



Understanding New York City’s 2008 Franchise Agreement with **Verizon**

THE BASICS OF WHAT VERIZON IS SUPPOSED TO PROVIDE TO THE CITY

The Foundations of the Agreement

In 2008, the City and Verizon entered into “a nonexclusive franchise” agreement (Page 2, paragraph six), set to expire automatically on June 30, 2020 (Section 3.1), in which New York City was the Franchise Area and Verizon the Franchisee. Under this agreement between Verizon and the Bloomberg administration, Verizon was given access to public rights of way to expand its Fiber-to-the-Premise (FTTP) Network and to provide cable services throughout the entire city. **By June 30, 2014, this FTTP Network should have passed all households in the City, making its cable services available to any individual or family who wanted it** (Page 2, paragraph four). Verizon promised to “make Cable Service available to all residential dwelling units in the Service Area” and not to “discriminate between or among any individuals in the availability of Cable Service or based upon the income in a local area” (Section 5.4).

Moreover, **Verizon claimed that it would “perform all Standard Installations [SI] of Cable Service within seven (7) business days after any such request” and “perform all Non-Standard Installations [NSI] of Cable Service within six (6) months after any such request”** (Sections 5.4.1 and 5.4.2). With each of these types of installation, if Verizon is unable to complete it within the specified time, the company must report to the prospective customer and to the Commissioner of the New York City Department of Information Technology and Telecommunications (DoITT) the reasons for being unable to perform the installation and a new date by when it can be done (Sections 5.4.1.1 and 5.4.2.1).

Verizon is required to establish and utilize interconnections with other cable systems within the City: the “Franchisee shall use reasonable efforts to interconnect its Cable System with the existing cable operator(s)” and the “Franchisee shall initiate interconnection negotiations with the existing cable operator(s) to cablecast, on a live basis, Public, Educational and Governmental Access programming” (Section 6.4).

Public Access Channels, Public Resources, and Local Employment

Verizon agreed to air four Public Access Channels for each borough and five Governmental/Educational Access Channels, including one to be designated by the City to be Educational Access Channel programming. According to the agreement, “[i]n order to ensure universal availability of Public, Educational and Government Access programming, Franchisee shall, not later than one hundred eighty (180) days from the Effective Date...provide on the Basic Service Tier use of twenty-five (25) access channels in total” (Section 8.1.1).

Verizon is to give the City \$10,000,000 in twelve installments “to be used in support of the production of local Governmental/Educational Access programming” (Section 8.2) and that, instead of providing “free service outlets and free Cable Service to public buildings,” Verizon promised to give the City a \$4,000,000 Technology, Educational and Municipal Facilities Grant. The City would use this grant to **provide technology services to City government locations in all five boroughs**, “such as...New York City Housing Authority community centers, City Department for the Aging community centers and similar facilities” (Section 5.7.1).



Verizon also promised to, “at its own cost and expense, develop, maintain and implement and disclose to the City...a plan, consistent with Franchisee’s collective bargaining agreements, **for the recruitment, education, training, and employment of residents of the City** for the opportunities to be created by the deployment and provision of service” (Section 17.3).

Exceptions

One exception listed is if Verizon is “unable to access”—meaning that the company feels that the landlord is not allowing it to install the network—a multiple-dwelling unit, or MDU (Section 5.1.1). The agreement states that if the landlord is requiring removal or remediation of hazardous materials, the landlord is requiring additional payment, or the landlord simply isn’t letting the company access its infrastructure, among other reasons, Verizon is not at fault for not providing service. Verizon is required, however, to inform the landlord of his/her responsibilities under this agreement and to report such issues to the property owner or manager and to the Commissioner. Additionally, Verizon must make two attempts to access the MDU and Verizon must periodically revisit the inaccessible MDU to try again. Moreover, in the case of a landlord not providing access to a building, Verizon must petition the New York City Department of Information Technology and Telecommunications and/or the New York State Public Service Commission for access (Section 5.5.2.1.4).

Also cited as a valid reason for an exception is an installation or maintenance requirement from the landlord that leads to a profit on capital investment less than Verizon’s average (Sections 5.5.1.1, 5.5.1.2, and 5.5.1.3).

ACCOUNTABILITY PROVISIONS

Record-Keeping

Verizon is supposed to keep publicly-available records: **“the Franchisee shall maintain a file available for public inspection during normal business hours at its service centers, or such other business office as may be designated”** (Section 11.6). Additionally, Verizon is required to maintain for six years “[r]ecords of all written complaints,” “[r]ecords of service calls for repair and maintenance,” “[r]ecords of installation/reconnection and requests for service extension,” “records showing the number of MDUs and SFUs [single-family units] passed,” and “records showing which wire centers servicing the Franchise Area have been upgraded” (Sections 11.3.1, 11.3.3, 11.3.4, 11.3.5, and 11.3.6). Verizon must also report data illustrating “the estimated median household income of all homes passed” (Section 11.2.4) and create and maintain “[a] map showing the area of coverage for the provisioning of Cable Services and estimated timetable to commence providing Cable Service” (Section 11.3.9).

The company is required to “provide [to the City] subscriber information...for the purpose of enforcement of” the agreement (Section 16.4).

Default

In the case of “any breach, default, failure or other noncompliance by the Franchisee,” the City can seek money damages from Verizon, can make a withdrawal from Verizon’s \$1,000,000 Security Fund (a security deposit to the City), and can terminate the agreement if a Revocation Default (which is triggered if Verizon doesn’t maintain the Security Fund, makes repeated false entries in its accounting books, if Verizon



repeatedly abandons its obligations under the agreement, and in other ways) occurs (Sections 15.1 through 15.1.7, Sections 15.6 through 15.6.11, and Section 15.11.1).

WHAT DOES VERIZON GET FROM THE AGREEMENT?

The agreement gave Verizon nearly unquestionable access to the public rights-of-way “to provide Cable Services...throughout the entire territorial boundaries of the Franchise Area” (Page 2, paragraph four). These rights-of-way include the space on, above, and below streets and other public spaces. Though “[t]he Franchise and the rights...to use and occupy the Public Rights-of-Way to provide Cable Services shall not be exclusive, and the City reserves the right to grant other franchises for similar uses,” this agreement gave Verizon clear access to the market for television and Internet services in New York City (Section 4.3).

Verizon is to keep annual revenue gained from providing its services, except for only a small franchise fee: the “Franchisee shall pay to the City a Franchise Fee of five percent (5%) of annual Gross Revenue” (Section 10.1).

A SUMMARY OF THE MAYOR’S OFFICE’S 2014 AUDIT

From early 2014 on, the Department of Information Technology and Telecommunications (DoITT) noted increasing complaints from consumers concerning Verizon’s ongoing fiber optic networking and service. The majority of complaints described what has become a familiar situation: Verizon asserting that it had equipped households with the service while simultaneously denying those same households installation of the service. This increasing consumer discontent, along with numerous accounts of the actions and attitudes of Verizon personnel, led to a growing concern of the DoITT over Verizon’s FiOS rollout. In September 2014, the DoITT initiated its audit of Verizon through a letter of engagement detailing the objective of the audit and the data and financial records it needed from the company to ensure the audit’s legitimacy and accuracy. It is important to note that Verizon was very resistant to this process: it often sent requested information weeks or even months after the initial request date, or simply refused to send the requested information to DoITT. Because of this, the DoITT itself has noted that the audit is not as exhaustive and all-encompassing as it could have been had Verizon complied fully.

- **Verizon’s November 28th claim of completing fiber optic networking citywide is simply untrue and Verizon falsely asserted that any person living in New York city who wants FiOS can have it.** Inspections by DoITT personnel have shown that numerous residential areas in the City do not have the fiber optic technology.
- **Verizon violated the section of the franchise agreement that requires it to track complaints from both paying subscribers and prospective customers.** Verizon’s records show that it only tracked paying subscribers’ complaints and generally disregarded prospective customers’ complaints.
- **The franchise agreement requirement of documenting all service requests from prospective customers has not been adequately met.** DoITT found that, before the fall of 2014, a significant number of service requests from prospective customers were not tracked or recorded by Verizon.
- **Verizon has repeatedly failed to complete NSI (non-standard installation) requests within the 6 and 12 month periods as required by the franchise agreement.** Data show that 75% of NSI requests were left unattended to for over a year.



- **Verizon has not communicated with prospective customers clearly and has actually misled them through its claims of 100% availability to all New Yorkers.** When these prospective customers call expecting to purchase the service, they are told that FiOS is unavailable in their area despite the company’s assertions.
- **Verizon does not have a manual of procedures—a training manual for customer service representatives that details the process of dealing with paying and potential customers.** Reportedly poor customer service and the apparent lack of standard procedure in dealing with NSI requests is likely due to the lack of this important training tool. In addition, the DoITT found that Verizon’s databases were often incomplete or contained inexact dates for company activities.
- **In several instances, Verizon did not provide timely service to residential buildings unless the building administration agreed to a bulk agreement for FiOS service.** This is an unethical business practice, as it may pressure and force the hand of the administrators.
- **Verizon has made it very difficult for DoITT personnel to access the company’s databases and records throughout the auditing process.** Verizon often refused to provide requested information, or sent it weeks or even months after it was initially requested. This is in direct violation of section 11.1 of the franchise agreement that requires compliance and timeliness during the auditing process.

Decoding the Agreement: Some Key Terms

Franchisee = Verizon

Franchise Area = New York City

MDU = Multiple-dwelling unit

SFU = Single-family unit

VSO = Video Service Office (a wire center that has been upgraded and is ready for use)

Force Majeure = Translates as “superior force” and means an extraordinary or extenuating circumstance

FTTP = Fiber-to-the Premise