STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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TELECOM STUDY - CASE 14-C-0370

TECHNICAL CONFERENCE

PANEL 1 - The Status and Adequacy of Legacy Systems.

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ALSO PRESENT:

Commissioner Patricia L. Acampora

Commissioner Gregg Sayre

Audrey Zibelman, Chair, NYS PSC

Karen Geduldig, Director of Office of Telecommunications, DPS

MR. McGOWAN: Okay, if we can settle in and get started. Good morning. My name is Peter McGowan. Welcome to the technical conference that was recently noticed -- you're ready, right -- in case 14-C-0370, in the matter of the study on the state of telecommunications in New York.

I want to just start by acknowledging that with us today are Commissioners Acampora and Sayer. I expect Chair Zibelman to be here today, but there may have been something that has delayed or interrupted with her ability, but I know she was planning on being here today. So thank you very much for being here.

And just to start out, I'm going to turn to my colleague, Karen Geduldig, who is the current and recent addition to our team as the director of the office of telecommunications who will just give a couple of introductory remarks. Karen.

MS. GEDULDIG: Hello. Is this on? Yes.

Good morning, and welcome to the

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Department of Public Service's technical conferences on telecommunications. These technical conferences are being held as part of the Department's comprehensive examination of the communications technology industry. I'm Karen Geduldig. As Peter said, I'm the new Director of the Office of Telecommunications at the Public Service Commission, and I have the honor and privilege of welcoming you here today.

So what drove the department to hold these telecommunications conferences. The types of technologies that consumers are using today are rapidly changing before our eyes. There are more options today than ever before. And each type of communication technology puts increasing demands on the network. Each type of communications technology works a little bit differently. They have different strengths and they have different weaknesses. Some of them are well-known and others less so. Cost is a limiting factor for use of these services, as is availability. And that's the backdrop against which the Department launched and was petitioned to conduct this comprehensive examination of telecom in the State of New York. The purpose of the study is to evaluate from a technical point of view as well as the consumer's point of view how to best ensure that the policies, economy, and consumers of New York State are best protected. With these technical conferences, a cross-section of advocates will deeply analyze the options, the opportunities and the issues that consumers confront when they're using these communications technologies. And we can discuss our respective roles that we can take to make sure that these services are available, affordable, reliable, secure, and flexible enough to keep pace with changing demand.

I'm moving ahead of my slides, I apologize for that.

Within the study the department has, among other things, produced a factual assessment of the telecommunications in New York State, and we sought public comment from consumers and advocates across the state. There have been many themes that have emerged. For example, consumers have increasing numbers of communications technologies and platforms to choose from, and their choices continue to change and to overlap.

In 2006, which was the last time the department really updated its communications related policies, most people used a phone to communicate or email. Voice over IP telephony was relatively new, and, wireless telephony had been dominant for approximately 24 months. Email was the prevalent way to communicate in a non-voice capacity.

Today the choices are astounding. Traditional voice communications are served by any of three types of wire line systems, both copper, fiber and cable as well as wireless. People are using SMS texting not just to communicate with friends and family, but also to receive critical updates on things like school and work closures, updates on emergencies and weather related incidents, and to receive things like reminders about doctor's appointments. People are using their Internet connections for voice and video communications. They -- products like Skype and Go To Meeting allow for people to talk to one another across the country and across the world, just for the cost of an Internet connection. And we have a proliferation of social media sources to allow for mass communications and crowd sourcing.

So these types of innovations are not us impacting our social and family communications, they're greatly expanding things like employment flexibility, business and nonprofit coordination, and massive relief efforts for global catastrophes.

So this graph is taken directly from the department's factual assessment, and it directly illustrates that consumers are making different choices. So according to this graph, I know it's a little bit of an eye chart, in 2000 roughly two times the consumers were using traditional telephony systems offer wireless. By 2006 the trend had completely reversed. And by 2013, consumers were using wireless telephony roughly four times more than traditional telephony. And in fact, by 2013, you'll see that voice over IP telephony had begun to overtake traditional.

So another theme has clearly emerged from the factual assessment, and that's broadband has become the century's essential service, much like telephony was last century. Broadband is critical to the acceleration of commerce in our state and in our economy. It's critical to our state's efforts in energy, health care, public safety and more. But how? So having a sufficient Internet connection allows people to attend educational institutions, take certifications or training courses that they might not have ever even known about or didn't have the financial means to attend in person. This in and of itself creates employment opportunities. But when you couple that with remote job opportunities or telecommuting, your employment opportunities expand even more. And this can be particularly important for some of our citizens living in more remote areas of the state.

The Internet has clearly created opportunities to increase a business's customer base, which is very important for our small and new businesses. And what we're also seeing more of is how broadband can improve a citizen's unique success in society. And I'm talking about here is the Internet of things. The Internet of things has expanded the Internet to everyday devices that can communicate -- that can connect to the Internet and communicate. It's everyday devices acting as sensors to collect and transmit data back to consumers in a way that benefits them. And there are a long list of examples. Smart energy meters. They collect data about a homeowner's energy use, and empower the homeowner to embark on a more efficient energy use pattern. The homeowner saves money, which incentives them to have even more efficient energy usage. Now, if you multiple that phenomenon across multiple households, the impact on the environment and on our state and our nation's global dependency on energy can be very positive.

At home patient monitoring is another great example of the Internet of things and the impact on our citizens. So with at home patient monitoring, health care providers can send patients home to cover recover with a device that transmits the health statistics back to the doctors and nurses at the hospital. This offers a low cost way for patients to recover that is also more comfortable for the patient and has a higher success rate.

Fit Bits. So Fit Bits seem like a nice to have. But there are many schools that are contemplating deploying Fitbits to elementary age children. When those bracelets interact and communicate back to the kids, it generates a competition around who has taken the most steps by class, by day, by year, and that in turn can be a very low cost and effective way of combating things like childhood obesity and diabetes.

Connected cars. Connected cars are

using broadband to communicate with one another to prevent accidents, limit congestion, and have a -- limit congestion and have more fuel effective travel. Connected cars can also communicate with emergency response, which can shorten and make emergency response more effective.

And speaking of emergency response, broadband and networking is and will continue to play a major role in responding to crises and recovering from disasters. From alternate communications to the management of assets and resources in these types of emergencies, communications will be the key to an aligned and effective emergency response.

And the list really does go on and on. This is a state of communications technology that the department is evaluating.

So, as the department undertakes this analysis of the industry, it remains dedicated to continuing to protect consumer interests, which includes things like access to critical communications services and just and reasonable pricing. And the department is also dedicated to ensuring that service is reliable. But we also recognize that consumers should not just have reliable service but that businesses should be incentivized to produce superior service. We want to incentivize the market to develop better products, improve service and continue to be better. It's possible that these interests are potentially at odds and may require balancing. And in that light the department is looking to generate policies that balance these interests through these conferences and other opportunities to participate in the study.

But we also believe that it's possible for these interests to align. And that is another purpose of these technical conferences. By engaging with stakeholders and experts and consumers, we believe we can find the best balance and alignment with consumer interests, innovation and superior service.

So today's conference hosts three panels, which are meant to generate insights and commentary that will be part of the basis to staff recommendations to the commission about whether and how to modify its communications related policies to balance and align these interests.

So these panels are, panel one, which will start shortly, which is the status and adequacy of traditional systems, where we'll be exploring service quality and reliability of services over legacy systems, long and short term challenges, customer migration trends and competition, and economic and physical sustainability. Panel two is on the status and adequacy of advanced broadband systems, where we're exploring barriers to deployment, the evolution of competition, whether the market has produced sufficient service standards and reasonable pricing and lack of access in certain regions of the state. And panel three, which is tomorrow, is on legal and regulatory issues. We will be exploring the reclassification of broadband as a telecommunications service, the state's obligation to encourage advanced telecommunications services, and other jurisdictional questions related to the evolving communications platforms and services.

I and other department staff will be at the conference for both days. And I look forward to meeting and talking to everybody, both one on one and at these panels. And with that I'm going to turn it back over to Peter and to Michael Corso for panel one. Thank you.

MR. McGOWAN: Great. Thank you, Karen. And if you could, Karen --

MS. GEDULDIG: Yeah.

MR. McGOWAN: -- just peal back that one chart from the assessment. And rather than try to get into summarizing the quite extensive facts that were set forth in the assessment, in my view that chart is kind of the best way to get a picture for what is happening today, and what has -- what has happened since the Commission's last major review in Comm 3 ten years ago.

So now we are going to delve into

panel one. We have a series of questions that we designed, trying to engage in the issues that were the most important issues to engage in. And thank you to the panelists for assembling today.

I do want to note that unfortunately last night we heard from Richard Berkeley, who's experiencing some serous back problems. And it would have been -- it was impossible for him to join us today. So we're disappointed that Richard could not make it. We reached out to Susan Lerner last night, and she graciously agreed to sit in the panel today. So we appreciate your coming. I know that this is a last minute thing.

But, you know, the point of today, and really both today and tomorrow is to begin to join some of these issues. So let's, I'm trying to have a conversation, a discussion about the issues. And the most important thing to me is to frame up the right questions. Because there's lots of questions that we could ask, but I think it's important that we frame up the right questions so that we are pursuing the right things, all of which is designed to promote the public interest. That's what we're here to do.

So hopefully you heard some of that.

Again, Susan Lerner, thank you for joining us today.

Also with me on the panel, Debra Goldman from CWA. And Richard Bozsik from Verizon. And Bob Puckett, who represents the New York Telephone Association. So that is not necessarily all of the carriers in New York, but a large number of the smaller carriers in upstate New York.

So the first question that I thought we should explore is really a very broad question, and in some respects it's a hard question to answer, but I think it's a question worthy of some discussion. So the question was posed as follows. Have consumers received benefits, have they received positive or better -- positive, better or negative, worse results from light -- from the light regulatory approach that the Commission has used in the telecommunications markets. So by way of a very, you know, brief history that hopefully we're all aware of, many, many years ago, it's probably 20 years ago at this point, the Commission did engage in rate of return regulation, cost of service was the sort of driving force for setting rates and service quality. The Commission still does that in certain areas, certain industries, but it has not done that in the telephone market for probably I'm thinking 15, 20 years. Instead, it has gravitated towards reliance, increasing reliance on competition to produce benefits for consumers in New York. So the question is, how has that worked. And maybe even a more fundamental question is how would you even begin to approach that question. How would you analyze that question to know how to analyze it.

So let me start by reading a piece from a study that was submitted in this case. It comes from Professor John Mayo. And he writes as follows: "New York was an early leader in the recognition of the emergence of competition in telecommunications markets. The Commission embraced this transition and enabled the emergence of competition. Yet, in spites of the New York Commission's findings in 2006 that telecommunications industry in New York was sufficiently competitive to rely on market based outcomes rather than public interest regulation, regulatory changes in New York had subsequently been modest" -- I think modest relative to other states and other regulatory agencies. "Of note, this slow down has occurred over the same period in which the marketplace, particularly in the less regulated wireless and broadband sectors, has produced astonishing technological gains, choices, investments, and prices that have all benefited consumers." "Nevertheless", he continues, "some observers have gone so far as to argue that movement towards a lighter touch regulatory environment should be reversed." So that's kind of another way of expressing thoughts of all right, so how do we know. Have consumers benefited from the commission's light regulatory touch or not.

So John Mayo goes on to look at this from the perspective of several points of data that presents to end users of New York and others, consumers of New York, about how have they been affected by this regulatory regime. And he looks at it in terms of outputs, which is kind of a measure of well, what has happened to penetration rates. Have consumers in New York had penetration rates increased, have they decreased. Have consumers increased their use of these products. If they have, that might be a sign that the marketplace is satisfying consumers' demands. Second, has innovation occurred, has it occurred to the benefit of consumers. Third, what about price. What has happened to price. Have prices gone up, down, have they moved in ways that produce more efficient outcomes. And then, finally, investment. Have investments been made -- have been -- investments been made to respond to consumer demand.

So I thought that was an interesting way of analyzing this broadest question, and so that is the first question here. Let me pose that question then and let me ask maybe Richard Bozsik, since this study came in through your comments, to take a first crack at it.

MR. BOZSIK: Thank you.

MR. McGOWAN: And then maybe we can move to Deb, all right?

MR. BOZSIK: Thank you, Peter, very much. I'm not going to -- it is.

MR. McGOWAN: Can you see that green light?

MR. BOZSIK: Yeah. Thank you.

I'm not going to comment on Dr. Mayo's study, that's his work. And the study provides additional information in regards to his analysis. And I'm sure that that topic can be discussed in the second panel, which he's going to be on later this afternoon, if it presents itself. But let me -- let me give you Verizon's perspective.

I mean, from what all of Karen was saying before, I think it's fair to say that the wireless and the broadband market in New

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York as well as elsewhere in the United States has exploded with innovation and service offerings that customers only dreamed about years ago. In fact, since the last time that the Commission did a study on telecommunications the world has changed. And I think the light touch regulatory approach that the Commission took in that respect has really fostered the market in regards to innovation and investments. I mean, that said, the Commission has definitely made some progress on having a lighter touch on the wire line regulations over the course of the past several years. For instance, I think the Commission and the service quality improvement plan acknowledged the impact of competitive alternatives on customers, and obviously -- with the focus obviously on providing good service to customers that the Commission considered vulnerable.

I think there's obviously some things that need to be done. For instance, in regards to light touch regulation, there are certain things that the Commission still has in place that go back decades ago, back to when Verizon and other companies doing business in New York were fully regulated providers. For instance, just to give one example, is the sale of property, the transactions that we have for the sale of buildings. In that situation Verizon needs to file with the Commission for permission to sell its properties and confirmation for that transaction. And given it's a very competitive market in New York for real estate as well, it ultimately has the opportunity to tie things up.

I think overall the light touch regulation and the steps that the Commission have taken are good, have been good for the market. I think there's more that needs to be done. And, as I mentioned earlier, I think that approach incentivizes investments in the market.

MR. McGOWAN: Okay. Deb?

MS. GOLDMAN: Well, I'm going to present a different perspective. First I want to say thank you to the Commissioners for hosting this conference, to the staff for the work that you've done. And we're delighted to participate and look forward to continuing participation.

Is this on?

MR. McGOWAN: See that green light has to come on, so push that. There you go.

MS. GOLDMAN: Thank you to the commissioners and to the staff for all of the work you've done to get us to this point. We look forward to continued participation going forward.

Almost two years ago a petition was submitted to this Commission from Connect New York Coalition of consumers, labor organizations, elected officials, state and local, from across the state. And the petition asked the Commission to take a look at is the light touch, or I would call it deregulation, working for all consumers and for all business and all organizations, schools, libraries, that need to have access towards, as you said, broadband and voice telephony to protect public safety, economic development, and all the benefits that come from broadband. And we have been looking for answers to the kinds of questions that you're looking at. And we want it to be a data driven examination.

The data, quite frankly, is hidden or not available. But when you look at the data and look at is the deregulation, is the competitive framework working for all people in the State of New York, you see that there is a vast divide. And while many people are using their cell phones, that's not a substitute for a wire line connection. You need to have a wire line connection in order to have the kind of connectivity to do your homework, apply for a job, access the vast information on the Internet.

I'm going to cite just one statistic that shows why you need both a wire and a wireless. The FCC, as this PSC concluded that these are not substitutes, these are complementary. And they looked at the survey. People with home wire line broadband used 57 gigs a month. People with

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smart phones use 1.9 gigs a month. In other words, if your kid is going to be doing their homework, if you're looking for a job and have to fill out job applications, if you're uploading your photos, if you're downloading videos, and multiple people are doing that in the home at the same time, or at school, or in the library, you can't rely just on a smart phone. So we can't start with that chart that you showed. We need to have wired connections.

And what's happening in the state? Ten years ago Verizon announced we're going to build an all fiber network and began to get cable franchises to create the economics and the regulatory environment for investment in their all fiber network. And they began redeploying many of our members -- some of whom I want to recognize as being so interested in this issue, both for themselves and their families and their neighbors, that they've come here today. And so thank you very much for being here, the real experts about what's going on in the telecom industry here in New York -- began to be redeployed to building the FiOS. And then in 2010 there was an announcement that the FiOS deployment was going to stop. And the impact has been that upstate New York, eastern Long Island and many of our rural towns are dependent upon one provider or dependent upon Verizon's copper network for their landline service. And this landline copper network is deteriorating and falling apart before our very eyes. And, as we go on, I brought some pictures to demonstrate that, and I want to share those.

When we asked for some information from the Commission and got a Freedom of Information, we looked at some of the data, that unfortunately is hidden from public view. And this is the kind of information that needs to be examined in an on-the-record evidentiary hearing, where we can cross examine each other and really look at the information, and be data driven and policy.

Consumer complaints exceed the PSC's benchmark every single month over the past three years since 2012. Trouble reports

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in wire centers, half of them exceeded PSC's benchmark. Even for the small group of customers called core customers, low income, disabled, elderly, for whom there's reporting of out-of-service recovery within 24 hours, even there the benchmarks aren't met about a quarter of the time. So something is seriously wrong. And this needs to be examined.

But the light touch deregulatory approach is not protecting these customers. And without competition and, as we know, competitive markets drive investment where you make the most money. It's the responsibility of this Commission to ensure that everybody is protected and has access to quality communications. So if competition is in the lucrative markets, and we know even in some places that isn't true, the City of New York, where the FiOS build has not met the franchise obligation. But certainly it is the obligation of this Commission to collect the data and examine whether the current light touch policies, which we believe are not working, are protecting everybody in New York.

MR. McGOWAN: We'll come back to -- let's complete our run through the panel first. Let me -- thank you, Deb.

Bob Puckett.

MR. PUCKETT: Thank you, Peter. I just feel like I have to say while I'm up here, could the secretary please read the next item on the agenda.

(Laughter).

MR. PUCKETT: Anyway --

MR. McGOWAN: You are it, Bob.

MR. PUCKETT: Thanks. And thanks for inviting me.

Just a little bit of background. Peter mentioned the New York State Telecommunications Association. I'll turn on the mic. We've been around since 1921. Peter mentioned that we represent a lot of the smaller companies upstate, which we do. But in full disclosure mode, Verizon is a member of NYSTA as well.

Many people here today are thinking of, you know, incumbent telephone provider, we

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are talking Verizon. Well, there are 40 of them across the state. Many upstate, there's one downstate, Fishers Island Telephone Company, serving Fishers Island. Just to put in perspective, there's more than just Verizon in this state. And our association is made up of incumbent providers as well as competitive local exchange carriers. We have about 45 carriers in total as members of the association. And basically our incumbent members, I can't read the chart, but it's the red line there that's going south very quickly. So let's put that all in a context while we're here.

Have consumers benefited from light touch regulation, you have to look at that in terms of are we talking about ILEC regulation, CLEC regulation, wireless regulation, cable TV regulation. We are all regulated differently. Yes, there's been some, as far as the incumbents go, there have been some modest changes to the state of regulation of those carriers. But in no way is it deregulation. You can ask any of my members that, and they will tell you why that is true. We think the state could do more for the incumbent carriers in terms of reducing regulatory oversight.

Some of these carriers upstate, the smaller ones, and I know today's discussion is probably going to center around Verizon quite a bit, but these carriers upstate are as small as serving 400 customers in some village somewhere in upstate New York. So there's a big vast system, ecosystem, out there. Verizon is one big part of it, but there are many others.

And have consumers benefited, certainly they've benefited. With the explosion of wireless, with the explosion of cable, who is now the dominant provider of landline in New York, not Verizon, and not my members, but cable. I'm sort of curious why cable isn't here talking about the status of regulation, but that's another day, another issue.

So I think they have benefited. I think more can be done for reducing regulation on the incumbent carriers. Similar to how

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CLECs were treated, and we can get into that a little later in the discussion. But I just want to start with that. So thank you.

MR. McGOWAN: Okay, thank you.

Susan.

MS. LERNER: Thank you, Peter. And my apologies, I'm suffering from a cold, and I'm a very poor substitute for Richard Berkeley on this topic, as I do not have a tremendous depth of knowledge as he does on the New York regulatory scheme. But I can speak from the perspective of an organization which has been speaking to its members and others across the state to ask them whether they feel deregulation has been successful. And certainly, you know, one of the concerns I think has been when we look at the chart, you know, there are various statements from various entities at various times about the need for an orderly transition which protects consumers. Our concern is that too much of this discussion is focused on what's healthy for the industry, and not enough is focused on what the Commission itself identified as its primary goal in deregulation, which was to ensure that consumers receive the appropriate protection, and that they continue to have universal, at least access to universal telecommunications services.

Our experience at Common Cause in talking to our members is that if we start the discussion from the consumer point of view, it looks very, very different than what we've heard from the industry representatives. Consumers are not happy with the transition. Consumers feel that they are out in a cutthroat marketplace on their own. That they are up against gigantic telecommunications entities which make billions of dollars in profit and are not responsive to their concerns. Just take a look at any wireless telephone contract and ask yourself whether the consumer has any bargaining power whatsoever.

When I went to law school eons ago, there was something called the contract of adhesion, and that was a one-sided contract. The telecommunications contracts today are

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perfect examples of that. And we believe that it would be appropriate for the Commission actually to increase its regulation, particularly increase its regulation of the wireless market because of the chart that we have been shown. Consumers really have no idea what they are exchanging when they go to wireless or go to VOIP. I'd like to suggest that in certain cases, we don't have the statistics but certainly we are hearing from people, consumers are making that switch not voluntarily at all. They're making the switch either because of the degradation of the legacy copper system, or because they have been given some package by the cable industry which seems to be economically driven from their point of view, but of course, as we know, these entry packages sunset out, and prices then go up.

If you ask consumers are the two -- are the three services equivalent, do they provide the same telecommunications basic service, they will tell you no. Yet the basic service definition here is unchanged and is based around a wired service. As perhaps it should be. Perhaps what we would like to see in the marketplace is that the wireless and cable competitors begin to provide some of the services which we find in the wired system which are essential to consumers that we are hearing from.

So from a consumer point of view they feel lost. They feel that the marketplace is not serving them. They feel it's not providing clear information. They feel that the services are unreliable and overpriced. And I think it's important that we really pay attention to what consumers are telling us the result of deregulation is.

MR. BOZSIK: Peter, if I could have an opportunity --

MR. McGOWAN: Yes.

MR. BOZSIK: -- just to comment on a number of issues that were raised. There was many issues that were raised by Debbie. With all due respect, I disagree with pretty much --

MR. McGOWAN: Is your mic on?

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MR. BOZSIK: Yeah. Pretty much everything you had mentioned, and I'll get into a couple of those issues in a minute, but to save time for the purposes of this panel I won't address every issue. But I think that what we have to do is focus on what is the customer preference. Not necessarily whether or not a wireless provider is providing all of the services, all the functionalities that a wire line company provides to its consumers. It's whether or not consumers are getting the services that they want. And I think the information that we have, the statistics that we have would show consumers are leaving wire line and are migrating over to wireless or voice service clearly underscores the importance that consumers are making intelligent decisions on the voice provider of their choice. Recent information shows that about 50 percent of voice customers are cutting the cord.

Now, let's just talk a little bit about what -- I mean, we got into this issue of deregulation. But, like Bob was saying, we're not at a point of deregulation for wire line. And I think the Commission and staff in their study acknowledged that. As I mentioned earlier, there have been some steps acknowledging that the market is competitive. But what's important to understand is that Verizon is providing outstanding service quality to the customer -- to its customers.

Let's take a look back and take a look at the customer trouble report rate. The customer trouble report rate, which is, you know, how many customers are reporting any given service outage of any given month, clearly shows that the service quality is getting better over the course of the past ten years. The trend shows improvement. In fact, we are well below the Commission's objectives set for that customer trouble report rate threshold. The Commission has it at 3.3. The company is providing service right now at below two percent. So obviously that shows that we're providing extremely reliable network. And in regards to the out-of-service conditions, the record and the information shared with staff, that obviously is public, clearly shows that we are doing an outstanding job in providing good service to our customers. Thank you.

MR. McGOWAN: Thank you. All right.

I want to just try to drill in a little bit. The question is difficult because the question that we're trying to pose is does the system, does the system that we're using provide benefit to a broad array -- a broad array of customers. And I acknowledge that we have to ask a corollary question, which is, does the system that we're using also provide adequate protections to vulnerable -- to vulnerable consumers, consumers who may need protection more than others. And I want to just try to drill into one -- one fact, because -- well, if the question I'm asking, though. The question --

MS. LERNER: Yeah, but that's not the statutory standard. It's not vulnerable -- it's not vulnerable consumers, it's all consumers.

MR. McGOWAN: I know. I'm asking, does the system that we're -- that we're using provide benefits to all consumers. Does it provide benefits to a vast majority of consumers. Does it provide benefits -- does it provide better benefits than a regulatory approach. And to the extent we have to look at more vulnerable customers, where does the system not serve customers, and should we focus there.

So I want to just draw out one question, one fact, because one of the outcomes that I think seems relevant is well, how about penetration rates. Have penetration rates, the extent to which customers in New York are actually on the phone system. That's one measure of whether the system is working or not working.

So the -- so that's -- normally I think the penetration rate, as depicted in the Mayo study, and in part depicted in the staff assessment, was reported based on federal data in 2006 at 94.8, and in 2013 at 98 percent. New York penetration rates. And both of those

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penetration rates for New York were higher than the U.S. average. So is that a relevant question to determining whether the system that we're operating under is providing benefits to consumers in that one dimension. There are other dimensions, but I'm just trying to focus on one dimension. And one of the reasons we're trying to focus on this is because this is a point that PULP made in their comments. But what they did was they used a statistic that was different than these statistics. And I'm trying to reconcile the two statistics because I'm concerned that they may have been using a statistic based on a survey that is not the most robust survey that the FCC administers.

So is this metric, is this data relevant to the question that we're trying to address here. Deb.

MS. GOLDMAN: I don't have the number from the PULP study. Obviously it is important to look at what is the penetration -- the number of people that have access to voice telephony, and that's important, whatever the technology is. But, as you all said, broadband has become the century's essential service. So the critical question to be asking, in addition to who has access to voice telephony, and within that, even if we accept your number, what can we do to ensure that that two percent --

MR. McGOWAN: Sure.

MS. GOLDMAN: -- is not left out. But the really critical question to be asking is how well are we ensuring that across the state low income, rural throughout urban, suburban, across the state people have access to the telecommunications system of the 21st century. And that's broadband. We have some data. You've put some in your staff report. The FCC has collected data on that. The FCC, for example, their most recent broadband report found that in rural New York, 17 percent of the population do not have access to broadband at the speeds that the FCC considers to be what is needed in today's society and economy, which is a 25 meg down, three meg up, 17 percent don't have access.

The FCC has also given national statistics, I have not seen it in New York, and this gets to the regulatory question, of how many people, even in urban areas of New York, only have one choice for a broadband provider. And if that is one choice, and as a result of the conditions that have been imposed as part of the Time Warner - Charter deal here by the PSC, that may be an expansion of the broadband capability and access for those who have access to a cable provider. But that's one provider, who therefore has no competitive push outside of those conditions to continue to innovate, to drive down prices, to improve service quality going forward after those conditions run out.

So those are the kinds of questions that need to be explored. And as part of this, and as we talked about in the Connect New York petition, what needs to be explored is the current definition that the PSC has of basic telecom service, the appropriate definition for the 21st century. And instead should that be expanded, and there is a legal basis for this, I know you'll explore it tomorrow.

MR. McGOWAN: Well, actually we're exploring that question later today.

MS. GOLDMAN: Okay.

MR. McGOWAN: And let me note that, acknowledging your point about broadband, it's a very important point, that is the principal focus of panel two.

MS. GOLDMAN: And so I want to say that the statistic I often -- that is an important statistic about the number of people, and critically young people, who are wireless only, the statistic I really want to see is, of those who are wireless only for voice, how do they get their broadband connectivity. So that does not mean that there is no wire into the home, the school, the business, the library, the community organization. And if this Commission goes in a direction that says fine, we're okay if people are getting their wireless doing their homework off their smartphone standing outside a McDonald's because they don't have home

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broadband and so they have to get the Wi-Fi after nine o'clock at night out of McDonald's to do their homework, what that's ignoring is the entire economics that come from an economy of scale and scope of ensuring that we don't let our wired infrastructure deteriorate to such a point that there really is either no or only one wired provider of robust broadband.

MR. PUCKETT: Peter, if I may.

MR. McGOWAN: Okay, yes, Bob, one second. Let me just -- let me just alert the panelists that I had kind of allocated 30 minutes for this question, so let me just ask you each if you have a concluding thought on this question, and then we are -- we should move on so that we can get to the other questions. Bob.

MR. PUCKETT: In general, consumers and the data that you look at does show consumers are receiving the benefit of various modalities and forms of telecom service. Are there instances where somebody doesn't have sufficient broadband, are there instances where maybe a CTERR -- CTRR level is down one

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month, sure there is. It's not a black and white world out there. There's grey out there. But overall, in general the data shows quality landline copper, fiber voice service. Again, we're talking about the red line here and not the other lines. And does more need to be done on broadband? Certainly. But New York ranks in the top ten states in terms of availability, average speeds. And I suspect most schools, libraries, places like that do have wired connections, and yes, there may be areas of the state that still could have more broadband in the very rural areas. But it's getting there. And it's with programs like the Governor's $500 million grant program that will certainly move the needle up quite a bit.

You've got folks out there in upstate New York, I've got one company, the customer's 26 miles from the central office, and they get six meg. I mean, and there are people that maybe get less. And then of course the FCC keeps changing the definition of what is broadband. It was what, 6.1, and now it's 25.3, in the state it's a hundred --

100.100?

MR. McGOWAN: A hundred four, I think.

MR. PUCKETT: I forget.

But progress is being made, and New York is ranked in the top ten in the country in terms of availability. More needs to be done, I'll put my hand up, and it's getting done. And, you know, cable may be the only provider in certain parts of the state. Unfortunately, competition is hard when you've lost, what, 76 percent of your market share, you know. It's a tough world out there.

MR. McGOWAN: Richard, anything further?

MR. BOZSIK: No. I mean, I really just echo what Bob said. You can't deny that broadband service is important. I mean, obviously the question is how would broadband be provided to consumers and what ultimately consumer preferences are in the future, I think we need to leave that up to the consumer. Obviously with the, you know, the deployment of additional technologies, investments and so forth in the wireless market, I'm sure we'll be seeing additional broadband services made available to consumers at certain speeds that don't have it today.

But obviously, and putting aside the jurisdictional issue, but putting aside that issue, I think it's important to let the market run its course. Obviously what Bob was saying, there are conditions associated with the Time Warner - Charter merger, and obviously with the Governor's broadband grant I'm sure we'll be seeing additional broadband deployed in areas that are currently unserved or underserved today.

MR. McGOWAN: Susan, a final thought?

MS. LERNER: Just to reiterate, I believe that the chart there does not actually represent full consumer choice. I think that many people have been forced off wire -- off the wired system, at least we're hearing from them vociferously. They feel that they don't have the information necessary to make a choice if they do have a choice. And the transition for -- from the consumer standpoint has been far from smooth. And we believe that the PSC really needs to step in and to help consumers understand what the marketplace is and protect all consumers much more vigorously.

MR. McGOWAN: All right, thank you.

We are going to turn now to the other questions, and I'm going to ask Michael Corso to tee this next one up.

MR. CORSO: So this is an interesting segue actually to the question, which is very focused on the copper network. And we'd be interested in understanding your perspectives on the copper network's future, its ability to meet customer demands and expectations, and its economic liability. I'm going to start with Bob Puckett.

MR. PUCKETT: Sure, sure, thanks. Thanks, Michael.

The issue with regards to copper is the natural evolution of the network. We went from open wire to copper many, many years ago, probably before most people in this room. We went from mechanical switching to computer controlled switching, then to digital switching. So the networks evolved from one technology to others over the years. We used to have dial phones, then you had touchtone phones. So this is just another progression to go from copper to fiber. Will copper be around for a while? I think it will.

And while I'm at it, just to, you know, give you some ideas, I did a quick survey of some of the upstate members, the smaller companies, to try to get an idea of, again, to the broadband issue that's been raised, of what they're doing on copper with DSL. And their speeds are ranging from six meg up to 50, and even in one case 100 meg over copper with DSL. Now, certainly distance has a lot to do with that and bonding of cable pairs and things like that. But a number of companies are in the 20 to 25 to 30 meg range in providing DSL services.

What's interesting, and a number of the companies also do fiber to the home to some extent, some more than others, and they offer 100 meg or one gig. But the actual take rates of what's the most popular speeds on the fiber networks are around the ten to 25 meg. For DSL it's around the six to 12 megabit per second range. So copper is still being used out there. I imagine it will be there for a while.

Things -- some things -- fiber has been in the network for many years in the backbone. A number of the companies have moved their D-SLAMS and for the DSL service closer to the customers using fiber technology to cut down on those copper -- and hopefully not get too technical -- cut down on those copper loop lengths to the customer so that they can get the 25, 30 meg, megabits per second to those customers.

So I see copper as being around for a while. Some companies are transitioning to fiber. Again, in a marketplace where you're less than 50 percent of the market with the revenue flows being a lot different than they used to be back in the monopoly days, it's tough to invest in the networks. I mean, that's what you get with competition. So that's where we're at.

MR. CORSO: Okay. I am -- I'm not going to -- I'm going to struggle not to ask follow-up questions, to allow the panel to speak and see if there's cross questions from each other, but I appreciate that answer, Bob, thank you.

MR. PUCKETT: Sure, yup.

MR. CORSO: Debra.

MS. GOLDMAN: Oh, I was going to let Verizon answer first.

MR. CORSO: Oh, you were going to let them? Okay.

MS. GOLDMAN: Let me say that --

MR. CORSO: That's okay.

MS. GOLDMAN: -- I'd like to hear from Verizon first.

MR. CORSO: Sure, okay.

Richard?

MR. BOZSIK: Thank you, Debbie. I didn't realize you were -- okay.

Well, look. I think it's -- I think it's unrealistic to expect that the twisted pair copper network is capable of offering the services that the fiber network or a fiber coaxial network or a wireless network is going to -- can provide today and be able to provide in the future. But that said, I mean, the copper network does indeed provide -- meet the basic needs of many customers, on voice service as well as on DSL service, broadband service that we provide.

You know, the long term economic viability, which was part of the question that we wanted to talk about I think for this panel is, it's really, it's sort of left up -- not sort of, it's definitely left up to the customer's preference. And, you know, based upon what we see obviously in the trends, it's extremely unlikely that the consumer preferences for copper twisted pair services will grow. But that said, I mean Verizon, and I'm sure the independent companies as well, is doing everything needed to maintain the copper network so that it continues to provide those services to the consumers at very good service quality metrics, as reported to the

Commission.

And one thing to keep in mind, you know, we were talking earlier about these -- about vulnerable customers. But the customer trouble report rate which is provided to the Commission provides the results for all customers in the State of New York. And based upon that information, it clearly shows that we're doing a very good job in maintaining the copper network to provide the services that customers expect from us.

MR. CORSO: Debra, are you good to go now?

MS. GOLDMAN: Yeah, thanks.

MR. CORSO: Okay.

MS. GOLDMAN: I don't think this is the place for us to have a debate about the details of the service quality reporting. We've looked at the numbers. When you peel back the numbers, I would not agree with your assessment. But that's why we need a full on-the-record evidentiary hearing, so that we can really peel these back and look at has the change in the service quality reporting, both what's required to be reported to the Commission and what's available publicly and what the benchmarks are that were changed in 2009, 2010, have this protected consumers. So that's why we need this on-the-record hearing. Not for you and I right here to be saying my numbers show you this and my numbers show you that.

MR. CORSO: So I'm going to interject a second if I could.

MS. GOLDMAN: Yeah.

MR. CORSO: So here's the -- I want to go back to the root of the question.

MS. GOLDMAN: I wanted to finish.

MR. CORSO: Okay.

MS. GOLDMAN: Certainly we're in the midst of a technology transition. And CWA has always been an organization, a union which recognizes that there is constant change in the technology, and that that means changes both in the work we're trying to do and in the services provided to consumers and to businesses and organizations. And as Verizon first announced its roll out of its fiber network over a decade ago, we understood that this was going to mean change in the kind of work that our members do. But at the same time, it enabled all kind -- it was the global standard, the best in a network. And for that we are very pleased that Verizon, our employer, took that step.

But then we began to look at where it was deploying. And of course, first one deploys where there is the opportunity to make the most revenue. But then Verizon stopped. And so you have these situations, and I think we've presented these to the Commission over the years, of what I call the donut hole cities, Syracuse, Albany, Buffalo, where the suburbs have FiOS and the cities do not. The lower income, more heavily minority communities do not. So for them, yes. Until there is a competitive alternative to cable broadband, for them the only alternative is the copper facility. And that facility is deteriorating before our very eyes.

And I brought just a sampling of pictures. And I want to emphasize, these are

20 pictures. I could have brought you thousands of pictures throughout the State of New York of what Verizon is letting happen to this network. A network that was at one point built and maintained properly, off the backs of ratepayer money. Dangling terminals. Double poles that are a danger to people's -- to the public safety. Unattached facilities. Open splice boxes. Open pedestals. This is now -- plastic tarps are what technicians now have on their trucks when they do a splice and need to cover something or see a pedestal. And so you see exposure to the elements.

And what happens is, a customer will have noise on their line, have -- be out of service when it storms, it rains, it snows. Call in or try and send that information in, I'm not sure how online if they're out of service, but online. And if they get through to the repair bureau and get an appointment, when the line may dry it may test and be scrubbed out of the system and not reported in the trouble reports, by the way. This is something that needs to be examined when we do the on-the-record evidentiary hearing, what are the ways in which these trouble reports actually get into the system.

But the condition of the network is not being properly maintained. The staffing is down 40 percent over the past ten years. Yes, we've lost a lot of landlines. That number doesn't include the number of broadband lines. But there's still a network that needs to be maintained. And there aren't enough people with enough time to do the proper maintenance.

So if it's appropriate, I'd like to share these pictures.

MR. CORSO: Yes.

MR. BOZSIK: Well, in the meantime, if I could take the opportunity and address a number of the issues that were just raised.

First of all, and we've mentioned our response to this in our comments. First of all, what Debbie was saying about deployment of FiOS in areas that are not low income is absolutely false. We've deployed FiOS throughout the City of New York. We've

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deployed it in areas well below the average state income level, including areas such as Poughkeepsie and Schenectady, New York, Newburgh, New York.

As far as the maintenance of the copper network, as I mentioned earlier, what's important to look at is the customer trouble report rate. Not only that, and I know Debbie mentioned earlier that PSC complaints are a level set by the Commission. But one thing, just to be clear, that's a level set by the Commission to do -- to be used for commendations. And what the results clearly show is that the number of PSC complaints going to the Commission have substantially declined, or improved, let's say, over the course of the past several years.

All said, the results are out there. It shows that the customer trouble report rate has improved. It shows that we're doing a very good job of meeting the Commission's expectations for vulnerable customers. And it also shows quite clearly that the number of PSC complaints has substantially declined, improved, in other words.

MS. LERNER: So I'd like to comment on this just very briefly. I do agree with Mr. Puckett that there is still a continuing need, a necessity for the copper network. It is the backbone in some places, it is not going away any time soon.

There are people we have spoken to, consumers here in New York City, who have no voice telephony available to them in the Borough of Queens that came to our Queens FiOS forum. And they said we don't have any choices. We can't even get phone service, we can't get cell phone service, we can't get copper wire service, we don't have any phone service. There are -- there's at least one sitting Assemblywoman in Brooklyn whose telephone goes out, her district office telephone goes out every time it rains. Is she making regular complaints to Verizon? I expect so. But if they can't solve the problem for a City Assemblywoman's district office, how likely is the ordinary consumer to get results.

We have story after story. Which is why we believe, and I agree with Debbie, we need an evidentiary hearing. It's easy for he said, she said to go back and forth and back and forth. But until we actually see some of the records under oath, it -- we are not testing the industry's assertions in any significant way.

And again, I can only speak from the point of view of the consumers that we hear from regularly. They call us and say we don't know what to do, we've called the PSC, we've called our elected representatives, we're being forced off copper, we're being told that it's not going to be maintained, we have no choice but to go to FiOS. And I have medical devices, I have other things -- these do tend to be older consumers -- that I want to maintain through the wired system. And Verizon is telling me they will come in and cut my wire and I have no alternative. And they feel they're getting no assistance from the PSC.

So over this lengthy, and it is lengthy and it will continue to be lengthy, technology transition, somebody has to be on the consumer side. That is the mission of the PSC. And right now, unfortunately, I'm sorry to say, the consumer feels you are not on their side.

So there definitely is a demand for copper. There will continue to be a demand for copper. And that means an activist role for the PSC.

MR. BOZSIK: Michael, if I can take the opportunity and just respond a little bit --

MR. CORSO: Sure.

Thank you, Susan.

Go ahead.

MR. BOZSIK: -- to what Susan had, I believe, spoke about, and that's associated with -- I think the issue that you were talking about is a situation where we have both in place a copper network as well as a fiber network. And in those situations we are migrating customers over from the copper network onto the fiber network at the same price that they pay today, as well as they were able to get the same services that they currently purchase and are able to use over the copper network.

(Cross talk)

MS. LERNER: Well, that's not what the consumers are telling me. They're telling me that they're -- in one instance I've got somebody who has several different phone lines on the Upper East Side, he's just pulling his hair out. I've got people who have burglar alarm systems or medical device systems, and they say it's not comparable, that they don't want to switch, they're being told they have no choice.

MR. BOZSIK: Yeah. I --

MR. McGOWAN: All right, guys, let me just say, you guys are in a conversation right now which is where I want to go to the next question.

MR. BOZSIK: Okay.

MR. McGOWAN: So Michael --

MR. CORSO: Yeah, that's great.

MR. McGOWAN: -- can I go to the next question?

MR. CORSO: You can, absolutely.

MR. McGOWAN: Thank you.

The next question is kind of a series of questions, but I think ultimately this question is designed to get at the following thought. And I'm focused primarily on voice here. Recognizing that there's a lot of convergence and there's a lot of packages, but I'm kind of trying to focus here on voice, just to unpack it. And the basic question that I'm trying to get at is, is competition placing pressure, and is it placing adequate pressure, on Verizon in terms of forcing Verizon to respond to and satisfy non-core customers. So, so let me start -- let me start with the question, do non-core customers throughout most of the state have sufficient choice for voice products.

MR. PUCKETT: Yes.

MR. McGOWAN: Yeah, this could be a one word answer.

Richard?

MR. BOZSIK: Definitely. I mean, just take a look at the staff's assessment, competitive alternatives.

MR. PUCKETT: Highlight voice, connect voice, cable voice, over the top voice, wireless voice, satellite voice. Yes.

MR. McGOWAN: Deb?

MS. GOLDMAN: I'm thinking about the person who came to the legislative hearing last week and described that yes, she had choice if she was willing to spend, I believe it was $10,000, for a line extension. And in other words, it depends where you live for voice.

But I would go back to, again, we're talking about the 21st century telecommunications system, and so we need to be talking about choice for robust broadband as well as for voice.

MS. LERNER: Well, I think I've made it clear that I don't believe that the different forms of telephony -- telephony are comparable, that there are trade-offs. And I don't believe that the consumer is getting

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enough information to make that determination rationally. Certainly our experience on Fire Island was that when people had no choice but to go to wireless, they were infuriated. And there are various situations where consumers do have -- do want to have a choice, and they are being forced onto wireless.

Again, I want to talk about the idea of a orderly transition. I don't believe that we are seeing that in the marketplace and that's not the consumers' experience.

MR. McGOWAN: Okay. So now let me, I probably know the answer to this question, but let me ask it anyway. Are wireless networks providing competitive pressures, and are they seen by the marketplace and consumers as replacements for wire line networks.

Bob.

MR. PUCKETT: Maybe. It's a customer by customer choice.

MR. McGOWAN: Yeah, but what's the data?

MR. PUCKETT: Well, my members -- well, my members have differences of opinion on the term substitutability. But it's a -- well, there are what, 30 to 50 percent are abandoning landlines completely, the younger generation, I should say. I go to more meetings with Millennials, I guess they're Millennials, and none of them have wired services. None of them, not a one. It's folks from our generation that still have wired services. And I know we'll have discussion about certainly a wired broadband connection. But as far as voice and substitutability with wireless, it's a person by person choice. So I don't think you could -- you know, some folks take wireless for various reasons. And it's not always based on service quality either or pricing or any of those factors. So I'll just leave it at that.

MR. McGOWAN: Richard.

MR. BOZSIK: Yeah. I think the data shows that many consumers are deciding that the wireless network provides the services that they're looking for, and for that reason they're switching over to a wireless service, you know, especially for voice. The results show it's about -- right now about 50 percent of consumers have cut the cord.

I think the one thing which is important, though, that there is a distinction between the services offered by wireless and wire line and the networks themselves. Because we can't forget that the wireless network is dependent on the wire line network. So when we talk about services, yes, I agree, services are definitively one hundred percent competitive as far as I'm concerned, and the results clearly show that customers are making that decision on their own to switch.

MR. McGOWAN: Deb.

MS. GOLDMAN: The evidence in the FCC's most recent broadband report provides powerful evidence that there is a difference between wire line and wireless in the eyes of consumers. I already mentioned the capacity or the amount of information that people download on their smartphones, about two gigs a month, versus on their home broadband --

excuse me, their home broadband, their wired broadband, which is about 58 or 60 gigs a month. So there's a huge difference in capacity.

There's a huge difference in price. What with the pricing models for wireless and data caps, people cannot afford to be using wireless for the kind of robust broadband connectivity that we want for kids to do their homework, for people to apply for jobs, et cetera. So there is definitely a difference between wire line and wireless.

And I appreciate a lot the point you made that between your smartphone and the cell tower it may be wireless, but after that the entire network is a wired network. And there can be vast economies of scale if there's a wire to support that wire cell tower can be a basis for then building out and extending robust into neighborhoods.

I wanted to mention one other point that hasn't come up yet in the discussion. And that also is the way in which the -- Verizon has been reporting its expenses and

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its revenues in its annual reports to the Commission. And this is relevant to your question in the sense that based on the way those numbers are reported, Verizon has a bottom line which shows that it has significant losses in its local service, which would be its POTS, plain old telephone service, wire line local service. But if one looks and digs beyond that bottom line, there are lots and lots of questions that come up as to whether the way Verizon is reporting its expenses between that expense that would need to be spent to build out the wire to the cell tower or to the business park, the segment that is the unregulated revenue, and then the segment that is the plain old telephone service, whether the way it's allocating its corporate overhead, whether the way it's allocating its marketing expense, for example, in 2014 Verizon booked about $150 million in marketing expense for plain old telephone service, and it made me ask when was the last time anybody saw an ad for voice wire line service from Verizon. So there are a lot of questions.

Is there a misallocation of expenses going on in these annual reports? I can't answer that question. The data that we have is very high level. And I'm not making an accusation here. But I am definitely raising questions. We have looked at the numbers. And there are very intriguing questions. If 14 percent of Verizon's wire line revenue comes from New York, then why is it that 14 percent, or somewhere in that ball park, of its $2.8 billion operating profits don't come from New York? Instead, you see a bottom line which shows a $2.8 billion loss. A lot of intriguing questions that really beg for the kind of examination that would happen in an on-the-record hearing.

MR. McGOWAN: Are you suggesting that Verizon wire line is over-earning?

MS. GOLDMAN: No. I'm suggesting that Verizon wire line -- that Verizon is misallocating expenses to the bucket in the financial reporting that this Commission requires, and does provide to the public, that it is misallocating the expenses, to load expenses onto the local service, as opposed to expenses that could be allocated to the unregulated services; and therefore, then Verizon is able to come and say well, local service is unprofitable. I am not saying that this is the fact. I am saying there are intriguing questions that need to be explored.

MR. BOZSIK: Peter, if I could just very briefly comment. I know we are taking up a lot of time on certain issues.

MR. McGOWAN: And it's not really the question that I was posing.

MR. BOZSIK: Yeah, but let me just, I feel -- I feel obliged to comment on it.

The methodology that's used to allocate these costs are consistent with the FCC's practices on doing so. We're in compliance with the FCC's directives associated with that.

Now, in regards to our income, our income that's reported to the Commission is at a net level. That includes regulated and unregulated services. The focus needs to be on the bottom line of the company.

Thank you.

MR. McGOWAN: Susan, you had a question.

MS. LERNER: Yeah. I did want to say that I do agree --

MR. McGOWAN: The question is about whether -- whether there's -- whether non-core customers have a choice.

MS. LERNER: Well, we -- I actually wanted to talk about --

MR. McGOWAN: Yeah.

MS. LERNER: -- the question is whether wireless network is a suitable replacement.

MR. McGOWAN: Right.

MS. LERNER: -- for wire line, and I do agree with Mr. Puckett. I've had numerous conversations with Millennials who have switched to wireless and said oh, and then I found out I couldn't get X, Y or Z, but I've already switched. So I think there is a great overlap, but it's not an entirely one hundred percent transition.

And again, I'm back to the consumer doesn't really have the information to know what they are giving up. Somebody who moves into a building where they can only use the door buzzer through wire line has to get a wire line, even if they have a wireless phone. Somebody who wants to have a burglar alarm system in their home may need to get a wire line system. And it may not be available to them, as I've said.

So I think you have to take a look at the question of yes, there's a great overlap in the services, but there are areas where there isn't overlap, and there's very little information. And, as far as we can tell, no competition to make up that gap. Which is really surprising to me. If the marketplace is so vigorous, why are there not creative people who are trying to invent wireless forms of the servicing different medical devices that right now you can only service through your wire line phone. Wireless connectivity for burglar alarms. Might it have something to do with the fact that the wireless system currently is just not as reliable as the wired system. So I think there needs to be more inquiry and I think there needs to be more information to consumers.

MS. ZIBELMAN: Peter, before we move on can I -- and I'm sorry I'm late, but I do have a question for the panel.

MR. McGOWAN: That's Audrey Zibelman.

MS. ZIBELMAN: Yes.

So, first of all, I appreciate everyone being here. And Susan said something that intrigued me, and I would be really -- if you haven't pursued it before, I would like to pursue it. If you have pursued it before, just if I could get a brief answer.

And Susan, you made a point, you said that -- during your conversation you said something about the fact that we need an orderly transition. And I was hoping that we could -- you could expand really on your concept of what an orderly transition from copper to X would be. And I'd also think it would be useful for us to hear what you think that X is. Is it broadband, is it -- you know, what is -- what's the future. Because that's a little bit I think what the Commission is looking to grapple with. I think we all agree, you know, changes occur, change is occurring, there are needs that are being unmet, maybe not everyone agrees, but there's certainly allegation that there are needs that are being unmet. And that's one of the reasons what we are looking at is exploring what are the unmet needs. But what's your -- what's your view, and I'd be interested to hear, you know, actually from all the panelists if you were to, sitting on this bench versus that bench, what would you be suggesting we do?

MS. LERNER: Since I opened that. Well, I think I've mentioned I think that at a minimum the various providers, and certainly the providers who are offering a non wired service should be providing disclosures of some sort as to the difference between their service and the wired service. So most people, I believe, who are switching their phone service to VOIP, for instance, are probably not aware that, unlike the wire line system, in an emergency when the power goes out the phone is going to go out. I'm old enough to have lived through several blackouts here in New York City. And the one thing that was working in 1977 when I had a babe in arms in the blackout was my phone was working. That is not the case anymore with wireless or with VOIP, and I think people don't really think about that. And the services which are supported through the wired service that are not supported on broadband -- on wireless. And also the fact that when you switch from a copper legacy wire to a FiOS wire, the power requirements are different and your phone may go out in times that you're not expecting it to.

So I'm not suggesting that there shouldn't be a switch, but I think right now the consumer is not given information to make an informed choice or at least to know what they're getting into when they make that choice. So at a minimum I think that that's necessary.

And I think that there needs to be some controls over the situation that I was just going back and forth with the Verizon representative, who basically says that at a certain point Verizon makes the decision for the customer. We have a legacy system and a FiOS system, and we are turning off your legacy system. You have one month or two months until we come and we are just going to cut the cord. That should be regulated in some way. What kind of advance notice does somebody get if they are being forced to switch as opposed to actually making the choice. So those are two basic things that I would suggest.

MS. GOLDMAN: Chair, thank you very much, that's really a great question. And obviously we are in a period of transition. And the question is, in the old days, in the monopoly days, there were abilities to ensure that as we moved to new technologies, everybody was going to benefit at some point.

And now those levers are diminished in a competitive environment.

But the question is -- and the FCC has been coping with this as well in their IP transition dockets. And one of the things that the FCC did first was they said there are four principles that are the fundamentals of our communication policy, universal service, public safety, consumer protection -- what is the fourth. I can't believe I can't remember it. But there's a fourth in there.

MS. ZIBELMAN: Hey, it's a quiz, what's the fourth.

MS. GOLDMAN: Universal service, public safety, consumer protection, and I'll get you the fourth. And within that they then said what are the kinds of rules that we need in order to protect those enduring values.

They have, in their copper retirement order, come up with certain rules. Unfortunately, those rules have not yet taken effect. But one of the key rules there is that there has to be adequate advance notice to customers when there is going to be a change in the underlying technology, not the service, but the underlying technology that is used. So that if a customer is, and this is retail or wholesale, for retail, 90 days advance notice, for wholesale, 180 days advance notice. That's very important.

The other piece that's very important is there's full transparency. And I think we could talk about some programs right now that Verizon operates in which it does not give full transparency to what is really being done when they are switching the technology, underlying technology.

The other thing that the FCC has to cope with and we're all having to cope with, and I think it's a disaster waiting to happen, is what happens now that we are moving toward technologies that aren't dependent on line power for public safety. The FCC's decision was we'll allow this to happen as long as the consumer is told once, only once, that if they move to a VOIP system there's no line power. And that once is when they order the service.

Now, when I'm on the phone with my

customer service rep and asking about all these complicated packages and what they cost, one of the things I may not be really paying attention to is that I'll be losing the line power. And we recommended that they be told multiple times, including when the technician comes out to do the change. That's when the person is really paying attention. And that they be told a whole range of issues so that there's protection.

The other thing the FCC -- and this is something that the New York PSC could -- that's a floor, what the FCC did.

Let me just --

MS. ZIBELMAN: Yeah.

MS. GOLDMAN: -- make one more point on the backup battery. The FCC said the consumer needs to be notified that a backup battery is available, notified once. But it's at the consumer's expense. And there -- something else the New York PSC could look into is that the provision of the initial battery and the battery packet, that equipment, is paid for by the provider, whether it's a what we used to call a cable company or what we used to call a telephone company. So there are things that can be looked into.

But the key thing in this transition is that as we incent investment in upgrading networks, which is what we all want on this panel, incentment for investment in upgraded networks that provide robust broadband, that until those individuals and businesses and schools and libraries are part of the group that gets that investment, it can't be a zero sum game. That they have to continue to have access to competitive choice of quality landline providers.

MS. LERNER: And I failed to mention the obvious, which is to examine whether wireless, because it is now taking such a large number of telephony clients, has become a basic service.

MS. ZIBELMAN: So just if -- because I'd like to hear the other panelists, so just, Deb, just to be clear, what you're suggesting is, is that we should look at the

FCC rules as a base, and that may be something that we could at the Commission level identify as an area of standardization.

MS. GOLDMAN: As a floor.

MS. ZIBELMAN: As a floor.

MS. GOLDMAN: In some places they -- maybe what they're doing is adequate. In other places, and I think the retirement order has some pieces that you could see it as a floor. And other commissions are looking at whether this is a floor. And then you have huge areas of consumer education that really are appropriate as well.

MS. ZIBELMAN: Rich, I'm interested in your thoughts. But also --

MR. BOZSIK: Yeah.

MS. ZIBELMAN: -- could you specifically respond to the whole issue of VOIP and reliability and battery backup?

MR. BOZSIK: Yeah, I was going to, yes, definitely.

Debbie is correct, the FCC had a proceeding on network transition, and in that proceeding came to the conclusion of certain time frames to notify customers. It's also sort of part of a process on the retirement of the copper cables.

(Pause in the proceedings for the court reporter)

MR. BOZSIK: What I was saying is the time frames that were determined by the FCC in its recent decision.

There is, just so everyone is aware, and Susan, perhaps this is more for you and obviously for the chair, is that Verizon does transition customers from the copper network to the fiber network, whether it be because a customer may have service issues on the copper network and fiber is available, we're restoring the customer service, the service, the same as we provided customers on copper, we're restoring the customer service on fiber. In addition, there is an effort to retire copper cable and certain -- copper cables in certain wire centers, and in that effort we are reaching out to consumers and advising them of the time frames needed, consistent with the FCC's docket.

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Just talking a little bit about the battery backup. In the situations where Verizon identifies that the problem is with the copper network and we have fiber available, we're migrating the customer service onto the fiber network and we're offering the customer a battery backup at no additional charge. They get the same service that they have from us. We need to install fiber and we provide them a battery backup.

The same is true for this network migration effort that we have underway. It's more of a proactive effort to reach out to consumers and move them over to the fiber network. In that situation we provide them a battery backup. And I think worth noting is the far majority of consumers that are moved over to the fiber network are given a battery backup that lasts 24 hours, which far exceeds what the FCC's standard was in their decision.

MS. ZIBELMAN: But to pick up on Susan's point, and just -- I think you answered it, but is that -- and then I'll stop -- but I'm just curious. I mean, if we say -- we can all agree there can be an orderly transition and that the substitute for, and that's why I don't know, for copper may be a broadband, FiOS, some other landline, not necessarily wireless in and of itself, and then my question is, if that's the Commission's determination, we can have an orderly change, then the discussion is, is if you're going to substitute one for the other, what will be the kind of the requirements, the rules of the road, the rules of engagement to say to go from one to the other you have to be able to offer X, Y, Z. And I think, you know, questions like notice information, what's equivocal, is that something that I guess all of you would feel like that would be a useful exercise? Because it seems like the FCC started to go there but doesn't -- didn't really define, you know, how do we -- how do we get from here to there without disruption.

MR. BOZSIK: What I think is important to note is that the service that the customer currently purchases, assuming they're on copper, when they're moved over to fiber, they get the exact same service. It's just provided over a different means. So for argument's sake, the customer has a tariff service, fully regulated service today on copper. We'll do the migration, we'll switch them over to the fiber network, the customer pays exactly the same price, has the exact same services that they purchased, and it's still a regulated service.

COMMR. SAYER: Rich, what about medical devices and burglar alarms?

MR. BOZSIK: Yes. They work.

MS. GOLDMAN: I think --

MR. PUCKETT: I think what this shows is education. And I think that is a role the PSC has always had and I think it should continue.

Chairman, you weren't here earlier when I was suggesting, we were talking about the state of regulation, and from the incumbent carriers' perspective, you know, the Commission has made some modest changes in light of the competitive environment we're in. I'd be the first one to say, and I sit up here, and listening to some of this discussion it sounds like some people miss the good old monopoly days where the command and control at the Commission orders Verizon you shall do FiOS to a hundred percent of your customers across the state. Well, we're in a competitive environment now. Everybody has been screaming for that for years, policy makers, consumers. We're there now. And so things have changed. And we can't go back to the monopoly environment. Why would we want to regulate -- expand regulation to now include all these modalities that have grown from nothing to 20 million customers, or cable now being the dominant provider of landline in New York, is simply in my mind crazy thinking. And I know it's tough, and we all agree there are certain situations that we need to take care of on both sides of the debate. But having said that, the last thing we need is thinking in terms of treating the providers in the state as if it's still a monopoly marketplace, and I'm sorry.

MS. GOLDMAN: You're absolutely

right. And I really sympathize with the challenge that you're discussing, which is, in this environment how do we ensure that the transition occurs in a way that some people, a significant portion of people, are not worse off. That should be the standard. And the evidence we think is that right now there are a significant number of people in this state who have -- do not have good choice for robust broadband. And that's the challenge. How do we address that.

In terms of your question, one of the things I struggled with in writing our comments to the FCC, and finally it came into my head, we need to differentiate between a change in technology which delivers the same or superior service, and a change in technology which delivers different and potentially inferior service. And it's this basket when there -- which can sometimes result not just in affirmative action but it can also be a result of inaction. So not keeping up when the only landline competitor is a copper network. Not properly maintaining and repairing it year after year after year, is not incenting investment and upgrading to a next technology, and it's leaving people in those areas with inferior service. That's the real challenge. There is de facto abandonment going on right now, and how to address it is really the issue.

MS. LERNER: And we're not suggesting a return to the monopoly situation. But we are asking for a reality check on the situation in which most consumers find themselves in, and that is they are at the mercy of a duopoly between two gigantic companies, feeling that they have no recourse, and that state government has basically left them out on their own. And that's why we feel that there needs to be a more proactive, pro-consumer stance.

MR. McGOWAN: Okay. Let me try -- one of the things that I'm hearing here and that I've observed as I've tried to get ready for this is that the powering issue is a critical issue, people care about that. It's pretty clear to me that the bottom line is the systems that we're gravitating to, consumers are having to -- they're becoming much more reliant on the commercial electric system. And I think it's true that some of them may not know that. Some of them may know that and are accepting it. But it seems clear that we have to clarify what are the policies that companies are actually using as they're migrating to voice in terms of backup power, and we have to help customers understand and then give them ways of responding to their needs if their need is I want to have -- I want to have some protection from an electrical system that goes out.

Relatedly, it's been very difficult I think to keep track of the evolution of interoperability with these different systems with different devices and different things that are being used in terms of alarm systems, in terms of medical devices. And I think we need to gather some more data on that and try to understand how these systems do or do not interoperate with some of these devices, and how will those devices that are being, you know, produced in the marketplace, are either migrating themselves or are not migrating themselves. I'm not sure what we do with that, but we clearly need to learn much more about that so that customers can become better educated.

So I think I want to go now, Michael, if you could help me with a couple of charts, I know you guys said you weren't going to get into data, but I still want to -- I think an important question that we're trying to focus on here is to what extent is the regulatory system that we are now operating under, which is a light regulatory touch, especially for non-core -- oh, okay, all right. I go to -- I'm looking for the CTRR. Just keep going? There we go.

Again, the question that I'm trying to explore here is to what extent is competition placing pressure on Verizon to response to customers' needs in non-core situations. I think I'm hearing some people say not much, but I'd like to hear Verizon's response to this.

This is the chart of CTRR, which is an overall measure of reliability. I think this comes out of Verizon's statewide look at CTRR. And this is the rate of customer reported troubles on the network. Again, this is statewide. I think it's more interesting to look at this on a regional basis. But this I think is showing whatever the trend is. Let me -- this --

MS. GOLDMAN: Could you -- it's hard to see. Could you tell us --

MR. McGOWAN: Yeah.

MS. GOLDMAN: -- what the red and the blue --

MR. McGOWAN: The blue --

MS. GOLDMAN: Go back to the other one.

MR. McGOWAN: Yeah. This is -- I believe this is the rate of troubles per I think hundred customers.

MR. BOZSIK: That's a different graph, Peter.

STAFF MEMBER: You've got to go back one more.

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MR. McGOWAN: Oh, this is out of service, okay. So there.

Okay, so this is the rate. And in general that line is kind of like the regression line. The blue line is the regression line. It shows kind of an average, if you will. And we see that it's about two percent. So I think roughly two percent of the access lines there's a trouble. I think I calculated this once, and that produces roughly 46,000 troubles per month, which the company then has to respond to. A certain percentage of those are out of service. I think it's roughly 80 percent of the troubles end up being an out of service condition.

So typically the Commission uses 3.3 as a gauge for how many central offices are meeting the CTRR rate. So the Commission doesn't use this particular line as a metric. But I think it's a good way of depicting what the network is producing in terms of how -- how many times are troubles being generated on the system. So that's the CTRR.

And I wanted to just compare this

to what staff had used in its assessment, which was a similar depiction of this but it's a rolling twelve month average. So if we go back, we see that there are some spikes. I think, if I remember correctly, some of the spikes are around giant storms like Sandy, where you have a huge increase in the number of troubles that have to be then responded to. So when you do this on a twelve month rolling average, it gets a little bit more smoothed out.

And the reason I wanted to put this up here is because when staff did its assessment, it only had it through a certain timeline, so I wanted to make it more current and see where that line was trending, and we see that. I think it was trending in a particular direction at the time because it was still being influenced by the increase in troubles from Irene and Sandy. And we now see this beginning to come back down.

So that's an important measure that we've always used. I think it's still an important objective piece of data that we have to analyze and see what it means.

Oops.

And then I think another important, but not the only piece of data, is the extent to which, when there is a trouble, how well does the company respond to that trouble to clear the trouble. So this is a measure of the extent to which these troubles are cleared in a 24 hour period. And again, the Commission has a regime that measures this and enforces this for core customers. This is showing all customers, so it's core and non-core. The objective that the Commission has set forth is it should be at 20 percent. So we see that this data for all customers is well above -- at the most current point, is well above the 20 percent number.

So again, I think it might be useful to look at this also on a regional basis, because this is statewide, and I think it's useful to break this down into regions. I couldn't do it today because there are certain confidential issues.

But Rich, let me turn to you and

say what would your answer be to the question is Verizon responding to customers' concerns, or how is Verizon being responsive, is competition providing enough pressure on Verizon to respond to customers' concerns.

MR. BOZSIK: You know, I think it's important to, and if I can, just address one issue that Debbie had raised earlier about this term de facto retirement. I think the information in that first chart that you were showing on the customer trouble report rate is a clear indication that the company is by no means having a de facto retirement of the copper network in process. Keep in mind, and we provided this information in our comments, that the company has spent about five and a half billion dollars on the copper network over the course of the past seven years. Some of it capital, some of it expense dollars.

Now, as far as meeting the customers' expectations, you can clearly see by the customer trouble report rate that we're exceeding the metrics that were established by the Commission in the rate of return regulation era. I mean, that was decades ago, right. The whole idea behind establishing these metrics was to ensure that the company was providing good service quality to its consumers while at the same time was able to get a guaranteed rate of return. Well, the one component stopped 20 years ago, and that was the guaranteed rate of return issue, and we can get into that as much as we want. But the reality is that we are providing better service today than we have in the past. And that trend shows improvement over time. So you asked me whether or not I think competition is playing a role? Yes, of course.

Now, if we want to talk about this other chart, what this shows is that overall the customers that do experience an out-of-service condition, one thing to keep in mind, right, what we are talking about is only a fraction of a fraction of the customers who have, first of all, reported a service issue, which has gotten smaller and smaller over time, and what are talking about here is how well we're doing in restoring their service within 24 hours. And basically what this shows is that about 70 percent of the time we're doing it, okay. With an understanding that I think we have to fall back to what the Commission determined in its service quality improvement plan, that there are indeed competitive alternatives for the far majority of customers. The focus needs to be on those customers that the Commission considered vulnerable. The focus should be on how well we're doing on meeting that objective for vulnerable customers. All said and done, I think we're doing an outstanding job of meeting overall out-of-service conditions in the State of New York, and that information clearly shows that it's improving.

MR. McGOWAN: So let me ask others to weigh in on the question of whether competition is having the desired effect on service quality performance.

MS. GOLDMAN: This again underscores why we have to be having this discussion in the context of a full evidentiary hearing, where there is discovery, where there is cross examination.

We got information in response to a Freedom of Information inquiry that provided us data about trouble reports. And I'm looking at our analysis of that data showed that -- and one should -- go back to the trouble report chart. This is an aggregate of all central office entities in the state. So that individual central offices can be missing the trouble report. But if there are some that are making it, that can smooth out those that are not. And so one really needs to look at what is -- and this is what used to be happening under the old rules -- what is happening in each area served by each central office. So that one has a sense of where are the areas that are not getting the proper maintenance, repair, investment.

When we looked at that, we found that, on the aggregate, Verizon central office entities missed the PSC statewide trouble report benchmark in eight out of twelve months. This was through 2015. We got new data last week to update it. And with the update we found that between January 2012 and December 2015, Verizon missed the trouble report benchmark in more than half of the reporting periods.

But if you then go and look at central office by central office, there the numbers were quite astounding. Verizon central office entities missed the PSC statewide customer trouble report benchmark in 22 out of 41 months. And I'm looking through my notes. Verizon central office entities, each individual one between January 2012 and May 2015 missed the benchmark over a thousand times.

Then we looked at the current system to address when there are missed benchmarks. If Verizon misses a benchmark in three out of five months, it must file a service improvement report, an SIR, and say what it's going to be doing to address the problems. And we then looked at the record of these SIRs. And in multiple times Verizon would miss -- have to file one of these reports, and then the next five month period file another report, and then the next five month period file another report. So these are not proving to be an effective way to ensure the proper response.

Now, we can go back and forth about our numbers. And of course what is the statement, you know, data, data, data, and we can tell different stories. This is why we need to be looking at this really in the context of a full on-the-record evidentiary hearing. For example, the OOS information that you just provided, even in response to our Freedom of Information we were not given data about OOS, about -- OOS, I'm sorry, response, service response intervals for non-core customers. We weren't given this. So I can't sit here now and give you any response to that chart. I'd like to. I hope it's accurate.

MR. McGOWAN: This chart was actually provided in Verizon's comments, I believe.

MR. BOZSIK: It was. It was.

MS. GOLDMAN: Okay.

MR. BOZSIK: I think it's important to put things in perspective.

MS. GOLDMAN: But I haven't seen the data.

MR. BOZSIK: Yeah, sure.

MS. GOLDMAN: The chart might have been provided, but if I don't see the data, the raw data, I cannot say -- I hope it's accurate. Of course we want customers to be getting good service. I hope it's accurate.

MR. BOZSIK: Yeah, let me just chime in, if I may, for a second. There's a number of things that Debbie had raised which -- which don't tell the entire story.

First of all, Debbie, I'm sure you know you have access to the customer trouble report rate for all of these wire centers.

The number of what you referred to as SIRs have shown clear improvement over the course of the past several years. With the results for last year being at the lowest level as far back as I can recall. In addition, you know, this whole idea with number of SIRs that we've reported, I mean, you're giving a raw number but you're not putting it in perspective. For instance, in the comments that you filed, I think you said that we missed it 252 times and we had to file an SIR. But what you failed to mention is how many opportunities there could have been to file an SIR. And in that situation it was over 22,000 individual SIRs that could have been filed. In other words, we didn't file in over 90 -- or about 99 percent of the time.

Look, the data, the data -- the lead organization has this information. They've seen it, it's right here before us. You have access to the public information. And it clearly shows that we're doing a very good job on providing excellent service to our customers.

Now granted, there may be situations, we all understand there may be situations that it takes longer to repair customer service. Understood. We try to resolve that customer service as best we can. And obviously in a competitive market we have to try to achieve that. That said, given the information that we see before us, the trends clearly show that overall the service quality is getting much better.

MR. McGOWAN: All right. We're going to run out of time pretty soon here. And so I'm wondering which questions I can still --

MS. LERNER: Seven.

MR. McGOWAN: You want seven, okay, let's go to seven. Okay, so should the Commission's definition of basic service requirements be modified. I didn't bring the definition with me, it's been around for a long time. It basically spells out the features that a phone service should have, like dial tone, access to 911, I think access to long distance, et cetera.

So Susan, do you want to speak to that? I bet you do.

MS. LERNER: I do. We do believe that the basic service requirement should be examined and should be modified, because it really is set for a technology in a marketplace that is not current. And so I think that it's exactly the kind of open discussion which the PSC should be having. I didn't prepare for this panel, I didn't come with a list of things which I think should go off or go on, but I do believe that it is past time for the PSC to look at its definition of basic service.

MS. GOLDMAN: I'll be brief. Yes. You need to add data transmission at a designated speed capacity to the basic service definition.

MR. BOZSIK: Well, I'll add to that. I agree that it needs to be revised. Let's not forget the definition of basic service was established by the Commission in the mid-nineties. Lots of things have changed since then. And I know the Coalition made a filing that was asking for the inclusion of 976 fax machines, a number of other issues. I mean, look, the world has changed, I think we have to accept that. There's a lot of things that were included in this definition. For instance, directory listings that are not of importance to consumers today, and we can clearly see that by the fact that consumers are switching over to different technologies, wireless in particular. You know, directory listings is a perfect example, as well as operator assistance calls. That stuff was all in the definition back in the 1990s. Twenty years later the world has changed. I think we need to cut back on that definition.

MR. McGOWAN: Bob, do you want to?

MR. PUCKETT: Yes. Obviously some folks here would probably want to add to it, some folks would like things removed. I think locality charges, I thought the PSC eliminated those 15, 20 years ago, if I'm not mistaken. So I'm not sure of the relevancy. And so there certainly is a debate here of what should be on it.

With regards to the broadband speed issues, I will just defer that to the legal panel later on.

MR. McGOWAN: Okay. So let me -- let me kind of wrap up here by just asking the panelists whether there is -- is there a question that you think we should be addressing that we didn't address?

COMMR. SAYER: And could I add to that? Is there specific action that you're recommending that the Commission should take that you haven't discussed yet.

MR. PUCKETT: There are actions, I think they could -- well, there's certain law changes that we've advocated for that would, I think, help the PSC. I mean, some of the laws that have been talked about were passed in 1910 and 1911, I mean, when we had telegraph service, and they're still on the books. We're still, the incumbents are regulated. I guess -- I guess all regulated carriers are covered by those laws.

You know, for a lot of my members some things. Less reporting perhaps. More flexibility on even basic service pricing, to the extent your prices are below the statewide benchmark, a number of my companies would certainly be interested in. Again, if you have a benchmark and you deem that a just and reasonable rate for the entire state, why not allow flexibility anywhere below that benchmark, you know, whether it's a competitive environment or not, and not having to go through all those tests, and some folks may not be aware of all of these things, but, you know, those sorts of things. And we've talked to the Commission about them before.

MR. BOZSIK: Yeah, thank you. I mean, that's a great question, Commissioner. I mean, I think the Commission has, and I'm sure staff and staff's report accepts the fact that there's competitive alternatives for voice customers. And I think the Commission took the right steps to let the light touch regulatory approach flourish for broadband services as well as for wireless.

I think what the Commission needs to do is acknowledge that there's definitely competition in the voice market and take the extra step needed to further lighten up the regulatory requirements on the wire line providers. I mean, the reality is, a lot of the regulations that were established were established when we were and Bob's companies were in a rate of return regulation with no competition. The world has changed, without question the world has changed. And we've seen a huge decline in the number of access lines that we provide service to.

With that all said, I think what the Commission needs to do is exactly what it did for wireless and for broadband, is to take a step back and let the market run its course. Ultimately consumers will decide what's -- what best fits their needs. Now, granted, there may be an opportunity for the Commission to become involved in the future. But only if there's a failure in the market should the Commission exercise its regulatory authority. That's my feeling.

MR. PUCKETT: If I could, before you move on, Gregg, one more item I had forgotten, I mentioned there are certain laws out there that obviously impact the way you have to operate. And one item I missed that I think is critical is this outdated concept of getting franchises from every municipality where you want them provide video services. I can go out there and build a broadband network or a voice network by filing a -- and maybe not even with a broadband network but I can get a CPC -- a CPC from the Commission, which is a two page form, and I can build that network anywhere, any time, serve any customer I choose. But then when I want to put a video signal over that network, I then have to go and negotiate with every village, town, municipality in the state and then come to the PSC and have them approve it as well. So it's simply an outdated model of regulation that hopefully some day the laws can change to provide a little more flexibility for that.

MS. GOLDMAN: We may be interested in working with you on that.

We do -- many of our providers operate in a competitive environment. I think I would add to the comments that I have made that we need to have an on-the-record hearing looking at the state of telecommunication, asking the kind of questions we've been exploring here, looking at how can we really go -- strengthen and go back to stronger sort of a quality regulation. What I'd add to is it should be the same service quality regulation, public reporting, benchmarks, penalties that would apply to all providers, not just one segment of the industry. I think there we could find common ground. And to also reexamine the definition of basic telecom services.

MR. McGOWAN: Okay. That's the end of panel one. We're going to take a break until one o'clock and resume with panel two, which is going to explore broadband issues. Thank you all very much.

(Time noted: 12:20 p.m.)

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C E R T I F I C A T E

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I, KARI L. REED, a Registered Professional Reporter (Stenotype) and Notary Public with and for the State of New York, do hereby certify:

I reported the proceedings in the within-entitled matter and that the within transcript is a true record of such proceedings.

I further certify that I am not related, by blood or marriage, to any of the parties in this matter and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of March, 2016.

_____________________________
KARI L. REED

**U**