



LOCAL 827

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS

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Re: BPU Docket No. TO12020155

Dear Members of the Board of Public Utilities:

International Brotherhood of Electrical Workers Local 827 (“IBEW 827” or the “Union”) submits this statement in opposition to the proposed Stipulation of Agreement (“Stipulation”) between the New Jersey Board of Public Utilities (“BPU” or “Board”) and Verizon New Jersey relating to its Alternative Plan For Regulation (“PAR-2”) and Verizon’s compliance with Opportunity New Jersey (“ONJ”). IBEW 827 represents approximately 4,700 highly trained Verizon New Jersey workers who install and maintain the broadband infrastructure. With our experience, we are in a unique position to contribute first-hand knowledge of Verizon’s FiOS performance under ONJ.

IBEW 827 joins thousands of consumers and New Jersey residents, five municipalities, and the New Jersey Division of Rate Counsel who have all submitted comments opposing the Stipulation. To date, five municipalities, Alloway Township, Hopewell Township, Elsinboro Township, Pilesgrove Township, and Upper Pittsgrove filed comments which have expressed grave concerns and vocal opposition to the Stipulation. Notably, no municipality has filed comments supporting the Stipulation. The Division of Rate Counsel strongly recommended that the Stipulation be rejected as insufficient to meet the mandated network deployment and upgrades agreed to by Verizon.

Verizon's support for the Stipulation is from several special interest groups who have filed comments requesting the Board to approve the Stipulation. These comments tout the importance of the Board adopting policies which promote broadband access and expansion. They fail to identify how the Stipulation, which will directly halt broadband expansion, supports this important policy.

We submit these comments to encourage the Board not to approve the Stipulation because it is contrary to the success of the FiOS build out and in-turn the future of New Jersey. By approving the Stipulation, the BPU will condone Verizon leaving many consumers without promised broadband service, permit Verizon to continue its pattern of making large promises, delivering inadequate results, while collecting large profits through surcharges and tax incentives based on those unfulfilled promises to NJ customers.

I. Verizon Must Be Required To Continue Its FiOS Build Out

In 1993, Verizon made a commitment of 100% broadband access across New Jersey by 2010. In exchange, Verizon received the benefits of ONJ including tax benefits and additional surcharges which amount to \$15 billion¹ by some estimates. If approved, the Stipulation will provide an unconscionable windfall for Verizon. The Company will be permitted to halt broadband expansion at levels drastically below its commitments at the expense of New Jersey consumers who have paid for broadband access.

Instead of the promised 100% broadband coverage, paragraph 1(a) of the Stipulation permits Verizon to provide service to only thirty-five (35) single-line business or residential consumers in a Census Tract. As noted by the Division of Rate Counsel, this proposal "is not adequate to meet the 100% deployment commitment and should be rejected." As stated by Mayor Bruce Hankins in Hopewell Township's comments, the "proposed Verizon extension of broadband service to a minimum

¹http://www.philly.com/philly/business/Will_Verizon_be_allowed_to_break_its_FiOS_promise_to_New_Jersey.html

of only 35 single line customers ... amounts to less than a drop in the bucket.” The Stipulation will deprive business and residential consumers who have paid and were promised broadband access and are not one of the thirty-five consumers fortunate enough to be selected by Verizon to receive service.

IBEW 827 recently supported, with conditions, Verizon’s recent franchise license and the renewal application (“Renewal Application”) with the BPU to provide FiOS to New Jersey’s communities. We encouraged the BPU to require that Verizon to expand FiOS to reach all New Jersey consumers. The installation of fiber optic infrastructure is critical not only to the future of our membership, but also consumers and businesses of New Jersey.

Just as the copper wire installation from many decades ago provided the telecommunications foundation for our state to thrive in the twentieth century, fiber optics is now the essential infrastructure necessary for our state to compete in the twenty first century. I subscribe to FiOS in my home and can attest that it is a great product. I submit that Verizon’s actions affect not only the fortunes of itself, but also its many employees whom we represent as well as the entire business and residential communities which need a modern, reliable telecommunications network. The Board must reject the Stipulation and require Verizon to fulfill its obligation of 100% broadband access in New Jersey.

II. Verizon Has Failed To Maintain Its Copper-Based Landline Infrastructure

The Stipulation will permit Verizon to stand by while the current copper-based landline infrastructure deteriorates further. In response to a document request submitted by IBEW 827, Verizon produced numerous documents regarding the status of the copper-based landline infrastructure. The condition of the current copper-based network revealed in these documents is shocking. According to Verizon’s own documents, 60% of the state’s copper cable landline infrastructure is in jeopardy of failing. This is unacceptable. The Stipulation contradicts Verizon’s mandate to maintain and repair

NJ's copper based infrastructure and build of the fiber network that was promised under Opportunity NJ.

As the copper wire network erodes, the Stipulation will force many consumers to migrate to wireless as they will be left without landline service. Rejecting the Stipulation is an important step in ensuring that Verizon repairs the existing copper-based landline infrastructure and continues to build the fiber network for broadband landline services.

III. The Stipulation is Part of Verizon's Strategy to Abandon Wireline Service For Wireless Services

Paragraph 1(c) of the Stipulation permits Verizon to meet its broadband obligations by offering wireless 4G service rather than a reliable copper or fiber broadband service. Wireless service cannot provide the speeds which Verizon had promised under Opportunity NJ, it is slower and less reliable than copper or fiber broadband services, but is more profitable for Verizon. Mayor Kevin Eachus correctly stated in Pilesgrove Township's comments that "[b]roadband access through mobile device is not an acceptable solution; the speed and size of the internet service provided by cable or FiOS is far superior to anything available on a mobile device."

A report in Newsweek confirms that Verizon's actions are part of an overall strategy to abandon fiber optic cable nationwide:

[I]nstead of spending that war chest digging up streets and laying fiber cable, the cable and telephone companies have invested in a massive and very successful lobbying push. They are persuading state legislatures and regulatory boards to quietly adopt new rules—rules written by the telecoms—to eliminate their legal obligations to provide broadband service nationwide and replace landlines with wireless. This abrupt change in plans will leave vast areas of the country with poor service, slow telecommunications and higher bills.²

² <http://mag.newsweek.com/2014/03/21/telecom-giants-drag-feet-broadband-whole-country.html>

Voice Link service is essential to Verizon's strategy to evade their responsibilities under Opportunity NJ. IBEW 827 and the AARP have previously requested that the BPU conduct an investigation and hearings regarding Verizon's Voice Link product. IBEW 827 has also filed a Statement of Position with the Federal Communications Commission concerning the attempt by Verizon to abandon copper wire service in the Barrier Islands. Verizon has been permitted to utilize this unregulated service to over 1800 customers.

Voice Link³ is, for lack of a better term, a modified cell phone connected to a box tethered to a customer's home or business. Those customers using Voice Link are not connected the copper line network nor the FiOS network, and do not have access to internet or broadband services. Voice Link is not regulated by the Board. Verizon initially began implementing Voice Link under the guise of Superstorm Sandy relief in the Barrier Islands, New Jersey and Fire Island, New York. In response to vocal criticism from consumers and the New York Attorney General, Verizon recently resolved the issue by having that product withdrawn from the Fire Island, New York market.

Verizon is now aggressively installing Voice Link services to customers not affected by Superstorm Sandy who reside far outside of the Barrier Islands. Recently, IBEW 827 has learned that Verizon is instructing technicians to migrate *all consumers* to Voice Link when copper wire service fails, FiOS is unavailable, and the consumer does not use one of the services, such as faxes or life alert, which are not supported by Voice Link. By permitting Verizon to abandon the FiOS build out, the Stipulation facilitates Verizon's strategy of restricting consumers to unregulated, unreliable and unsafe wireless services.

³ Voice Link uses Verizon Wireless' wireless technology to deliver voice service to customers. Voice Link uses a common wireless technology via a special "modem" that is installed and connected to a phone jack in the home. This powers all of the jacks in the home so a standard telephone can be connected to any jack to make phone calls. The signal leaves the home via the Voice Link unit and is sent wirelessly to cell towers and then to the rest of the network. See Verizon Public Policy – Verizon Policy Blog, *Setting the Record Straight on Fire Island and Voice Link*, <http://publicpolicy.verizon.com/blog/entry/setting-the-record-straight-on-fire-island-and-voice-link>

Replacement of traditional copper wire service, we believe, carries with it not only reduced customer services but some element of risk to customers because of the absence of 911 and other availability to services which Verizon is not providing with its Voice Link service.

Arguably the most troubling limitation of the Voice Link service is that it does not provide reliable 911 Emergency services. Contrary to Verizon's claim that Voice Link offers the same 911 Emergency capabilities as a traditional wireline service, Voice Link's emergency calling capabilities are subject to and limited by the same constraints as cell phones – that is network congestion and/or reduced routing or processing speed. After the next natural disaster strikes, Voice Link customers' service will now be subject to outages from commercial power providers rather than the protections afforded the traditional wireline service with its independent power supply.

Additionally, any service outage due to a suspension of a customer's account with Verizon due to billing issues will prevent *all* service including restricting the capability to utilize any emergency response services. In fact, Verizon's terms of service indicates that 911 Emergency calls may not be connected and a 911 Emergency service operator may not be able to verify the location from which the call was made – a feature that is standard on wire-line based telephone system. All wireless devices can be rendered useless by wireless jamming devices.

There is also the fact that many customers will pay significantly more for service (Voice Link plus an additional provider account to supply data) than a customer typically did with DSL (copper) service. Wireless is no substitute for a copper or fiber based network. However, it is far more profitable to Verizon.

IV. The Stipulation is Adverse to Verizon's Workers

Verizon's disregard of maintaining and repairing the copper based landline and limited build of FiOS has negatively impacted workforce levels necessary to provide required services. Our members

have firsthand knowledge of the maintenance and repair of copper-line service and Verizon's FiOS expansion because we are responsible for both services. Both services require skilled technicians to perform accurate and proper installation.

Verizon has systematically reduced its New Jersey workforce by approximately 60% which has created a shortage of skilled workers to maintain its current services much less timely expand its FiOS network or respond to weather emergencies. Permitting Verizon to unilaterally abandon traditional land-line based services in favor of an untested and unregulated wireless alternative will further impact work force levels.

FiOS installations fell substantially behind in November and December of 2012 by the diversion of manpower to Superstorm Sandy's restoration necessities. If Verizon had sufficient number of employees, it could have continued its FiOS work uninterrupted. Instead, the company proposed layoffs in February 2013 of 200 employees, which was retracted after the BPU's intervention, with actual layoffs of 67 workers in May 2013. These layoffs directly impacted our outside workforce who maintain and repair copper wires and perform FiOS installations. Continued reductions in the New Jersey workforce will exacerbate the delay in the FiOS build out and have an adverse effect on NJ customers. Rejecting the Stipulation is a necessary step in preserving workforce levels.

Pursuant to business property tax regulations, N.J.S.A. 54:A:1-1 et seq., New Jersey's three local exchange telephone companies, Verizon, Warwick Valley Telephone Company, and United Telephone/Sprint, pay municipalities a tax based on the value of their business personal property, such as utility poles and cables, on an annual basis.⁴ In 2012, Verizon generated most of the \$56.3 million in business property tax revenue that municipalities received from local exchange companies. Verizon's strategy of discontinuing the FiOS build out, with its strategy to abandon copper wire

⁴ See Legislative Fiscal Estimate Assembly, No. 3393, State of New Jersey, 215th Legislature, February 11, 2013, available at http://www.njleg.state.nj.us/2012/Bills/A3500/3393_E1.HTM

service in favor of Voice Link, is part of an overall campaign to avoid paying the business personal property tax.⁵ If Verizon is successful, revenues received by municipalities from the business personal property tax will drastically decrease and in some areas be eliminated.

Conclusion

Verizon was given billions of dollars in exchange for developing New Jersey’s fiber optic infrastructure, a utility essential for residents, businesses, and institutions to compete and prosper. We are able to submit to the Commission our first hand knowledge and experiences with Verizon and the implementation of both copper-based landline services and FiOS throughout New Jersey. It is essential that Verizon be held to its Opportunity New Jersey obligations and provide 100% broadband landline access to New Jersey.

Thank you for hearing our concerns.

Respectfully,



Robert Speer
President/Business Manager

⁵ Verizon is also aggressively challenging its business property tax liability by appealing assessments and filing lawsuits against municipalities. See, Verizon New Jersey Inc. v. Hopewell Borough, 26 N.J. Tax 400, 404 (Tax Ct. 2012).