



Memorandum of Support – S.7263/A.10043

NY Workers and Consumers Must be Protected in the Event of a Sale of Telephone Access Lines

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Prime Senate Sponsor:

Bill Status:

In the Assembly, the bill is referred to the Ways and Means Committee after a 17 – 4 vote in the Corporations, Authorities and Commissions Committee. This bill was enacted in a previous year by the Assembly.

In the Senate, the bill is referred to the Energy and Telecommunications Committee.

What the Bill Would Do:

This bill would require the Public Service Commission (PSC) to conduct an in-depth public interest analysis of proposed sales or mergers by telephone or other telecommunications providers, and requires 40% of the benefits of such sales/mergers to be returned to ratepayers. This bill also includes provisions requiring sales/mergers to improve or at least maintain service quality, treat employees fairly, protect employee pension plans, and would require the demonstration of certain public benefits as a condition of approval.

Background:

Across the country, Verizon is attempting to divest itself of its regulated “legacy” or “copper” landline network. In Vermont, New Hampshire and Maine, Verizon is currently selling 1.5 million access lines to tiny FairPoint Communications, which will overnight become five times larger as a result of the sale.

FairPoint does not have the size, cash flow and capital reserves to strengthen or even sustain service quality. The company can only make money through a combination of diminished maintenance, deferred capital investment, and reduced labor costs. FairPoint also does not have the financial resources to deploy truly high speed internet, such as fiber-to-the-home technology.

In New York State, Verizon’s copper network includes approximately 7.3 million landlines. Verizon’s network is shrinking by approximately 4 - 6% of its access lines each year. Yet many millions of New Yorkers will be relying on the network even a decade from now.

Copper-network based telephony works in a blackout or emergency. And since the government guarantees universal service and basic service quality protections, by and large, service quality is good on the legacy network – unlike with wireless technologies. These protections are vital for millions of New Yorkers.

In 2004, Verizon was stopped from selling 2.6 million access lines from Orange County to Buffalo by political pressure and an inability to find a buyer. However, the New England sale – and similar sales in Hawaii, Kentucky, Alabama and Missouri – indicate that Verizon will undoubtedly try again in New York. Other telephone service providers, such as Frontier in the Rochester area, may also attempt to sell their networks. The Legislature must ensure that the interests of New York consumers and workers are protected in such a sale, and this legislation, passed by the Assembly in 2005, is an important first step.

Consumers and Workers Must be the Beneficiaries – Not the Losers – in any Network Sale, Merger or Transfer of Control

The PSC has the authority to approve, approve with conditions, or disapprove telecommunications mergers, sales or transfers. S7263/A10043 adds common-sense requirements to ensure that consumers and workers, not just telecommunications corporations, benefit:

- ✓ Any sale must not result in worse quality of service or have detrimental effects on workers.
- ✓ Ratepayers must get at least 40% of the economic benefits that derive from the sale.
- ✓ Local economies in the areas affected must benefit.
- ✓ PSC must consider proposed alternatives to the sale.
- ✓ Any sale must not result in an entity that is overburdened by debt or financially weakened.
- ✓ PSC must consider the Attorney General’s analysis of the effects of a sale on competition.

Under the Pataki Administration, the Public Service Commission was, in effect, an appendage of private industry. Since then, the Public Service Commission has not faced a major regulatory decision in telecommunications. That may soon change if Verizon or other providers try to sell their legacy telephone networks. This bill not only will protect the people most affected by the merger – consumers, workers and NY communities – but will make sure that they actually benefit from a telecommunications merger, sale or transfer.

**Pass S7263/A10043 to Protect Telephone Service Quality and
the Workers Who Are the Network**

For More Information Contact CWA District 1 at 212-344-2515