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Frontier/Verizon Deal Should Serve Public, Group Tells FCC

By **Jacob Fischler**

Law360, Washington (July 30, 2015, 3:52 PM ET) -- A California nonprofit asked the Federal Communications Commission on Wednesday to hold Frontier Communications Corp. accountable for promises that its \$10.5 billion purchase of wireline operations from Verizon Communications Inc. in California, Florida and Texas would benefit the public.

Without endorsing or disparaging the proposed deal, the California Emerging Technology Fund urged the FCC to impose similar "public good" conditions on Frontier's purchase of Verizon resources as it did in approving the recent AT&T Inc.-DirecTV merger, including a discounted broadband price for low-income users, a performance goal to enroll 45 percent of eligible low-income households and establishing a fund for public awareness campaigns.

"CETF does not opine on whether the transaction should be approved or denied, but urges this commission put teeth into vague promises by Frontier as to public interest benefits from this transaction," the organization said.

Specifically, Frontier should provide low-income customers with a flat monthly broadband rate of about \$10, CETF said. The FCC conditioned approval of Comcast Corp.'s acquisition of NBCUniversal on a rate of \$9.95, the organization said, while its own research indicates most California low-income households could afford rates in the \$10-\$15 range. CETF proposed the pricing condition remain in place for three years and until 80 percent of low-income households have broadband access.

The FCC should establish a national oversight committee comprising Frontier executives, state officials, nonprofit members and consumer representatives to monitor Frontier's performance, CETF said. The company should also be required to collaborate with California agencies to prepare a strategic plan to work toward closing the "digital divide" between low-income and other Californians, the organization said.

The FCC should also condition Frontier's planned purchase of Verizon wireline operations on establishing rural broadband projects in underserved areas and

discounted low-income broadband service rates and funding outreach campaigns, CETC said.

With 79 percent of households able to access high-speed Internet, California has nearly met CETF's goal to achieve 80 percent access by 2017. However, the state remains behind the organization's goals to ensure no demographic subset of Californians falls below the 80 percent threshold.

Certain demographic groups — including non-high school graduates (52 percent access), households with Spanish speakers (63 percent access) and income of less than \$20,000 (65 percent) — remain behind. Saying its approach was technology-neutral, CETC said it would need assistance from state agencies and the FCC to achieve the goal.

Representatives for Frontier and Verizon did not respond to messages seeking comment Thursday.

The companies **told the FCC** earlier this month the transaction will lead to broadband expansion, though they could not yet say exactly what that expansion will entail. The companies filed a letter in response to **a request from the FCC** for specifics on the financing, transition, service quality, broadband investment and savings involved in the proposed transaction. Frontier, the letter said, intends to expand broadband to areas where Verizon has not been providing service, but the "expansion details have not yet been fully developed."

— Additional reporting by Margaret Harding. Editing by Ben Guilfoy.

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