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September 13, 2006

VIA EMAIL (CABLE.INQUIRY@STATE.MA.US) & HAND DELIVERY

Ms. Andrea Nixon Clerk of the Cable Television Division Department of Telecommunications & Energy One South Station Boston, MA 02110

Re:

In re: Petition by Verizon New England Inc. To Commence A Rulemaking Pursuant To 207 C.M.R. § 2.01(1) To Amend 207 C.M.R. § 3.00 et seq.: Licensing, Docket No. CTV No. 06-1

Dear Ms. Nixon:

In connection with the above-referenced matter, I enclose the Reply Comments of Comcast Cable Communications Holdings, Inc.

Please do not hesitate to contact me by e-mail (<u>pabbott@mintz.com</u>) or by phone (617-210-6858) should you have any questions about this filing. Thank you for your attention to this matter.

Very truly yours,

Paul D. Abbott

Enclosure

cc: Cameron F. Kerry (w/ enclosure)

LIT 1586721v.1

COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS & ENERGY CABLE TELEVISION DIVISION

In re: Petition by Verizon New England Inc. To Commence A Rulemaking Pursuant To 207 C.M.R. § 2.01(1) To Amend 207 C.M.R. § 3.00)))	CTV No. 06-1
et seq.: Licensing.))	

REPLY COMMENTS OF COMCAST CABLE COMMUNICATIONS HOLDINGS, INC. 1

The record of the initial comments and public hearing in this proceeding fails to provide factual support for Verizon's Proposed Regulations. Instead, it shows that issuing authorities are eager to introduce fair competition and that any delays stem from Verizon's own failure to engage in meaningful local negotiations. The standard of review in Verizon's proposed revised 207 C.M.R. § 3.09 and new 207 C.M.R. § 3.10 (collectively, the "Proposed Regulation") would codify this failure to engage by allowing Verizon to submit a bare minimum, take-it-or-leave-it license proposal. The record does not support substituting Verizon's radical and one-sided Proposed Regulation for a licensing system that everyone but Verizon agrees has worked successfully. Indeed, the record shows that the current regulatory framework has permitted not only RCN, but also Verizon itself, to succeed in providing competition in the cable television marketplace.

To adopt Verizon's proposal, the Cable Division must find "a specific need for governmental intervention that is clearly identified and precisely defined." But Verizon has not demonstrated *any* need that the Proposed Regulation serves other than its preference to avoid a

Comcast Cable Communications Holdings, Inc. is the holder of all of the entities that have been granted cable television licenses and offer services as Comcast in Massachusetts.

Mass. Exec. Order No. 384 (Feb. 9, 1996).

well-defined and time-tested process required of all cable operators. The Cable Division should not adopt the Proposed Regulation.

I. The Record Does Not Provide Any Concrete Support for Verizon's Proposal.

Many commenters have noted that Verizon's petition and initial comments lack any specific evidence of the inadequacies of existing procedures.³ Even though the Cable Division offered all parties an opportunity to provide sworn or unsworn testimony at the public hearing,⁴ Verizon again offered no evidence to support its general assertions in favor of its proposal. For this reason alone, there is no basis in the record of this proceeding to replace a working system with Verizon's one-sided proposal.

A. The Record Does Not Support That Massachusetts Municipalities Are Improperly Using Delay As A Tactic To Prevent Verizon's Entry Into The Cable TV Market.

In supporting its proposal, Verizon asserts that the current licensing process takes too long because "[d]elay is used by municipalities as a negotiating tactic in an effort to force the applicant to agree to unreasonable and often unlawful conditions or concessions." A Verizon witness at the public hearing mentioned national survey results purportedly showing that municipalities have used cable franchising as a means to extract improper concessions ranging from free cell phone and swimming pools to planting of trees and wildflowers.

There is no basis to believe that any Massachusetts municipality has attempted to extract such unreasonable concessions from Verizon or any current license, whether through initial

³ See, e.g., Comments of the Commonwealth of Massachusetts' Attorney General, at 4 (July 14, 2006) ("Verizon, however, has produced no evidence that existing procedures or the failure of cities or towns to act have hindered its deployment of video service.").

See Transcript of August 18, 2006 Public Hearing ("Hearing Tr.") at 18 (Statement of Cable Division Director Alicia Matthews).

Comments of Verizon New England, Inc., at 6 (July 14, 2006).

Hearing Tr. at 180-81 (Testimony of Stephen B. Posciask).

licensing or the renewal process.⁷ As the Cable Division's post-hearing questions reflect,⁸ Verizon has not offered any specific examples in Massachusetts where a municipality has used delay as a means to improperly extract concessions from Verizon. Nor has Verizon established that the existing regulations promote such delay.

B. Incumbent Cable Operators In Massachusetts Are Not A Barrier To Entry For New Cable Operators.

Verizon similarly has contended that "[d]elay is almost always the result of efforts by incumbent cable operators to forestall the onset of video competition." It has not offered, however, any example of such efforts by Comcast, Charter, RCN, or any of the other incumbent cable operators in Verizon's targeted communities. To the contrary, Comcast has explained on the record that it has attended some hearings to consider Verizon licenses only as an observer and does not actively participate. As Comcast has stated previously, it is absurd to suggest that the local issuing authorities, with whom cable operators have, at times, a contentious relationship, have abandoned efforts to seek out competition, and conspired with cable operators in an effort to prevent Verizon's entry into the cable television marketplace.

C. Those Commenting In Favor Of Verizon's Proposed Initial Licensing Regulations Do Not Add Any Meaningful Facts That Support Adoption Of Those Regulations.

The comments submitted in support of Verizon's proposal in this matter provide little meaningful evidentiary support for the proposal. For example, two Verizon employees in Woburn submitted letters, via e-mail, to this docket containing pleas to give "consumers more

Hearing Tr. at 281 (Testimony of Comcast Vice President of Government Relations and Communications Mark Reilly).

See Cable Division's Question 3 to Verizon Communications ("Has any community in Massachusetts caused a delay in the company's plan to obtain a license by imposing what the company considers an unreasonable license requirement? If so, please identify the community and the nature of the requirement.")

Comments of Verizon New England, Inc., at 6 (July 14, 2006).

Hearing Tr. at 280 (Testimony of Comcast Vice President of Government Relations and Communications Mark Reilly).

choice for cable TV services."¹¹ But well before this letter was filed, Woburn had already approved a competitive license – to Verizon.¹² Why Verizon's own employees evidently do not regard Verizon as a choice is puzzling.

Several chambers of commerce and business entities expressed concern that existing cable licensing regulations will delay the introduction of low-cost broadband high-speed data and telephone technology. Licensing is not a barrier to these services, however, because as has been noted, Verizon can offer these services without delay since its Fiber-to-the-Premises ("FTTP") network is being constructed prior to Verizon's obtaining cable licenses. Ultimately, the suggestion that cable licensing regulations delay widespread access to broadband technology is ironic where, as the DTE is well aware, Verizon notoriously sat on DSL for years so it could continue to offer higher-priced T-1 services to businesses. Cable operators like Comcast (and its predecessors) meanwhile took the risk to invest in advanced services. It is because of the cable industry's entrepreneurial initiative that widespread deployment of broadband services exists in Massachusetts. As a final matter, Comcast notes that it provides advanced services to all communities in its Massachusetts footprint, including many communities Verizon has

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Comments of Timothy Nixon of Woburn (June 15, 2006); Comments of Lee Lassow of Woburn (June 15, 2006).

See City of Woburn, Final Cable License, dated October 13, 2005. Verizon began offering service in Woburn three months later, on January 16, 2006.

See, e.g., Comments of the Internet Innovation Alliance, at 1 (July 12, 2006) (asserting that existing cable television regulations "are a barrier to competitors trying to enter the cable market and compete with the traditional cable TV monopolies to provide . . . high-speed Internet access, telephone, and other broadband services"); July 12, 2006 Comments of the Springfield Chamber of Commerce, at 1 ("Verizon's new video service, as well as its voice and internet services, will be offered over the most advanced fiber-optic network in the country. For the first time small businesses will be able to have an opportunity to purchase new, faster technology at a reasonable price - technology that until now has been available to only the larger businesses.").

See, e.g., Comments of Comcast Cable Communications Holdings, Inc., at 5-6 (July 14, 2006); Comments of William August and Peter Epstein, at 8 (July 14, 2006).

See, e.g., Brian L. Hilman, ADSL Comes Home, Telephony, May 24, 1999, available at 1999 WLNR 5621013 (stating that introduction of DSL had to overcome "regional Bell operating companies" reluctance to roll out DSL services for fear of cannibalizing their T-1... and ISDN revenues").

ignored, as well as many of those municipalities identified below who have actively solicited Verizon to provide service to them.

- II. There Is An Ample Record To Show That The System Is Working, Massachusetts Communities Encourage And Seek Competition, And Thus Any Delays Are The Result Of Verizon's Unilateral Approach To Franchising.
 - A. RCN's Experience In The Commonwealth Demonstrates That Issuing Authorities Encourage Entry Into The Video Marketplace.

One clear theme on the record is that Massachusetts' issuing authorities are committed to bringing more competition to the video marketplace. The City of Newton emphasized that it "is excited at the prospect of Verizon's entry to the cable market in the hope that increased competition will mean better service and better pricing." The Town of Ashland's representative stated simply that "I think we would love to have more competition." And the Massachusetts Municipal Association, which speaks on behalf of all the Commonwealth's cities and towns, emphasized that "[1]ocal officials in cities and towns across Massachusetts want competition. It makes things much easier for their constituents, and it makes things much easier for them." Many cities and towns indicated that they have used (or are attempting to use) the current process to grant licenses to Verizon on an expedited basis. It is Verizon that has proven to be the main cause of delay.

This desire for competition is consistent with Comcast's experience in dealing with local issuing authorities. In this hearing, at least two municipalities, Peabody and Somerset, testified that they have expended time and money in an effort to attract competitive video providers. Peabody has "actually done ads in the national publications, we've actively sent letters to all

Hearing Tr. at 62 (Testimony of Newton Mayor David Cohen as read by Newton Telecommunications Specialist Theresa Park).

Hearing Tr. at 55 (Testimony of Ashland Town Manager John Petrin).

Hearing Tr. at 81 (Testimony of Massachusetts Municipal Association Legislative Analyst and Federal Policy Coordinator Marc Hymovitz).

cable TV providers within the State of Massachusetts and we followed up every one of those letters with a phone call." Moreover, "in the early '90s, [Peabody] actually had a presentation from Verizon's forerunner, NYNEX. They actually came out and did a presentation to us regarding their initial offering when they were going to get into the cable TV business. That never happened."

Notwithstanding this experience, Peabody did recently approach Verizon with an offer to "help you go through the process," but was told it "is not on Verizon's list." The City of Boston has also explored and "attempted to educate Verizon about the informal and expedited franchising processes available" to it, but to date has been "disappointed that they have declined to do so in Boston today."

In light of municipalities' expressed preference for competition in cable television, it comes as no surprise that the record demonstrates the current licensing process has fostered video competition in Massachusetts. RCN and the communities where it now operates were able to use the current regulations effectively not long ago, and municipalities that testified to successful and expedited RCN franchising experiences include the City of Boston,²⁴ the Town of Brookline,²⁵ the Town of Lexington,²⁶ the City of Newton,²⁷ and the Town of Norwood, which now has *three* licensed cable operators.²⁸

Hearing Tr. at 67-69 (Testimony of Peabody Cable Advisory Commission Chairperson C. Milton Burnett); Hearing Tr. at 133 (Testimony of Somerset Cable Advisory Committee Chairman John Clorite).

Hearing Tr. at 67 (Testimony of Peabody Cable Advisory Commission Chairperson C. Milton Burnett).

²¹ *Id*.

Id. at 67-69

Hearing Tr. at 59 (Testimony of Boston Cable Director Mike Lynch).

Hearing Tr. at 59 (Testimony of Boston Cable Director Mike Lynch) ("we had executed an expedited franchise with the assistance of the Cable Division back in 1999 for RCN, something that took less than one year to execute").

Hearing Tr. at 150 (Testimony of Brookline Cable Counsel Peter Epstein) (approximately nine months).

Hearing Tr. at 40 (Testimony of Chair of Lexington Board of Selectman Jeanne Krieger) (the Town "has been successful in their licensing agreements with both RCN and Comcast. The licensing processes were completed in a timely manner").

In turn, it is significant that RCN's comments concur with the municipalities it serves. RCN, as a start-up company without Verizon's access to capital, installed base, and economies of scope and scale, faced barriers to entry far greater than the giant telecommunications incumbent Verizon does.²⁹ Nonetheless, "[i]n RCN's experience, franchising has not been a barrier. Certainly it hasn't taken us into a situation where we were gone for a year or more to grant a franchise. And once active in franchising, the period has been much less."30 It is no wonder that RCN believes that communities are "eager for franchising" and that Verizon's licensing process "should move on fairly promptly."³¹

The Cable Division need look no further than to the example set by the largest overbuilder to understand that the current licensing process does not present a barrier to competition in the cable television marketplace. More to the point, the Cable Division can look at the example of Verizon itself. Verizon has received 15 licenses in Massachusetts over the course of the past year, or nearly as many licenses as RCN holds in the Commonwealth and, just since the public hearing, Verizon has added three more licenses, in the Towns of Marion, Mattapoisett, and Rochester. 32 These three franchises were all executed on August 30, 2006. less than three months after the date (June 8, 2006) on which the Form 100 applications for each of these Towns were filed.

Hearing Tr. at 62 (Testimony of Newton Mayor David Cohen as read by Newton Telecommunications Specialist Theresa Park)(the Town has completed negotiations with RCN "successfully, and with mutual satisfaction").

Hearing Tr. at 44 (Testimony of Norwood Selectman William Plasko).

See generally Comments of NECTA, at 7 (July 14, 2006)("Verizon has already taken advantage of thee pro-competitive federal law changes over the past decade that enabled it to undertake substantial network construction work in advance of license execution.").

Hearing Tr. at 269 (Testimony of RCN Vice President and Regulatory Counsel Thomas Steel). 31

Id. at 269-70.

See Verizon News Release, Verizon Expands FiOS TV Availability in Massachusetts (August 31, 2006), available at http://newscenter.verizon.com/proactive/newsroom/release.vtml?id=93715&PROACTIVE ID =cecccfcfcecccfc9cfc5cecfcfcfc5cecdcdcecdcaccc7c6cec5cf>.

B. Any Delay Verizon Has Experienced In Massachusetts Is The Result Of Its Negotiating, Not The Deficiencies In The Current Regulations Governing Initial Licenses.

In light of the record developed at the public hearing, perhaps the most astonishing comment Verizon has made to date is that in the licensing process, "[d]elay results from . . . inattentiveness or unresponsiveness of the LFA." In fact, the record is clear that the opposite is true. Massachusetts municipalities have offered numerous specific examples of Verizon's failures to follow up and its one-way negotiations:

- The Town of Belmont "found [Verizon] to be very inflexible" in license negotiations.³⁴
- "Lexington has offered to grant Verizon a license on the same conditions as our two other vendors. Verizon has refused, insisting on their own licensing format and their own interpretation of level playing field, thus complicating the process." Further, the difference between the Town's past negotiations with RCN and Comcast and current negotiations with Verizon has been "the reluctance of Verizon to come to the table and talk to the representatives of Lexington, and the insistence on Verizon up to this point in time of providing their own format for the licensing agreement."
- The City of Newton "feels frustrated by Verizon's representatives' lack of willingness or ability to present concrete information. The Verizon negotiation team does not appear to have the mandate to actually make decisions; thus meetings would lead to take-back items, followed by more meetings and more take-back items, followed by long periods of no communications from Verizon."
- Throughout its license negotiations, Norwood has offered that if Verizon agreed to adopt the terms of any one of the three licenses it has issued (to Comcast, RCN, and NELD), the Verizon license would be "adopted in almost lightspeed." However, Verizon has not gotten even that far, because "[i]n early June, [Verizon was] told that if they were interested in proceeding, they should file an application

Comments of Verizon New England, Inc., at 6 (July 14, 2006).

Hearing Tr. at 31-32 (Testimony of Belmont Selectman Angelo Firenze).

Hearing Tr. at 41 (Testimony of Chair of Lexington Board of Selectmen Jeanne Krieger).

³⁶ Id. at 42.

Hearing Tr. at 62-63 (Testimony of Newton Mayor David Cohen as read by Newton Telecommunications Specialist Theresa Park).

Hearing Tr. at 46 (Testimony of Norwood Selectman William Plasko).

so that the process could begin. More than 60 days have passed, and still they have not filed an application with the town."³⁹

- The Town of Reading, which has issued a license to Verizon, explained that franchise negotiations became hung up as Verizon dug in its heels on very basic issues, including refusing to simply incorporate federal definitional language into the license. 40
- In Wellesley, the Town presented Verizon with a list of concerns it had with the initial draft license. ⁴¹ The Town has not heard from Verizon since. ⁴²
- In Westborough's experience, "Verizon has been in no hurry to move the process along. Intervals between meetings of our cable committee and Verizon have ranged from five weeks to four months. We don't know why it is taking so long. . . [I]f Verizon were really interested in expediting the process and bringing the benefits of competition to our residents as soon as possible, we would have had an agreement months ago." Negotiations have "been very, very frustrating; and rather than looking at the equivalent agreements, they just want to again use their pro forma agreement and nothing that we are talking about."

Summing up his experience as outside cable counsel to a number of communities actively negotiating with Verizon, Peter Epstein stated:

Virtually every municipality that I represent, as I said, has attempted in fact to expedite the licensing process with Verizon by, number one, using the existing cable license, and number two, requiring Verizon to comply with provisions already required by incumbent operators. Now, the fact is, if this had been followed, Verizon would have had scores -- and I mean scores -- of additional cable television licenses in Massachusetts many, many months ago, in fact, up to a year ago. However, as some of the municipal folks have told you, Verizon rejected both proposals; stating, number one, that Verizon must, insisted, had to use its own license format, despite the fact that in some communities you had virtually the same license for Comcast and RCN; and number two, that in many cases, Verizon would simply not match level-playing-field parameters.⁴⁵

³⁹ *Id*

Hearing Tr. at 93-94 (Testimony of Reading Town Manager Peter Hechenbleikner that "[t]here is a federal definition of cable system; Verizon absolutely refuses to use that. There are federal definitions of customer service; Verizon wants their own customer service definitions.").

Hearing Tr. at 106-07 (Testimony of Wellesley Selectman Owen Dugan).

⁴² *Id*

Hearing Tr. at 48-49 (Testimony of Chairman of Westborough Board of Selectmen George Barrette).

⁴⁴ *Id.* at 52.

⁴⁵ Hearing Tr. at 147-48.

Instead of engaging in the give and take with issuing authorities that other cable operators have done for years, Verizon's wave of license applications in 2005 submitted a proposed license that fails to address fundamental terms of cable licensing that companies such as Comcast consider boilerplate. Comcast's proposed licenses address PEG Access support; Verizon's do not. Comcast's proposed licenses address channel capacity for PEG Access; Verizon's do not. Comcast's proposed licenses provide detailed information about plant construction; Verizon's do not indicate what areas it intends to serve. As the municipal comments above reflect, Verizon then does little to adjust these proposed terms to local needs and interests. Also, Verizon appears to have dedicated only minimal resources to franchise negotiations. By way of example, even though Verizon has some 15,000 employees in Massachusetts, it offered only two outside counsel and consultants to conduct negotiations in the Town of Lincoln. In contrast, Comcast has had a full-time staff of between 14 and 16 employees dedicated to franchising and local government relations during the time Verizon has been negotiating cable franchises in Massachusetts.

The record does not reflect regulatory failure justifying radical change. Rather, Verizon has shown that it can make the existing process work for itself, as it has worked for existing cable operators, overbuilders, and municipalities. But Verizon simply does not wish to work within this process.

III. Verizon's Proposed Regulation Seek To Avoid The Substance of The Initial Licensing Process, Not To Expedite It.

Given this backdrop of local efforts to encourage competition and Verizon's reluctance to negotiate even where it is invited, the only real problem Verizon appears to identify with the current initial licensing process is that it does not require municipalities to rubberstamp

Comments of the Town of Lincoln (August 8, 2006).

Verizon's application as submitted. The record makes clear that Verizon's proposal essentially requires such rubberstamping.

In its initial comments, Comcast pointed out that the standard of review in Verizon's Proposed Regulation for both the local issuing authority's decision and the Cable Division's decision on appeal leave little for issuing authorities to decide. Likewise, the Shrewsbury Electric and Cable Operations made the same point; "a municipality would be compelled to grant cable license to *every* entity that furnishes the requisite information and agrees to the conditions in G.L. c. 166A, § 5.⁴⁷ At a minimum, "municipalities under the Verizon proposal could only consider, one, a completed application form, and two, compliance with General Laws 166A, 3, 4 and 5. There is nothing in there about level-playing-field considerations, and there is certainly nothing in there about meeting local needs and subscriber needs."

Verizon's own comments demonstrate that this analysis of the standard of review is correct. Verizon candidly states that if the Cable Division found that a Verizon franchise met the minimum license content standards required by its Proposed Regulations (the minimum – and only the minimum – license contents required by Massachusetts law), then the Cable Division "would *have to conclude* that the licensee should be awarded a franchise" This standard gives force to the widely-expressed concern that Verizon could simply submit a franchise that touches all of the minimum requirements set forth by Massachusetts statute and then "run out the clock" to get a franchise that meets its needs instead of the community's needs.

The resulting difference in franchise terms would create a playing field grossly slanted in Verizon's favor, because Comcast is committed to the communities it serves and has tailored its proposed licenses to meet the specific needs and interests of each of these communities,

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Comments of Shrewsbury Electric and Cable Operations, at 3 (July 13, 2006) (emphasis in original).

providing far more than statutory minimums. The net result of Verizon's Proposed Regulation would be to put into place Verizon's own statewide franchise template that Verizon could force each issuing authority into accepting.⁵⁰

CONCLUSION

Throughout this proceeding, Verizon offered nothing more than sweeping and unsupported assertions that the current franchising regulations do not work. In contrast, the overwhelming evidence in the record demonstrates that the existing system of licensing is working to promote competitive entry and that any delays are the result of Verizon's unwillingness to respond to local needs and interest. The record therefore shows that Verizon's Proposed Regulation should be rejected.

Respectfully Submitted

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Comments of Verizon New England, Inc., at 12 (July 14, 2006) (emphasis added).

In this respect, Verizon's proposal resembles their negotiating style in the telecommunications interconnection context rather than typical cable franchise negotiations. In its interconnection negotiations, Verizon has regional template agreements that it insists on using and adhering to.