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March 10, 2017

BY ELECTRONIC MAIL

Anne Roest, Commissioner
NYC Department of Information Technology and Telecommunications
255 Greenwich Street, 9th Floor
New York, NY 10007

Re: Cable Television Franchise between the City of New York and Verizon New York Inc.

Dear Commissioner Roest:

I write in response to your March 2, 2017 letter.

It is disappointing that you are demanding commitments that have no basis in our Agreement, that are beyond anything ever contemplated when we entered into that Agreement, and that are infeasible and counterproductive.

Your demands disregard the history of our partnership with the City. When Verizon and the City entered into the Cable Franchise Agreement in 2008, it represented an historic commitment on Verizon's part to offer a City-wide competitive alternative to monopoly cable television service based on state-of-the-art fiber-optic technology. In negotiating the Agreement, both parties understood and agreed that Verizon would generally place its fiber-optic network along the same routes as had been used for its copper network, and would use similar strategies for accessing individual buildings. The obligation to "pass" all buildings in the City was based on and consistent with that approach. This is confirmed by the fact that the parties advertently and intentionally *omitted* language found in the City's agreements with cable providers that specified that "a household is 'passed' when functioning System facilities *have been installed in the street fronting the building* in which the household is located." The very argument you are now making is thus contradicted by both parties' understanding of "passed households" at the time the Agreement was executed.

Since then, we have carried out the largest and most ambitious fiber-optic network development project in the United States, spending more than \$3.7 billion to install thousands of miles of fiber-optic cable and other network facilities throughout New York City. As a result, we now pass all households in the City and can provide video service to over 2.2 million households

within seven to fourteen business days of receiving a request. In an environment where other companies are backing away from fiber-optic based investment, we are proud of what we have achieved for the citizens of New York City.

What is particularly disingenuous about DoITT's current position is that DoITT itself agreed that Verizon had met its obligation to pass all households. On four separate occasions, DoITT inspected Verizon's facilities and verified Verizon's certification that it had met specified fiber deployment milestones in compliance with its contractual passage obligations. Each time, DoITT allowed Verizon to reduce the amount of its Performance Bond, as permitted upon a finding of compliance. A political change in City Hall is not a basis to reinterpret long-agreed contractual provisions or to ignore years of consistent DoITT findings.

DoITT is well aware of the access challenges that have delayed us in installing Fios TV at some locations where Verizon has received requests for that service. Verizon regrets that the City has chosen not to give any meaningful consideration to Verizon's detailed and comprehensive proposals for addressing those access issues or to lend its assistance in addressing them, as we have repeatedly asked. For example, for over a year now, we have asked the City to provide us with a competitively-neutral letter to landlords advocating for property access; we have yet to see even a draft of that letter. We also have proposed increased use of traditional telephone pole lines in the public rights of way and provided you data showing how these resources could significantly reduce outstanding service requests, but those proposals have been rejected. Rather than working with us on those proposals, the City has enacted policies that have further restricted our ability to deploy the fiber network, including the prohibition of isolated poles in the outer boroughs.

Your assertion that Verizon can and should overcome access issues by "lay[ing] fiber along City streets and sidewalks" is not only inconsistent with our Agreement but also highly impractical, if not completely infeasible. If anything would cause "harm to millions of City residents" it would be implementing the deployment approach that both the City and Verizon rejected in 2008. Digging up City streets and sidewalks on the scale that you are demanding would cause enormous and unnecessary disruptions to vehicle and pedestrian traffic, and would impose immeasurable inconvenience and hardship on countless residents and businesses. It would hardly result in more timely delivery of service to those residents whom we have not yet been able to reach, as considerable time would be required to obtain permits, deploy equipment and dig up thousands of streets and sidewalks.

The balance of your letter seeks extraordinary "commitments" from Verizon that are far beyond anything the City ever asked Verizon to accept and anything Verizon would or did agree to accept when we were negotiating the Agreement. They amount to a unilateral rewrite of the Agreement and they remain unacceptable now.

Verizon has discussed with you its multi-pronged proposal for addressing access issues, which aimed to satisfy even some of the City's most unreasonable demands. Unfortunately, the City has essentially ignored Verizon's proposals to further reduce outstanding Non-Standard Installations ("NSIs") and to overcome access challenges in the least disruptive, commercially

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practicable manner. Those proposals build on our current approach of network-creating hundreds of thousands more units than are required. They contemplate continued employment of approximately 4,000 employees and investment of nearly \$1 billion over the next four years. At a time when communities across the country are seeking (and encouraging) fiber-optic based technology investment and high-tech jobs, it is inexplicable that the City would choose a path that will reduce both investment and employment in New York City.

Verizon remains committed to working in partnership with the Administration to address common challenges and, to the extent that happens, to continue to make unprecedented investments in New York City that would bring tremendous benefits to New Yorkers. But the tone of your letter and the breadth of your demands are counterproductive. It is disappointing that the City has increased its demands and hardened its position in the face of Verizon's good faith efforts to negotiate meaningful solutions to access issues that have frustrated our shared desire to meet every New York City resident's request for Verizon Fios TV. As you know, Verizon has the option of opening negotiations for a renewal of the Agreement in July. Unfortunately, the City's intransigence does not create a favorable environment for such negotiations. We would urge the City not to make it impossible for Verizon to continue to provide New York City residents with a competitive alternative to cable TV.

I look forward to hearing from you, and to a continuation of our earlier constructive dialog aimed at resolving any issues between us.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Craig L. Silliman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Craig L. Silliman
Executive Vice President of Public Policy
& General Counsel