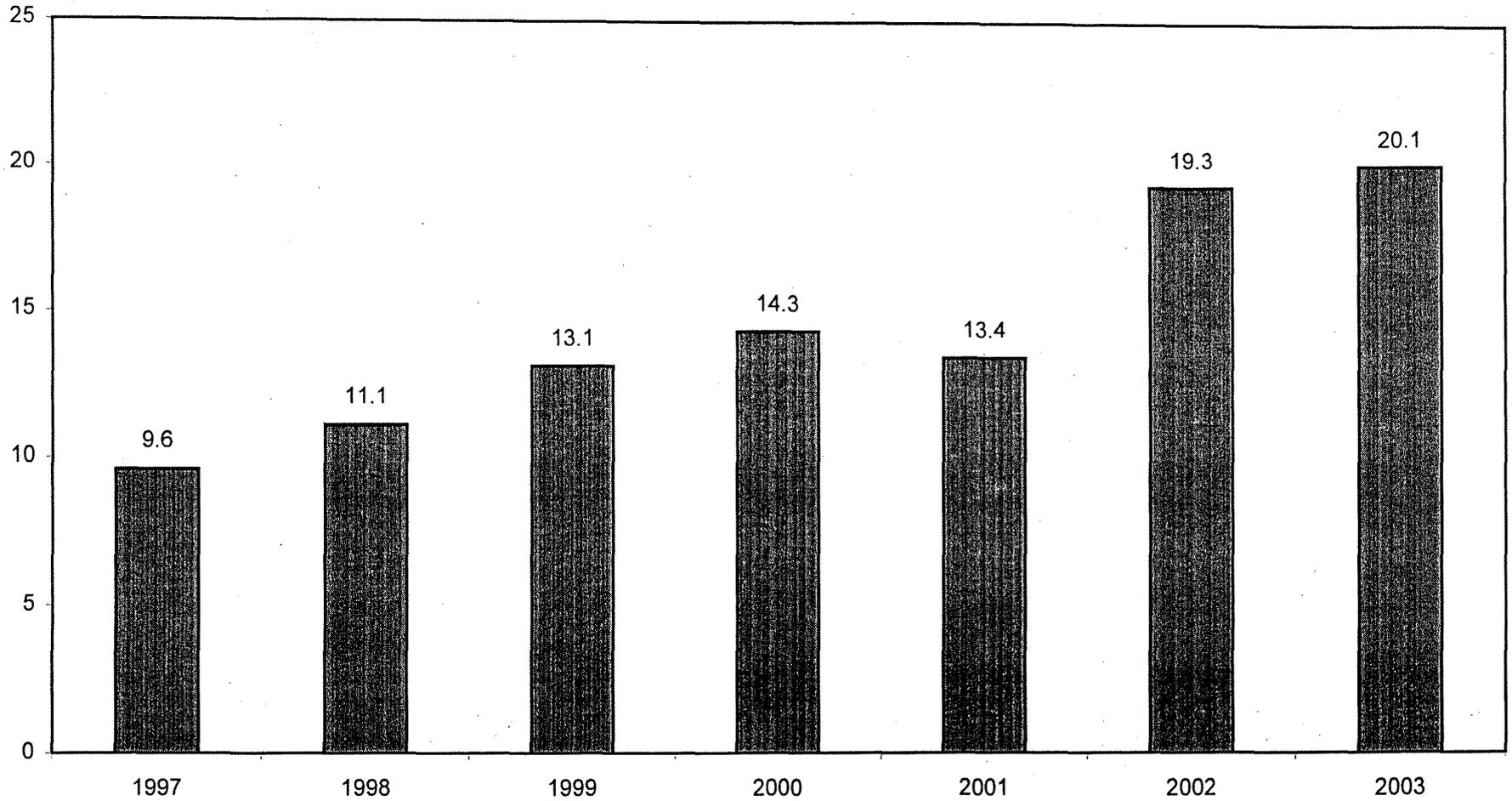
#### **IV. CONCLUSION**

To ensure that the proposed transaction does not harm Sprint's almost eight million primarily rural and suburban local customers, the Commission must ensure that the merger-related proposal to spin-off Sprint's local division is based upon a fair and equitable distribution of the consolidated company's assets and debt. While Commission review of the terms of the spin-off is premature in the context of this instant proceeding, it is not premature to require the Applicants to commit to an equitable allocation, subject to Commission review at the time of the spin-off.

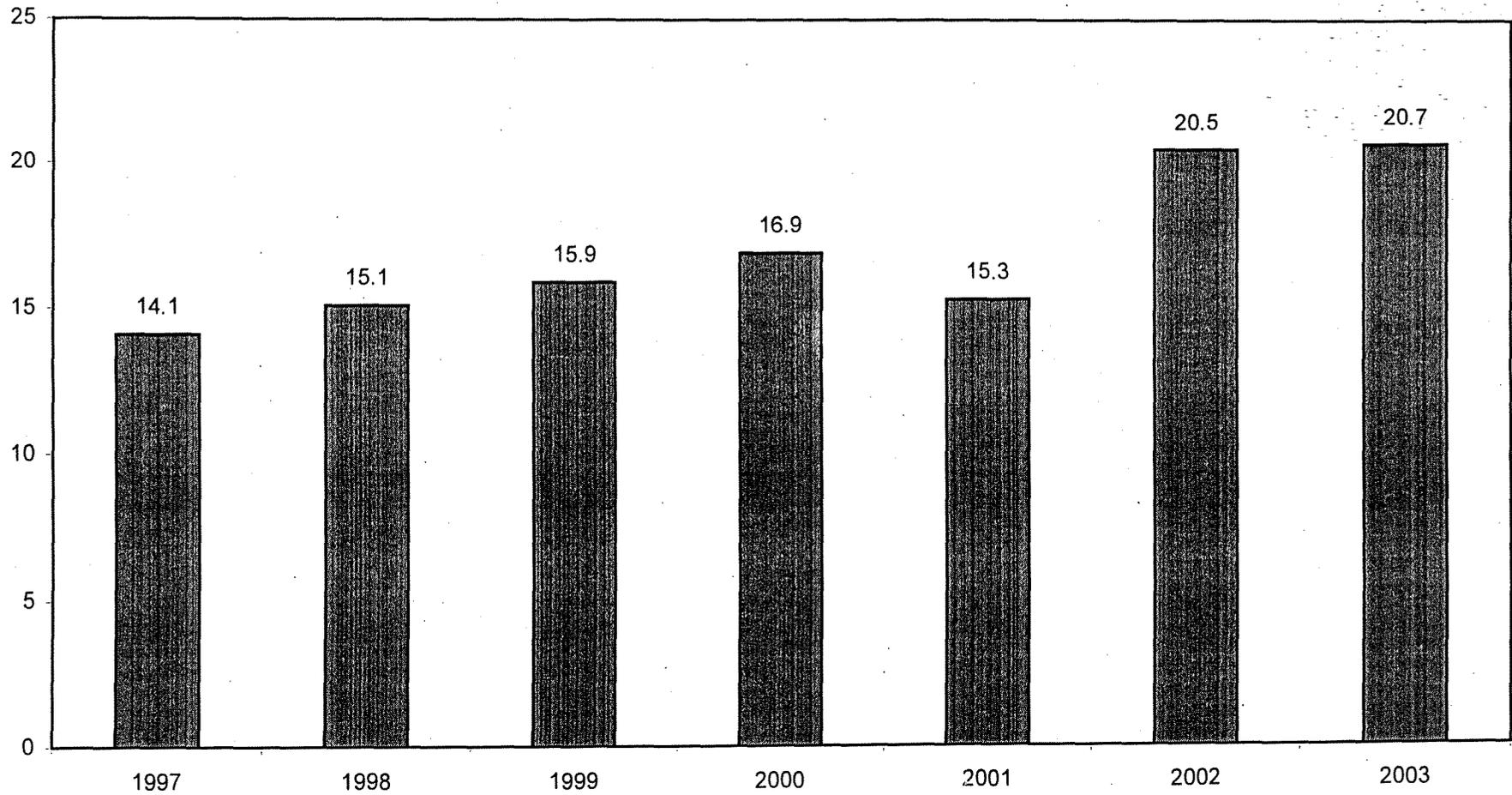
Further, the Commission must condition merger approval upon the Applicants' consent to divest itself of spectrum and/or licenses in local markets where the proposed merger would result in competitive harm in the mobile telephony market.

Respectfully Submitted,

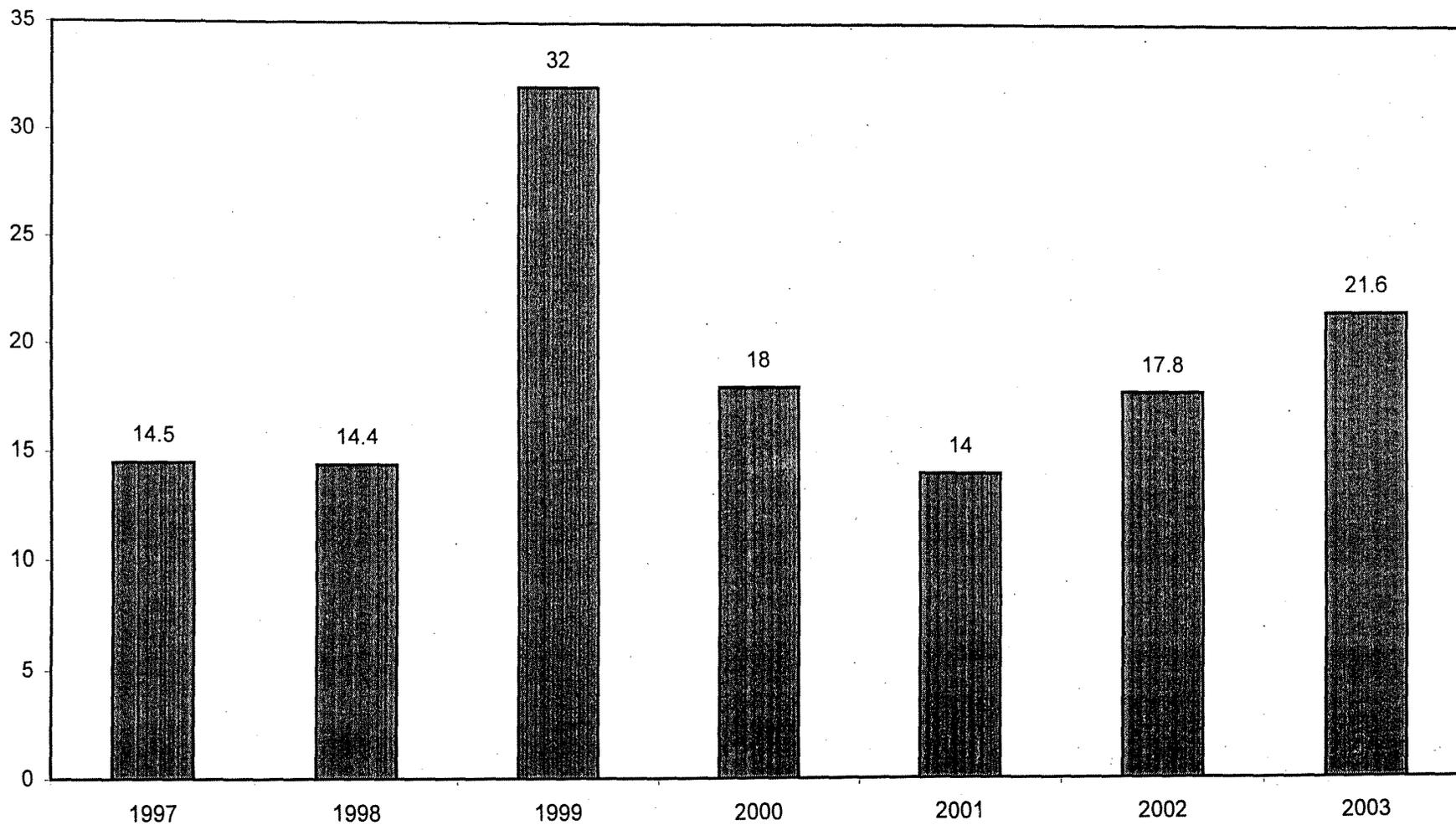
**Sprint Florida**  
**Repeat Out-of-Service Trouble Reports**  
**as % of Initial Out-of-Service Trouble Reports**  
**Up 109 Percent**



**Sprint Nevada**  
**Repeat Out-of-Service Trouble Reports**  
**as % of Initial Out-of-Service Trouble Reports**  
**Up 47 Percent**

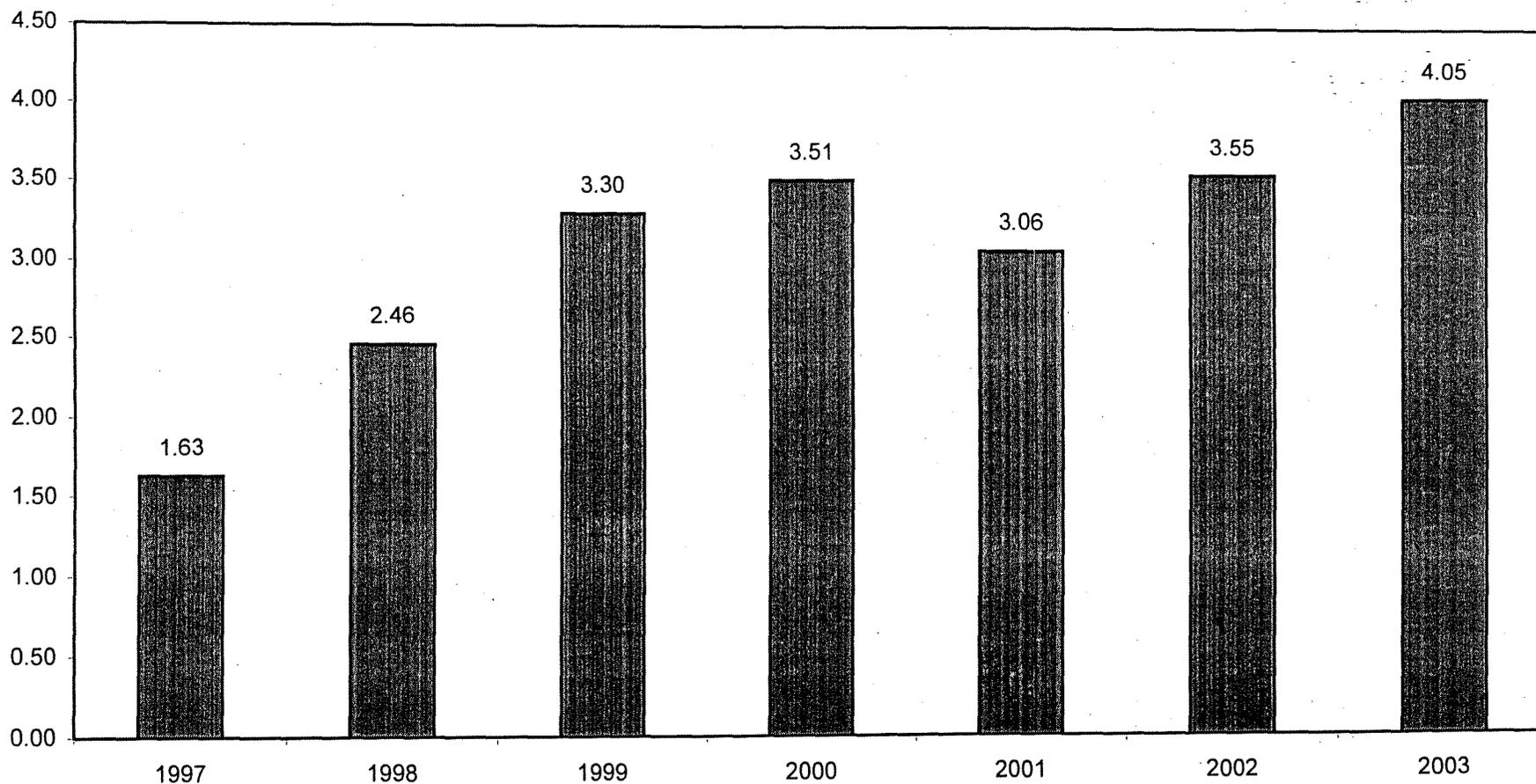


### Carolina Tel & Tel Out of Service Repair Intervals in Hours Up 49 Percent



# Sprint - Florida

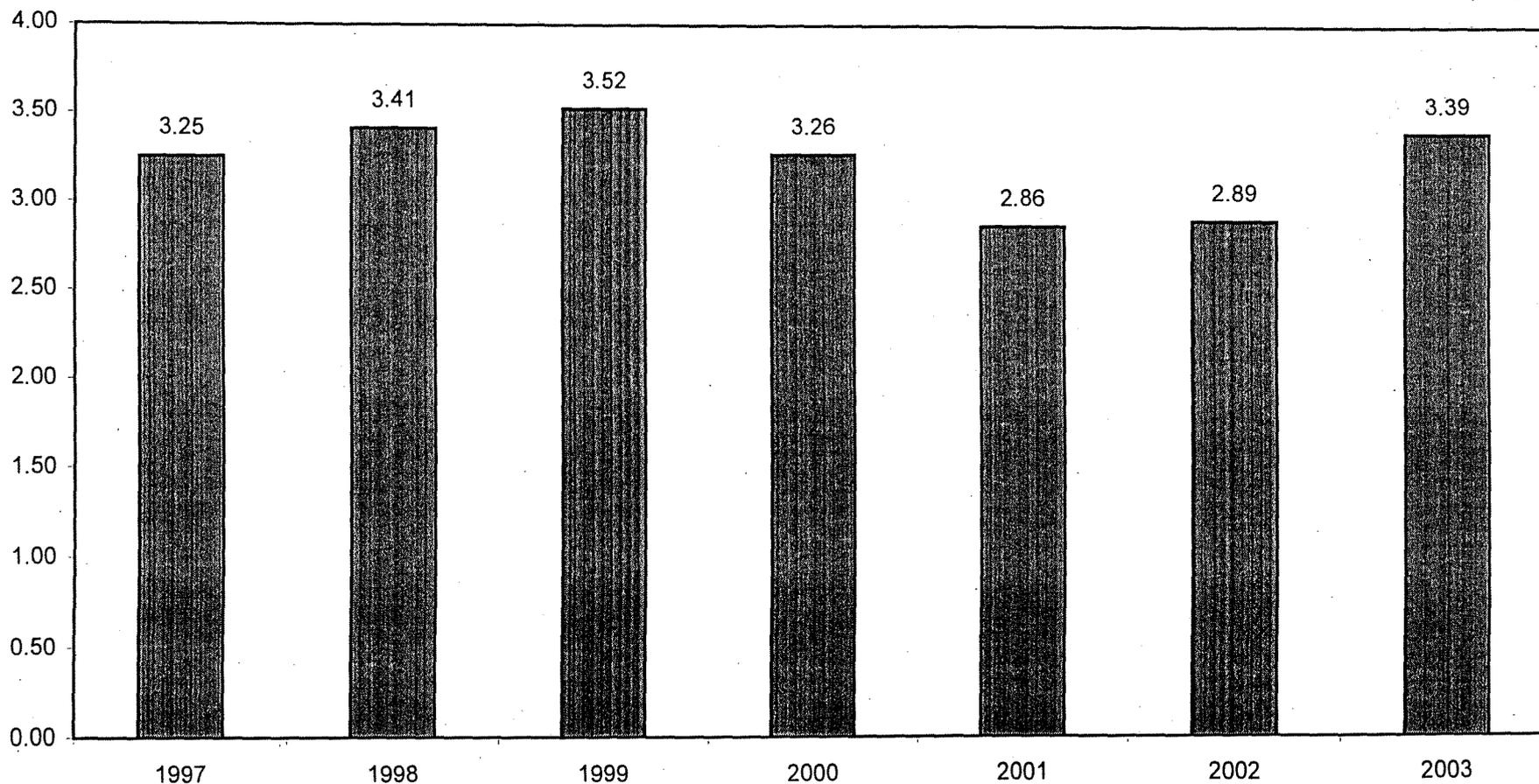
## Repeat Trouble Reports Per 100 Access Lines Up 149% 1997-2003



Source: FCC Armis Report 43-05, Table II, Row 142 (repeat trouble reports, residence and business) and 43-08, Table III, Row 910 (switched access lines)

# Sprint - Nevada

## Repeat Trouble Reports Per 100 Access Lines Up 4% 1997-2003



Source: FCC Armis Report 43-05, Table II, Row 142 (repeat trouble reports, residence and business) and 43-08, Table III, Row 910 (switched access lines)