

Friday, March 14, 2008

Verizon awaits deregulation, customers await Fios

Washington Business Journal - by Darlene Darcy Staff Reporter

For D.C. residents wondering when they, too, will be able to get high-speed Fios fiber optics service, Verizon Communications Inc. has a two-part answer: It's now negotiating with the city to secure a franchise to offer the service. But along the way, Verizon wants the D.C. Council to give up regulatory authority that could govern Fios' Internet-based phone service.

Verizon officials insist their plans to deploy Fios service do not depend on approval of a bill now pending before the council that would remove the city's regulatory authority concerning Voice Over Internet Protocol phone service.

But "passage of the VoIP legislation will send a message that the District encourages and welcomes investment in information and telecommunications services such as those that can be provided on our existing and future network," said Verizon spokeswoman Sandra Arnette.

Verizon's opponents, on the other hand, have no problem linking the two issues.

"This bus isn't the only thing passing you by," reads an ad now appearing on buses, sponsored by Connect-D.C., a partnership between the Communications Workers of America and the labor coalition D.C. Jobs with Justice. "Verizon is bringing high-speed Internet to the suburbs: Not to D.C."

By highlighting Verizon's decision to deploy Fios first in Maryland and Virginia rather than in .C., the labor groups are accusing the telecom of neglecting the city's existing copper-based phone networks -- and of moving jobs from the city -- as it upgrades the suburbs with the latest equipment. The groups are "really pushing for Verizon to reinvest in the city," said union representative Ruth Castel-Branco.

Fios customers receive local and long-distance phone service using VoIP technology. Under current city rules, Verizon's traditional phone service is still regulated by the city's public service commission, which oversees rates and service quality standards and can, for example, collect fees from providers and require emergency 911 service.

If the bill is not passed, this authority could apply to Verizon's VoIP service.

Verizon, along with the bill's co-sponsor, Councilwoman Mary Cheh, D-Ward 3, argue that regulation is no longer necessary now that consumers have multiple choices for phone service.

"The [VoIP] market is open and robust and competitive, and to keep it that way we should let it find its own level without the heavy hand of the government," Cheh said.

The bill was approved on its first reading March 4, and the council is expected to take up the matter again April 1.

The sole opposition, so far, comes from Councilman Phil Mendelson, D-at large, who said he does not want the council to surrender any regulatory authority it may hang onto should the Federal Communications Commission decide, in pending rule making, that states and localities should be allowed to regulate Internet phone service.

Jim Pappas, the president of CWA Local 2336, said the case for continued regulation is based on Verizon's failure to meet service quality standards for its copper-line network, based on consumer complaint statistics and testimony from quality-of-service hearings held in early February.

Cheh countered that the bill incorporates a contingency allowing the Office of the People's Counsel to assess VoIP service quality in two years. Deregulation, she added, would ensure competition and lower prices, and since both Maryland and Virginia have passed similar legislation, the District should not discourage Verizon's services.

The question of when and where Fios will be available in D.C. -- and whether that will bring any jobs back to the District -- remains a major point of curiosity for consumers and contention for the unions.

D.C.'s Office of Cable Television began negotiating a Verizon Fios franchise after the company filed its application Sept. 26. Verizon's Arnette declined to comment on the company's D.C. plans for Fios, citing ongoing negotiations.

Carl Wilson, general counsel at the agency, said a proposed agreement could be reached within months. However, Cheh said she was told the council would have a proposal by the end of March. Once an agreement is reached, it must be approved by the full council and the mayor.

The biggest conflict remains where Verizon will build out its Fios network. It is not yet clear whether installation would be citywide or only in selected neighborhoods.

What the D.C. bill would do

Legislation promoted by Verizon and co-sponsored by D.C. council members Mary Cheh, D-Ward 3, and Kwame Brown, D-at large, would bar the city government from:

- * Regulating the rates, charges or terms of service for Internet-based phone services.
- * Imposing fees on Web-based phone service to pay for enhanced 911 features, universal service programs or compensation to other carriers for carrying Web-based calls.
- * Altering the jurisdiction of the Office of Cable Television and Telecommunications with respect to providing video services in the city.

E-mail: ddarcy@bizjournals.com Phone: 703/258-0831