

# Stop the Cap!

Promoting Better Broadband, Fighting Data Caps, Usage-Based Billing, & Other Internet Overcharging Schemes



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June 12, 2013

Mr. Jeffrey Cohen  
Deputy for Policy & Legal Affairs  
New York State Department of Public Service  
3 Empire State Plaza  
Albany, New York 12223-1350

Dear Mr. Cohen,

We are writing to you on behalf of consumers in Superstorm Sandy-ravaged areas who have contacted us regarding the decision by Verizon Communications to replace storm-damaged landline service on the western half of Fire Island with a wireless voice product dubbed "Voice Link."

This decision has profound implications not just on Fire Island, but throughout rural New York where Verizon may seek to repeat the precedent it has already established on an interim basis with the DPS in other parts of the state.

From 2006-2011, current Verizon CEO Lowell McAdam served as chief executive officer of Verizon Wireless. His career has long focused on the highly profitable wireless sector, and after assuming leadership of Verizon Communications, the company's philosophy towards rural landlines adopted a new emphasis towards wireless and away from legacy copper-based networks.

On June 21, 2012 McAdam told attendees at the Guggenheim Securities Symposium some important news about Verizon's future direction:

***"In [...] areas that are more rural and more sparsely populated, we have got [a wireless 4G] LTE built that will handle all of those services and so we are going to cut the copper off there," McAdam said. "We are going to do it over wireless. So I am going to be really shrinking the amount of copper we have out there and then I can focus the investment on that to improve the performance of it."***

***"The vision that I have is we are going into the copper plant areas and every place we have FiOS, we are going to kill the copper," McAdam said. "We are going to just take it out of service and we are going to move those services onto FiOS. We have got parallel networks in way too many places now, so that is a pot of gold in my view."***

On May 24, 2011 at at Barclays Capital Global Communications, Media, and Technology Conference, Verizon chief financial officer Fran Shammo outlined Verizon's thinking on fixed

wireless service as a replacement for DSL broadband, admitting Verizon's wireless LTE network would deliver rural customers a significant speed disadvantage:

***“So you have the rural pillar, where I do think that LTE could be a replacement for some legacy DSL that has 1-3Mbps speed. So I think there is a play in the rural area for LTE.***

***[...] I don't think that LTE would be a replacement in the cities in the urban areas, because you can't -- there is no way that LTE can deliver the speed of say FiOS at 150, 200 megabits a second. It is just not going to happen. So I don't think there is much migration, if you will.”***

The implications could not be clearer, and there are two important issues the Department must carefully consider before allowing Verizon permission to retire copper plant:

1. The impact on traditional landline voice service.
2. The impact on broadband.

Verizon Voice Link was originally intended as a replacement service in Verizon areas where copper service proved troublesome to customers. In an effort to reduce the cost of truck rolls/service calls, customers in Florida with multiple trouble tickets were given the choice of switching to Voice Link. We emphasize the word “choice” and also note Verizon would not offer this option to customers bundling DSL broadband service on their account, because they would lose broadband service.

Customers living on the western half of Fire Island are not offered a choice to retain wired service. A growing number of Verizon's 500 customers on the Island are now filing comments with the DPS that clearly indicate their displeasure at losing wired service. The DPS' interim approval of Voice Link has left customers with three choices: Voice Link, a cell phone, or no service at all.

Verizon argues Voice Link meets its carrier of last resort obligations because it can provide a functionally near-equivalent voice service. But there are important differences between the two technologies:

1. Landline service can continue to function in storm-ravaged areas as long as infrastructure between the home/business and central office remain intact. Many landlines survived Superstorm Sandy intact. Widespread wireless service failures occurred primarily because of commercial power interruptions and difficulty accessing cell sites to maintain backup generator power. Physical damage to individual cell towers or their backhaul connections can also impact customers over a much wider area;
2. Landline networks are considerably more robust handling high call volumes. As wireless customers quickly learned after Sandy, cell networks did a poor job handling traffic demand, particularly when adjacent cell towers failed. Access to 911 and other emergency services on affected portions of Fire Island would be entirely dependent on Verizon Wireless and other wireless providers, all of which suffered network failures as a result of the storm. There are no cable or fixed wireless/Wireless ISP broadband alternatives for residents other than cell providers;
3. Customers must be inconvenienced with 10-digit dialing, no access to collect call/third party billing services, no “o” operator access still instinctively dialed by older customers, and there are reports of inadequate performance, including failure to complete both incoming and outgoing calls, inadequate Caller ID + Name service, poor reception, and

the highly likely loss of service during extended power interruptions. The service does not work with home security systems, medical monitoring devices, fax machines, or other data services.

More profound are the implications for Fire Island residents' broadband needs. Verizon has repeatedly asserted that it makes no economic sense to replace damaged copper infrastructure on Fire Island. We wholeheartedly agree. But Verizon's only offered alternative is Voice Link, ignoring an obvious third option.

Verizon can and should replace copper infrastructure with fiber optics and offer FiOS service to residents and businesses.

Verizon insists that although it has maintained copper wire landline service to Fire Island for decades, there is no economic basis to replace that wiring. Verizon's argument stems from its statistics on the dwindling number of landline customers and the increasing reliance on wireless networks.

Residents cannot be expected to increase their business relationship with Verizon when the company chooses not to offer residents ARPU-boosting services like television and FiOS broadband that could help meet the Return on Investment test the company wants to apply. The DPS can and should also investigate other options for residents that might include a temporary surcharge to cover construction/repair costs.

For residents, the loss of landline service also means the loss of DSL broadband, currently the only wired Internet access available on the island. Verizon has signaled its intent to perform only basic maintenance on the majority of the remaining wired facilities on Fire Island. This guarantees other residents and businesses will also gradually lose their broadband service.

Verizon's advertised broadband alternative on their website intended for Fire Island residents (<http://business.verizonwireless.com/content/b2b/en/fireisland.html>) comes unsurprisingly from Verizon Wireless, and includes, "an impressive array of mobile broadband products and services including tablets, VZ Jetpack 4GLTE mobile Hotspots and Intuit GoPayment credit card processing."

Those services come with sobering prices and usage caps. Current Verizon DSL customers enjoy unlimited broadband access with phone service at prices as low as \$40-55 a month, depending on promotions, speed, taxes, fees, equipment, discounts and package selection.

The alternative broadband package offered by Verizon Wireless costs between \$0.00-99.99 for the mobile hotspot equipment under a two-year contract, a \$35 activation fee, a \$20 monthly line access fee, and a service fee ranging from \$30 for 4GB of traffic, \$40 for 6GB, \$50 for 8GB, \$60 for 10GB, \$70 for 12GB and so on through \$335 for 50GB of traffic.

A report from Sandvine Networks from May, 2013 found the average mean monthly usage on wired broadband networks was 44.7 GB. Median monthly usage was 18.2 GB. (<http://gigaom.com/2013/05/14/sandvine-report-confirms-video-makes-bandwidth-hogs-of-us-all/>)

The cost implications for consumers forced to Verizon's proposed wireless solution should not be ignored. At current Verizon Wireless prices, a customer consuming more than 18 but less than 20GB per month will pay Verizon Wireless \$130 a month for broadband under a two-year

agreement. That is more than triple the price DSL customers currently pay. A customer consuming more than 40 but less than 50GB per month will pay Verizon Wireless \$355 a month for service, nearly nine times more than the cost of Verizon DSL.

Verizon has also admitted its existing 4G LTE footprint on Fire Island is presently inadequate and has agreed to boost reception as part of its plans to discontinue wired service. Competing carriers are under no obligation to improve service on Fire Island, which leaves residents with even less adequate service should they try to switch to a different provider.

We are deeply troubled that Verizon's proposal will leave a legacy of inadequate, costly broadband service and less than compelling voice service on Fire Island for years to come.

Verizon seeks to divide its New York State service areas between FiOS-worthy customers in urban/suburban communities and rural customers left on aging copper wire networks that will be allowed to deteriorate until the company can attempt to justify its preferred wireless alternative. The DPS should insist that existing wired facilities be maintained in good working order to avoid Verizon's 'deteriorated infrastructure'-argument as used on Fire Island.

The DPS must, at the very least, also insist that affected customers be offered functionally equivalent phone and broadband service at comparable pricing. Verizon has essentially agreed to this for voice telephone service, but has offered residents extremely expensive usage-capped wireless broadband as an alternative for lost DSL service. Permitting that rewards Verizon Wireless with an enormous revenue boost and further incentivizes the company to force other customers to its preferred wireless solution.

Both AT&T and Verizon executives have repeatedly stated that they believe rural landline customer can be better (and more profitably) served by mothballing their wired infrastructure in favor of wireless solutions. But neither company is willing to share those savings with customers and will relegate them to a future of inferior broadband service, with few (if any) competitive alternatives, and no hope of eventually winning the same fiber optic upgrades more urban customers are receiving.

Verizon's business plans and objectives must not be allowed to dictate the present and future needs of New York residents. For that reason, we urge you to examine alternatives that can help convince Verizon to find a path to fiber upgrades for Fire Island and throughout rural and upstate New York.

Yours very truly,

Phillip M. Dampier  
Director