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REDACTED – FOR PUBLIC INSEPCTION

July 10, 2012

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FILED/ACCEPTED
JUL 10 2012
Federal Communications Commission
Office of the Secretary

Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, D.C. 20554

Re: Redacted - For Public Inspection
Applications of Cellco Partnership d/b/a/ Verizon Wireless, SpectrumCo, LLC, and Cox TMI Wireless, LLC for Consent to Assign Wireless Licenses, WT Docket No. 12-4

Dear Ms. Dortch:

On behalf of the Communications Workers of America ("CWA") and the International Brotherhood of Electrical Workers ("IBEW"), enclosed please find two copies of the Public Inspection version in redacted form of CWA's and IBEW's comment filing in the above-referenced docket. A Highly Confidential version is also being filed under separate cover with the Secretary's office. Additionally, a Highly Confidential version of this information is being filed separately with the Wireless Telecommunications Bureau.

Respectfully submitted,

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Counsel for CWA-IBEW

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REDACTED - FOR PUBLIC INSPECTION

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

FILED/ACCEPTED

JUL 10 2012

Federal Communications Commission
Office of the Secretary

In the Matter of	)	
	)	
Application of Cellco Partnership d/b/a Verizon Wireless and SpectrumCo LLC For Consent to Assign Licenses	)	WT Docket No. 12-4
	)	
Application of Cellco Partnership d/b/a Verizon Wireless and Cox TMI Wireless, LLC For Consent to Assign Licenses	)	
	)	

To the Chief, Wireless Telecommunications Bureau

COMMENTS OF THE COMMUNICATIONS WORKERS OF AMERICA

ON THE IMPACT OF THE APPLICATIONS OF VERIZON WIRELESS AND T-MOBILE TO ASSIGN AWS-1 LICENSES ON THE VERIZON WIRELESS/SPECTRUMCO/COX TRANSACTIONS

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Dated: July 10, 2012

5247413.02

I. INTRODUCTION

The Communications Workers of America ("CWA") hereby submits the following comments and supplementary documents in response to the Commission's request for comment on the impact of the Applications of Verizon Wireless and T-Mobile to Assign AWS-1 Licenses on the Verizon Wireless-SpectrumCo and Verizon Wireless-Cox Transactions.[1]

The spectrum swap between Verizon Wireless ("VZW") and T-Mobile does not resolve the anti-competitive aspects of the commercial agreements that are a central component of the Verizon Wireless/SpectrumCo/Cox Transaction ("Transaction").[2] The Joint Marketing Agreements and the Joint Operating Entity ("JOE") raise serious concerns about the status of competition in the industry after the proposed Transaction is consummated. As CWA has repeatedly demonstrated, these Agreements represent a cartel-in-the-making and a clear retreat from the cross-platform competition that serves as a cornerstone of the Telecommunications Act of 1996 and a central policy goal for the FCC.[3]

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[1] Wireless Telecommunications Bureau Seeks Comment on the Impact on the Verizon Wireless-SpectrumCo and Verizon Wireless-Cox Transactions of the Applications of Verizon Wireless and T-Mobile to Assign AWS-1 Licenses, WT Docket No. 12-4, *Public Notice,* June 26, 2012 (*Verizon Wireless/T-Mobile Transaction Public Notice).*

[2] Comcast Executive David Cohen made clear that "[th]e transaction is an integrated transaction. There was never any discussion about selling the spectrum without having the commercial agreements." *See* Eliza Krigman, *Comcast Executive Defends Spectrum Deal,* POLITICO PRO (Mar. 8, 2012) (emphasis added). *See also* Monica S. Desai, Counsel to CWA, Letter to Ms. Marlene H. Dortch, Applications of Cellco Partnership d/b/a/Verizon Wireless and SepctrumCo, LLC, for Consent to Assign Licenses and Application of Cellco Partnership d/b/a/ Verizon Wireless and Cox TMI Wireless, LLC for Consent to Assign Wireless Licenses, WT Docket No. 12-4, May 7, 2012, 3-5 ("CWA Ex Parte Letter, May 7, 2012"); Sen. Herb Kohl, Chairman, Subcommittee on Antitrust, Competition Policy and Consumer Rights, Letter to The Honorable Julius Genachowski, FCC Chairman and Eric Holder, Attorney General, May 24, 2012.

[3] *See* Comments of Communications Workers of America and International Brotherhood of Electrical Workers, Applications of Cellco Partnership d/b/a/Verizon Wireless and SepctrumCo, LLC, for Consent to Assign Licenses and Application of Cellco Partnership d/b/a/ Verizon Wireless and Cox TMI Wireless, LLC for Consent to Assign Wireless Licenses, WT Docket No. 12-4, Feb. 21, 2012, 6-12 ("CWA/IBEW Comments"); Reply Comments of Communications Workers of America and International Brotherhood of Electrical Workers, Applications of Cellco Partnership d/b/a/Verizon Wireless and SepctrumCo, LLC, for Consent to Assign Licenses and Application of Cellco Partnership d/b/a/ Verizon Wireless and Cox TMI Wireless, LLC for Consent to Assign Wireless Licenses, WT Docket No. 12-4, March 26, 2012, 2-16 ("CWA/IBEW Reply Comments"); CWA Ex Parte Letter, May 7, 2012.

In these comments, CWA supplements the record with additional detailed evidence to demonstrate that without conditions, the Transaction will result in reduced broadband and video competition, reduced investment in network deployment, job losses, and, with less competitive pressure on pricing and service quality, more expensive bundles of cable channels, and costly, slower broadband services. This additional information, derived in substantial part from the Confidential and Highly Confidential document production provided by the parties, makes it abundantly clear that the Verizon/T-Mobile spectrum swap will not resolve the multiple public interest harms that will result from the commercial agreements that are central to this Transaction.[4]

Accordingly, if the Commission moves forward with granting the Transaction and the commercial agreements, it should do so only with the following conditions:

1. Consistent with past transactions,[5] require that Verizon must continue to offer FiOS broadband Internet access service, expand in-region deployment to cover at least 95% of residential living units and households within the Verizon in-region territory, and ensure that a certain percentage of incremental deployment after the Transaction Closing will be to rural areas and low income living units, with timetables, data reporting, and penalties for non-compliance.

2. Prohibit cross-marketing agreements in any part of the Verizon Communications landline footprint.

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[4] Verizon Wireless ("VZW") and T-Mobile have provided insufficient public information regarding their proposed spectrum transaction to determine whether the spectrum swap serves the public interest. Most significant, VZW and T-Mobile have not revealed the amount of the "cash consideration" that T-Mobile will pay to Verizon to compensate for a lucrative deal in which T-Mobile gains spectrum covering 60 million people while Verizon gains spectrum covering 22 million people.[4] Due to the paucity of public disclosure, it is impossible to evaluate whether this transaction represents a "sweetheart deal" negotiated by then T-Mobile CEO and President, Phillip Humm, who two days later, before the ink was even dry on the VZW/T-Mobile transaction, resigned as CEO of T-Mobile USA to take a job at Vodafone Group, a company with a 45 percent stake in Verizon Wireless. *See* T-Mobile Press Release, "Jim Alling Appointed as Interim CEO at T-Mobile USA," Jun 27, 2012 available at http://newsroom.t-mobile.com/articles/t-mobile-appoints-interim-ceo; News Release, "Vodafone Group Established Northern and Central Europe and Southern Europe Regions," June 28, 2012, available at http://www.vodafone.com/content/index/media/group_press_releases/2012/europe_regions.html

[5] *See, AT&T and BellSouth Corporation Application for Transfer of Control*, Memorandum Opinion and Order, 22 FCC Rcd 5662, App. F (2007).

3. Require meaningful commitments in the Joint Operating Entity ('JOE") that would allow current and future competitors access to Standard Essential Patents (SEPs) owned, developed, and licensed by the JOE, including the right to select licenses that only include SEPs; and prohibit JOE members from engaging in frivolous patent infringement litigation concerning non-SEP patents. Require Verizon Wireless and the Cable Companies to make certain services they provide and intellectual property they develop together under the Agreements available on a nonexclusive basis.

II. THE TRANSACTION WILL RESULT IN THE LOSS OF 72,000 JOBS

At a time of persistently high unemployment, the Commission must consider the employment impact of this transaction.[6] As CWA previously demonstrated, the cross marketing agreements between Verizon Wireless and the cable partners (Comcast, Time Warner, Cox, and Bright House Networks) will end the continued job-creating investment in FiOS that competitive and economic forces would otherwise have naturally and rationally compelled.[7] As a result, 30 percent of the Verizon landline footprint will be left without the benefit of access to FiOS[8] and many jobs will be eliminated. Using a well-recognized input-output economic model, Dr. Helene Jorgensen estimated the employment impact of the Transaction-related decision by Verizon *not* to expand its FiOS deployment. (*See Appendix A. 'Employment Impact of Investment in the Fiber-to-the-Premise Network").* Dr. Jorgenson concluded that expanding the FiOS build to 95 percent of Verizon's landline footprint – or an additional 6.4 million households – would create 71,710 job-years.[9] This includes 15,980 direct jobs; 18,754 indirect jobs in the supply chain; and 22,218 inducted jobs

[6] "As part of its public-interest analysis, the Commission historically has considered employment-related issues such as job creation..." *See, e.g., Applications of AT&T and Deutsche Telekom AG*, Order and Staff Analysis and Findings, 26 FCC Rcd 16184, 16293 (2011).

[7] CWA/IBEW Reply Comments, 6-14; CWA Ex Parte Letter, May 7, 2012, 10-12.

[8] Verizon Communications at UBS 39th Annual Global Media and Communications Conference, Dec. 7, 2011; *see also* Peter B. Davison, Senior Vice President, Verizon Federal Government Relations to U.S. congressman Michael Doyle dated June 1, 2012: "Our announced plan of passing 18 million households represents 70 percent of homes in Verizon's wireline footprint."

[9] A job-year is a single job in one year.

resulting from employed workers spending money in the community - for a total of 71,710 jobs.[10] If the duration of the expansion were five years, then an average of 14,342 jobs would be created above the baseline in a year.

Employment impact of capital investment in expanding the FTTP network infrastructure to 95% of Verizon's wireline footprint

	Direct	Indirect	Induced	Total
Low-end	15,890	19,005	28,951	63,846
Intermediate	18,754	20,914	32,042	71,710
High-end	22,218	23,330	36,228	81,776

SOURCE: Dr. Helene Jorgensen "Employment Impact of Investment in the Fiber-to-the-Premise Network," June 27, 2012. Author's analysis using the IMPLAN model,

II. ABSENT THE TRANSACTION, VERIZON WOULD AGGRESSIVELY BUILD OUT FIOS, ALLOWING CONSUMERS THE BENEFITS OF MORE CROSS-PLATFORM COMPETITION

CWA has previously provided the Commission with substantial evidence from Verizon executives and outside analysts to demonstrate that FiOS is highly profitable and that absent this Transaction, Verizon would have the financial and competitive incentive to expand and aggressively market FiOS.[11] Using documents from Verizon's Highly Confidential production in this proceeding, CWA expert Randy Barber further quantifies these assertions. (*See Appendix B. Analysis of FiOS Profitability and Strategic Options.)*

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[10] Dr. Helene Jorgensen, PhD., "Employment Impact of Investment in the Fiber-to-the-Premise Network: $5.9 billion investment creates nearly 72,000 jobs," June 27, 2012 (Attached as Appendix A.). *See also* Letter of Debbie Goldman, CWA Telecommunications Policy Director, to Ms. Marlene H. Dortch, Secretary, FCC, Applications of Cellco Partnership d/b/a/Verizon Wireless and SepctrumCo, LLC, for Consent to Assign Licenses and Application of Cellco Partnership d/b/a/ Verizon Wireless and Cox TMI Wireless, LLC for Consent to Assign Wireless Licenses, WT Docket No. 12-4, June 27, 2012.

[11] FiOS is "already about 60% of the consumer revenue in that portfolio…each and every quarter, we continue to increase the profitability of FiOS…we have some markets that are in excess of 50% penetrated from the first early days of when we started this. So I still think there is a very long runway for FiOS." Verizon CFO Fran Shammo at Thomson Reuters Street Events, Edited Transcript, VZ – Verizon at JP Morgan TMT Teleconference, May 16, 2012. *See also* CWA Reply Comments, 6-14; CWA Ex Parte Letter, 10-12.

According to Mr. Barber's analysis, Verizon's own quarterly FiOS financial reports make clear that FiOS has rapidly become **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted] **END HIGHLLY CONFIDENTIAL INFORMATION]** During the twelve quarters from 2009 through 2011, pre-acquisition Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA") margins **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted] **[END HIGHLLY CONFIDENTIAL INFORMATION]**and post-acquisition EBITDA margins **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted] **[END HIGHLLY CONFIDENTIAL INFORMATION]** Meanwhile, operating income improved from **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted] **[END HIGHLY CONFIDENTIAL INFORMATION]**.[12] These numbers are not exactly comparable to Verizon's published margins, since it is likely that at least some of the acquisition expense items are capitalized for financial reporting purposes, so the actual EBITDA impact is probably somewhere between the two reported numbers. Still, the FiOS EBIDTA and operating income results compare **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted] **[END HIGHLY CONFIDENTIAL INFORMATION]** with Verizon's publicly disclosed margins for first quarter 2012 of 32.7 percent overall, 46.3 percent for wireless and 22.6 percent for wireline (including FiOS). Operating income was 18.4 percent overall, with 28.6 percent for wireless and 1.6 percent for wireline.[13]

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12 **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted] **END HIGHLY CONFIDENTIAL INFORMATION]** Citation from Randy Barber, "Analysis of FiOS Profitability and Strategic Options," July 6, 2012, Appendix B.

13 Verizon Press Release, Verizon Reports Double Digit Earnings Growth and Increased Operating Cash Flow in First Quarter 2012, April 19, 2012.

[BEGIN HIGHLY CONFIDENTIAL INFORMATION]

[redacted]

[redacted] **[END HIGHLY CONFIDENTIAL INFORMATION]**

According to Mr. Barber, Verizon also conducted detailed internal analysis **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted]

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14 **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted] **[END HIGHLY CONFIDENTIAL INFORMATION]**

[redacted]

	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

[redacted]

[redacted] **[END HIGHLY CONFIDENTIAL INFORMATION]** it is possible to determine the number of currently unserved living units in a particular DMA that the Verizon analysts consider **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted]

[redacted]

[END HIGHLY CONFIDENTIAL INFORMATION]

Mr. Barber concludes: "[i]t is clear that Verizon has already identified financially viable routes to a major expansion of its FiOS footprint."[15] But for this Transaction, Verizon's economic and financial incentives would have driven the company to pursue these investments.

III. THE TRANSACTION REPRESENTS A CARTEL-IN-THE-MAKING

In a 30-page analysis of the Transaction, two leading anti-trust experts, David Balto, former Assistant Director for Policy and Evaluation in the Bureau of Competition at the Federal Trade Commission, and Brendan Coffman analyze the Transaction based on their extensive review of the redacted commercial agreements and other documents provided to the Commission in this proceeding. (*See Appendix C. The Verizon/Big Cable Deal: A Communications Cartel in the Marking.*) In their white paper, the authors conclude that "these agreements ("the transaction") represent a frontal assault on competition in the telecommunications industry and a clear violation of our nation's antitrust laws. Through these agreements, former competitors join together in a powerful communications cartel that will realign their economic incentives and establish enforcement mechanisms to eliminate price and service competition in the wired and wireless broadband marketplace. The agency cross-marketing agreements that are a central part of this transaction – **[BEGIN HIGHLY CONFIDENTIAL INFORMATION** [redacted] **END HIGHLY CONFIDENTIAL INFORMATION]** – will curtail Verizon Communication's development and expansion of its all-fiber FiOS network, changing Verizon Communications' focus from robust wireline competition to supporting an

[15] Randy Barber, "Analysis of FiOS Profitability and Strategic Options," July 6, 2012, 4.

alliance that eliminates the consumer benefits of competition, undermining the expansion of high-speed broadband networks that is so vital to our nation's future.[16]

Unfortunately, the Balto/Coffman analysis is heavily redacted and therefore not available for public review. The parties to the transaction have inappropriately claimed that the commercial agreements and other documents provided to the Commission in this proceeding are "highly confidential" and therefore not subject to public review.[17] Unlike other merger transactions in which the core merger documents are publicly available, this Transaction is shrouded in secrecy. This places a special burden on the Commission to review the Transaction in its entirety and to impose the conditions necessary to ensure that consumers' interests are protected.

According to the Balto/Coffman analysis, this Transaction poses significant harm to consumers and raises substantial antitrust concerns under both Section 1 of the Sherman Act and Section 7 of the Clayton Act. The authors note five central mechanisms by which the commercial agreements give VZW and the cable companies ("the Members") the "market power to dominate video, broadband, wireless, and voice network platforms through the construction of a communications cartel that raise significant anti-trust concerns."[18] The authors summarize the five mechanisms as follows:

1. **The agency and reseller agreements unreasonably restrain trade by setting prices, dividing markets, and disincentivizing competition.** Verizon Communications will no longer have the incentive to expand or develop its all-fiber FiOS network and services, **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted] **[END HIGHLY CONFIDENTIAL INFORMATION]** The MSOs are unlikely

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[16] Citation in Brendan Coffman and David Balto, "The Verizon/Big Cable Deal: A Communications Cartel in the Making," June 2012 (Attached as Appendix B) ("Balto/Coffman White Paper"). **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** *See* [redacted] **[END HIGHLY CONFIDENTIAL INFORMATION]**

[17] *See* CWA Comments, 22-24; CWA Reply Comments, 24-5.

[18] *Id.*, p.2

to expand beyond wireline services. **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted] **[END HIGHLY CONFIDENTIAL INFORMATION]**

2. **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted] **[END HIGHLY CONFIDENTIAL INFORMATION]**

3. **The JOE gives its member the ability to control upstream and downstream markets either as monopolists or monopsonists.** The JOE will be able to foreclose competitors from necessary inputs such as content and devices.

4. **The JOE creates a patent pool with classic anti-competitive features, [BEGIN HIGHLY CONFIDENTIAL INFORMATION]** [redacted] **[END HIGHLY CONFIDENTIAL INFORMATION]** Patent pools and the use of intellectual property to disadvantage competitors represent a growing concern for antitrust enforcement. Failure to constrict this particular patent pool at its incipient stages will certainly lead to competitive harm in the future.

5. **These restraints are not reasonably necessary to realize any efficiencies.** Antitrust law makes clear that any restraints on competition must be reasonably necessary to achieve the efficiencies sought by the venture. Here, there is minimal connection between the comprehensive sale, marketing, and development of competing services and the efforts to synthesize technology to create a new product. [19]

The authors conclude that there are remedies that would mitigate the competitive harm to consumers that would result from this transaction, including a ban on cross-marketing in the Verizon footprint; FiOS build-out requirements; and requirements to make the JOE's Standard

[19] *Id.*, 3.

Essential Patents(SEPs) and other services and intellectual property available to competitors on a non-exclusive basis.[20]

IV. THE TRANSACTION WOULD HARM CONSUMERS BY ELIMINATING CROSS-PLATFORM PRICE AND QUALITY COMPETITION

Verizon has been engaged in vigorous competition against the cable companies both in terms of price and quality of their offerings, according to a CWA comparison of Verizon, Comcast, and Time Warner prices and service offerings. (*See Appendix D. Comparison of Verizon, Comcast and Time Warner Promotional Triple Play Rates and Quality.)* This level of competition is especially evident when comparing the companies' promotional triple play packages of video, Internet, and voice telephony.[21] But the Transaction's cross-marketing agreements – which turn former rivals into business partners-- would eliminate the benefits to consumers of this cross-platform competition.

The impact of competition between Comcast and Verizon is apparent when comparing triple play package offerings. [22]

- Top Tier. The Comcast top tier package is priced at $189.99, or $40 (28%) higher than the comparable Verizon package of $144.99. The Comcast package has one more premium channel but 180 fewer overall channels and significantly slower Internet speeds (28 Mbps down/5 Mbps up) than the Verizon package (75/35 Mbps).
- Mid-Tier. The Comcast mid-range tier package is priced at $149.99, or $45 (43%) higher than the comparable Verizon package of $104.99. The Comcast package has two more premium channels but 90 fewer overall channels and significantly slower Internet speeds (28/5 Mbps) than the Verizon package (50/25 Mbps).
- Basic Tier. The Comcast basic tier package is priced at $89, or $5.99 (6%) lower than the Verizon package at $94.99. However, the Comcast package has 130 fewer channels than

[20] *Id.,* 4 and 27-8.

[21] The triple play bundles are very important. For example, more than 75 percent of Verizon's TV customers have the triple play. Transcript, Verizon 4th Quarter 2011 Earnings Call, January 24, 2012.

[22] The data is for Washington, D.C. The Verizon website is http://www22.verizon.com/home/shop/shopping.html. The Comcast website is http://www.comcast.com/Corporate/Learn/Bundles/bundles.html.

the Verizon package. In relation to Internet speeds, Comcast has a slightly higher download speed (20/4 Mbps) while Verizon has a higher upload speed. (15/5 Mbps).

Additional comparison between Time Warner and Verizon comparable triple play packages also reflects the impact of competition on price and service offerings.[23]

- Top Tier. The Time Warner top tier package is priced at $199.99, or $55 (38%) higher than the comparable Verizon package at $144.99. The Time Warner package has 180 fewer overall channels, no premium channels (Verizon offers four premium channels) and significantly slower Internet speeds (burst up to 50 Mbps but normal is less) than the Verizon package (75/35 Mbps)
- Mid-Tier. The Time Warner mid-range tier package is priced at $164.99, or $60 (57%) higher than the comparable Verizon package at $104.99. The Time Warner package has four more premium channels but 90 fewer overall channels and significantly slower Internet speeds (burst up to 20 Mbps, but normal is lower) than the Verizon package (50/25 Mbps).
- Basic Tier. The Time Warner basic tier package is priced at $89.99, or $5 (5%) lower than the Verizon package at $94.99. However, the Verizon package has 10 more channels and slower Internet speeds (10/1 Mbps) than the Verizon package (15/5 Mbps).

IV. CONCLUSION

For all of the aforementioned reasons, CWA and IBEW strongly urge the Commission to carefully consider the combined effects of the Transaction and the commercial agreements on competition, consumers and jobs. The Commission has a duty to evaluate the status of competition after the transaction is closed. As demonstrated through numerous filings, the Transaction and the commercial agreements raise serious concerns about the status of competition after the Transaction is consummated.

The detrimental impact of the proposed Transaction on competition is not only intuitive, but now well-documented. Therefore, if the Commission chooses to approve the Transaction, it must do so only with conditions that support and facilitate the Commission's stated policy of

[23] The data is for Buffalo, NY. The Verizon website is http://www22.verizon.com/home/shop/shopping.html. The Time Warner website is https://order.timewarnercable.com/OfferList.aspx.

"increasing competition among facilities based broadband providers in order to sustain and increase competitive choice among broadband providers and Internet access products."[24]

Accordingly, if the Commission determines that grant of the Transaction and the commercial agreements is in the public interest, it should provide its consent with the following conditions:

1. Consistent with past transactions,[25] require that Verizon must continue to offer FiOS broadband Internet access service, expand in-region deployment to cover at least 95% of residential living units and households within the Verizon in-region territory, and that a certain percentage of incremental deployment after the Merger Closing will be to rural areas and low income living units, with timetables, data reporting, and penalties for non-compliance.

2. Prohibit cross-marketing agreements in any part of the Verizon Communications landline footprint.

3. Require meaningful commitments in the Joint Operating Entity ('JOE") that would allow current and future competitors access to Standard Essential Patents (SEPs) owned, developed, and licensed by the JOE, including the right to select licenses that only include SEPs; and [[prohibit JOE members from engaging in frivolous patent infringement litigation concerning non-SEP patents. Require Verizon Wireless and the Cable Companies to make certain services they provide and intellectual property they develop together under the Agreements available on a nonexclusive basis.

Respectfully submitted,

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Dated: July 10, 2012

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[24] CWA Comments at 6 (citing *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities*, 20 FCC Rcd 14853, 14887 (2005)).

[25] *See, AT&T and BellSouth Corporation Application for Transfer of Control*, Memorandum Opinion and Order, 22 FCC Rcd 5662, App. F (2007).

CERTIFICATE OF SERVICE

I, Yosef Getachew, hereby certify that on this 10th day of July 2012, I caused true and correct copies of the foregoing Comments to be served by first class mail to the following individuals:

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Employment Impact of Investment in the Fiber-to-the-Premise Network

Appendix A

EMPLOYMENT IMPACT OF INVESTMENT IN THE FIBER-TO-THE-PREMISE NETWORK

$5.9 billion Investment Creates Nearly 72,000 jobs

By HELENE JORGENSEN, Ph.D.
June 27, 2012

Fiber-to-the-Premise (FTTP) is an all-fiber optic telecommunications network that allows telecommunication companies to deliver high-speed, multimedia services directly to the consumer-premise. The largest U.S. provider of FTTP is Verizon Communications Inc. with its FiOS network.

This analysis estimates the employment impact of an expansion of the FTTP network infrastructure developed by Verizon. Under current franchise agreements, the FTTP network is expected to pass 18 million premises by 2018, accounting for 70 percent of premises within the Verizon wireline footprint.[1] Further expansion of the FTTP infrastructure will have a positive employment impact due to capital investment in construction and installation.

The analysis projects the total employment impact of an expansion of the FTTP network to 95 percent of Verizon's wireline footprint to be 71,710 job-years. The employment projections include direct employment impact from capital expenditures in primary industries, as well as indirect and induced impacts.

Analysis

The analysis estimates the job impact from an increase in capital expenditures above the baseline of no expansion of the Verizon's FTTP network infrastructure beyond existing franchise agreements. The analysis looks at the expansion of the FTTP network from its current franchise obligations to 90 percent, 95 percent and 100 percent, respectively, of the wireline footprint. An expansion to 95 percent would increase the number of premises passed by the FiOS network by 6.4 million.

The national IMPLAN model by MIG Inc. was used to translate capital expenditures into number of jobs supported. The IMPLAN model is an input-output model that describes commodity flows from producers to intermediaries to consumers. The model estimates

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[1] Verizon Communications at UBS 39th Annual Global Media and Communications Conference, Dec. 7, 2011; see also Peter B. Davidson, Senior Vice President, Verizon Federal Government Relations to U.S. Congressman Michael Doyle dated June 1, 2012. "Our announced plan of passing 18 million households represents 70 percent of homes in Verizon's wireline footprint." Provided by the Communications Workers of America.

the number of direct, indirect, and induced jobs. Direct jobs are jobs created in the primary industries. Indirect jobs are jobs in the secondary industries supplying goods and services to the primary industries. Finally, induced jobs are generated by employees purchasing goods and services. The total employment impact is the sum of the direct, indirect, and induced impacts. In the IMPLAN model, employment effects are defined in terms of job-years, where one job-year is a single job in one year, e.g. 1,000 job-years equal an average of 100 jobs over a 10-year period.

The capital expenditures needed to expand the FTTP network infrastructure from 70 percent to 95 percent of the Verizon wireline footprint is estimated to be $4.5 billion (in 2011 dollars) in construction and an additional $1.4 billion (in 2011 dollars) in installation for subscribers.[2] The allocation of final-demand investment across the five identified primary industries is shown in Table 1. The calculation conservatively assumes that the penetration rate is constant over the investment timeframe.

TABLE 1: Industry composition for capital investment in the FTTP network infrastructure

Sector code	Sector description	Allocation	Investment ($ million)
351	Telecommunications	0.25	1,483
237, 272	Communication cable and equipment manufacturing	0.50	2,967
416	Electronic and precision equipment repair and maintenance	0.05	297
36	Construction of other new non-residential structures	0.15	890
369	Architectural, engineering, and related services	0.05	297
Total		1.00	5,933

SOURCE: Author's analysis. Note: Communication cable and equipment manufacturing combines communication and energy wire and cable manufacturing and telephone apparatus manufacturing. Capital investment is for a 95% build out of the Verizon wireline footprint. Dollar amounts are in 2011 dollars.

Findings: Expanding the FTTP Network to 95 Percent of Verizon's wireline Footprint Adds Nearly 72,000 Job-Years

The projected employment impact of expanding the FTTP network infrastructure from 70 percent of Verizon's wireline footprint to 95 percent of the footprint would have an estimated direct employment impact of 18,754 job-years, distributed across five primary industries. The indirect impact in the supply chain is estimated at 20,914 job-

[2] Goldman Sachs model, January 25, 2012. Estimated construction capital expenditures were an average of $700 per residential premise and installation capital expenditures were $625 per residential subscriber. The analysis assumed that installation costs were the same for residential and business subscribers and remained constant over time, after adjusting for inflation.

years, and the induced impact at 32,042 job-years. The total projected employment impact is 71,710 job-years. It should be noted that a job-year is a single job in one year. If the duration of the expansion of the network were five years, then an average of 14,342 jobs would be created above the baseline in a year.

TABLE 2: Employment impact of capital investment in expanding the FTTP network infrastructure to 95% of Verizon's wireline footprint

	Direct	Indirect	Induced	Total
Low-end	15,890	19,005	28,951	63,846
Intermediate	18,754	20,914	32,042	71,710
High-end	22,218	23,330	36,228	81,776

SOURCE: Author's analysis using the IMPLAN model.

The estimates are robust to a variety of different underlying assumptions about penetration rate, marketing scale, industry composition, and construction and installation costs. The analysis determined the projected employment impact to range from 63,846 for the low-end case to 81,776 for the high-end case.

The above projections are based on an expansion to 95 percent of the Verizon wireline footprint. The analysis also looked at an expansion of the FTTP infrastructure to 90 percent and 100 percent of the footprint. A complete expansion of the FTTP network would add 7.7 million premises above the baseline and have an estimated total employment impact of 86,055 job-years. Finally, it should be noted that the projections assume no population growth in the Verizon wireline footprint, and the actual impact could be higher than projected.

TABLE 3: Employment impacts of an expansion of the FTTP network infrastructures to 90%, 95% and 100% of the Verizon wireline footprint, intermediate case

	Direct	Indirect	Induced	Total
100%	22,507	25,097	38,451	86,055
95%	18,754	20,914	32,042	71,710
90%	15,005	16,731	25,635	57,372

SOURCE: Author's analysis using the IMPLAN model.

Penetration Rates

The intermediate projections assumed that the FiOS penetration rate, defined as the number of subscribers as a percentage of the number of customer premises open for sale, would stay constant at 36.4 percent.[3] This is a conservative assumption as the

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[3] Verizon Communication, Financial and Operating Information, March 31, 2012, http://www22.verizon.com/idc/groups/public/documents/adacct/2012_q1_foi_xls.xls. The high-

Internet penetration rate has increased from 29.0 percent in the 1st quarter of 2010 to 36.4 percent in the 1st quarter of 2012, and is expected to further increase as the FiOS market matures.[4] With further market penetration, increased capital investment in installation will have a positive economic effect. Table 4 shows the increase in subscribers, capital expenditures, and the employment impact of an increase of the penetration rate by 1 percentage point per year from the current rate of 36.4%. The projected employment impact of an approximate 23,500 job-years by 2025 is from an increase in penetration rate alone, and is in addition to the estimated impact of 71,710 job-years deriving from an expansion within the wireline footprint.

TABLE 4: Additional impacts of a change in penetration rates by 1 percentage point per year, 2012-2025

	Chg. in subscribers	Chg. in capital expenditures (in $ mill.)	Chg. in employment
Under current franchise agreements	1,058,400	$661.5	7,998
Under new franchise agreements	2,053,800	$1,283.6	15,517
All	3,112,200	$1,945.1	23,509

SOURCE: Author's analysis using the IMPLAN model. Note: The calculation assumes 95% coverage of the wireline footprint. The calculation is based on an increase in the penetration rate from current level of 36.4% to 49.4% over a 13-year period.

Conclusion

The analysis, using input-output modeling, projects a direct employment impact of 15,890 to 22,218 job-years for a 95% build out of the Verizon wireline footprint. The total projected employment impact, accounting for indirect impacts in the supply chain and induced impacts, range from 63,846 to 81,776 job-years for a 95% build out nationally. It should be noted that economic impacts deriving from high speed Internet and improved efficiencies by an established fiber optic network infrastructure were not considered in the analysis.

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end projection assumed that the penetration rate for all FiOS products would increase to 40%, and low-end projection assumed that the penetration rate would fall to 35%.

[4] Verizon Communication, Financial and Operating Information, March 31, 2012, http://www22.verizon.com/idc/groups/public/documents/adacct/2012_q1_foi_xls.xls. FiOS data penetration is just over 50 percent and FiOS video penetration is just under 50 percent in "mature" markets such as Texas. See Verizon CEO Lowell McAdam statement at UBS 39th Annual Global media and Communications Conference, Dec. 7, 2011.

About the Author

Helene Jorgensen is an economic consultant. She is also a senior research associate with the Center for Economic and Policy Research. She received her Ph.D. degree in Economics from American University. She also holds an M.S. degree from George Mason University in Environmental Science and Policy. She is the author of the book *Sick and Tired: How the U.S. Health Care System Fails Its Patients*. Jorgensen has served as an advisor to the Census Bureau Advisory Committee on the Decennial Census and chaired the Bureau of Labor Statistics Labor Research Advisory Committee. She previously worked as an economist for the Public Policy Department of the AFL-CIO.

TABLE A1: Employment impact of capital investment in expanding the FTTP network infrastructure to 90% of Verizon's wireline footprint

	Direct	Indirect	Induced	Total
Low-end	12,712	15,204	23,162	51,078
Intermediate	15,005	16,731	25,635	57,372
High-end	17,775	18,983	28,983	65,422

SOURCE: Author's analysis using the IMPLAN model.

TABLE A2: Employment impact of capital investment in expanding the FTTP network infrastructure to 100% of Verizon's wireline footprint

	Direct	Indirect	Induced	Total
Low-end	20,715	23,100	35,391	79,206
Intermediate	22,507	25,097	38,451	86,005
High-end	24,812	27,668	42,391	94,871

SOURCE: Author's analysis using the IMPLAN model.

Analysis of FiOS Profitability and Strategic Options

Appendix B