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COUNCIL OF THE CITY OF PHILADELPHIA

3

COMMITTEE ON PUBLIC PROPERTY

4

AND PUBLIC WORKS

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Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, December 3, 2008
4:00 p.m.

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PRESENT:

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COUNCILMAN DARRELL L. CLARKE, CHAIR

12

COUNCILWOMAN JANNIE BLACKWELL

13

COUNCILMAN FRANK DiCICCO

14

COUNCILMAN BILL GREEN

15

COUNCILMAN WILLIAM GREENLEE

16

COUNCILMAN JAMES F. KENNEY

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COUNCILWOMAN JOAN KRAJEWSKI

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COUNCILWOMAN DONNA REED MILLER

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COUNCILWOMAN BLONDELL REYNOLDS BROWN

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COUNCILMAN FRANK RIZZO

21

COUNCILWOMAN MARIA QUINONES-SANCHEZ

22

COUNCILMAN CURTIS JONES, JR.

23

BILLS 080896, 080319, 080835, 080838, 080876
and 080879

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V A R A L L O Incorporated

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Litigation Support Services

30

Eleven Penn Center

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1835 Market Street, Suite 600

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Philadelphia, Pennsylvania 19103

215.561.2220 215.567.2670

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COUNCILMAN CLARKE: Good

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afternoon. This is the Committee on

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Public Property and Public Works. The

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public hearing will come to order.

6

Will Mr. Carter please read the

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title of the first bill.

8

THE CLERK: Bill No. 080896,

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authorizing the Philadelphia Authority

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for Industrial Development to purchase a

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certain tract of land with the

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improvements thereon in the area bounded

13

by 46th Street, Market Street, Haverford

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Avenue and 48th Street, subject to the

15

terms and conditions of the Philadelphia

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Industrial and Commercial Development

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Agreement between the City, PAID and the

18

Philadelphia Industrial Development

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Corporation, under certain additional

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terms and conditions.

21

(Witnesses approached witness

22

table.)

23

COUNCILMAN CLARKE: Good

24

afternoon.

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MR. RHOADES: Good afternoon,

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2 Mr. Chairman, members of the Committee.

3 My name is Sam Rhoades and I represent

4 the Philadelphia Industrial Development

5 Corporation, PIDC, and the Philadelphia

6 Authority for Industrial Development,

7 PAID. I am joined here by Duane Bumb,

8 Deputy Director of Commerce, to testify

9 in support of Bill No. 080896.

10 This bill authorizes PAID to

11 acquire approximately 15 acres of land

12 improved with 370,000 square feet in

13 three buildings located at 4601 Market

14 Street in West Philadelphia. The source

15 of funds will be the City's Industrial

16 and Commercial Revolving Fund, also known

17 as the Landbank.

18 The property is currently owned

19 by the Urban Education Development

20 Research and Retreat Center, or Urban Ed,

21 a Pennsylvania non-profit corporation

22 formed to preserve and operate the former

23 Provident Mutual Life Insurance Company

24 headquarters campus. Urban Ed acquired

25 and completed renovations to the property

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2 for use as a multi-tenant office facility
3 dating to the mid 1990s largely funded by
4 City-controlled resources provided
5 through PIDC and the Philadelphia
6 Commercial Development Corporation.

7 Urban Ed has consistently
8 experienced high vacancy rates and is
9 currently vacating the property. In
10 2004, Urban Ed sold five acres to the
11 City of Philadelphia to accommodate
12 relocation of the Youth Detention Center
13 from its prior location on the Benjamin
14 Franklin Parkway, and the City of
15 Philadelphia has now asked PAID to
16 acquire the balance of the site subject
17 to the public debt for master lease and
18 development by the City.

19 I ask that the Committee
20 consider this bill favorably and that the
21 rules of Council be suspended to permit
22 first reading at the next regularly
23 scheduled meeting of Council.

24 Thank you for the opportunity
25 to testify. Duane or I would be happy to

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2 answer any questions.

3 COUNCILMAN CLARKE: Thank you.

4 Mr. Bumb, are you testifying?

5 MR. BUMB: I don't have any
6 prepared remarks.7 COUNCILMAN CLARKE: Any
8 questions for this witness on this
9 particular bill?

10 (No response.)

11 COUNCILMAN CLARKE: There being
12 none, thank you very much, gentlemen.13 Anyone else to testify on this
14 bill?15 COUNCILWOMAN BLACKWELL: Mr.
16 Chairman?17 COUNCILMAN CLARKE:
18 Councilwoman, did you want to ask
19 questions of the witnesses that just
20 testified?21 COUNCILWOMAN BLACKWELL: No.
22 We only wanted to say that we've been
23 involved in this venture, in this new
24 venture, and that we're happy to support
25 the proposed plans for development on the

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2 site.

3 COUNCILMAN CLARKE: Thank you.

4 COUNCILWOMAN BLACKWELL: Thank

5 you.

6 COUNCILMAN CLARKE: Thank you,

7 Councilwoman.

8 (Witnesses approached witness

9 table.)

10 COUNCILMAN CLARKE:

11 Commissioner, are you testifying on this

12 bill?

13 COMMISSIONER SCHLOTTERBECK:

14 No; next bill.

15 COUNCILMAN CLARKE: Oh, the

16 next bill. You're way ahead of us.

17 COMMISSIONER SCHLOTTERBECK:

18 I'm trying to keep things moving.

19 COUNCILMAN CLARKE: Mr. Carter,

20 please read the title of the next bill.

21 THE CLERK: Bill No. 080319, an

22 ordinance naming and designating Public

23 Health Center No. 9 located at 131 East

24 Chelton Avenue as the "Mattie L. Humphrey

25 Health Center."

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2 COMMISSIONER SCHLOTTERBECK:

3 Good afternoon, Chairman Clarke and

4 members of the Committee on Public

5 Property and Public Works. My name is

6 Joan Schlotterbeck. I am the

7 Commissioner of Public Property. I'm

8 here today to offer testimony on Bill

9 080319, an ordinance naming and

10 designating Public Health Center 9 at 131

11 East Chelton Avenue as the "Mattie L.

12 Humphrey Health Center."

13 The Department is not opposed

14 to this measure. I am requesting a

15 suspension of the rules so as to allow

16 for the first reading at the next session

17 of Council.

18 Thank you. I'd be happy to

19 answer any questions.

20 COUNCILMAN CLARKE: Thank you,

21 Commissioner.

22 Any questions of this witness

23 on this bill?

24 (No response.)

25 COUNCILMAN CLARKE: Anyone else

1
2 to testify on this bill?

3 (No response.)

4 COUNCILMAN CLARKE: There being
5 none, thank you for your testimony.

6 Mr. Carter, please read the
7 title of the next bill.

8 THE CLERK: Bill No. 080835, an
9 ordinance authorizing the Commissioner of
10 Public Property, on behalf of the City of
11 Philadelphia, to enter into a second
12 amendment to an existing sublease between
13 the Philadelphia Authority for Industrial
14 Development and the City for the City's
15 use of certain office space located at
16 1101 Market Street, under certain terms
17 and conditions.

18 COMMISSIONER SCHLOTTERBECK:
19 Good afternoon, Chairman Clarke and
20 members of the Committee on Public
21 Property and Public Works. My name is
22 Joan Schlotterbeck. I am the
23 Commissioner of Public Property. I am
24 here today to testify in support of Bill
25 No. 080835, an ordinance authorizing the

1
2 Commissioner of Public Property, on
3 behalf of the City of Philadelphia, to
4 enter into a second amendment to an
5 existing sublease between the
6 Philadelphia Authority for Industrial
7 Development and the City for the City's
8 use of certain office space located at
9 1101 Market Street, under certain terms
10 and conditions.

11 This bill will enable the City
12 to extend the term of the sublease for
13 eight years, as well as make
14 modifications to the existing space
15 configuration. The Water Department, the
16 Health Department, the Department of
17 Behavioral Health and the Philadelphia
18 Bar Association are the current tenants
19 in this leased space.

20 The amended lease will provide
21 an immediate rent savings of \$1 million
22 for the City during the current fiscal
23 year. The landlord will also provide
24 over \$2 million worth of tenant
25 improvements to the space.

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The Department of Public
Property supports this measure and,
accordingly, I respectfully ask Council
to approve Bill No. 080835.

I am also requesting a
suspension of the rules so as to allow
for the first reading at the next session
of Council.

Thank you.

COUNCILMAN CLARKE: Thank you.

Any questions of this witness
for this bill?

(No response.)

COUNCILMAN CLARKE: There being
none, Mr. Carter, please read the title
of the next bill.

THE CLERK: Bill No. 080838, an
ordinance authorizing the Commissioner of
Public Property, on behalf of the City of
Philadelphia, to transfer to the
Philadelphia Authority for Industrial
Development, for nominal consideration, a
certain parcel of land, with the
buildings and improvements thereon, known

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2 as 1433 through 35 Poplar Street, for
3 further conveyance.

4 COMMISSIONER SCHLOTTERBECK:

5 Good afternoon, Chairman Clarke and
6 members of the Committee on Public
7 Property and Public Works. My name is
8 Joan Schlotterbeck. I am the
9 Commissioner for Public Property. I'm
10 here today to testify in support of Bill
11 No. 080838, an ordinance authorizing me
12 as the Commissioner, on behalf of the
13 City of Philadelphia, to transfer to the
14 Philadelphia Authority for Industrial
15 Development, for nominal consideration, a
16 certain parcel of land, with the
17 buildings and improvements thereon, known
18 as 1433 to 35 Poplar Street, for further
19 conveyance.

20 The bill will enable the City
21 to convey this property to the
22 Philadelphia Authority for Industrial
23 Development for further sale to a
24 developer at fair market value, with net
25 proceeds being deposited into the General

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2 Fund.

3 Chan Investment, Limited will
4 purchase the property for \$450,000 and
5 plans to develop the property into
6 sixteen rental apartments.

7 The Department supports this
8 measure and, accordingly, I respectfully
9 ask Council to approve Bill No. 080838.

10 I am also requesting a
11 suspension of the rules so as to allow
12 for the first reading at the next session
13 of Council.

14 Thank you.

15 COUNCILMAN CLARKE: Thank you,
16 Commissioner.

17 Commissioner, with respect to
18 this particular property, it's a property
19 that I'm obviously familiar with because
20 it's in my district.

21 COMMISSIONER SCHLOTTERBECK:
22 Right.

23 COUNCILMAN CLARKE: We have
24 some significant development happening in
25 that area and we have a relatively strong

1
2 community organization. The question is,
3 because this is being conveyed to PAID
4 and traditionally one of the processes
5 that I don't like, that PAID does not
6 come back to Council for final
7 authorization to dispose of, can you
8 stipulate in the agreement between Public
9 Property and PAID that there's some
10 requirement of some public dialogue with
11 the local community about the development
12 itself? Because I'm not sure -- I know
13 that there's -- how many units are going
14 in there?

15 MR. BUMB: Sixteen.

16 COUNCILMAN CLARKE: Sixteen
17 units. Can you require that PAID have
18 some sort of discussion with the
19 community through the Council. Both
20 Councilman Greenlee and I actually
21 represent that area. I know he does the
22 City at large, but he's kind of like the
23 local guy.

24 MR. BUMB: Prior to the
25 agreement of sale being signed?

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2 COUNCILMAN CLARKE: Yeah. I
3 really would like to at least give the
4 community individuals in that area an
5 opportunity to have some discussion with
6 the local community. We're actually
7 building some houses on the next block
8 just west of that. And, as you know,
9 that particular block of Poplar Street
10 has a sorted history, to say the least,
11 and we want to make sure that --

12 COMMISSIONER SCHLOTTERBECK: My
13 attorney, Henry Schwartz, was just
14 telling me we could require that PAID put
15 that in the agreement of sale. We can do
16 that. It's not a problem.

17 COUNCILMAN CLARKE: Thank you.
18 Thank you very much.

19 Any other questions on this
20 bill from members of the Committee?

21 (No response.)

22 COUNCILMAN CLARKE: Anyone else
23 to testify on this bill?

24 (No response.)

25 COUNCILMAN CLARKE: There being

1
2 none, Mr. Carter, please read the title
3 of the next bill.

4 THE CLERK: Bill No. 080876, an
5 ordinance authorizing the Commissioner of
6 Public Property, on behalf of the City,
7 to enter into a second amendment to an
8 existing lease between RedGap Limited
9 Partnership and the City for the City's
10 use of certain space located at 4000
11 North American Street, under certain
12 terms and conditions.

13 COMMISSIONER SCHLOTTERBECK:
14 Good afternoon, Chairman Clarke and
15 members of the Committee on Public
16 Property and Public Works. My name is
17 Joan Schlotterbeck. I am the
18 Commissioner of Public Property. I'm
19 here today to testify in support of Bill
20 No. 080876, an ordinance authorizing me
21 as Commissioner, on behalf of the City,
22 to enter into a second amendment to an
23 existing lease between RedGap Limited
24 Partnership and the City for the City's
25 use of certain space located at 4000

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2 North American Street, under certain
3 terms and conditions.

4 This ordinance will enable the
5 City to extend the term of the lease for
6 a four-year period, with a right to renew
7 at the City's option for an additional
8 four-year period. The current tenants of
9 the building are the Department of
10 Licenses and Inspection, the Office of
11 Supportive Housing, the Police
12 Department, the Fire Department, the
13 Department of Public Property, the
14 Managing Director's Office and the
15 Streets Department.

16 The Department of Public
17 Property supports this measure and,
18 accordingly, I respectfully ask that
19 Council approve Bill No. 080876. And I
20 am requesting a suspension of the rules
21 as to allow for the first reading at the
22 next session of Council.

23 Thank you.

24 COUNCILMAN CLARKE: Thank you,
25 Commissioner.

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2 Any questions of these

3 witnesses for this bill?

4 (No response.)

5 COUNCILMAN CLARKE: Anyone else

6 to testify on this bill?

7 (No response.)

8 COUNCILMAN CLARKE: There being

9 none, thank you very much.

10 What we're going to do now,

11 we're going to go into the public meeting

12 to pass the bills out that were just read

13 into the record in the public hearing and

14 testified on, and then we're going to go

15 back into the public hearing to hear the

16 Verizon bill, which I think most people

17 are here for. The purpose of that is to

18 allow individuals who had an interest in

19 the earlier bills that were read will not

20 have to sit around until final passage.

21 So right now we will go from

22 the public hearing into the public

23 meeting.

24 Councilman Kenney, can you

25 please give me a motion on Bill No.

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2 080896.

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COUNCILMAN KENNEY: Thank you,

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Mr. Chairman. I move that Bill No.

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080896 be reported out of this committee

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favorably and a request made for a rules

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suspension to allow for first reading at

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our next Council session.

9

(Duly seconded.)

10

COUNCILMAN CLARKE: It's been

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moved and seconded.

12

Those in favor?

13

(Aye.)

14

COUNCILMAN CLARKE: Those

15

opposed?

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(No response.)

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COUNCILMAN CLARKE: The ayes

18

have it. Bill 080896 is reported out of

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committee with a favorable

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recommendation, with a rules suspension

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as to allow reading at the next session

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of Council.

23

Councilman Kenney.

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COUNCILMAN KENNEY:

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Mr. Chairman, I move that Bill No. 080319

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2 be reported out of this committee
3 favorably and a request made for a rules
4 suspension to allow first reading at our
5 next Council session.

6 (Duly seconded.)

7 COUNCILMAN CLARKE: It's been
8 moved and seconded.

9 Those approved?

10 (Aye.)

11 COUNCILMAN CLARKE: Those
12 opposed?

13 (No response.)

14 COUNCILMAN CLARKE: The ayes
15 have it. Bill 080319 is reported out of
16 committee with a favorable
17 recommendation, with a rules suspension
18 as to allow reading at the next session
19 of Council.

20 Councilman Kenney.

21 COUNCILMAN KENNEY: Thank you,
22 Mr. Chairman. I move that Bill No.
23 080835 be reported out of this committee
24 favorably and a request made for a rules
25 suspension to allow first reading at our

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2 next Council session.

3 (Duly seconded.)

4 COUNCILMAN CLARKE: It's been

5 moved and seconded.

6 Those approved?

7 (Aye.)

8 COUNCILMAN CLARKE: Those

9 opposed?

10 (No response.)

11 COUNCILMAN CLARKE: The ayes

12 have it. Bill 080835 is reported out of

13 committee with a favorable

14 recommendation, with a rules suspension

15 as to allow reading at the next session

16 of Council.

17 COUNCILMAN KENNEY: Thank you,

18 Mr. Chairman. I move that Bill No.

19 080838 be reported out of this committee

20 favorably and a request made for a rules

21 suspension to allow first reading at our

22 next Council session.

23 (Duly seconded.)

24 COUNCILMAN CLARKE: It's been

25 moved and seconded.

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2 Those in favor?

3 (Aye.)

4 COUNCILMAN CLARKE: Those

5 opposed?

6 (No response.)

7 COUNCILMAN CLARKE: The ayes

8 have it. Bill 080838 is reported out of

9 committee with a favorable

10 recommendation, with a rules suspension

11 as to allow reading at the next session

12 of Council.

13 Councilman Kenney.

14 COUNCILMAN KENNEY: I move that

15 Bill No. 080876 be reported out of this

16 committee favorably and a request made

17 for a rules suspension to allow for first

18 reading at our next Council session.

19 (Duly seconded.)

20 COUNCILMAN CLARKE: It's been

21 moved and seconded.

22 Those in favor?

23 (Aye.)

24 COUNCILMAN CLARKE: Those

25 opposed?

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(No response.)

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COUNCILMAN CLARKE: The ayes have it. Bill 080876 is reported out of committee with a favorable recommendation, with a rules suspension as to allow reading at the next session of Council.

This concludes the public meeting. We will now go back into the public hearing.

Mr. Carter, can you please read the title of the last bill.

THE CLERK: Bill No. 080879, an ordinance authorizing the Department of Public Property to enter into a franchise agreement with Verizon Pennsylvania, Inc., pursuant to which Verizon shall have the right to operate and maintain a cable television service within the City of Philadelphia through its cable television system in and along the public rights-of-way and streets of the City, under certain terms and conditions.

COUNCILMAN CLARKE: Thank you.

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Commissioner.

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COMMISSIONER SCHLOTTERBECK:

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Good afternoon, Chairman Clarke and members of the Public Works and Public Property Committee. I am Joan Schlotterbeck, Commissioner for the Department of Public Property. It's my pleasure to appear before you. Joining me at the table is Deputy CIO Joseph James.

It's my pleasure to appear before you and the Committee today to review briefly the provisions of the proposed cable franchise agreement between the City and Verizon Pennsylvania, Inc., the terms of which are contained within Exhibit A to Bill 080879. I welcome the opportunity this hearing provides to fully review and discuss the opportunities and benefits to the City presented by this proposed franchise.

Verizon's plan is to install fiberoptic cable to offer cable service,

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2 as well as other telecommunications
3 services to residents throughout the
4 City. The proposed franchise agreement
5 reflects many provisions of the cable
6 franchise agreements between the City and
7 the incumbent cable operator, as well as
8 provisions reflecting the realities of
9 the competitive cable environment the
10 Verizon franchise would bring to the
11 City. The Administration believes the
12 proposed franchise agreement is equitable
13 and reflects parity with the terms of the
14 incumbent operator's franchises.

15 If approved by Council, this
16 franchise will provide for a competitive
17 cable environment, offer consumers
18 choices in service, and the installation
19 of this system would result in many jobs
20 over the duration of the seven-year
21 build-out.

22 I will summarize very briefly
23 the principal terms Verizon has agreed to
24 in this franchise.

25 The proposed agreement grants

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2 authority to Verizon to provide cable
3 service throughout the City, in all four
4 of the City's franchise areas.

5 The franchise term is 15 years,
6 the same as the terms of the incumbent
7 operator's franchises, and provides a
8 reasonable time for Verizon to reach its
9 financial goals for the substantial
10 investment to provide the service
11 citywide.

12 Verizon is obligated to make
13 cable service available in all parts of
14 the City and all households within the
15 geographic boundaries of the City within
16 seven years. In addition, Verizon is
17 obligated to make cable service available
18 to 30 percent of the City's households by
19 Year Three of the franchise, and to make
20 service available to 70 percent of the
21 City's households by Year Five of the
22 franchise. This deployment obligation is
23 secured by performance bonds.

24 To ensure that Verizon's
25 service is made available to City

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2 residents on an equitable basis, the
3 agreement requires that the estimated
4 median income of households capable of
5 receiving service shall not be greater
6 than the average household income of all
7 households in the City. The agreement
8 also prohibits discrimination among
9 individuals in the availability of the
10 service based on income, in accordance
11 with the federal Cable Act, or based on
12 race or ethnicity. The franchise
13 agreement incorporates detailed customer
14 service standards to take effect by Year
15 Two of the franchise.

16 Verizon will pay an annual
17 franchise fee to the City equal to five
18 percent of its gross revenues from the
19 cable service. Verizon will provide a
20 total of 15 channels, at no cost to the
21 City, to carry public, educational and
22 government access, PEG, programming. In
23 addition to the franchise fee, Verizon
24 will pay the following grants over the
25 term of the franchise: \$4 million

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2 annually and an additional 2.7 million
3 spread over several years to support the
4 public access programming; a total of 1.5
5 million to support government access
6 programming; a total of 1 million to
7 support educational access; and a total
8 of 2 million for a City Technology,
9 Education and Municipal Facilities Grant.

10 In conclusion, this franchise
11 will benefit the City and its residents
12 and I respectfully request approval by
13 the Committee, and further request that
14 the rules of Council be suspended to
15 allow this bill to have first reading at
16 the next stated meeting of Council.

17 Joe James and myself would be
18 happy to answer any questions you may
19 have. Thank you.

20 COUNCILMAN CLARKE: Thank you,
21 Commissioner.

22 Mr. James.

23 MR. JAMES: I have no opening
24 comments, just to answer questions.

25 COUNCILMAN CLARKE: Are you

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2 sure, sir?

3 MR. JAMES: Yes, sir.

4 COUNCILMAN CLARKE: Thank you.

5 Thank you for your testimony.

6 Real briefly, one question with
7 respect to the, as you reference, the
8 incumbent -- actually just for point of
9 reference -- the incumbent franchise. I
10 think three-quarters or two-thirds were
11 based on acquisitions of prior franchise
12 holders.

13 MR. JAMES: If I can answer the
14 question. This is Joseph James, Deputy
15 Chief Information Officer, Division of
16 Technology.

17 The original 1980 franchises
18 defined the four franchise areas, of
19 which at the time Comcast was in Area
20 Four, Rollins was in Area Three, Urban
21 Cableworks -- I mean, Wade was in Area
22 Two, and Greater Media was in Area One.
23 And then over a period of time, there was
24 an acquisition on behalf of Comcast of
25 Area Three prior to renewals back in

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2 2000, and then shortly after that,
3 Comcast acquired Area One from Greater
4 Media, and then a couple years ago, Wade
5 was acquired by Time Warner, eventually
6 went to Urban Cableworks and then
7 eventually was acquired by Comcast.

8 COUNCILMAN CLARKE: Upon the
9 acquisition of the franchises, was there
10 a renewal in the franchise agreement time
11 frame? Because you said this particular
12 franchise agreement is for 15 years,
13 similar to the prior, or as you
14 reference, the incumbent. Was there 15
15 years at the time of the acquisition or
16 did they complete the unexpired term of
17 the prior franchise holders?

18 MR. JAMES: In the case of Area
19 Three, I believe --

20 COUNCILMAN CLARKE: Can you
21 pull the mike a little closer.

22 MR. JAMES: Sure. I'm sorry.

23 COUNCILMAN CLARKE: You're
24 uncharacteristically --

25 MR. JAMES: I'm so shy. I'm

1

2 shy.

3

4 The Area Three, I believe
5 Comcast finished the term of the original
6 15-year franchise for Area Three. At the
7 time they all started out, they all
8 started out with 15-year franchises, and
9 then like I said, in 1999 to 2000 was the
10 end of the original 15-year terms that
11 started in 1985, and we renewed all of
12 the franchises that were in at that time,
13 which the incumbent was Comcast, Greater
Media and Wade.

14 COUNCILMAN CLARKE: Okay.

15 During the current negotiations, did you
16 start out at a base level as it related
17 to your conversation with Verizon with
18 essentially the current franchise
19 agreement with the incumbent, or did you
20 structure a new template as you related
21 to the current negotiations with respect
22 to Verizon?

23 MR. JAMES: The negotiations
24 started with Verizon's version of a cable
25 franchise, and the City's position was to

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2 start with the incumbent agreement as a
3 framework by which we ought to then
4 construct a new franchise agreement that
5 would reflect basically comparable terms
6 to the existing one.

7 COUNCILMAN CLARKE: Comparable
8 to?

9 MR. JAMES: Comparable to the
10 four franchise agreements we had in
11 place, which were with Comcast.

12 COUNCILMAN CLARKE: Any
13 inconsistencies at all of note or is it
14 pretty much very similar or virtually --

15 MR. JAMES: Well, there's some
16 similarities. The difference being that
17 in the time that we did the cable
18 franchise agreements, of course, there
19 has been a change in technologies and
20 there's been a change in service
21 offerings that are provided now under
22 cable. So they weren't going to be
23 exactly identical to the original
24 franchise agreements, but we were looking
25 for comparable, to the extent level --

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2 because they use the term "level playing
3 field" -- terms that would reflect the
4 differences that Verizon's technology and
5 service offerings has versus what the
6 traditional cable offering that we had
7 with Comcast.

8 COUNCILMAN CLARKE: And I guess
9 it was difficult to have comparables in
10 terms of the build-out because the
11 incumbent had a lot of acquisitions and
12 dealing with existing -- let me ask you
13 the question like this: In terms of the
14 build-out for the original four cable
15 franchise holders, what was the timeline
16 on that build-out?

17 MR. JAMES: I don't recall the
18 time.

19 COUNCILMAN CLARKE: Was it
20 current?

21 MR. JAMES: In the original
22 1985 franchise agreements, there was a
23 term, I want to say -- I don't want to
24 say. I'd rather look at the record and
25 provide you with the actual term what's

1
2 in the original, but I don't know
3 offhand.

4 The difference being that at
5 the time that when we first would start
6 cable, the cable operators were building
7 from scratch. They had nothing in place,
8 and they were starting with a traditional
9 cable plant build-out.

10 When we looked at the Verizon
11 franchise, the Verizon franchise is a
12 build on a different technology. And, of
13 course, Verizon has --

14 COUNCILMAN CLARKE: Let's take
15 a step back. In terms of the original
16 build-out, when you say that they had
17 nothing, that meant that there were no
18 lines or no highway, as they call it?

19 MR. JAMES: There was no
20 highway. They were building the highway
21 from scratch. So they had to build brand
22 new facilities. They had to put in
23 cables where it didn't exist before. And
24 many of the issues back in the early days
25 of cable of actually getting attachments

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2 to people's homes and the construction in
3 the right-of-way was completely different
4 as we were looking at this build-out now.

5 And the other difference that's
6 in this build-out term, we're looking at
7 a telephone company who is building in
8 the right-of-way versus another cable
9 company wants to build on top of the
10 existing infrastructure as a brand new
11 cable operator. And Verizon's position
12 is a little different, because they are
13 operating on both sides of the
14 Telecommunications Act, as both the
15 telecom provider and now providing cable
16 service.

17 COUNCILMAN CLARKE: Thank you.

18 COUNCILMAN DiCICCO: Point of
19 order.

20 COUNCILMAN CLARKE: Councilman
21 DiCicco.

22 COUNCILMAN DiCICCO: If I
23 understand this correctly, and going back
24 to Councilman Clarke's question, my notes
25 indicate that there was either a four- or

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2 five-year period that the build had to be
3 complete, once the Commissioner approved
4 the work to start. Does that sound
5 familiar?

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MR. JAMES: In the 1999
7 renewals when we did the renewals, there
8 was an upgrade, that Comcast agreed to do
9 an upgrade of their facilities in Areas
10 Three and Four, and in that agreement
11 there was a five-year build-out for them
12 to upgrade their facilities, once the
13 Commissioner had certified their plan for
14 build-out. So in 2000, they submitted
15 their proposed upgrade plan. The
16 Commissioner certified it, and then they
17 started their construction.

18

COUNCILMAN DiCICCO: On that
19 same note and that same conversation --
20 then I'll yield to the other speakers who
21 are ahead of me -- given that Comcast and
22 the other providers started from scratch
23 and literally had to begin a system
24 citywide, wouldn't it be easier for
25 Verizon and more quickly for Verizon to

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2 get to the entire build-out,
3 understanding that most of that other
4 work had already been done for them, has
5 already been in place?

6 MR. JAMES: Well, I think
7 Verizon can speak to it specifically, but
8 the difference being that they have an
9 existing plant which is already in place,
10 but most of that plant is traditional
11 copper plant, and what they basically
12 have to do is replace a lot of that
13 facility that are out there in the street
14 and homes with real fiberoptic
15 facilities, which doesn't exist, to the
16 extent that they can be able to provide
17 cable TV service directly to people's
18 homes and the FiOS, so forth, as they
19 talk about.

20 So there's a difference. It's
21 similar to the Comcast upgrade, which
22 back in 2000 they were basically
23 upgrading their facilities to fiberoptic
24 facilities, and in that plan, that plan
25 took five years. So you had an existing

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2 plant on an upgrade plant for five year
3 for Areas Three and Four, and we have
4 Verizon basically coming in for seven
5 year for the entire City.

6 So I think there's some
7 comparabilities about the length of time,
8 and when you compare that to some other
9 jurisdictions where Comcast has franchise
10 agreements, some of those terms are
11 seven, nine, ten-year terms.

12 COUNCILMAN DiCICCO: I'll wait
13 for my turn on the other questions.
14 Thank you.

15 COUNCILMAN CLARKE: All right.
16 Councilman Kenney.

17 COUNCILMAN KENNEY: I'm sorry.

18 COUNCILMAN CLARKE: Greenlee?
19 Krajewski? Councilwoman.

20 COUNCILWOMAN KRAJEWSKI: Thank
21 you, Mr. Chairman.

22 I noticed on your map the
23 entire Sixth District will not be built
24 out until Phase 2. That could be
25 anywhere from six, seven years?

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2 MR. JAMES: I believe in the
3 plan that's been submitted, there's two
4 phases, and the phases were designed --

5 COUNCILWOMAN KRAJEWSKI: It
6 looks like the whole Northeast.

7 MR. JAMES: Was designed around
8 the wire centers that Verizon has, and
9 there are large parts of the Northeast
10 where they're in part of the later part
11 of the phase.

12 The build-out is up to seven
13 years. Depending on their speed at which
14 they can build -- I believe Verizon can
15 speak to that -- they may be able to
16 successfully do that shorter than seven
17 years, but the agreement in the franchise
18 is for a seven-year build. The idea is
19 that they're going where there's areas
20 where they see that they have the density
21 to build, where there is -- the issues
22 have been raised about parity and the
23 number of households, is what's
24 accomplishing their two phases.

25 COUNCILWOMAN KRAJEWSKI: What

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2 assurances do we have that we'll ever be
3 built there?

4 MR. JAMES: The assurances that
5 we have in the franchise agreement is
6 their performance bond. They have a
7 scaled performance bond that scales up
8 along with their build-out that reaches
9 in the five- to six-year term about \$13
10 million of money that they have at risk
11 to complete that build.

12 The design within the first
13 phase, if you look at the first phase of
14 the build, is that they're securing a
15 large part of the core of the City, and
16 most of the areas that are on the
17 perimeters are part of the second phase.

18 The money is what's the
19 guarantee that the City has that we're
20 holding over them and, of course, our
21 ability to manage their performance.

22 COUNCILWOMAN KRAJEWSKI: Well,
23 my understanding is that Verizon has
24 agreed to liquidated damages in other
25 cities. Why won't they agree to that in

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2 the City of Philadelphia?

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MR. JAMES: Verizon has agreed to liquidated damages in certain categories. What they have not agreed to is liquidated damages that are comparable to what was in the Comcast agreement that dealt specifically with the upgrade. The difference being that in the upgrades in the original Comcast upgrade, we were talking about a \$250,000 performance bond and a \$3 million construction bond, which expired at the end of the build-out. So we're comparing the ability to enforce on a \$3 million versus a \$13 million, and the only other additional value you have is the liquidated damages that we would have to go after them.

We believe the liquidated damages covers the City on the provisions that are most important to the City and that their performance bond covers their commitment to do the build-out, and they are putting a significant amount of capital dollars at risk in doing this,

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2 and it just seems that would be
3 impractical on their part as they
4 committed to other jurisdictions not to
5 finish the City.

6 COUNCILWOMAN KRAJEWSKI: I'm
7 not completely satisfied, but that's all
8 right. I yield to Councilman Greenlee.

9 COUNCILMAN CLARKE: Councilman
10 Greenlee.

11 COUNCILMAN GREENLEE: Thank
12 you, Mr. Chairman.

13 Thank you, Councilwoman.

14 Just to stay on this same
15 subject about the build-out, just so I'm
16 clear, did you have to sort of approve or
17 sign off on this schedule, like who gets
18 done in three years, who gets done in
19 seven? Is that something that -- did you
20 have discussion on it, whatever?

21 MR. JAMES: It was part of the
22 negotiation and it was a negotiation on
23 the build-out to make sure -- try to make
24 it as fair and as equitable and, at the
25 same time, to make sure that it covered

1
2 certain parts of the areas where the
3 argument would be that people are -- that
4 they would -- Verizon would only be
5 building in the high-income levels and
6 not building in the poor levels. Well,
7 if you look at the build-out, there's a
8 diversity across the center of the City
9 and in the middle that appears that from
10 the information about income and
11 households and family structures, there's
12 a great deal of diversity in that. And
13 the counter argument being is that they
14 would only build on the edges and not
15 eventually get to the core.

16 COUNCILMAN GREENLEE: That's
17 what I was going to ask. And certainly I
18 agree that there should be economic
19 equity. I'm not in any way disputing
20 that.

21 Was there evidence given to
22 that, or were you just kind of going by
23 how it looked? Did they give evidence of
24 how --

25 MR. JAMES: We, as part of the

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2 City's input on it, did the research to
3 look at census tract information and
4 diversity profiles that we had from 2000
5 that showed the diversity by race and
6 ethnicity and to show it by household and
7 income levels, and the build-out that we
8 showed here we feel appear to be
9 equitable and fair for a two-phase
10 construction where they would be building
11 in various areas at the same time. And
12 as you look across the top part of the
13 county and then we anchored it with the
14 southern part of the City, which in South
15 Philadelphia, there's a huge diversity as
16 both income and population and property
17 and density.

18 COUNCILMAN GREENLEE: I would
19 agree generally just looking at it and,
20 again, not having those figures that you
21 were saying, it does look like there was
22 that attempt economically. I will
23 agree -- I guess as Council-at-large, I
24 have to look all over the place. It does
25 stand out that that big top corner of the

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2 City, which is mostly considered
3 Northeast Philadelphia, seems to be in
4 the second part of that, and I can
5 understand -- so I guess my general
6 question, was there any thought given to
7 geographic diversity?

8 MR. JAMES: We did look at the
9 geographic diversity, and in the
10 build-out plan that's in the franchise
11 agreement, it kind of lists the wire
12 center that you see in the plan, and what
13 is not really noted in -- the upper
14 Northeast section does not have a huge
15 build-out in their first phase, but at
16 the same time, we did not anchor it with
17 Center City, which is the downtown area,
18 which is properties of income equal to
19 the neighborhoods. And, yes, there are
20 parts in the Northeast that are -- have
21 large swaths of land that you won't find
22 in other parts of the central core of the
23 City. It was not designed by
24 councilmanic districts.

25 COUNCILMAN GREENLEE: That was

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2 going to be my next question.

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4 MR. JAMES: Because there was
5 no logical way -- and I don't think we
6 are adequately prepared to represent you
7 at the Council table to know what's in
8 your best interest and to say whose
9 Council district should be in Phase 1 or
10 Phase 2. We tried to use categories that
11 were fairly objective and kind of
12 represent what we can put real
13 information to and not necessarily the
14 geography.

15 COUNCILWOMAN KRAJEWSKI: But it
16 does look like Six and Ten is completely
17 left out.

18 MR. JAMES: There's a portion
19 in the Pilgrim Wire Center that reaches
20 into the Northeast and then there's a
21 little part of what they call the
22 Jefferson Wire Center, which cuts across
23 most of the river wards in Kensington and
24 just starts the edges into the Mayfair
25 area.

26 What is not reflected in here

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2 is a specific schedule to say, We're
3 going to be here, here, here and here,
4 and it doesn't say once you finish the
5 first phase, which the plan is to be
6 largely built out in the first phase of
7 those three to five years and after you
8 get to those, where do you go next. And
9 I think part of this Council process is
10 to provide the kind of input that you're
11 providing to us now and to Verizon to
12 hear what's most concerning of Council,
13 is where do they go next.

14 COUNCILMAN GREENLEE: And
15 probably the next set of questions really
16 should be on this issue to Verizon, but I
17 appreciate what you're saying.

18 MR. JAMES: Thank you.

19 COUNCILMAN GREENLEE: Thank
20 you.

21 COUNCILMAN CLARKE: Councilman
22 Kenney.

23 COUNCILMAN KENNEY: Thank you,
24 Mr. Chairman.

25 In general business principles,

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2 would it make sense for Verizon to get
3 this build-out done as quickly as
4 possible and not take the full seven
5 years?

6 MR. JAMES: I think that would
7 be correct.

8 COUNCILMAN KENNEY: When RCN
9 was first here years ago and there was a
10 belief that they were attempting to kind
11 of cream the more wealthy areas of the
12 City, I think that the result of this map
13 is part a way to address that criticism
14 that RCN received at the time and
15 basically got turned away because of.

16 So it would seem to me that if
17 a company is building out in, say, middle
18 class or poor neighborhoods, they would
19 need to accelerate the other parts of the
20 City in order to continue to make money.

21 MR. JAMES: I agree,
22 Councilman. As you may know, I was here
23 during the RCN negotiations and the RCN
24 testimony on the hearing, and when we
25 started the inquiry into the Verizon, one

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2 of the things I did pull out was the RCN
3 data and looked at the RCN data, and many
4 of the things that RCN was tagged for and
5 that the City was challenged on was the
6 diversity of their build-out, and using
7 some of that data to look at the
8 build-out of this model, is that if you
9 go into not only lower income but you
10 look at -- on the geography question, if
11 you look at density in property, it's
12 faster to build when they can pull down
13 an entire row of homes by going down one
14 back alley and pulling their facilities
15 as opposed to if they're building out
16 over land. So we did kind of take that
17 into consideration in putting together
18 this plan.

19 COUNCILMAN KENNEY: One of the
20 criticisms I've heard of the legislation
21 is that in past similar legislation,
22 there were specific zip codes and
23 penalties, monetary penalties, assigned
24 to dates or deadlines when those zip
25 codes had to be built out. Could you

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2 explain why that doesn't appear in a zip
3 code-by-zip code fashion in this
4 legislation?

5 MR. JAMES: Well, one of the
6 challenges that we have is that Verizon's
7 infrastructure, as I mentioned, is
8 already in place, their wire centers, and
9 those wire centers are kind of the hubs
10 that provide the facilities out to the
11 homes that they serve.

12 So you have to look at the wire
13 centers as kind of where they start with
14 their construction. It's very similar to
15 New York City. It's very similar to the
16 District of Columbia and to other cities.
17 When they do their build-out, they kind
18 of start where their wire center is,
19 because you got to have those lit first
20 before you can offer the service.

21 You compare that to a
22 traditional cable build-out, you don't
23 have that kind of -- you didn't have that
24 kind of construction back in 1985. So it
25 was important then to make sure that

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2 there was a tracking mechanism that
3 looked at the census tract, the zip code,
4 the demographics of the people in those
5 census tracts and zip codes, and to make
6 sure that they were not skipping over zip
7 codes, they were not skipping over census
8 tracts. And it was real detailed,
9 because they built from a hub site that
10 was somewhere within the franchise area,
11 which is a much more larger geography
12 than the wire centers.

13 We have multiple wire centers
14 in each of these franchise areas, and the
15 wire centers do not stay contained in the
16 franchise area. So it was hard for us to
17 say, Well, we want you to build it like
18 you built Area Three and stick within
19 those zip codes, because their wire
20 centers don't follow that pattern. So
21 what we tried to do is to give them also
22 in a competitive environment, they need
23 the flexibility to be able to adapt to
24 responses in the competitive world, and
25 for us to restrict them to follow a

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2 linear tract of either zip codes or
3 census tracts would probably be improper
4 and not something that the company would
5 find favorable for, because they have to
6 respond to where their facilities are and
7 where their competition is.

8 COUNCILMAN KENNEY: Are there
9 competitive issues relative to the
10 listing of zip codes also or have you
11 found that not to be the case?

12 MR. JAMES: I don't -- I'm only
13 speaking from my side. I don't find
14 anything competitive in nature, but in a
15 competitive marketplace -- and certainly
16 I'm not working for Verizon and I can't
17 tell you what's competitive or not
18 competitive. They would have to answer
19 that question.

20 COUNCILMAN KENNEY: How about
21 the specific dates of completion and the
22 assignment of specific monetary penalties
23 to those dates?

24 MR. JAMES: Well, we have --

25 COUNCILMAN KENNEY: It's also

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2 one of the other criticisms of the
3 legislation.

4 MR. JAMES: Well, we have
5 specific thresholds in there when they
6 have to achieve certain penetration
7 levels, which they have to demonstrate to
8 us as part of the Commissioner's review
9 of their performance. And to the extent
10 that we find that they're not and we find
11 them either in violation of their
12 performance, we can determine whether or
13 not there is a need to take some harsher
14 stance or to do anything.

15 But I think in the way this is
16 constructed and the way this is designed
17 to build is, we're, back to your point,
18 not trying to penalize them. We're
19 trying to incent them to build as fast as
20 possible. And to Councilwoman's
21 position, we need them to get out to
22 areas in the upper Northeast as soon as
23 possible.

24 COUNCILMAN KENNEY: In your
25 view, is it unfair -- I know the answer

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2 to the question, but I want to put it on
3 the record. Is it unfair vis-a-vis the
4 last rounds of legislation that did have
5 specific dates and specific monetary
6 penalties assigned?

7 MR. JAMES: I think it is.

8 COUNCILMAN KENNEY: Could you
9 elaborate a little more.

10 MR. JAMES: Well, I mean, we're
11 trying to compare apples and oranges here
12 and we're trying to --

13 COUNCILMAN KENNEY: Could you
14 maybe explain why they're apples and
15 oranges.

16 MR. JAMES: Well, they're two
17 different types of systems. I mean,
18 they're two different types of
19 facilities. When we looked at -- again,
20 going back to traditional cable and we're
21 talking about your traditional build-out,
22 our monitoring capabilities are a lot
23 more adaptable to be able to manage that,
24 and we're talking about a sole builder in
25 a sole area. So we're talking about one

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2 company that's got the entire area and
3 they got to build it. It's a lot easier
4 for us to manage it. They have no
5 competition. They cannot find any issues
6 to say, Well, I don't need to be --
7 because it's a competitive nature, I
8 can't really share that with you or I
9 can't really respond to those concerns.
10 And to be able to establish a traditional
11 cable franchise like they were all
12 designed back in the 1980s, you assign
13 liabilities for non-performance and you
14 could track it down to the specific zip
15 code or census tract.

16 We're talking about a
17 technology that's exploding in the
18 nation -- and they're not the only
19 ones -- that allows them to leapfrog what
20 we saw RCN was about to do. RCN was
21 basically going to try to build over top
22 of the guy who was already here and try
23 to acquire customers at the same time
24 they're trying to build, and try to
25 follow a track that kept them from saying

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2 they weren't discrimination and they
3 weren't cherry picking. And for them to
4 be successful, they needed to, because
5 they had no customers.

6 We're having Verizon basically
7 upgrading everything in the City, and
8 trying to do that as fast as we can make
9 them do that, and because of that, we're
10 giving them a lot more latitude than we
11 gave the original cable operators when
12 they built.

13 COUNCILMAN KENNEY: Okay.

14 Thank you, Mr. Chairman.

15 COUNCILMAN CLARKE: Thank you.

16 Councilman Rizzo.

17 COUNCILMAN RIZZO:

18 Commissioner, when we say "competition,"
19 Comcast has competition today, don't
20 they? They have satellite television
21 providers that compete with them.

22 MR. JAMES: Councilman, you're
23 correct. I mean, today both Direct TV
24 and Dish in the City is a direct
25 competition to Comcast, and they acquire

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2 a significant amount of subscribers in
3 the City. The difference for us for
4 competition in the City is that the
5 Direct TV and the Dish satellite
6 customers do not pay us anything. They
7 are not regulated by us. And if you see
8 some of their installations throughout
9 the City, they're not the most
10 aesthetically pleasing, and we have no
11 control over them. The difference is
12 that we have a competition that has a
13 franchise agreement that we can enforce
14 and has terms that we can enforce and
15 also we derive a specific financial
16 benefit.

17 COUNCILMAN RIZZO: Well, that's
18 a conversation for another day, the
19 satellite providers that have no presence
20 in our city.

21 The issue that I'd like to ask
22 is, we have a provider with a franchise
23 agreement. When Verizon gets their
24 franchise agreement, having a staggered
25 renewal, is that a good thing, not a

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2 problem, not a factor? Having them
3 stagger for renewal at different times,
4 what do you anticipate?

5 MR. JAMES: Well, I think in
6 the past, it really hasn't been a
7 problem. The original franchise
8 renewals, Comcast came to the City in
9 1996 to renew their franchise for Areas
10 Three and Four, four years in advance of
11 Urban Cableworks and -- I mean, Wade and
12 Greater Media, and we entered those
13 negotiations and started those
14 negotiations and pretty much resolved
15 their renewal well before they expired,
16 and that did not inhibit or prohibit our
17 ability to be successful in our renewals
18 with the other two franchise areas.

19 I don't think staggering overly
20 complicates our process. In some cases,
21 it might provide some benefit, because we
22 kind of have the benefit of renewing
23 prior to Verizon's renewal and maybe
24 there's things that we can accomplish in
25 one that we can use in the next.

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2 COUNCILMAN RIZZO: We all know
3 that Verizon presently resells Direct TV
4 presently.

5 MR. JAMES: I understand that
6 to be true.

7 COUNCILMAN RIZZO: You
8 understand that to be true. How will
9 those customers be treated? Will they be
10 forced to Verizon, or what's the
11 situation with the hundreds and thousands
12 of customers that may be right now,
13 through Verizon, Direct TV customers?

14 MR. JAMES: Councilman, I wish
15 that to be the case, but I'm really not
16 in a position to be able to answer that
17 question. That might be a question that
18 Verizon itself --

19 COUNCILMAN RIZZO: But I think
20 that has to be considered on how they're
21 going to be treated.

22 MR. JAMES: Well, it would be
23 hopefully that those Dish customers and
24 Direct TV customers acquire subscribers
25 with either Comcast or Verizon, because

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2 that has a benefit to us, but I don't
3 know if that is a specific strategy or
4 that's something that can be enforced on
5 those customers.

6 COUNCILMAN RIZZO: What about
7 the right-of-way agreement? How does the
8 bill provide the City's right-of-way?
9 What are the penalties for damage
10 sustained to the City's facilities, other
11 utilities' facilities and even
12 Mrs. Smith's water pipe or shoreline that
13 may be damaged? What is in the
14 regulation in the bill for that?

15 MR. JAMES: Well, the
16 particular cable franchise agreement does
17 not address the specific regulations that
18 already exist in our right-of-way
19 agreements that we already have. We
20 already have a set of regulations that
21 exist on the books that govern
22 right-of-way management, and that applies
23 to all of the users of the right-of-way,
24 which has been applying to both Verizon
25 and Comcast for some time now, and they

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2 both are compliant with that. And it
3 deals with the issues about damages to
4 people's property, but also deals about
5 how we regulate them, how we permit them,
6 when they get access, who is approving it
7 and when there's a review.

8

COUNCILMAN RIZZO: My last
9 question. What is the rush here? I've
10 never seen such a significant piece of
11 legislation, as long as I've been in
12 Council, two weeks ago be introduced and
13 rushed in a way where it's almost
14 impossible to absorb all of this
15 material. Why did this happen the way it
16 happened? You know how I found out about
17 it? A reporter called me and told me
18 about it.

19 What's the urgency here and why
20 was it handled this way? This was like
21 the, what's it, the F-15 Stealth that
22 flew in here.

23 COUNCILMAN CLARKE: F-17.

24 COUNCILMAN RIZZO: F-17.

25 MR. JAMES: Councilman, again,

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2 I really can't answer the question about
3 the stealth by which it was delivered.

4 We negotiated and have been negotiating
5 to get an agreement similar to all of the
6 other agreements that we've done with
7 cable regulations, and it was brought
8 before Council when the deal was ready to
9 be brought.

10 I think there is -- there's not
11 necessarily a concern that we've done
12 anything specifically to compromise
13 Council's ability to have a full hearing
14 and to ask the questions and to discuss
15 the details of it and to be able to get
16 under the covers and understand terms
17 that are in there, that are not in there,
18 and not to accelerate your process beyond
19 what you feel is appropriate.

20 COUNCILMAN RIZZO: So am I
21 hearing you say there's no rush?

22 MR. JAMES: We would like to
23 see the deal, but --

24 COUNCILMAN RIZZO: But there's
25 no rush?

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2 COUNCILMAN DiCICCO: Point of
3 order.

4 MR. JAMES: I don't know if I
5 can tell you we want to rush the deal.
6 What we're asking is for you to
7 consider --

8 COUNCILMAN CLARKE: There's a
9 point of order.

10 Councilman DiCicco.

11 COUNCILMAN DiCICCO: As a
12 follow-up, because I had a similar
13 question, but when the Commissioner read
14 her testimony, she was asking for a
15 suspension, and I want to compare it to
16 Councilman Rizzo's question in a
17 different way.

18 How much time did we take when
19 we were looking to do the first round of
20 franchises? How many public hearings
21 were conducted?

22 Now, I understand it was a new
23 animal on the block. We have something
24 that we can compare it to. But I had the
25 same question. I'm just asking it a

1
2 different way. We spent a considerable
3 amount of time on the first round of
4 franchises.

5 MR. JAMES: I believe there was
6 an exhaustive amount of time spent on the
7 original cable. It took quite a while
8 for cable finally coming to Philadelphia,
9 and there was a lot of discussion, a lot
10 of hearing.

11 COUNCILMAN DiCICCO: And it was
12 a new kid on the block. I appreciate
13 that.

14 MR. JAMES: It was a new entry
15 and there was a lot of concerns about how
16 it was going to be delivered and what it
17 was going to look like.

18 I think the difference here is
19 that we feel that the franchise
20 agreements and the way cable is being
21 managed today is a fairly straightforward
22 agreement. And we're not asking you to
23 rush. I think what the Commissioner had
24 in her testimony is not different than we
25 would have in any other testimony, that

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2 we would want to get the bill approved.

3 But if you go over the history, there's

4 any point in time where there was a bill

5 that came before Council around cable,

6 that some member of Council felt that the

7 bill was being rushed, whether it was a

8 transfer from Time Warner to Urban

9 Cableworks or it was the assignment at

10 one point in time from Comcast to AT&T.

11 There's always been certain bills based

12 on the timing of what needs to get

13 accomplished because of other factors

14 that appears that it's being rushed

15 before you.

16 COUNCILMAN DiCICCO: Well, I

17 don't want to use the word "rushed," and

18 I do have a lot of respect for you.

19 We've worked in the past together. It's

20 interesting that the bill gets

21 introduced, and but for the two competing

22 entities, Verizon and Comcast and the

23 union that would be impacted by this

24 franchise, the Administration was silent,

25 at least as far as my office is

1
2 concerned. And I find that unusual,
3 because today the first time we're having
4 a public discussion on it, we're being
5 asked to suspend the rules to have this
6 voted out favorably at our next session
7 of City Council, second and final passage
8 next week, and then we recess for five
9 weeks or four weeks.

10 So, again, not to tie up the
11 time, but I think Councilman Rizzo and I
12 are on the same page. I just have a
13 question for that. And I'm not here
14 carrying anybody's water. I know there
15 are a lot of people in this city who are
16 customers of the current franchisee who
17 have a lot of negative things to say
18 about them. I'm not going to take a
19 position on either side of that. And
20 it's easy for people to say, We need
21 another franchise because we get the
22 competition and we're going to drive
23 those rates down. I'm not sold on that
24 yet, nor am I suggesting that that may
25 not be the case, but this is a big deal.

1

2 This is a big deal for us, even though
3 it's no longer -- cable franchise is not
4 the new kid on the block, because we've
5 been living with this kind of technology
6 for a while, but it is a big deal in
7 terms of what it means to the City and
8 what it means to the City Administration
9 in terms of revenue and other issues that
10 we need to deal with.

11 So I just find that a little
12 bit unsettling on December the 3rd to
13 have to make a decision over the next
14 six, seven days to finalize a major
15 franchise agreement between a private
16 entity and the City of Philadelphia.

17 Thank you.

18 MR. JAMES: I understand,
19 Councilman. We wanted this to be the
20 beginning of the process, and you should
21 feel whatever is appropriate for Council.
22 We certainly can't tell Council what they
23 should do.

24 COUNCILMAN DiCICCO: I guess
25 the only thing I would add is -- and I

1
2 think Councilman Rizzo was trying to
3 ask -- is this time sensitive? Is there
4 something that says if we do not act, we
5 may lose this window of opportunity to
6 entertain a new franchise? That's a
7 question I'm going to ask now. And if
8 that's the case, maybe you can't answer
9 it. Maybe Verizon needs to answer that.

10 MR. JAMES: I think,
11 Councilman, you're right. I think
12 Verizon needs to answer the question. I
13 think the timing issue has to deal with
14 the fact that they are putting a
15 significant amount of capital dollars
16 into a program to build this franchise,
17 and in today's economy and today's
18 market, I'm sure for them a certainty by
19 which they have the ability to act is
20 going to depend upon them having a
21 franchise agreement, and I'm sure for
22 them there is some urgency because of
23 their tying up capital dollars. But
24 that's not --

25 COUNCILMAN CLARKE: Councilman

1

2 Rizzo was on a point of order. He's
3 going to yield to Councilwoman Krajewski.

4 COUNCILWOMAN KRAJEWSKI: No.

5 I --

6 COUNCILMAN CLARKE:

7 Councilwoman, hold on one second.

8 Are you yielding your time?

9 COUNCILMAN RIZZO: Just to
10 finish up, because I have one more
11 statement.

12 COUNCILMAN CLARKE: Well,
13 Councilwoman, why don't you call a point
14 of order so we can be --

15 COUNCILWOMAN KRAJEWSKI: Point
16 of order.

17 COUNCILMAN CLARKE: There you
18 go. Thank you, Councilwoman.

19 COUNCILWOMAN KRAJEWSKI: My
20 point of order is that I'm outrageous the
21 Northeast is completely excluded from
22 this. What do I do when I go back to my
23 constituents and tell them that they have
24 no choice?

25 I have to agree with my

1
2 colleagues, Councilman Rizzo and
3 Councilman DiCicco, this rush is just --
4 I don't understand what the rush is.

5 MR. JAMES: Councilwoman, I
6 hear your concerns and --

7 COUNCILWOMAN KRAJEWSKI: I
8 believe they ought to rush back to the
9 table and start looking up the Northeast.

10 MR. JAMES: I understand,
11 Councilwoman. I think you ought to give
12 them an opportunity to give their
13 testimony.

14 COUNCILWOMAN KRAJEWSKI:
15 According to that map, we're completely
16 excluded. Completely. We get a little
17 bit up here where it says Mayfair.
18 That's just about a tip in the beginning.
19 In fact, I don't even understand the map,
20 because I believe it's from the old
21 telephone numbers or something.

22 MR. JAMES: It's based on their
23 wire centers, and that's what their names
24 are, yes.

25 COUNCILWOMAN KRAJEWSKI: So,

1
2 therefore, I'm really not ready to vote
3 on this today, Mr. Chairman. I have to
4 leave. I do have other business.

5 COUNCILMAN CLARKE: Councilman
6 Rizzo.

7 Thank you, Councilwoman.

8 COUNCILMAN RIZZO: Mr. James,
9 again, I don't see the need for this
10 rush, and what I would appreciate, since
11 you were part of the negotiation to
12 develop this map, if you had some more
13 time, maybe you could do what
14 Councilwoman Krajewski is trying to do
15 here, is trying to serve her constituents
16 with the service. Do you think if you
17 had some more time, this could be refined
18 and we could have the product spread
19 throughout the City in a better way?

20 MR. JAMES: Councilman, I think
21 it's best that Verizon speak to the map.
22 I mean, I would say --

23 COUNCILMAN RIZZO: But you
24 agreed on the map.

25 MR. JAMES: And I think that

1
2 the map represents, at the time we
3 negotiated it based on the factors that I
4 told you about before, represent what we
5 could best get done and what they could
6 do in such a way that they would be able
7 to build faster as opposed to trying to
8 build this around the councilmanic
9 districts.

10 COUNCILMAN RIZZO: I agree with
11 Councilwoman Krajewski. I honestly need
12 more time to understand this issue better
13 and give you more time to come back after
14 you've heard at least these two
15 Councilmembers' concerns because of the
16 design of this map and the build-out.

17 MR. JAMES: I understand.

18 COMMISSIONER SCHLOTTERBECK:
19 Well, I'd like to make a suggestion.
20 Would you object to having Verizon come
21 up to the table themselves, have them --

22 COUNCILMAN CLARKE: They're
23 scheduled to testify. We have more
24 questions of you.

25 COMMISSIONER SCHLOTTERBECK:

1

2 Okay.

3 COUNCILMAN CLARKE: They'll be

4 up.

5 COUNCILMAN RIZZO: Thank you,

6 Mr. Chairman.

7 COMMISSIONER SCHLOTTERBECK: I

8 guess I was concerned that Councilwoman

9 Krajewski was going to leave.

10 COUNCILMAN CLARKE: They'll

11 have more than enough time to explain all

12 of this.

13 COMMISSIONER SCHLOTTERBECK:

14 All right.

15 COUNCILMAN CLARKE: Thank you.

16 Thank you, Councilman.

17 Councilwoman Miller.

18 COUNCILWOMAN MILLER: Thank

19 you, Mr. Chairman.

20 COUNCILMAN CLARKE: And then

21 Councilman Kenney.

22 COUNCILWOMAN MILLER: Good

23 afternoon, Joe James.

24 MR. JAMES: Good afternoon.

25 COUNCILWOMAN MILLER: Can you

1

2 tell me, are there any key differences in
3 this agreement and the agreement that you
4 had with Comcast?

5 MR. JAMES: Any key
6 differences?

7 COUNCILWOMAN MILLER: Yes.

8 MR. JAMES: The key differences
9 is in how we compiled the public
10 educational and grants. We constructed
11 them differently than was in the
12 incumbent agreements. As you recall, in
13 the original agreements, there was a PCDC
14 Loan Fund, which is not in this
15 agreement. We didn't feel that it was
16 appropriate to kind of duplicate that
17 effort. So we've established a
18 Technology and Education Grant.

19 There is more dollars for an
20 educational grant than there was before,
21 and there's money for the government
22 access that's more than was in the
23 original agreement.

24 You will find in there there's
25 not the provision that we had in the old

1
2 agreements for local origination
3 programming. We feel it's, again, not
4 trying to duplicate efforts and not
5 trying to create something that doesn't
6 give Verizon to do something differently.
7 We don't have that obligation in there.

8 As far as the -- the framework
9 is basically the same. It's the 15-year
10 agreement, it's the build-out on all
11 four -- same four areas as defined. It
12 has a specific time frame for build and
13 construction. It has details about
14 customer service, which are much more
15 elaborated in this agreement than was in
16 the existing Comcast agreements. And
17 there is specific language that talks
18 about them meeting all the current laws
19 that we currently have, whether it has to
20 deal with ADA or it has to deal with
21 McBride principles. All the traditional
22 specific laws that we had, you'll find
23 them detailed in this agreement here.

24 Most of the framework was kept
25 intact. The difference is, on the fiber

1
2 center gross revenue is a lot more
3 detailed in this agreement than you'll
4 find if you read the original agreements.

5 So like any kind of
6 negotiations, there was compromise in
7 areas. There was give and take. So we
8 had to eventually reach an agreement, but
9 we tried to keep, in essence -- the heart
10 of the franchise agreement was to make
11 sure that we had cable for everyone, we
12 had a build-out with certainty, we had
13 performance metrics we thought were
14 appropriate.

15 COUNCILWOMAN MILLER: On the
16 build-out, so it's my understanding based
17 on your testimony that Public Property
18 and Verizon got together and put the
19 build-out schedule together; is that
20 correct?

21 MR. JAMES: We put together a
22 framework by which we said, This is the
23 kind of guiding criteria.

24 They said, We have to go by
25 wire centers.

1

2 We said, Fine, then here's the
3 things that you ought to take into
4 consideration for that and here are some
5 construct that you ought to consider for
6 your build-out.

7 COUNCILWOMAN MILLER: I have
8 some other questions about build-out, but
9 I'll ask Verizon.

10 And I guess the only other
11 question I have here, Commissioner, in
12 your testimony on the second page, the
13 last sentence, the second paragraph, last
14 sentence, "The franchise agreement
15 incorporates detailed customer service
16 standards to take effect by Year Two."
17 What exactly does that mean and why would
18 it take effect Year Two? Is that
19 because --

20 MR. JAMES: If I can answer
21 that, Councilwoman, on behalf of the
22 Commissioner. The reason why we have the
23 standards that take effect in Year Two is
24 because they have to build out first. I
25 mean, we have detailed what's going to be

1
2 required, but until they have the ability
3 to have build-out and really have a
4 facility and services in place to be able
5 to offer these customer services, it
6 didn't seem to make a lot of sense to
7 have it Day One, because there's really
8 no customers to have these applied to.
9 And as they ramp up for the build-out,
10 they'd be ramping up to be able to
11 perform these customer service standards.

12 COUNCILWOMAN MILLER: All
13 right. Thank you.

14 COUNCILMAN DiCICCO: Just if I
15 may, just for the record, I stand
16 corrected. There was a briefing this
17 past Monday morning. I apologize for not
18 mentioning that. My legislative
19 assistant just reminded me. I was not
20 able to attend, got notice late last
21 week. But there was a briefing. So I
22 want to make that certain for the record.

23 COUNCILMAN CLARKE: Councilman
24 Kenney.

25 COUNCILMAN KENNEY: Thank you,

1

2 Mr. Chairman.

3

4 Just for the record too, I am a
5 Comcast subscriber and I am very happy
6 with my service, just so you all know.

7

8 MR. JAMES: It's good to hear
9 that.

10

11 COUNCILMAN KENNEY: For
12 historical context, I was the Chairman of
13 the Public Property Committee back in the
14 RCN debate. What year was that; do you
15 remember?

16

17 MR. JAMES: It would have
18 been -- it was around 2000.

19

20 COUNCILMAN KENNEY: Have we had
21 any significant requests for competition
22 or participation since 2000?

23

24 MR. JAMES: No, we haven't.

25

26 COUNCILMAN KENNEY: Who is
27 Verizon's major competitor besides
28 Comcast in the delivery of cable TV
29 service?

30

31 MR. JAMES: I think they would
32 probably answer it's probably Comcast.

33

34 COUNCILMAN KENNEY: What do you

1

2 think? In your --

3 MR. JAMES: In my opinion, I

4 think it's Comcast. It's Comcast.

5 They're in --

6 COUNCILMAN KENNEY: No. I'm

7 saying other than Comcast, is there any

8 other similarly situated company with the

9 economic wherewithal to do this?

10 MR. JAMES: I don't think so.

11 COUNCILMAN KENNEY: Is Verizon,

12 to your knowledge, looking at any other

13 cities relative to the investment of

14 capital dollars?

15 MR. JAMES: I believe so.

16 COUNCILMAN KENNEY: So if,

17 hypothetically -- and I'm not saying this

18 is going to happen, but hypothetically,

19 if they walk, the likelihood of real

20 competition any time soon is pretty

21 small?

22 MR. JAMES: I think it would

23 just continue to be the satellite

24 providers. If they walk, that investment

25 will go to another city.

1

2 COUNCILMAN KENNEY: Thank you.

3 COUNCILMAN CLARKE: Thank you.

4 Are both of you going to be

5 around?

6 COMMISSIONER SCHLOTTERBECK:

7 Yes.

8 MR. JAMES: Yes.

9 COUNCILMAN CLARKE: I'm sorry.
10 Councilman Green.11 COUNCILMAN GREEN: Thank you
12 very much, Mr. Chairman.13 I just have a few quick
14 questions. I didn't understand your
15 testimony about the need to -- I
16 understand that you need to go by wire
17 center because that's where the fiber is
18 going to originate before it gets to the
19 end user home. What I don't understand
20 is why you can't look at census tracts
21 and zip codes around wire centers.22 For example, when we're talking
23 about wiring specific areas in the City,
24 there is fiber in the wire center, but
25 there is not fiber on the street in a

1
2 certain census tract or in a certain zip
3 code, and what I don't understand is,
4 Comcast is required to build out by those
5 areas from a central location or wherever
6 they were delivering it. I don't
7 understand why those same standards
8 shouldn't apply to somebody that is
9 coming in to provide competition, just to
10 keep the even playing field.

11 So could you explain why we
12 can't measure whether or not a wire is
13 going down a street as whether or not
14 they're fulfilling their obligation?

15 MR. JAMES: Part of the
16 difference is that Verizon is building
17 this out under their title to rights as a
18 telephone company, which we do not
19 regulate telecommunications providers,
20 and as you may know, that as a
21 telecommunications provider, they could
22 build this -- as long as they weren't
23 offering cable service, they could build
24 this tomorrow and never have to come
25 before us.

1

2

COUNCILMAN GREEN: But,

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Mr. James, our point is that they need

this franchise agreement to offer cable

services. So it's irrelevant that we

can't regulate telecommunications. And

this is our one opportunity to make sure

that they're going to be built out in the

areas where we want them to, and we can

do that the same way we did it with

Comcast by saying, I want a wire down

these streets, and that determines

whether or not you are complying with the

terms of the franchise agreement.

MR. JAMES: Well, what we're

trying to do is to define -- not

necessarily define how they build it.

It's more about when they will be able to

offer the services available to the

customers. So when you look at the

geography of their wire centers -- and we

had this discussion with Verizon when we

were back in the negotiation, that they

needed to look at census tracts and they

needed to look at zip codes and they

1
2 needed to look at the build, and part of
3 the build-out plan you see here deals
4 with the issue that there's a greater
5 amount of density in certain areas of
6 their build-out based on that wire
7 center. But whether they go down
8 Germantown Avenue or whether they go down
9 Wayne Avenue, is that as materially
10 important to us as how fast they can get
11 penetration and offer services in the
12 Germantown Wire Center, and does the
13 Germantown Wire Center have the right
14 makeup to provide service to their
15 customers to make that 30 percent of the
16 household incomes that we're talking
17 about?

18 COUNCILMAN GREEN: So the
19 requirement is not that they wire the
20 City. The requirement is that they
21 service a certain percentage of people
22 around the City in each of these zones
23 and around each wire center; is that
24 correct?

25 MR. JAMES: Right, and to do

1
2 that, they have to wire the City. They
3 have to provide the fiberoptic cable,
4 which doesn't exist.

5 COUNCILMAN GREEN: Well, with
6 respect, they don't. They have to
7 provide services to a certain percentage
8 of citizens. They have to provide
9 services to a certain percentage of
10 citizens, which is very different than
11 having to provide service to everyone who
12 asks for it. And I want to understand
13 why we wouldn't require people to provide
14 service to everyone who asked for it
15 within the zones that are coming up and
16 with respect to each phase.

17 MR. JAMES: Well, I think both
18 franchise agreements talk about providing
19 services to customers that fall within
20 100 feet, 150 foot of their plant. It
21 talks about the ability to provide
22 service to those customers who ask for
23 service that fall within the range of
24 where their facilities are.

25 COUNCILMAN GREEN: But it's

1

2 only a certain percentage that's required
3 to be served.

4

5 MR. JAMES: No. It's for them
6 to build out the entire City. They're
7 building out by their wire centers. The
8 percentage that I mentioned to you is a
9 threshold number, that we can be able to
10 measure their performance by that goal,
11 so that we don't have the argument that
12 they're only serving the people in the
13 higher-income block and only the
14 household incomes at the higher levels.

14

15 COUNCILMAN GREEN: But that's
16 exactly what they can do because we have
17 percentages in there rather than
18 requiring them to actually wire the
19 streets like the incumbents had to do.

19

20 MR. JAMES: I think,
21 Councilman, they have a requirement to
22 build out the entire City. They have a
23 requirement to service those customers
24 that are served out of their wire
25 centers. They have a requirement to
26 offer service to customers who ask for

1
2 service. They have the same obligations
3 that Comcast has. It's constructed
4 differently in how they build it, but
5 when it comes down to it, there is no
6 benefit for them not to offer service to
7 customers who are served out of their
8 wire center, because once you light that
9 wire center, that means everybody in the
10 wire center, irregardless of where they
11 live, as long as they're part of that
12 wire center, will be able to have the
13 service.

14 COUNCILMAN GREEN: And they're
15 required to deliver service to everybody
16 in that wire center?

17 MR. JAMES: Well, I think in
18 any company, they're going to offer
19 service to those customers in the wire
20 centers and they're going to be able to
21 offer service to those customers that
22 request the service.

23 COUNCILMAN GREEN: I'm not
24 asking what any company would do. I'm
25 asking what the franchise would be

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2 required.

3

MR. JAMES: The franchise

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agreement requires them to offer service

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to residential customers that fall within

6

the facilities, where they have

7

facilities at. I think when Verizon

8

comes up here, you can ask them to verify

9

that, but I believe that's how the

10

franchise agreement is written.

11

COUNCILMAN GREEN: Okay.

12

MR. JAMES: And that's how we

13

negotiated it.

14

COUNCILMAN GREEN: Well, could

15

we provide that specific information to

16

the Chair in answer to those questions?

17

MR. JAMES: Sure.

18

COUNCILMAN GREEN: Because I'm

19

not going to be able to stay around for

20

Verizon.

21

MR. JAMES: Sure. We'll

22

identify it in the franchise agreement.

23

COUNCILMAN GREEN: Thank you.

24

Also, have we done an analysis

25

of the -- let me just say this: How does

1
2 our franchise agreement compare with the
3 franchise agreement in New York;
4 Washington, D.C.; Wilmington, et cetera?
5 Do we have a more favorable or less
6 favorable franchise agreement with
7 Verizon?

8 MR. JAMES: Again, none of
9 these are equals that we can measure, but
10 we did look at New York City. We did
11 look at the District of Columbia. We
12 looked at Fairfax County, Alexandria. We
13 looked at Wilmington. We looked at what
14 we could get access to as far as the
15 franchise agreements that were out there,
16 and we believe that what we have is very
17 favorable. And our deal versus the New
18 York deal is very specific on its
19 build-out and its timetable for
20 completion, very different than what's in
21 the District of Columbia's bill.

22 COUNCILMAN GREEN: So do you
23 have like a chart showing each different
24 franchise agreement and how our
25 provisions compare to theirs like --

1

2 MR. JAMES: We can provide
3 something for the Chair.

4 COUNCILMAN GREEN: If you could
5 provide that to the Chair, please.

6 MR. JAMES: Yes.

7 COUNCILMAN GREEN: And I think
8 questions like that raise important
9 points, because we want to make sure
10 we've gotten the best deal for the City
11 we can. Everybody wants competition in
12 Philadelphia. Everybody is in favor of
13 Verizon coming in, but I think the point
14 here is that this is a very complicated
15 agreement and we've had it for a very
16 short period of time, and I think if we
17 just stepped back, got some information,
18 saw how we compared to other people,
19 thought about maybe new ways of creating
20 percentages or actual wires on the
21 streets, et cetera, that we might -- it
22 might benefit us all to slow down a
23 couple weeks and get some more data.

24 MR. JAMES: I hear you,
25 Councilman. We will provide you the data

1

2 that you've asked for.

3

4 COUNCILMAN GREEN: My final
5 question is, how long did it take you to
6 negotiate the franchise agreements?

6

7 MR. JAMES: This particular
8 agreement?

8

9 COUNCILMAN GREEN: Yes.

9

10 MR. JAMES: I believe we
11 started in June -- July.

11

12 COUNCILMAN GREEN: When you say
13 "this particular agreement," what do you
14 mean by that?

14

15 MR. JAMES: Well, I was
16 wondering if you were talking about the
17 renewals or the other Comcast agreement.
18 You're only talking about --

18

19 COUNCILMAN GREEN: The Verizon
20 agreement.

20

21 MR. JAMES: The Verizon
22 agreement we started in July, and I
23 believe we reached final agreement on
24 terms that we submitted to you November.

24

25 COUNCILMAN GREEN: So about
26 five months?

1

2 MR. JAMES: Yes.

3 COUNCILMAN GREEN: Maybe we

4 could have more than three weeks to

5 analyze that and understand what's going

6 on. That's my only statement here.

7 Thank you.

8 MR. JAMES: I understand.

9 COUNCILMAN CLARKE: Thank you,
10 Councilman.

11 Councilman Jones.

12 COUNCILMAN JONES: Thank you,
13 Mr. Chairman, and I want to, for the
14 record and particularly for our visitors,
15 acknowledge our Chairperson allowing me
16 and other Councilmembers to speak,
17 because it is not a right because we're
18 not on the Committee. It is a courtesy
19 extended by you, and I want to thank you
20 for allowing us --21 COUNCILMAN CLARKE: I wouldn't
22 have it any other way, sir.23 COUNCILMAN JONES: I go back
24 far enough with Joe James and Public
25 Property and the Commissioner to remember

1
2 when we were negotiating and implementing
3 in particular our original franchise
4 agreement. And I understand your
5 commitment, and that's the only word that
6 applies adequately to you, to make sure
7 that the City benefited from it and the
8 community benefited from it, and the
9 public access stuff that we have today is
10 because of your diligence. And I
11 remember those meetings and you getting
12 beat up a little bit about it.

13 So what I want to ask now --
14 and it's kind of like when I went over to
15 the family reunion and my two bigger
16 cousins start fighting, Comcast and
17 Verizon. You know, you kind of want to
18 be a fair arbitrator to make sure that
19 the grass doesn't get trampled when
20 elephants fight.

21 But let me ask you a couple of
22 questions particularly germane to the
23 five percent franchise annual fee. In
24 your estimation, because it can only be
25 an estimation, what is the market and

1
2 what does that five percent mean to the
3 City of Philadelphia in real money,
4 potentially?

5 MR. JAMES: Potentially? Well,
6 kind of put it in context of today, we're
7 getting five percent from Comcast for the
8 four franchise areas. It comes out to
9 about \$12 to \$18 million a year.

10 COUNCILMAN JONES: Eighteen
11 million dollars, which goes to the
12 General Fund.

13 MR. JAMES: Goes to the General
14 Fund.

15 If you have a second provider
16 and assuming that there's a certain
17 amount of take between the two, so it's
18 not all brand new, but there's hopefully
19 a significant amount, there's an impact,
20 of new customers, new subscribers and
21 maybe a reduction from the Dish
22 customers, that we could be seeing
23 another \$8 to \$10 million after they have
24 achieved the seven-year build on an
25 annual basis, which would -- the Comcast

1
2 number would probably be adjusted because
3 they would not have as many subs, but you
4 would still see a net gain to the City, a
5 significant amount of new money for the
6 General Fund.

7 COUNCILMAN JONES: And in this
8 agreement, there is 11 million in
9 immediate revenue, 11.2, I think it is.

10 MR. JAMES: I think the number
11 is 11.2 in grants to the City.

12 COUNCILMAN JONES: And
13 specifically where do those grants apply
14 to?

15 MR. JAMES: The grants apply in
16 the public educational government access.

17 COUNCILMAN JONES: So what is
18 that going to actually mean?

19 MR. JAMES: So what that will
20 mean is that we will have a comparable
21 amount of dollars going to public access
22 for capital dollars. So in the Comcast
23 agreement, here's the \$2.7 million in
24 capital. In Verizon's deal, there's a
25 2.7 in capital dollars.

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So there's the \$500,000 in operating dollars. There's the \$500,000 in operating dollars in the Verizon agreement, the timing of which are both starting at the same time of eight years worth of payments, eight years for Comcast to finish theirs and eight years for Verizon, so that they match. So you have about \$6.7 million just for public access. There's a \$2 million Technology and Educational and Municipal Grant. There's money, \$1.5 million, for our government access facilities, and there's a million dollars for the educational facilities.

COUNCILMAN JONES: So if you were to compare apples to apples comparisons, is the Verizon commitment comparable to the Comcast commitment, in your opinion?

MR. JAMES: In my opinion, yes.

COUNCILMAN JONES: And so beyond the committed funds, are there any discretionary funds left after the

1
2 specific grants within that?

3 MR. JAMES: No.

4 COUNCILMAN JONES: So it is
5 already allocated?

6 MR. JAMES: Right. The
7 categories have been identified. The
8 specific beneficiary has not been
9 identified, except for like public access
10 and for government access. Those are
11 money that are earmarked specifically for
12 those purposes. The technology grant is
13 discretionary.

14 COUNCILMAN JONES: So how much
15 is the technology grant?

16 MR. JAMES: It's \$2 million.

17 COUNCILMAN JONES: And that's
18 for the entire City?

19 MR. JAMES: That's for the
20 City.

21 COUNCILMAN JONES: So anyone
22 can apply?

23 MR. JAMES: Well, it's money
24 for the City to decide how that's going
25 to be appropriated. So I think that's a

1
2 conversation between the Administration
3 and Council.

4 COUNCILMAN JONES: In the total
5 amount and worth of the construction,
6 what do you estimate that to be over the
7 seven-year period of time?

8 MR. JAMES: The capital
9 investment that's been told to us by
10 Verizon, it's about a billion dollars in
11 capital.

12 COUNCILMAN JONES: Billion
13 dollars in capital. Under the analysis
14 of how they plan to implement that, is
15 there a potential benefit to minority and
16 female businesses, disadvantaged
17 businesses?

18 MR. JAMES: There is a plan
19 that provides an economic opportunity for
20 minority and small businesses to get
21 engaged and be part of Verizon's overall
22 contracting process that they currently
23 do through their Diversity Vendor
24 program.

25 COUNCILMAN JONES: And can you

1
2 further elaborate on what that actually
3 means?

4 MR. JAMES: I think Verizon can
5 speak to it a lot better than I can, but
6 specifically, Verizon has a Diversity
7 Vendor program where they currently
8 subcontract work to minority and small
9 businesses and disadvantaged businesses,
10 and in this particular area, they know
11 specifically what they spend annually
12 with vendors here in the area. They are
13 making a commitment under their Economic
14 Opportunity Plan to reach out to more
15 customers and more businesses through the
16 Chambers and others to engage them in the
17 process so that they can be able to have
18 the opportunity to access in this
19 process.

20 COUNCILMAN JONES: So in your
21 estimation, through this plan, at some
22 point we will hear how this
23 billion-dollar opportunity will in fact
24 benefit my good friends at the Chamber of
25 Commerce, African-American Chamber of

1
2 Commerce, and other places like that?

3 MR. JAMES: I believe so.

4 COUNCILMAN JONES: Okay. In
5 the workforce development, they are a
6 union shop.

7 MR. JAMES: That is correct.

8 COUNCILMAN JONES: And I see my
9 good friend Lou Edgar here. So, Lou, I
10 understand the importance of union shop.

11 Have you analyzed at all or
12 should I wait for Verizon to talk about
13 the union diversity, if you would?

14 MR. JAMES: I think you ought
15 to talk to Verizon about the workforce.

16 MR. JONES: I'll put a pin in
17 that.

18 Finally, in your estimation --
19 and I think Councilman Kenney talked
20 about it -- if we don't do this now, what
21 is the impact economics-wise to the City?

22 MR. JAMES: Well, the
23 difference between doing it right now and
24 the opportunity is that there may not be
25 another coming along in any near-term

1
2 future that's going to provide us another
3 opportunity for competition in the
4 marketplace, and that billion-dollar
5 investment is going to get spent in
6 another city and we're going to miss that
7 opportunity.

8 COUNCILMAN RIZZO: Point of
9 order.

10 COUNCILMAN CLARKE: Councilman
11 Rizzo.

12 COUNCILMAN RIZZO: Mr. James,
13 you're telling me that Verizon, with a
14 few weeks' delay on this deal, you really
15 believe deep down inside that they're
16 going to walk from this deal?

17 MR. JAMES: That's not what I
18 was answering the question, Councilman.

19 COUNCILMAN RIZZO: You said
20 earlier that you thought that there would
21 be a possibility that they could walk on
22 this deal.

23 MR. JAMES: Councilman, let me
24 clarify --

25 COUNCILMAN RIZZO: Say it again

1

2 then.

3 MR. JAMES: Let me restate it
4 for you.

5 The question came, Well, what
6 will happen if the transaction is not
7 completed, and I took that in the general
8 sense, not meaning this particular moment
9 and point in time. The question is that
10 they're putting up a billion dollars of
11 capital investment. If they do not get a
12 franchise at all, let's say they don't
13 get a franchise, whether it's tonight or
14 six months from now, they will probably
15 make a business decision to invest those
16 dollars in another city, where we will
17 not get that opportunity again.

18 COUNCILMAN RIZZ0: I'm glad you
19 clarified that. So let's go back and
20 answer the question that I'm going to ask
21 you. If there's a brief delay and it
22 doesn't happen today, do you believe
23 Verizon is going to walk on this deal?

24 MR. JAMES: Councilman, in my
25 opinion -- and you're only asking my

1
2 opinion -- I don't believe so, but I
3 think you should ask them that question.

4 COUNCILMAN RIZZO: No. I'm
5 asking you.

6 MR. JAMES: I'm giving you my
7 opinion, but they're the company putting
8 up the bucks.

9 COUNCILMAN RIZZO: You're the
10 mastermind of this thing, so you're the
11 guy that I'm asking the question to.

12 MR. JAMES: I appreciate that.

13 COUNCILMAN RIZZO: Thank you.

14 Thank you, Mr. Chairman.

15 COUNCILMAN CLARKE: Councilman
16 Jones.

17 COUNCILMAN JONES:

18 Mr. Chairman, I would only say that what
19 I do appreciate is that all sides of this
20 issue have been very active in educating
21 this body, and I think it's important
22 that they do so, that we walk into this
23 clear about what our decision is. At the
24 end of the day -- and I guess this is --
25 and I will ask this of Verizon. I don't

1
2 want this billion-dollar economic benefit
3 to wash over my community in my district
4 without having substantially improved the
5 benefit to young women, young men in
6 barber shops counting on us to make sure
7 that every time we do something, it
8 benefits and trickles down to them. And
9 I just want to make sure that -- I do
10 trust you and the Commissioner. I've
11 known you a long time, but I want to make
12 sure we get the best deal we can always
13 get. And I've said this to Verizon, so
14 this is not -- when I look at Overbrook
15 High School and other places like that,
16 as we start to talk about these
17 cutting-edge technologies that, quite
18 frankly, make my eyes glaze over, I want
19 to know that there will be some linemen
20 created out of Overbrook High School some
21 day that actually join the union, that
22 climb the poles and do the installation,
23 and I want to make sure that that's a
24 part of any agreement, any agreement that
25 we deal with.

1

2 Thank you, Mr. Chairman.

3 COUNCILMAN CLARKE: Thank you,

4 Councilman. Eloquently said.

5 Any other questions for these

6 witnesses?

7 (No response.)

8 COUNCILMAN CLARKE: I'm sorry.

9 Councilwoman Quinones-Sanchez.

10 COUNCILWOMAN SANCHEZ: Thank

11 you, Mr. Chairman.

12 Fortunately, Councilman Jones

13 asked many of my questions. Like minds

14 with kindred spirits. He's the brother I

15 never want to have.

16 But there's one thing. In

17 light of the fact that we can't regulate

18 the rate hikes and going to my colleague,

19 Councilman DiCicco's point, have we

20 sought out a way of getting Verizon to

21 commit to not giving us rate hikes at a

22 massive rate?

23 My concern is, let's say they

24 start building out and it gets too

25 expensive, going back to the issue of

1
2 competition. Have we had those
3 discussions with them?

4 MR. JAMES: Councilwoman, we
5 have not discussed the rate hikes with
6 them, being that rates are not under our
7 purview any longer, out of pretty much
8 everyone's regulation. But I think the
9 difference is that we do have one
10 advantage by having the competition, that
11 the market then dictates that, and where
12 we're seeing in other cases where there
13 is competition, whether it's Dish or
14 otherwise, it's always an adjustment in
15 someone's ability to offer better
16 marketing opportunities for their
17 subscribers.

18 We'll just kind of have to wait
19 and see, but we can certainly have them
20 at the table and beat them up over the
21 head if we're not happy with their rates.

22 COUNCILWOMAN SANCHEZ: Well,
23 this is the time we can put those
24 questions, at this table, but we'll ask
25 of them also.

1

2 Thank you.

3 MR. JAMES: There you go.

4 COUNCILMAN CLARKE: Thank you,

5 Councilwoman.

6 To follow up on the
7 Councilwoman's question, understanding
8 that you are limited in terms of your
9 ability to influence the rates, and I
10 haven't seen this anywhere, at least
11 coming from the Administration, can you
12 provide the members of this Council
13 information on the existing rate
14 structures in the tri-county or the
15 surrounding counties and actually, I
16 guess, in Jersey and in other adjacent
17 states/counties where these services,
18 both the incumbent and the proposed
19 franchisee, what their rates are now, so
20 we'll have a better understanding of
21 where the rates are, and our ability to
22 make a decision will be enhanced by
23 knowing what's happening at other
24 locations.

25 MR. JAMES: We can provide

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2 something to you on that, yes.

3 COUNCILMAN CLARKE: Thank you.

4 Any other questions of these

5 witnesses?

6 (No response.)

7 COUNCILMAN CLARKE: Thank you

8 very much. And I understand that one or

9 both of you will be around?

10 MR. JAMES: Yes. We'll be

11 around.

12 COUNCILMAN CLARKE: I'm sure

13 there will be some follow-up. Thank you.

14 Mr. Carter, please, who is the

15 next witness? We have Verizon.

16 Gentlemen, you know who you

17 are. You can come up.

18 (Witnesses approached witness

19 table.)

20 COUNCILMAN CLARKE: Good

21 afternoon -- good evening now.

22 MR. BISHOP: Good evening.

23 COUNCILMAN CLARKE: Please

24 proceed. State your name for the record.

25 MR. BISHOP: Tabb Bishop is my

1

2 name, Vice-President of Public Policy
3 over at Verizon Pennsylvania. I'd like
4 to say good evening, Councilman Clarke,
5 or should I say Committee Chairman
6 Clarke, as well as Committee members
7 DiCicco, Miller, Greenlee and Rizzo.

8 It's a pleasure for me to be here today.

9 I'm proud to be joined by several Verizon
10 employees, including our new state
11 President, Gale Given. We thank you for
12 holding this hearing and we welcome the
13 opportunity to speak before the Public
14 Property Committee.

15 I also want to thank Chairman
16 Clarke and the other members of the
17 Committee for holding this public
18 hearing. We are pleased to have reached
19 this important milestone in the franchise
20 approval process that began with
21 discussions with the City nearly six
22 months ago. We are at this point today
23 ready to thank all of the dedicated and
24 experienced negotiating teams for both
25 the City and Verizon. We appreciate

1

2 their service.

3

4 Before we discuss the merits of
5 the agreement, I'd like to tell you why
6 this contract is so important to Verizon
7 and to the City of Philadelphia.

7

8 More than 100 years ago, as
9 Bell of Pennsylvania, we began offering
10 telephone service in Philadelphia. Now
11 we're Verizon, with more than 2,000
12 employees working in the City. Just
13 recently we relocated 400 existing jobs
14 to Center City from other facilities. We
15 are committed to providing great service
16 in Philadelphia, and we are here to stay.

16

17 Close to half of our workforce
18 in the City is diverse. We are also
19 proud of the history of being a union
20 company. Almost all of our union
21 employees are represented by the
22 Communication Workers of America.

22

23 As part of our continuing
24 commitment to communities we serve, the
25 Verizon Foundation contributed \$1.2
26 million in the aggregate to 77

1
2 non-profits in Philadelphia during 2008
3 from every section of Philadelphia to
4 Verizon Hall in the Kimmel Center on the
5 Avenue of the Arts. Verizon is certainly
6 proud to have a strong track record of
7 great corporate citizenship.

8 But for those of us who work at
9 Verizon, it's about much more than
10 meeting these important obligations.
11 Many of us grew up in Philadelphia. We
12 have vested personal and professional
13 interest in delivering the best
14 telecommunication services to our
15 customers. Because in so many cases,
16 they are our friends, our neighbors and
17 our family. This is one reason why we at
18 Verizon are so eager to bring TV
19 competition to the City. We know our
20 customers want a new alternative for
21 cable TV, and we agree with them that the
22 time is now. More than 20 years is a
23 long wait for the thousands of City
24 residents who want real wireline cable
25 competition and who today have only one

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2 provider.

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4 With the approval of this

5 franchise, Philadelphia will be one of

6 the first urban areas in the country to

7 benefit from FiOS TV and the FiOS

8 network. Our City residents watch as

9 cable franchises are awarded in towns and

10 municipalities in Bucks, Montgomery,

11 Chester and Delaware Counties and in

12 South Jersey and the State of Delaware.

13 Philadelphia consumers believe it is now

14 their turn. They want and deserve the

15 same kind of cable choice their suburban

16 counterparts enjoy.

17 And the agreement before you is

18 fair. It is the results of hundreds of

19 hours of work by the City and Verizon,

20 and, most importantly, it offers the

21 right means of opening the door to cable

22 TV choice and competition in

23 Philadelphia.

24 Verizon is ready to compete

25 throughout the City, and we are committed

to providing video and advanced Broadband

1
2 services to all neighborhoods in
3 Philadelphia. More importantly, it is
4 simply the right thing to do. It is how
5 we run our business.

6 This is an historic moment for
7 the City, for Verizon and all
8 Philadelphians. The Committee and the
9 Council have an unprecedented opportunity
10 to open the doors to cable competition
11 and to consumer choice for hundreds of
12 thousands of City residents. I ask you
13 to endorse the video franchise agreement
14 today without delay and move to the full
15 Council for a final vote so that our
16 customers can realize the benefits of
17 cable competition starting in 2009.

18 Thank you.

19 At this time, I would like to
20 introduce to you Paul Trane of Telecom
21 Insight Group, Marie Lasota from
22 Verizon's legal department and Brendon
23 Pinkard of Wiley Rein, members of
24 Verizon's negotiating team who will
25 address the substance of this franchise

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2 agreement.

3

Thank you.

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MR. TRANE: Thank you, Tabb.

5

My name is Paul Trane, a

6

principal at the Telecommunications

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Insight Group representing Verizon

8

Pennsylvania. I want to thank the

9

Committee and the Council for hosting

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this hearing on Verizon's proposed cable

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agreement. If passed, the franchise will

12

trigger the largest telecommunications

13

investment ever in Philadelphia.

14

Approximately six months ago,

15

Verizon commenced negotiations with the

16

City of Philadelphia to reach an

17

agreement to provide competitive cable

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services. It was the goal of both the

19

City and Verizon to negotiate a franchise

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agreement and present it to Council for

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consideration by the end of the year.

22

Since meeting that goal and having an

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ordinance introduced, we've had the

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chance to meet directly with members and

25

staff. We've put forth detailed

1
2 explanation about the terms of the
3 franchise and we've provided context
4 about the lengthy process, and on Monday
5 we participated in a well-attended
6 briefing for members and staff. Now with
7 today's hearing, we hope to provide even
8 more information to the Committee and
9 answer any and all questions.

10 Today we also look forward to
11 hearing from beleaguered Philadelphia
12 cable consumers who have found a new
13 certainty to the human existence, to join
14 death and taxes annual cable rate
15 increases. It is these consumers, your
16 constituents, who are at the heart of our
17 efforts to bring competition and choice
18 to the City.

19 Market research indicates that
20 consumers strongly support the
21 introduction of competition. That will
22 only come with the passage of the Verizon
23 franchise. Why is this so? Because for
24 24 years, Philadelphia consumers have
25 suffered under a monopoly of landline

1

2 cable service, a monopoly not found in
3 other telecommunications services, such
4 as telephone and Internet services. This
5 monopoly has produced staggering rate
6 increases that have easily outpaced the
7 rate of inflation. In fact, rates have
8 doubled in just the last ten years.

9 In the 12 months covering
10 January 2008 through next month, to
11 January 2009, the incumbent cable
12 operator would have increased rates three
13 times, or 11.7 percent. Consumers ask
14 themselves, if a company improved its
15 income by 38 percent in the last quarter
16 to over \$750 million, why do they need to
17 raise my cable rates on November 1st and
18 then raise them again on January 1st?
19 The answer, because they have no choice
20 of landline cable providers. Simply put,
21 competition works for everyone involved:
22 the City government, consumers and the
23 companies that compete.

24 Consumers benefit because, as a
25 Geo study reported, cable rates are lower

1
2 where there is landline cable
3 competition. Companies and consumers
4 benefit alike because competition and
5 choice improves customer services. Just
6 last month, J.D. Powers reported that
7 Verizon FiOS had the highest ranking in
8 residential television satisfaction in
9 the eastern region.

10 The City benefits by this
11 network by having state-of-the-art
12 infrastructure and new revenue from
13 grants and in expanded gross revenue
14 payments.

15 Since reaching an agreement
16 with City negotiators, there has been a
17 historic economic downturn and a near
18 haul to investments using new capital.
19 Despite these conditions, Verizon is here
20 today to stand by its franchise and the
21 unprecedented investment it brings to
22 Philadelphia.

23 Your approval will demonstrate
24 to consumers and to 2,000
25 Philadelphia-based employees of Verizon

1

2 that you continue to have the courage to
3 take a stand and the ability to make that
4 stand count.

5 Now I'll turn it over to my
6 colleague, Brendon Pinkard, to review the
7 details of the agreement.

8 Thank you.

9 MR. PINKARD: Chairman Clarke,
10 members of the Committee and
11 Councilmembers in attendance, thank you
12 for your time, and good evening. My name
13 is Brendon Pinkard from the law firm
14 Wiley Rein, outside counsel to Verizon.
15 I'd like to echo my colleagues in saying
16 thank you for this opportunity.

17 As Mr. Trane noted, the
18 proposed franchise is the product of
19 nearly six months of thoughtful,
20 deliberate and intense negotiations
21 between Verizon and the City's
22 negotiators. Through this painstaking
23 process, Verizon and the City's team have
24 negotiated a proposed agreement that
25 will, if approved, provide financial

1
2 benefits to the City and its residents,
3 improve customer service and allow
4 Verizon to compete with Comcast for
5 subscribers on a level playing field.

6 Before getting into the details
7 of some of the material provisions of the
8 agreement, I'd like to briefly focus on
9 an issue of deployment, an area of vital
10 important to the City and its residents
11 and Verizon.

12 Recently there has been a flood
13 of inaccurate and misleading information
14 advanced by the incumbent cable operator
15 suggesting that Verizon will not provide
16 service to the entire City. Let us be
17 absolutely clear. The proposed agreement
18 unequivocally requires Verizon to provide
19 cable service to all residents of the
20 City in all neighborhoods of the City.
21 Not only that, but the proposed agreement
22 requires Verizon to deploy its service in
23 a timely and equitable manner that
24 reflects the diverse nature of the City
25 of Philadelphia.

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As a general matter, Verizon will deploy cable service by upgrading its existing telecommunications infrastructure, which is comprised in part of Verizon's 22 wire centers or central offices located throughout the City. Under the terms of the agreement, Verizon is required to provide service throughout the entirety of the City no later than seven years. Within that time frame, the schedule contemplates two phases.

During the first phase, Verizon is required to provide service to residents served out of ten of the wire centers in the City by Year Three, which must constitute 32 percent of the City. Those Phase 1 wire centers cover a broadly diverse range of communities, including North Philadelphia, South Philadelphia, West Philadelphia, Kensington and Germantown.

Verizon will commence deployment to the remaining 12 wire

1
2 centers in Year Four, which will be
3 completed within seven years of the
4 effective date.

5 Additionally, Verizon has
6 agreed to a benchmark that requires
7 Verizon to make cable service available
8 to 70 percent of City residents by Year
9 Five of the franchise. Further, in order
10 to demonstrate Verizon's commitment to
11 equitable deployment, the proposed
12 franchise includes both a clear
13 prohibition on discrimination based on
14 race and income, as well as a provision
15 establishing an objective measurable
16 standard by which the City can confirm
17 that Verizon is living up to its
18 obligations in this regard.

19 Verizon has also agreed to up
20 to two review sessions per year with the
21 Commissioner of Public Property, at which
22 the Commissioner can conduct a detailed
23 review of Verizon's deployment.

24 Finally, as a means of
25 providing the City with security for

1
2 Verizon's satisfaction of its deployment
3 commitments, Verizon has agreed to post a
4 performance bond of up to \$13 million.
5 This performance bond provides the City
6 with a significant tool by which it can
7 enforce the terms of the agreement,
8 including service deployment.

9 With respect to the other
10 provisions of the agreement, the
11 franchise provides for the following
12 benefits and protections for the City:
13 \$11.2 million in total grants to various
14 City entities, including a \$2 million
15 Technology and Education Grant, \$6.7
16 million in grants to support public
17 access, \$1.5 million in grants to support
18 government access, and a million dollars
19 in grants to support education access.

20 Verizon will pay five percent
21 of gross revenues to the City in
22 franchise fees. To be noted, however,
23 because Verizon agreed to a definition of
24 gross revenues that is substantially
25 broader than what is included in the

1
2 incumbent cable agreement, Verizon's
3 franchise could result in increased
4 revenue to the City.

5 Verizon will set aside 15
6 channels for public, educational and
7 government access programming. Verizon
8 will provide insurance of \$20 million,
9 with an option for the City to increase
10 that amount to 30 million in 2015.

11 Verizon agrees to indemnify the
12 City for any liability arising as a
13 result of the franchise.

14 In addition to the previously
15 mentioned performance bond, Verizon has
16 also agreed to liquidated damages of up
17 to a thousand dollars per day for various
18 violations.

19 And, finally, customer service.
20 While customer service is inherent to a
21 competitive market and despite the fact
22 that the incumbent cable operator's
23 franchise includes minimal customer
24 service standards, Verizon has agreed to
25 an entire appendix devoted to customer

1
2 service. In addition to exceeding the
3 incumbent's limited customer service
4 standards, Verizon's proposed provisions
5 far exceed the requirements established
6 by the FCC.

7 That covers the main highlights
8 of the franchise, which we look forward
9 to addressing in greater detail during
10 this public hearing, but in closing,
11 Verizon firmly believes that the
12 extensive benefits and protections
13 provided by this agreement will advance
14 the public interest and change the
15 landscape of cable television in the City
16 of Philadelphia. We, therefore,
17 respectfully request your favorable
18 action on this franchise so that we can
19 collectively make this goal a reality.

20 Again, thank you for your time
21 and consideration of our proposal.

22 COUNCILMAN CLARKE: Thank you,
23 gentlemen.

24 Actually, I'm going to defer my
25 questions to the Committee members.

1

2 Councilman DiCicco, I think you
3 were first.

4 COUNCILMAN DiCICCO: Thank you.

5 Good afternoon, gentlemen. I
6 think, Mr. Bishop, you mentioned -- you
7 brought out the number of jobs that are
8 currently or will be --

9 MR. BISHOP: Those are current
10 positions held in Philadelphia, yes.

11 COUNCILMAN DiCICCO: Will there
12 be any additional jobs, permanent jobs?

13 MR. BISHOP: No. There will be
14 no additional jobs through this. I guess
15 it's an important point I'd like to make
16 sure I draw on, and, that is, that there
17 is an opportunity that's a little
18 different for us than perhaps other
19 franchisees, in that whereas they did not
20 have an infrastructure; for example, they
21 didn't have a franchise, so there was no
22 purpose for their business to be in
23 Philadelphia. So certainly we've been,
24 certainly as Bell of Pennsylvania, been
25 around for a hundred years. So that

1
2 gives us numerous facilities throughout
3 the City of Philadelphia. That gives us
4 numerous employees that work in those
5 facilities throughout the City of
6 Philadelphia.

7 So the build will involve those
8 employees, those current employees, as
9 opposed to creating new work
10 opportunities. The only area where there
11 will be some new opportunities, they'll
12 be very small, and that will be in terms
13 of the customer service centers that will
14 be created through this franchise. There
15 will be four in total, one service center
16 per franchise area. So there will be
17 some staff associated with the openings
18 of those centers.

19 COUNCILMAN DiCICCO: Thank you.
20 I appreciate your candor in that. And I
21 understand again when we had no
22 franchises, we didn't have cable, it
23 created an opportunity to create new jobs
24 or jobs.

25 The other question I had -- and

1

2 as I said earlier in my comments, I met
3 with you folks, I met with Comcast and I
4 met with the union guys as well.

5 Call centers was a question
6 that was asked of me, and I need to ask
7 it of you. Where are they located? Will
8 there be call centers in Philadelphia?
9 And just briefly explain what the call
10 center is and what it means to your
11 operation.

12 MR. BISHOP: The call center is
13 an operation where I guess -- there are
14 several throughout the country, and what
15 they basically do is, when people have an
16 issue, they call in a request for
17 service. They come into that area, and
18 that ends up being what we call
19 networked, meaning that the calls are
20 shared among the different call centers
21 that are established. The technology
22 allows that to happen, so that the
23 information can get to the people who
24 will respond when an issue arises.

25 COUNCILMAN DiCICCO: I want to

1
2 stop you for a minute. Is that similar
3 to if I have a question with my credit
4 card, when I make a call, it goes to a
5 center, which may not necessarily be in
6 Philadelphia, in many cases outside the
7 country, from what I understand. It
8 could be India or whatever. Is that
9 similar?

10 MR. BISHOP: Yes, it's similar,
11 but those centers are inside the United
12 States. There are several throughout the
13 states.

14 COUNCILMAN DiCICCO: That's a
15 start.

16 MR. BISHOP: The issue with the
17 call center, I guess, in -- it's my
18 understanding that it's a matter that had
19 been discussed during negotiations, I
20 guess. I'm sure most members recall when
21 there were these negotiations between
22 Verizon and the Communication Workers of
23 America back in August. But there was a
24 issue that had come up on the table
25 regarding call centers at that point in

1
2 time, what we call fiber sourcing
3 centers. The issue is, through the usual
4 back and forth process of negotiations,
5 there was no agreement reached and it
6 looks like it may end up going into
7 arbitration. So there's not a whole lot
8 that we can discuss about that if it ends
9 up going in that direction.

10 COUNCILWOMAN SANCHEZ: Point of
11 information.

12 COUNCILMAN CLARKE:
13 Councilwoman.

14 COUNCILWOMAN SANCHEZ: Yeah.
15 How many employees do you currently have
16 and how many employees would be created
17 in a call center situation? What's your
18 current workforce and what would it be
19 with the center?

20 MR. BISHOP: The current
21 workforce is slightly over 2,000 people
22 working in Philadelphia proper. I should
23 add that I guess about 1,300, is my
24 understanding, are union positions to the
25 CWA. But for the call centers, that

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2 would be somewhere around 150, if it were
3 all to happen.

4

COUNCILMAN CLARKE: The call
5 centers, just to make sure we're talking
6 about -- because I know there was some --
7 I had some -- I wasn't sure about the
8 terms being thrown around. There's this
9 fiber --

10

MR. BISHOP: They're one and
11 the same.

12

COUNCILMAN CLARKE: Are we
13 talking about that now and not the four,
14 what we would call, customer service
15 centers?

16

MR. BISHOP: Those are two
17 separate.

18

COUNCILMAN CLARKE: I just want
19 to make sure. I'm sorry.

20

Councilman.

21

COUNCILMAN DiCICCO: I will ask
22 the question that I asked the other
23 panel, the Administration. It really was
24 a question for you guys. Is there a
25 drop-dead date that if we don't get this

1
2 done by next Thursday, the 11th, that you
3 guys will not be -- your company is not
4 interested in pursuing this franchise?

5 And I know it's a tough
6 question because you're in a competitive
7 environment here, but we've had some
8 discussion, I've had some discussion with
9 the other folks. It seems at these
10 public hearings a lot more comes out
11 because a lot more people are thinking,
12 and it lends one question that leads into
13 another, and I think that's a good thing
14 for all of us. So that when we make the
15 final decision, at least we will have
16 made it with an understanding of as many
17 of the issues that are of concern to us.

18 So if we don't get it done on
19 the 11th of this month, which is a week
20 from tomorrow, and we do it sometime
21 within a month or two after we come back
22 from our recess, I mean, is that
23 something that -- and I know you don't
24 want to say yes, but we need to know. Is
25 this a drop-dead situation here? And I

1
2 appreciate your honesty in that, because
3 I think we're going to get to where you
4 need to get to. I just think that
5 there's an uneasiness about this. Even
6 though we've had some conversations, it's
7 the way this government works sometimes.
8 It's just you get something and then all
9 the sudden, it's the last minute you got
10 to do it and there's been a void from the
11 first initial conversation to the day of
12 where we are now because a lot of other
13 things are going on in our lives.

14 MR. TRANE: Understood. And as
15 I noted in my comments, we had the chance
16 to speak with you directly and all the
17 other members. We tried to bring as much
18 information to you as possible.

19 As it relates to Verizon's
20 position whether, as you phrased it,
21 walking away, the way to look at it is
22 that we won't invest any money in
23 Philadelphia until we have an agreement,
24 and right now this is the largest
25 investment ever proposed in the history

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2 of the City and there are many competing
3 interests for capital, particularly as
4 the access to capital is shrinking.

5 We want to be here. We want to
6 provide competition. All our market
7 research says that this is a wildly
8 popular idea with your constituents.
9 They've waited 24 years to hang up on
10 Comcast and switch to someone else. So
11 they want to do this. We want to do it.

12 COUNCILMAN DiCICCO: Fair
13 enough. Thank you.

14 No further questions.

15 COUNCILMAN GREENLEE: Thank
16 you, Mr. Chairman.

17 Good evening, gentlemen.

18 Mr. Trane, just to follow up on what you
19 said, I think we all in various ways --
20 and I certainly speak for myself -- agree
21 that competition is better for the
22 consumer, our constituents, but obviously
23 this is a big deal and we want to make
24 sure we ask the right questions and get
25 it right and don't have people come back

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2 later and say, Well, why didn't you do
3 this.

4 So just a couple questions from
5 me. You heard the concerns raised with
6 the Public Property Commissioner and
7 Deputy Commissioner, and as I said in my
8 questioning, it's clear that you
9 certainly made an attempt to be
10 economically diverse in your build-out,
11 although we don't know exactly where
12 these boundaries are. I know these are
13 old-time phone exchanges, but just
14 generally looking at it, it looks like
15 you did. But obviously you heard the
16 concern of the Councilwoman for the Sixth
17 District, and that does kind of stand
18 out, that there's a big section of the
19 Northeast part of the City that is in
20 Phase 2.

21 Could you just address -- I
22 know Public Property addressed it a
23 little bit, but you could probably
24 address it better, the reason for that.

25 MR. TRANE: Well, as Public

1
2 Property noted, Verizon builds out from
3 this hundred-year-old spaces of wire
4 centers. There are 22 of them in the
5 City. And as the Councilwoman, who
6 unfortunately is not here, but half of
7 her area is being built in the first
8 phase. So a significant portion of her
9 area is --

10 COUNCILMAN GREENLEE: It looks
11 like more of the Tenth is probably not.

12 MR. TRANE: It's a good size
13 area.

14 What we did when we negotiated
15 with the City, the City provided the
16 median household income for the City, and
17 they were very concerned that this not be
18 a case where the highest income areas get
19 the build first and lower income areas
20 get the build after that.

21 Additionally, Verizon is very
22 concerned about redlining, and their goal
23 is to build out the whole City regardless
24 of where they live or what their income
25 is.

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What we agreed to with the City, based on their intricate knowledge of the City and their understanding of our wire center, is a build plan that reflects that the vast majority of households served in the early parts of this build have median household incomes between 25,000 below or 25,000 to 45,000 below. That was the information the City provided to us. That was their goal in doing this. And we accepted that based on they know the City a lot better than we do. And they had that goal in mind. Our goal is to serve everybody.

I think the one thing that everybody needs to keep in mind is, this is an unprecedented investment. It's never been done. The only way that Verizon gets its money back is to get customers. That means build as quickly as possible and get those customers. That's the only way it's going to happen. We don't need a franchise to incentivize us to go get the customers. It's just

1
2 the economic reality of spending this
3 kind of money, we need the time to do it
4 over, and that's why the build proposal
5 has been for over seven years.

6 And keep in mind, other cities,
7 like New York City, up to nine years;
8 Washington, D.C., nine years. We would
9 have liked that type of time frame here,
10 but --

11 COUNCILMAN GREENLEE: Can I
12 interrupt you one second just on that
13 point, if I may, excuse me, but I know in
14 those other cities, was there already a
15 franchise there that had built a certain
16 structure, like in this case with
17 Comcast?

18 MR. TRANE: They all have
19 existing cable providers.

20 COUNCILMAN GREENLEE: They did?
21 Okay.

22 MR. TRANE: They all do.

23 COUNCILMAN GREENLEE: You
24 weren't one of the first ones to come in?

25 MR. TRANE: No, not at all.

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2 COUNCILMAN GREENLEE: I just
3 wanted that clear.

4 MR. TRANE: And keep in mind,
5 Councilman, in the original franchises
6 with the City, each franchise area was
7 given two or three years. That's one
8 area. There's four of them. They had
9 eight or nine years to build the City.

10 COUNCILMAN GREENLEE: Okay.
11 And just, again, for the record, you
12 certainly -- and I have talked to
13 Mr. Bishop a number of times, and you
14 certainly have been forthcoming in
15 answers to me, so I don't want to make it
16 sound like you have not. But as
17 Councilman DiCicco said, as the questions
18 come in as other people ask questions --
19 and I think that's one of the things
20 that's coming up.

21 One last thing, Mr. Trane. I
22 know other people have questions. You
23 mentioned rates, which are obviously one
24 of the things that our constituents talk
25 about a lot. Would you be willing to go

1
2 on record how much in difference -- you
3 talk about Comcast. You say the
4 incumbent, but we're talking Comcast --
5 Comcast rates are and how they've had to
6 raise them and all? How would you say
7 your rates would compare as you sit here
8 now? I know you can't predict it
9 totally, but as you sit here now, how
10 would you think you would compare?

11 MR. TRANE: First of all, as I
12 raise those issues, I also -- Verizon as
13 a whole has a tremendous amount of
14 respect for Comcast and the company they
15 are and the good corporate citizen they
16 are in Philadelphia. The simple reality
17 is, in a monopoly setting, rates are
18 unchecked.

19 Where there is landline
20 competition, rates are generally 10 to 15
21 percent lower than the incumbent.
22 Generally speaking, that's \$12 to \$18 per
23 customer per month. So it does have an
24 effect on the rate base.

25 COUNCILMAN GREENLEE: Okay.

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2 Thank you.

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4 And one last, if I could. On
5 this map, just so I'm clear, I think at
6 the briefing we had -- and it was a good
7 briefing, a lot of information given out,
8 even though a lot of us were in a hurry
9 to get out because we had another thing
10 to do -- I know you've put in this new
11 map the Council districts, but there's
12 still -- like I'm not real clear on where
13 these breaks are sometimes.

14 Is there a reason why there was
15 not like -- because most of us don't
16 know. I'm old enough to kind of remember
17 when I was CE -- or Center instead of
18 2-3, but it's -- like talk about either
19 neighborhoods or boundaries of streets.
20 Was there any reason why you can't or
21 didn't?

22 MR. TRANE: Well, it's the
23 reality that the infrastructure is based
24 on the wire centers with the funny names,
25 and those wire centers serve across
26 geographic boundaries, political

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2 boundaries. There are some of those wire
3 centers, like Chestnut Hill, that serve
4 areas outside of Philadelphia. That's
5 why as these issues of zip code and other
6 things come up, they don't lend
7 themselves to that. They lend themselves
8 to a myriad of things.

9 But keep in mind, as it relates
10 to the build-out, we've agreed, as
11 Comcast did, to meet with the
12 Commissioner and present our progress to
13 her as we go. And what we will do is
14 also, as customers call you, as they
15 will, asking, When am I going to get this
16 service, they're allowed to go on a
17 website, type in a phone number and it
18 will tell them there whether they're
19 eligible for service. So it's just the
20 more modern day of doing what was done
21 earlier when cable franchises first
22 arose.

23 COUNCILMAN GREENLEE: I guess
24 it would have just been easier -- and I
25 don't know how easy it is for you to do

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2 that -- to give a little more boundaries
3 that we kind of understand. And I don't
4 know how easy that is to do, but it would
5 have just made it easy to say, Okay -- I
6 know the constituents can call in, but if
7 they call us and say, Where are we, we
8 could give a little better like breakdown
9 on where that is.

10 MR. TRANE: In the map that
11 you're looking at, we clearly heard at
12 the briefing that the members wanted to
13 know based on Council districts, and we
14 appreciate that, and what we could do is
15 darken in the areas that surround the
16 wire center. But in general speaking,
17 the wire centers have a boundary to it as
18 well. They're not political. They're
19 not geographical by any stretch, but they
20 do extend beyond the City of
21 Philadelphia. But we'll make every
22 attempt to maybe put neighborhoods,
23 things that you're more familiar with
24 than a wire center.

25 COUNCILMAN GREENLEE: Okay. I

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2 appreciate that. Thank you.

3 Thank you, Mr. Chairman.

4 MR. BISHOP: If I may,

5 Mr. Chairman, just to add a quick

6 follow-up point. Certainly we do have

7 the specific addresses related to all of

8 the wire centers or what we call central

9 offices as well. So that can be provided

10 and made available for your convenience,

11 and it might be easier to kind of zero in

12 on a locale based on the exact address

13 and the neighborhood that surrounds it.

14 COUNCILMAN GREENLEE: Thank

15 you.

16 COUNCILWOMAN MILLER: Point of

17 information, Mr. Chair.

18 COUNCILMAN CLARKE: Certainly,

19 Councilwoman.

20 COUNCILWOMAN MILLER: Hi. Just

21 to do a follow-up on Councilman

22 Greenlee's question about build-out, I

23 think it helps us -- and it certainly

24 does help me, and I did ask the other day

25 at the briefing -- if we could have more

1
2 detailed information about the build-out.
3 For example, when you say Germantown,
4 where? Where do you start? Where do you
5 end? If you could just let me know the
6 geographic boundaries of the streets,
7 name of the streets, of where you start
8 and where you're going to start Phase 1
9 and start Phase 2.

10 And when we talked about North
11 Philadelphia, this map, this colored map,
12 really does help a lot. It really helps
13 a lot better than the one you gave us on
14 Monday, because I can figure out the
15 North Philadelphia versus -- like
16 Darrell's district versus mine. But it's
17 better if you lay it out there. And if
18 you need to, Joe James and Public
19 Property, they know what we're talking
20 about. And it doesn't have to be a
21 political map. It could be a zip code.
22 I mean, it could be anything, but we need
23 to know street, where does it start,
24 where does it end. For example, Marian
25 Tasco's district and I separate at

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2 Stenton Avenue. Something simple, but
3 let us know, because right now it's just
4 wide open, and when you say Germantown,
5 it's like what, what does it mean for
6 real.

7 MR. TRANE: Keep in mind, Madam
8 Councilwoman, that Verizon, as did
9 Comcast -- Comcast in their renewal did
10 not put where they're building. What
11 they agreed to do was meet with the
12 Commissioner, as Verizon has done, to
13 outline the plan, and the reason for that
14 is, there's competition involved here,
15 and neither company would want the other
16 company to go ahead of them to try to
17 lock up customers.

18 So we provided a tremendous
19 amount of specificity in the agreement
20 itself, but we've also agreed to meet
21 with the Commissioner twice a year to
22 detail our plan to protect our
23 proprietary information, but also to make
24 sure that the City regulators have the
25 information they needed to make sure we

1
2 were doing what we said we'd do in the
3 agreement.

4 COUNCILWOMAN MILLER: Okay. I
5 remember years ago when they said -- I
6 vaguely remember when they said cable is
7 coming to Philadelphia after it finally
8 got out of City Council, and somehow I
9 knew that my neighborhood was going to be
10 last, and I think that's because of the
11 information that was given out. And
12 that's all I want to know. I need to
13 know where are you going to start and
14 where are you going to end and when are
15 you going to start Phase 2 or where
16 you're going to start Phase 2, because
17 that's what people are going to ask me,
18 and I want to be able to answer them.

19 We have a lot of questions
20 about build-out. We really do. And,
21 again, I agree with Councilman Greenlee
22 and I think everyone up here agrees that
23 people want to see competition. They
24 want to see competition. And I was here
25 for the renewal. I wasn't here for

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2 Comcast's original, but I was here for
3 the renewal and I was here for the RCN.
4 So competition has always been a key
5 point here for the residents and
6 consumers. And we're all consumers. So
7 we're no different than our constituents
8 in this area.

9 Thank you.

10 COUNCILMAN CLARKE: Thank you.

11 Councilman, you go ahead. I'll
12 come back.

13 COUNCILMAN RIZZO: Can we go
14 back to the map. Let's talk about Phase
15 1. How many years?

16 MR. TRANE: Thirty-six months.

17 COUNCILMAN RIZZO: Can't you
18 give us a map where the first three
19 months, the second three months? You
20 indicated that that's because of
21 competition?

22 MR. TRANE: Yeah.

23 COUNCILMAN RIZZO: Put yourself
24 in our position here. Someone asks a
25 simple question, When am I going to get

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2 FiOS, and you're going to say, Well, we
3 can't tell you because we don't want
4 Comcast to know. I don't think that puts
5 us in a very intelligent position here.

6 So what can you do to help us
7 understand this build-out? This
8 build-out is very confusing. That's why
9 the rush. I just don't really understand
10 what your plan is here.

11 MR. TRANE: Absolutely. Keep
12 in mind, the wording of the agreement is
13 very similar to what Comcast did in their
14 renewal. They did not tell the City
15 where they were building and when they
16 were building it. They did it behind
17 closed doors with the Commissioner.
18 We've agreed to do the same thing, and
19 we've done more by providing a map that
20 shows the geographic areas where we'll be
21 building.

22 But hold on. I want to address
23 your timeline issue.

24 Additionally, when you look at
25 the timeline that was involved in them

1
2 getting before your Committee back then
3 and the approvals, it's very similar to
4 Verizon. We've looked at that with the
5 City Clerk. We are not trying to rush
6 this. We want to give you, Councilman,
7 all the time needed to review, to ask
8 questions, and for us to answer them.

9 But in terms of -- I want to
10 just set the record straight. There
11 isn't a rush here. In 1999 and '98, the
12 same time frames we used for the
13 approvals of both the transfer of the
14 agreement to Comcast and their subsequent
15 renewals.

16 COUNCILMAN RIZZO: Okay. I
17 want to talk about the negotiations. I
18 think I know who took care of the
19 technical part. I think Mr. James and
20 the people in Communications dealt with
21 the technical part. Could you describe
22 the negotiation process and who
23 negotiated some of the other
24 non-technical parts of the franchise
25 agreement.

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MR. TRANE: Sure. There were very rigorous negotiations that lasted about six months. We met in the initial part of the process obviously with the Mayor and the Mayor's Chief of Staff and other folks, but the primary negotiators were Michael Athay from the City Solicitor's Office and Joe James. There were a number of people that played different parts, but they were the primary negotiators. And the primary negotiators on our end was myself, Brendon Pinkard, Marie Lasota and Tabb.

COUNCILMAN RIZZO: So all of these, Verizon will pay for an educational access channel grant, that was all at the executive level of the government, that was the Mayor and his team?

MR. TRANE: No. It was Michael Athay and Joe James representing the Administration.

COUNCILMAN RIZZO: Now, presently in our franchise agreement, we

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2 get free service at 1,200 locations; is
3 that right?

4 MR. TRANE: Correct.

5 COUNCILMAN RIZZO: Now, instead
6 of free service, we are going to accept
7 \$2 million?

8 MR. TRANE: That's correct.

9 COUNCILMAN RIZZO: And that was
10 a technical decision or a --

11 MR. TRANE: No. What happens
12 often times, as happened in the vast
13 majority of our negotiations with
14 cities -- it happened in large cities
15 like New York City.

16 Like Philadelphia, there are
17 approximately a thousand locations that
18 Comcast provides free cable service. The
19 Administration, much like every other
20 large city, didn't want to duplicate that
21 service. They didn't want to make sure
22 that a classroom had two TVs, one from
23 Verizon and one from Comcast. It didn't
24 seem to make public policy sense to them,
25 as it doesn't to most cities. So what

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2 they did, they looked at the value of
3 those drops, the value of the INET that
4 Comcast provides, and they had some other
5 needs in the technology area, and we
6 agreed to pay them \$2 million. That far
7 exceeds the value of those from Comcast.
8 For instance, the INET, we paid the City
9 \$700,000. Comcast has said theirs is
10 worth \$650,000.

11 We believe the value of the
12 free drops from Comcast to be about
13 \$400,000. It costs Comcast or Verizon
14 one-time cost to build the free drops to
15 a school or to City Hall. The service is
16 free. There's no foregone revenue. It
17 was always intended to be free. So to
18 take the value of the service and use it
19 into some equation of the value is crazy.
20 They were free drops. So there was a
21 one-time cost to Comcast, as they would
22 be for us.

23 We offered to build them. We
24 would have been glad to build them, but
25 the City, from its public policy

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2 standpoint, decided that the revenue was
3 better than a duplicative service. And,
4 again, that's traditional in most of
5 these instances. Brendon and I have
6 probably done 50 of these agreements
7 around the country. I would say 45 to 48
8 of those take that option.

9 COUNCILMAN RIZZO: Thank you,
10 Mr. Chairman.

11 COUNCILMAN CLARKE: Thank you,
12 Councilman.

13 This issue about specific
14 locations -- and I understand, trust me.
15 I mean, you're in a lot different
16 position. When Comcast was doing this
17 initial build-out, frankly speaking,
18 there were not marketing issues, because
19 they essentially in that particular
20 targeted area, they had the entire area,
21 so it was not an issue with respect to
22 marketing. And I understand your concern
23 about tipping your hat, so to speak, as
24 to what direction you're going to be
25 going in very specific terms, but City

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2 Council -- and this is no fault of your
3 own. This is the way our government is
4 structured. City Council, we consider
5 ourselves as a co-equal branch of
6 government, although a lot of people
7 don't. Probably the Mayor's Office
8 doesn't. But the reality is, we believe
9 that that's the case, and the way things
10 are structured, agreements are
11 traditionally done -- and that's no --
12 please, Mayor, if you're listening, no
13 dig at you. All mayors.

14 The way the government is
15 structured, that negotiations get done
16 with administrations, but invariably we
17 in Council are asked to approve those
18 deals that were done, and, unfortunately,
19 we're traditionally not involved during
20 the course of those negotiations. So
21 things are thrust upon us at the last
22 minute. And it's not intentional. It's
23 just the way government is.

24 So when I hear you on a couple
25 of occasions in your responses about

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2 locations saying that in prior franchise
3 agreements, there was these back-room
4 private meetings with the former Public
5 Property Commissioner on where we were
6 going and now you say that there's some
7 level of commitment to the existing
8 Public Property Commissioner and
9 Administration about the potential
10 locations, I would like to see, at a
11 minimum, understanding that if you talk
12 to 17 members of Council, it may be like
13 a bad refrigerator, we can't keep
14 anything. I understand that. It might
15 get out there. But the reality is, there
16 has to be something in between sharing it
17 in a public forum and simply having a
18 conversation with the Commissioner to put
19 these Councilpeople in a position where
20 they can intelligently answer questions
21 about when is that service coming to my
22 community, or am I in the first phase.
23 You've got to give us something.

24 So if you have to work out some
25 process that people can -- it sounds like

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2 you might have --

3 MR. TRANE: Two things. We've

4 tried to do that with a map, and we'll

5 enhance it, as Councilman earlier had

6 suggested, Councilman Greenlee. But I

7 want to make it clear. It wasn't a

8 back-room deal or a discussion with the

9 prior Public Property Commissioner that

10 Comcast relied on. It was in Section 2

11 of their agreement. There was a

12 contractual obligation that they would

13 provide that information to the

14 Commissioner so that it could remain

15 proprietary. We've agreed to essentially

16 the same idea. However --

17 COUNCILMAN CLARKE: If I said

18 back room, I apologize. I probably meant

19 in the conference room. I'm sorry. Bad

20 characterization.

21 MR. TRANE: And we've gone

22 farther than that in their contractual

23 obligation with the agreement that you

24 have in front of you.

25 We'll continue to clarify the

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2 build-out for you, but I want to make it
3 abundantly clear that we've already done
4 more than the incumbent. We'll continue
5 to do more.

6 And, by the way, from our
7 perspective based on the questions you're
8 asking, you're very equal to the
9 administrative branch of government here,
10 the executive branch. So we're going to
11 continue --

12 COUNCILMAN CLARKE: Right
13 answer.

14 MR. TRANE: And that's how we
15 view it. So we'll answer any questions
16 you have. But we understand the need for
17 clarity and transparency, and we'll
18 provide that to you and we'll do
19 everything we can to do that for you.

20 COUNCILMAN CLARKE: We really
21 would appreciate that, because we need to
22 be in a position to respond. More often
23 than not, Councilpeople tend to be the
24 first line of response. We don't have
25 our 3-1-1 system set up yet, in earnest,

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2 but people see us. People have the
3 ability to come to Council, as you see
4 right here. There are probably people
5 here waiting today waiting for this
6 hearing to be over so they can grab us in
7 the corner.

8 I need to know whether I'm
9 going to be wired for FiOS. So we need
10 to be in some position to respond
11 intelligently. That's all we're saying.

12 Thank you.

13 COUNCILWOMAN SANCHEZ: Point of
14 information.

15 COUNCILMAN CLARKE:
16 Councilwoman.

17 COUNCILWOMAN SANCHEZ: I think
18 it's important for Verizon -- and I would
19 have asked this for Comcast -- the issue
20 of the competition around how much
21 detailed information they give out for
22 mapping, why that's done. Why is that an
23 industry practice that's been done in
24 other cities?

25 MR. TRANE: Because --

1

2 COUNCILWOMAN SANCHEZ: From the
3 consumer's perspective.

4

MR. TRANE: Well, from the

5

company's perspective, from a

6

competitor's -- we're proposing --

7

Verizon is proposing to spend a lot of

8

money to build this system, the largest

9

ever done in the City's history. What it

10

needs to get a return on that investment

11

is customers.

12

What happens in these

13

situations often times is, if Verizon or

14

anybody else announced where their build

15

plan was going in detail at the granule

16

level of streets, I know you'd be shocked

17

to hear this, but the incumbent then goes

18

to those areas and tries to lock up

19

customers with contracts, or in a

20

multiple dwelling unit, they do creative

21

marketing arrangements that essentially

22

prohibits Verizon from getting those

23

customers. That's why it's very

24

proprietary, and that's why both

25

companies in their agreements have looked

1
2 to provide information, but the real
3 granule level is done with the
4 Commissioner.

5 COUNCILWOMAN SANCHEZ: Thank
6 you.

7 COUNCILMAN CLARKE: And I hate
8 to belabor the point. Couldn't you
9 reverse that and say that the fact that
10 you're coming to a neighborhood and
11 you're going to have, as you said,
12 possibly 15 -- was it \$15, \$12 per
13 customer?

14 MR. TRANE: We'd be lower.

15 COUNCILMAN CLARKE: Wouldn't
16 that then be what we're all seeking is
17 competition? So if the incumbent said,
18 Oh, here, they're coming over here, we
19 better drop our rates, isn't that what we
20 as customers want?

21 MR. TRANE: It's an excellent
22 point, but even the threat of competition
23 will make the incumbent lower their
24 prices. They can get away with it now
25 because there's no competition.

1

2 COUNCILMAN CLARKE: But as a
3 customer, isn't that what we want?

4 MR. TRANE: Guess what? You're
5 a hundred percent right. Your
6 constituent in that scenario would
7 benefit by the incumbent running out,
8 locking them up into an agreement that's
9 cheaper than they're paying now. But who
10 it would hurt is the second entrant.

11 COUNCILMAN CLARKE: I hear you,
12 and you're right, but with all due
13 respect, I mean, the primary focus of the
14 calls that I've been getting -- and I'm
15 assuming other Councilmembers -- wasn't,
16 frankly speaking, how the franchise
17 agreement was negotiated, who is going to
18 do the CWA. They don't care about that.
19 They want to know, is Verizon coming in,
20 going to lower my rates, because Comcast
21 will feel the need to lower their rates
22 and then there will be this price war.

23 MR. TRANE: More people, in
24 that scenario that you're painting, the
25 reality is, without the granule detail,

1
2 the incumbent will lower rates citywide
3 immediately for the arrival of
4 competition, because they don't know
5 where we're going block to block or
6 street to street. The more likely
7 scenario is they'd lower it citywide.

8 COUNCILMAN CLARKE: I don't
9 think that they -- to my knowledge, I've
10 never heard of the incumbent lowering
11 rates in a particular area.

12 MR. TRANE: Well, look at the
13 rate --

14 COUNCILMAN CLARKE: Do they do
15 that? But I'm just saying,
16 realistically -- and, I mean, these are
17 folks who are -- it's interesting. We
18 keep calling them the incumbent. But
19 this is their home. How could they get
20 away, frankly speaking, with saying, All
21 right, North Philly, we're going to lower
22 rates in North Philly and not West
23 Philly?

24 MR. TRANE: That's my point.
25 They'd lower them citywide. So it

1
2 wouldn't just be a certain district that
3 would benefit. It would be every
4 resident.

5 COUNCILMAN CLARKE: But why
6 would we not want that, we as a customer?

7 MR. TRANE: You should. That's
8 the point. You should, and we support
9 that idea. That's what the agreement
10 allows. I mean, just look at the reality
11 of what's going on with the incumbent.
12 They've announced another rate increase
13 for January 1st. The only service
14 they're going to increase was the one
15 they don't have competition in, cable
16 service. Internet service, telephone
17 service, no increase. There's a reason
18 for that, because they can. They don't
19 have to compete for those customers.
20 That's how it works. That's why
21 monopolies have been pushed aside in
22 favor of competition in virtually every
23 industry known to man. This is the last
24 bashing of a monopoly setting, and we're
25 proposing with our build and our

1

2 contractual obligation to provide service
3 to every resident to break that monopoly.
4 That's what we're here to do.

5 COUNCILMAN CLARKE: All right.

6 I guess I just see it differently. I
7 think that as soon as you announce where
8 you're going, with the understanding that
9 those rates will be \$10, \$15 cheaper,
10 that the incumbent will immediately look
11 at a strategy to reduce their citywide
12 rates. I don't think that they're going
13 to look at that zip code and lower the
14 rates in that zip code. I mean, in the
15 City of Philadelphia, that's just not
16 done. I can't believe that they would do
17 that, but anyway, I'm not going to
18 belabor the point.

19 Councilman Rizzo.

20 COUNCILMAN RIZZO: Thank you.

21 I want to follow up on
22 liquidated damages. You, I'm sure, are
23 familiar with the name EarthLink and the
24 experience we've gone through here in
25 Philadelphia --

1

2 MR. TRANE: Yes.

3 COUNCILMAN RIZZO: -- on

4 Wireless Philadelphia.

5 MR. TRANE: Sure.

6 COUNCILMAN RIZZO: And I

7 apologize if my statement is not correct.

8 What is your resistance in liquidated

9 damages for non-completion?

10 MR. TRANE: Well, the reality

11 is, Verizon is building this network

12 under its existing authority as a Title

13 II telephone operator. The franchise

14 itself is only granting Verizon the

15 ability to provide cable service. It's

16 not granting Verizon any new rights to

17 build. Verizon could build this system

18 today in the regulatory reality it's

19 under. The economic reality is that it

20 needs the three bundled services in order

21 to compete with Comcast.

22 But let me follow up with that.

23 There's up to a \$13 million performance

24 bond in the agreement that obligates all

25 of the conditions of the agreement be

1

2 met. So if we didn't build or provide
3 service in this case to a certain area,
4 the City could draw down on it. But keep
5 in mind, let me just -- so comparing that
6 to Comcast, they're a Title VI provider,
7 a cable provider. They need that
8 agreement, this franchise agreement, in
9 order to gain access to your streets.
10 That's much different than Verizon.

11 But if your point is that
12 there's liquidated damages in the
13 incumbent agreement for the build, one,
14 they need it, because that's how they get
15 access to your right-of-ways, but if you
16 took the per-day fine that's in there for
17 Comcast and applied it, it would total
18 \$10 million over 15 years. We're
19 agreeing to a \$13 million performance
20 bond. It's far greater.

21 So what we've agreed to is a
22 performance bond that obligates Verizon
23 to meet all of the things that we've
24 negotiated with the City, including the
25 provision of service. And I know one of

1

2 the other Councilmen correctly noted -- I
3 think it was Councilman Green before he
4 left -- that this is about the provision
5 of service. He's right. That's why we
6 put in the agreement that we weren't
7 going to just build. We're going to
8 provide the service, in which area we're
9 going to service.

10 COUNCILMAN RIZZO: And to
11 follow-up on the Chairman's statement
12 about -- and I like the fact that you're
13 starting to use the word "Comcast,"
14 you're dropping that "incumbent" here.

15 MR. TRANE: Well, I know you're
16 reading from that long list. I want to
17 make sure I do it right.

18 COUNCILMAN RIZZO: No. I'm
19 reading from your list, sir. Don't
20 insult me.

21 MR. TRANE: No. I know you
22 have a long list in front of you.

23 COUNCILMAN RIZZO: Your list.
24 No one else's list.

25 MR. TRANE: I wasn't

1

2 insinuating that. I apologize if it came
3 across that way.

4 COUNCILMAN RIZZO: That's the
5 way it came across.

6 MR. TRANE: I apologize.

7 COUNCILMAN RIZZO: Is your
8 concern that if we know that where you're
9 going to build, that Comcast will lower
10 their rates and retain their customers?

11 MR. TRANE: It's both. In
12 other areas of the country, incumbents
13 often times use contracts to lock up
14 customers when they know we're arriving,
15 and they may often times lower rates.
16 And there's a lot of ways to do that when
17 they have bundled service. They can
18 tweak the phone cost or the Internet
19 cost, as well the cable TV cost.

20 COUNCILMAN RIZZO: That's not
21 bad for you, but it's bad for our
22 constituents.

23 MR. TRANE: It would probably
24 be the other way around. They would get
25 a benefit by lower rates, but we wouldn't

1

2 be able to get them.

3 COUNCILMAN RIZZO: Right. You

4 got it right.

5 So I think that's what the

6 Chairman said, that if it drove the rates

7 down, that that's not necessarily a bad

8 thing for our side of the aisle.

9 MR. TRANE: Agreed, and that's

10 why we'd rather have them lower them

11 citywide as opposed to a specific area

12 where they know we're going. The reality

13 is, if they don't know by street level

14 where we're going, they can't just target

15 that one area. They'd have to target the

16 whole City. So more consumers would

17 benefit from the scenario you're pointing

18 to.

19 COUNCILMAN RIZZO: Okay. Fair

20 enough.

21 Thank you, Mr. Chairman.

22 COUNCILMAN CLARKE: One last

23 question, kind of related to an earlier

24 question. With respect to your

25 negotiation with the Administration on

1
2 your franchise agreement, was it, to a
3 degree, the understanding that or the
4 belief that upon the conclusion of that
5 franchise agreement negotiations, there
6 would not be any additional requests from
7 government generally to alter any of the
8 earlier agreements? Because as you've
9 heard today, there have been a number of
10 issues raised. I'm sure you've heard
11 them during the course of the discussion
12 over the last couple of weeks for some
13 things that are of some concerns of
14 Councilmembers, the co-equal branch of
15 government. Did you guys have a sense of
16 what --

17 MR. TRANE: We negotiated with
18 the City negotiators what we consider to
19 be an agreement that was presented in the
20 ordinance before you.

21 COUNCILMAN CLARKE: Okay.
22 Thank you. Thank you.

23 Any other questions of these
24 witnesses by members of the Committee or
25 other Councilmembers present?

1

2 COUNCILWOMAN SANCHEZ: I have a
3 couple.

4 COUNCILMAN CLARKE:

5 Councilwoman.

6 COUNCILWOMAN SANCHEZ: One is,
7 one of the things that Comcast has is a
8 Community Advisory Board that allows them
9 to bring together a cross section of the
10 community across the City. While that's
11 not something that's added into your
12 franchise agreement, is that something
13 you could publicly commit to?

14 MR. TRANE: I assume the
15 Advisory Board, as I know it, is not a
16 part of their franchise agreement.

17 COUNCILWOMAN SANCHEZ: Right.
18 That's what I said. It's not part of
19 something that we would put in the
20 franchise. It's part of their public --

21 MR. TRANE: As it relates to
22 outreach to the community, I'm sure Tabb
23 and the External Affairs organization
24 would work with you and the members to
25 set up some advisory board.

1

2 COUNCILWOMAN SANCHEZ: Thank
3 you.

4 As it relates to your vendor
5 participation, minority vendor
6 participation, what is your current
7 minority participation and how are you
8 going to increase it through this
9 agreement?

10 MR. BISHOP: For the year
11 2007 -- we don't have the statistics in
12 yet for 2008. So those certainly won't
13 be available until the beginning of 2009.
14 But for 2007, we did about \$800 million
15 in total worth of business in the City of
16 Philadelphia. In terms of business with
17 minority -- with firms as a whole, and
18 that's a very comprehensive list of
19 areas. About 114 million of those
20 dollars were spent with what are
21 certainly certified minority, women,
22 disabled and veterans business
23 enterprises.

24 COUNCILWOMAN SANCHEZ: What are
25 your categories?

1

2 MR. BISHOP: Minority, women,
3 disabled and veterans business
4 enterprises.

5 COUNCILWOMAN SANCHEZ: In that
6 114, it has all those categories?

7 MR. BISHOP: Yes. Yes. That's
8 for all those categories. And that
9 equals about 14 percent of the business
10 that was done, and that was certainly --
11 I guess Verizon really is committed to
12 its diversity. Certainly if you go to
13 our national website, as well as even
14 just looking around the employee base at
15 Verizon and many of the people that we
16 work with, the diversity is an imperative
17 in the organization. We really value it
18 and consider it to be incredibly
19 important. And so that's why even prior
20 to this opportunity of asking for a
21 franchise, we've really been focusing on
22 how we can do more with minority
23 communities. That's why I think
24 certainly going back to the question you
25 asked Paul, I mean, certainly you'll find

1
2 us to be open in many different ways of
3 trying to find ways of connecting more
4 with minority communities.

5 COUNCILWOMAN SANCHEZ: Do you
6 have a goal?

7 MR. BISHOP: As it relates to
8 minority participation in terms of
9 contracting, we do. We have as of right
10 now, as I pointed, 14 percent. We've
11 created, developed with the City an
12 Economic Opportunity Plan. An Economic
13 Opportunity Plan will give us the
14 opportunity to not just focus strictly on
15 the things related to this franchise, but
16 it will create opportunities for
17 businesses in all three lines of
18 Verizon's business. That's certainly the
19 wireless business, that will be the
20 telecom business and then Verizon
21 business.

22 So with that, we would be able
23 to tap into some good opportunities for
24 people, because, again, you're dealing
25 with a much broader array of potential

1

2 areas.

3

4 So our goal is to increase it
5 over the next five years. If we're able
6 to get this, this will be beginning in
7 2009 and going five years forward,
8 increasing that 14 percent up to 20
9 percent, and then five years after that,
10 going from 20 percent to 25 percent, and
11 then five years following that, from 25
12 percent to 30 percent. We've
13 communicated that. We have an Office of
14 Supplier Diversity. That's been
15 communicated very high up within the
16 order at Verizon and the national
17 organization, and people are willing to
18 commit to that. And certainly working
19 with minority organizations, the way that
20 we're going to achieve that is to
21 certainly connect more with local
22 chambers of commerce and, in particular,
23 certainly minority and women-based
24 organizations that work closely with us.

25 We've certainly been in
conversations with the Greater

1
2 Philadelphia Hispanic Chamber of
3 Commerce, the African-American Chamber of
4 Commerce, the Greater Philadelphia
5 Minority Business Strategic Alliance and
6 others. But those are the three that
7 we've started with. We're certainly
8 willing to -- actually had one
9 conversation even with the Mayor's Office
10 on Economic Opportunity.

11 So we're looking to connect,
12 partner with people, bring them into a
13 relationship with the organization, with
14 our Office of Supplier Diversity. We're
15 able to communicate to them, make them
16 aware of the kinds of services that they
17 need to develop, making sure that they're
18 aware of RFPs when they're available and
19 kind of helping them to be best prepared
20 to apply for those opportunities.

21 COUNCILWOMAN SANCHEZ: Thank
22 you.

23 COUNCILMAN CLARKE: Thank you,
24 Councilwoman.

25 Any other questions by members

1
2 of the Committee for these witnesses?

3 (No response.)

4 COUNCILMAN CLARKE: Thank you
5 very much. I'm assuming you all will be
6 sticking around?

7 MR. TRANE: Yes.

8 COUNCILMAN CLARKE: Thank you.

9 Our next panel is Lance Haver,
10 Director of Consumer Affairs; Alan
11 Butkovitz, the City Controller; and State
12 Representative Curtis Thomas.

13 (Witnesses approached witness
14 table.)

15 COUNCILMAN CLARKE: Good
16 evening, gentlemen.

17 Mr. Butkovitz, I see you've
18 submitted written testimony. Would you
19 be reading from that or summarizing?

20 MR. BUTKOVITZ: Well, I will
21 summarize.

22 First of all, we support the
23 concept of competition and enactment of
24 this bill. We are recommending the
25 inclusion in the agreement of a

1
2 Philadelphia Cable Consumer Bill of
3 Rights modeled on the one in New York
4 City, which has also been adopted in
5 Seattle and Los Angeles. And the basic
6 concept is to provide transparency with
7 respect to service and repairs. It will
8 require periodic reports of the number of
9 various types of complaints and the
10 responses, and it will provide for an
11 annual report card on those services.

12 That's it. That's my summary.

13 COUNCILMAN CLARKE: That was a
14 heck of a summary. Thank you,
15 Mr. Butkovitz.

16 Representative Thomas.

17 REPRESENTATIVE THOMAS: Good
18 evening, Mr. Chairman. Let me thank you
19 and thank the members of the Committee
20 and other Councilmembers for giving me
21 this opportunity. And I don't know
22 whether I can summarize as quickly as
23 Mr. Butkovitz did, but I will attempt to
24 summarize my concerns.

25 As you know, I'm a majority

1
2 Chairman of the House and Governmental
3 Affairs Committee, which includes the
4 Information Technology Subcommittee,
5 which I established some years ago. I
6 currently serve on the Executive
7 Committee of the National Council of
8 State Legislators and its standing
9 Committee on Communications, Financial
10 Transactions and Technology. Also, the
11 author of Blueprint for Digital
12 Excellence in the Commonwealth of
13 Pennsylvania. So as a former Council
14 President and former Mayor said one time,
15 I kind of know something about the issue
16 which is before you this evening.

17 I support your desire to create
18 competition, and I only ask that --
19 there's been a lot of conversation around
20 build-out. Unless build-out is in the
21 statute, in the bill, then build-out is
22 going to be discretionary.

23 It's interesting that you're
24 having this conversation, because it was
25 not -- I guess it was a year ago, a year

1

2 ago we in the Pennsylvania General
3 Assembly was wrestling with the question.
4 Verizon at the time wanted the
5 Commonwealth of Pennsylvania to take
6 overall franchise agreements and really
7 articulate what these franchise
8 agreements should look like. That effort
9 was not successful because there was a
10 lot of people who believe that local
11 control was very important, that counties
12 and municipalities needed to be involved
13 in the franchise conversations.

14 So we think the build-out needs
15 to be in the law. We also believe that
16 diversity, the issue of diversity and
17 inclusion, needs to be a part of the
18 ordinance, and we believe that the
19 ordinance needs to define a fair playing
20 field.

21 I mean, if we look at the other
22 cable agreements for -- cable agreements
23 that we have in place, we required. It
24 was not a deal that was done in a back
25 room or after the bill became law. You

1

2 need to know what build-out is going to
3 look like up front. And I think it's
4 only fair that we're able to tell our
5 constituents just what is going on. And
6 let's face it, with all the things going
7 on in our city and across the country, we
8 don't need anything that even sounds or
9 smells like a separate agreement.
10 Everything needs to be out front, and
11 people need to know.

12 So I wanted to come here this
13 evening and share that recommendation
14 with you and ask that there are some
15 things in place to measure some of the
16 information that you have received this
17 evening.

18 As City Controller Butkovitz
19 will be able to tell you, we put a lot of
20 work in re-authoring the telecom law in
21 the Commonwealth of Pennsylvania, of
22 which Verizon was the major company at
23 the table, and there were things that was
24 put in the Telecom Reauthorization Act,
25 almost a mirror of some of the benefits

1

2 that have been articulated this evening.

3 The jury is in as to whether or not

4 there's been a commitment to satisfy many

5 of those conditions that was put in the

6 Telecom Act. And so you can look at some

7 of those numbers and look at that history

8 to get some idea of whether Verizon has

9 been a good neighbor or as good as any

10 other provider.

11 The last thing is, we can

12 little afford to allow Verizon or anyone

13 to cherry pick on the issue of access, on

14 the issue of cost and on the issue of

15 creating a level playing field.

16 So I wanted to share that with

17 you, and I thank you. This is a bold

18 step that you're taking, one that your

19 constituents in the City of Philadelphia

20 is going to treasure for years to come or

21 be saddened in future years based on the

22 outcome of this hearing and these

23 conversations.

24 So, again, I want to thank you,

25 Mr. Chairman, and thank the members of

1
2 this Committee and members of City
3 Council for giving me this opportunity.

4 COUNCILMAN CLARKE: Thank you,
5 Representative.

6 Mr. Haver.

7 MR. HAVER: I'll summarize as
8 well. Thank you for the opportunity.

9 I think FiOS will be great for
10 the City of Philadelphia. It would add
11 to the quality of life for consumers.
12 Choice like that, of course, is
13 wonderful. I think it's great that
14 Council is playing a role in making sure
15 there's an equal roll-out.

16 I just would like to mention
17 two things I would also ask you to
18 consider. One is the Controller already
19 mentioned, the Consumer Bill of Rights.
20 I think that can be easily included. And
21 part of that would be to make sure that
22 whatever the service center is, it's a
23 service center where you call, you can be
24 understood and you can understand what
25 you're being told, that we really

1
2 consider outsourcing as a significant
3 problem for consumers.

4 The second thing is, as you are
5 asking for a performance bond or
6 considering a performance bond, to ensure
7 that the build-out is fair and that
8 Verizon lives up to their word, I'd also
9 ask you to consider rate caps on prices,
10 because Verizon continues to say that
11 competition will drive down costs, and it
12 may well, but if they really believe that
13 completely, then as part of the
14 agreement, they wouldn't mind having rate
15 caps in place to protect consumers from
16 rates going up.

17 With that, I'll close. Thank
18 you.

19 COUNCILMAN CLARKE: Thank you,
20 Mr. Haver.

21 Mr. Butkovitz, as the City's
22 watchdog, so to speak, both in terms of
23 inefficiencies, corruption and also you
24 played a role of a fiscal watchdog, can
25 you or will you do an analysis on the

1
2 financial impact to the City as it
3 relates to the potential roll-out? We
4 hear these terms about the amount of the
5 build-out and the contribution, but I
6 would like to see if you can provide us
7 with that as we move along, the actual
8 above baseline revenues that will go
9 directly to the General Fund.

10 MR. BUTKOVITZ: You mean the
11 direct revenue to the City? It's only
12 about \$11 million. It's relatively
13 peanuts. This is really a matter of
14 improving the rate structure for
15 consumers. It's not a big moneymaker for
16 the City.

17 COUNCILMAN CLARKE: You were
18 prepared for that question.

19 MR. BUTKOVITZ: Actually, a few
20 moments ago I became prepared for that
21 question.

22 COUNCILMAN CLARKE: Thank you.
23 All right.

24 Actually, I'll get into a
25 little more detail, but I do have some

1
2 questions along those same lines with
3 respect to purchase of services,
4 materials, equipment, workforce.

5 Thank you.

6 I'm sorry. Councilman DiCicco.

7 COUNCILMAN DiCICCO: Thank you.

8 Good evening, gentlemen.

9 My question is for the City
10 Controller. Are you familiar with the
11 details of the franchise agreement?

12 MR. BUTKOVITZ: I've just read
13 the franchise agreement. I'm familiar
14 with it on a -- in terms of what it says,
15 but I've not -- I mean, it's complex, and
16 I'm not going to claim to be an expert on
17 it.

18 COUNCILMAN DiCICCO: So your
19 office, did you or anyone in your office
20 participate in any of those discussions?

21 MR. BUTKOVITZ: No. No.

22 COUNCILMAN DiCICCO: You talk
23 about a Bill of Rights, which I've seen
24 for the first time. Does Comcast have a
25 Bill of Rights?

1

2 MR. BUTKOVITZ: No. And, of
3 course, we would recommend that when
4 their franchise is renewed, that that
5 also be incorporated into that agreement.

6 COUNCILMAN DiCICCO: When is
7 that renewal? Does anyone know?

8 (No response.)

9 COUNCILMAN DiCICCO: I guess my
10 question is, if you're asking us to
11 include a Bill of Rights for Verizon and
12 you're suggesting that this would be a
13 good thing, it would put everyone on an
14 even playing field, doesn't that kind of
15 counter what you're saying? If we're
16 putting additional restrictions on
17 Verizon, doesn't that negate what we're
18 trying to do in terms of trying to put it
19 on an even playing field? Because the
20 Bill of Rights, from 30 seconds ago, a
21 minute ago, really speaks about
22 protections for consumers and guarantees
23 for service, which is a good thing, but
24 it doesn't talk about any of the issues
25 as it relates to what the franchise will

1
2 mean to the City and revenues and other
3 issues that are not related specifically
4 to the consumer. Not that the consumer
5 isn't important, but I'm a little
6 confused on this.

7 MR. HAVER: I guess there's a
8 couple ways of answering. One is, I
9 think we should learn from our mistakes
10 and we should continue to --

11 COUNCILMAN DiCICCO: I was
12 actually asking the Controller, but thank
13 you. Unless you're running, we can talk
14 about that.

15 MR. HAVER: No. I learned my
16 lesson.

17 MR. BUTKOVITZ: This is a
18 question of improved reporting. It
19 doesn't really per se have an enforcement
20 mechanism. So it provides a greater
21 level of detailed information on how the
22 first franchisee is dealing with their
23 issues, but the enforcement mechanism is
24 still basically what's outlined in the
25 franchise agreement. So instead of the

1
2 Commissioner having to go through some
3 lengthy process to determine how they're
4 responding to complaints and whether he
5 should begin some type of enforcement
6 action against the performance bond or
7 the thousand-dollar-a-day penalty or any
8 of that, the information is more readily
9 accessible. I don't see how that harms
10 anything. If the question is, Well, if
11 you have a greater detailed set of
12 information about Verizon and, therefore,
13 that's going to expedite enforcement or
14 make the Commissioner take stronger
15 action against them and it would be fair
16 that you try not to have that level of
17 detailed information, I don't regard that
18 as a discriminatory effect. I think as
19 time goes on, you have better and better
20 access to information. I don't think we
21 would want to foreclose new information
22 because we didn't think of it before.

23 COUNCILMAN DiCICCO: I'm sorry?

24 MR. BUTKOVITZ: I don't think
25 we would want to foreclose transparency

1

2 on new information just because we hadn't
3 thought of it before.

4

COUNCILMAN DiCICCO: I'm not
5 suggesting that we would foreclose it. I
6 don't know. It's kind of like at the
7 11th hour -- well, not the 11th hour,
8 because this is not coming out of
9 Committee today, but this Bill of Rights
10 for me just seems to be a little bit more
11 of a burden on one entity as opposed to
12 the other. And I don't know when the
13 renewal for Comcast is, and that might be
14 an opportunity for us to do it at that
15 point, but between now and then, it's a
16 further restriction.

17

MR. BUTKOVITZ: Well, the
18 problem then is that the Verizon
19 franchise will be in place. You're
20 always going to have a grandfathering
21 problem. You got to start at some point.

22

COUNCILMAN DiCICCO: No further
23 questions. Thank you.

24

COUNCILMAN CLARKE: Thank you.
25 Thank you, gentlemen. Thank you so much

1

2 for your testimony.

3

4 The next panel -- people have
5 left. I'm going to have to look at this
6 revised list.

7

8 We're going to try to speed
9 this up, because folks are leaving,
10 understandably. The next panel will be
11 Mr. Taubenberger from the Northeast
12 Chamber of Commerce, Delilah Winder from
13 African-American Chamber of Commerce and
14 Jan Shaeffer from Saint Christopher's
15 Hospital Foundation and Mr. Anthony
16 Lewis. I saw Mr. Lewis in the back.17 (Witnesses approached witness
18 table.)19 COUNCILMAN CLARKE: Is
20 Mr. Taubenberger here?21 UNIDENTIFIED SPEAKER: He may
22 have stepped outside.23 COUNCILMAN CLARKE: In the
24 hallway? Okay.25 Good evening. Please state
your name for the record and please
proceed.

1

2 MS. WINDER: Delilah Winder,
3 African-American Chamber of Commerce.

4 COUNCILMAN CLARKE: You can
5 proceed with your testimony, please.

6 MS. WINDER: And I can pretty
7 much summarize my testimony also.

8 I am Chairperson of the
9 African-American Chamber of Commerce here
10 in Philadelphia, South Jersey and
11 Delaware, also an entrepreneur in the
12 City of Philadelphia for the past 25
13 years, as well as a resident of Queen
14 Village here in Philadelphia.

15 We support Verizon in their
16 effort to have a franchise for FiOS TV.
17 I personally support it out of my passion
18 of entertainment for cooking and enjoying
19 the quality and getting the highest
20 quality of service to view my
21 entertainment of cooking that I enjoy so
22 much.

23 On the note of the Chamber and
24 our small businesses, Verizon has reached
25 out to us, as well as has in the past and

1
2 present, for inclusion in diversity with
3 our businesses to help to bring them on
4 board for contracts through services and
5 through their procurement at Verizon. So
6 I feel comfortable at this point that
7 there is growth and development for our
8 businesses through this process, as well
9 as through other entities throughout the
10 Verizon company.

11 So basically I'm here just to
12 confirm that we support this. We support
13 this because we see that it will bring
14 businesses for our businesses on the
15 whole.

16 So I thank you.

17 COUNCILMAN CLARKE: Thank you.

18 Thank you, Ms. Winder. Thank you for
19 your testimony.

20 Please proceed.

21 MS. SHAEFFER: Good evening.

22 My name is Jan Shaeffer. I'm the
23 Executive Director of the Saint
24 Christopher's Foundation for Children.

25 COUNCILMAN CLARKE: Good

1

2 evening.

3

MS. SHAEFFER: Good evening. I
am a resident of Philadelphia and, as I
mentioned, I'm affiliated with Saint
Christopher Hospital for Children in the
Foundation. The Foundation does work in
the North Philadelphia community.

9

As a resident of Philadelphia,
I feel that I represent those who have
waited for a very long time for a
land-based alternative to Comcast.
Consumers in the City don't want to wait
any longer. We want Verizon and we want
the FiOS TV service delivered as soon as
possible. We're counting on you to get
the project started.

18

I know that often times there's
some frustration, just as a resident,
speaking on behalf of myself as a
Philadelphian, that there's that
frustration that there is no other
alternative, but Verizon has built a
powerful success story with the FiOS TV
in suburban companies. The company has

25

1
2 clearly demonstrated that it has what it
3 takes to compete with the nation's
4 biggest cable companies and to serve
5 customers.

6 As residents in Philadelphia,
7 we're about to become one of a handful of
8 major cities with FiOS service, and we
9 couldn't be more excited about that.

10 My colleagues in the medical
11 community also are eager to see what FiOS
12 can do. We know anecdotally that doctors
13 who use secure FiOS connections between
14 the home and the hospital to consult with
15 attending physicians after hours, this
16 fast high-speed capacity Internet
17 connection holds both the potential for
18 helping medical personnel making
19 life-saving decisions and to speed the
20 delivery of treatment when seconds count.

21 We also believe the FiOS
22 network will some day be a powerful
23 conduit for home healthcare services.
24 When Verizon says this is the network of
25 the future, we know it's true, and we are

1

2 energized by its potential.

3

4 There's no reason to delay. We
5 feel that this is a great opportunity for
6 Philadelphia to have a choice, and I hope
7 that you will move quickly on this.

7

Thank you.

8

COUNCILMAN CLARKE: Thank you.

9

MR. LEWIS: Good evening.

10

Thank you, Chairman Clarke and other
11 members of the Council. My name is Tony
12 Lewis. I'm the Managing Director of the
13 Housing Association of Delaware Valley.

14

Mr. Chairman, I'd like to
15 submit my testimony for the record and
16 just simply summarize with a couple
17 points. I think that the Council has it.

18

One, I've heard from several of
19 the people that this is something that
20 will be good for Philadelphia, it will be
21 good for the constituents. You just want
22 to -- the question was asked by a couple
23 people what was the rush, and I'd just
24 like to talk for just a minute about my
25 rush.

1

2 My rush is that I'm a Comcast
3 customer. And I'm not here to debate
4 Comcast in any way. I think they've been
5 a good Philadelphia citizen. But as a
6 customer, in less -- well, roughly 14
7 months, my bill, my Comcast bill,
8 increased not 100 percent, not 200
9 percent, not 300 percent, not 400
10 percent, 500 percent, and that happened
11 because there's no competition.

12 I received a call at my house.
13 I never watch a lot of television. I had
14 the very basic service. I received a
15 call back in April of '07 saying that
16 they were no longer going to provide that
17 service, and if I was going to remain a
18 customer, I had to upgrade.

19 I got about 20 low-level new
20 channels that I don't watch, but, again,
21 I didn't like it. It was a bad feeling.
22 I had had that rate for years, but they
23 decided that that was the way it was, and
24 I had an option of either paying that or
25 I had an option of getting the Dish on my

1

2 house and paying some additional money,
3 and I didn't think it was fair, but I
4 didn't have much of a choice, and so I
5 paid those increases. But, as I said, in
6 less than two years, I've gone up 500
7 percent in my bill. And I think the way
8 that you deal with that is competition.
9 And there's no question about it. And I
10 think that everyone has said that over
11 and over, that we want that.

12 If you look across the country
13 everywhere where this has happened, the
14 costs have gone down, the services have
15 gotten better and in some cases even
16 created jobs. So I think it's good and
17 I'm here to ask Council to vote favorably
18 on this ordinance to provide Verizon with
19 this cable franchise.

20 Thank you very much.

21 COUNCILMAN CLARKE: Thank you,
22 Mr. Lewis.

23 Thank you all for your
24 testimony.

25 Any questions of these

1

2 witnesses?

3 (No response.)

4 COUNCILMAN CLARKE: Thank you

5 so much for being patient.

6 MS. WINDER: Thank you.

7 COUNCILMAN CLARKE: And,

8 Ms. Winder, if and when this happens,

9 we're going to try to negotiate you to
10 have a cooking show on one of these.11 MS. WINDER: Thank you. And it
12 will be under the highest of definitions.

13 COUNCILMAN CLARKE: Absolutely.

14 (Witnesses approached witness
15 table.)16 COUNCILMAN CLARKE: Mr. Yu, the
17 Executive Director of the Korean
18 Community Development Services Center.
19 Mr. Taubenberger is here now.

20 MR. TAUBENBERGER: Yes.

21 Mr. Chairman, I apologize.

22 COUNCILMAN CLARKE: That's
23 okay.24 Al Boccella from the
25 Philadelphia Consumer Council; Roberta

1

2 Faison.

3 Why don't you just come up and
4 grab a seat, and then we'll proceed with
5 this panel.

6 Good evening.

7 MR. TAUBENBERGER: I don't want
8 to take any more time. If I can begin?

9 COUNCILMAN CLARKE: Certainly.

10 MR. TAUBENBERGER: Thank you.

11 Al Taubenberg, President, Northeast
12 Philadelphia Chamber of Commerce. Last
13 name is spelled T-A-U-B-E-N-B-E-R-G-E-R.

14 As President of the Greater
15 Northeast Philadelphia Chamber of
16 Commerce, a membership organization of
17 nearly 1,000 members, I ask you to take
18 favorable action on Verizon's cable
19 franchise sent to the City Council on
20 November 13th. Our members are pleased
21 to know that video competition is coming
22 to Philadelphia. We believe that it is a
23 very important and positive and important
24 step for small business in the City.

25 As you know, this network

1
2 offers a bandwidth which is five
3 megabytes per second, Internet service to
4 business like home-based entrepreneurs.
5 The FiOS network will enable many
6 companies like these to obtain this
7 access at more affordable prices. This
8 is a technology solution we have been
9 waiting for for many years.

10 I am pleased that Verizon chose
11 Philadelphia to be among the first urban
12 areas in America to receive this network.
13 It is a powerful tool for attracting and
14 retaining jobs in this community. It
15 would help fuel our economic engine for
16 years to come.

17 I would also have to say and
18 disclose that I am a Comcast customer. I
19 like the service. I intend to keep it.

20 And also in reviewing the bill,
21 I would be remiss as President of the
22 Northeast Philadelphia Chamber of
23 Commerce to say I'm not exactly enamored
24 with the map and having Northeast
25 Philadelphia, for the most part, being at

1

2 the tail end of the accomplishments here.

3 I think it's truly American to

4 have choice. I think Americans relish

5 it. I think it improves everything. I

6 think competition is keen in everything

7 that we do. It is how we are as

8 Americans, and that is why I'm very

9 favorable to this bill. However, as

10 Northeast Philadelphia President, I don't

11 like the map at all. I like to go home

12 at night and I think our constituents and

13 our businesses also deserve the

14 opportunity to be more on that forefront,

15 and I'd like to see that map reworked.

16 Thank you very much.

17 COUNCILMAN CLARKE: Thank you.

18 MS. FAISON: Good evening. My

19 name is Roberta Faison. I'm the

20 President of Jefferson Manor Homeowners

21 Association located in North Central

22 Philadelphia.

23 I'm in constant communication

24 with the surrounding communities. I live

25 in zip code 19122. I'm constantly in

1
2 communication with 23, 21, 30 and 40.

3 The reason why I'm bringing
4 this up, because when cable first came to
5 Philadelphia, we were low man on the
6 totem pole when it was Greater Media.
7 And I looked at this map. We just happen
8 to be in Phase 1, but my primary purpose
9 of being here is, I am in support of
10 Council voting for Verizon to come in
11 with FiOS, because -- I'm talking from
12 the ordinary everyday layperson where it
13 hits us, in the pocket. We want better
14 service for less money.

15 My cable bill has gone up, up,
16 up, up. The cable services is not that
17 good. There's times, especially during
18 the summer months, some of the cable goes
19 out at least two or three times a month
20 for two or three hours at a time. When
21 you call Comcast and complain, they say,
22 We're aware of the problem. We will fix
23 it as soon as possible.

24 That's not fair. We live in
25 America, and I think we should have the

1
2 freedom of choice. Give us a chance to
3 look at another company and see what
4 they're offering. So this is why I'm
5 speaking on the ordinary layman term,
6 give us a chance to make choice.

7 That's all I have to say.

8 COUNCILMAN CLARKE: Thank you.

9 MR. BOCCELLA: I'd like to
10 thank the Councilmembers for giving us
11 the opportunity to speak here today. I
12 want to support FiOS, the Verizon
13 proposal.

14 I'd like to come in from a
15 different perspective. Those who speak
16 about the technical parts of the proposal
17 and those who speak about other things,
18 I'm sure they do an adequate job, but
19 from a service viewpoint, I viewed very
20 carefully the proposal and I see where
21 they're going to do things that I have
22 tried to do in my own perspective as
23 former administrator of the Philadelphia
24 Cities Consumer Office. I've always
25 noticed that when cable came in -- and I

1
2 sat in this room in 1980, because I had
3 the first cable show in the City of
4 Philadelphia called Channel One, and that
5 was only seen on the west side of Broad
6 Street, 17,000 homes it went into, and we
7 provided public information access. We
8 invited many government officials,
9 something that is a void of what I
10 consider today's programming. And when
11 cable people like Emmett Fitzpatrick,
12 District Attorney, Councilpeople, Mayor,
13 our Commissioner -- the point is that
14 they presented -- their offices are never
15 given an opportunity to speak.

16 The program that Verizon wants
17 to present will give access to government
18 officials, give access to the public for
19 learning opportunities, for job training.
20 I have 272 homebound that I serve and I
21 have 1,000 seniors that I serve, and I
22 can tell you that they do not have the
23 information that is needed that they can
24 get the opportunities that others can
25 obtain. They feel somewhat

1

2 disenfranchised.

3

4 With the program that I saw
5 that Verizon is proposing, they're going
6 to have, I believe, 15 outlets providing
7 government access and public access, and
8 I think in that area, which probably not
9 many are presenting much attention to, I
10 think we should, and I think it would be
11 a big change if we can get this access
12 that is going to be provided by Verizon.

13 I respectfully urge your
14 support for Verizon's proposal and want
15 to thank you for the opportunity.

16 Thank you.

17 COUNCILMAN CLARKE: Sir, you
18 didn't say your name for the record.
19 Please say your name for the record.

20 MR. BOCCELLA: Yes. My name is
21 Al Boccella, Executive Director of the
22 Philadelphia Consumer Council.

23 COUNCILMAN CLARKE: Thank you.

24 MR. BOCCELLA: Thank you.

25 COUNCILMAN CLARKE: Good

evening. Please proceed.

1

2

BISHOP WASHINGTON: Good

3

evening, Chairman Clarke and other

4

members of the Council. My name is

5

Bishop James Darrell Robinson. I'm

6

Pastor of Yesha Ministries Church, also a

7

member of the Interdenominational

8

Churches in Philadelphia, and I work

9

along with a lot of community groups, and

10

many of the groups that I work with and

11

the pastors that I work with came here to

12

be a part of this session. Of course,

13

they had Bible studies and other meetings

14

they had to get to, so they could not be

15

here.

16

Reverend Robert Shine was here,

17

Pastor of Berachah Baptist Church; Bishop

18

Keith Reed, Pastor of Sharon Baptist

19

Church; Reverend Dr. Ernest McNear;

20

Reverend K. Marshall Williams and

21

Reverend Dr. Garth Gittens.

22

I'm here in support of FiOS.

23

I'm glad that I had this opportunity to

24

come, and I certainly appreciate Council

25

for allowing this to be open to us to

1
2 come and to hear. And in hearing, I'm a
3 little moved to say that I would hope
4 that with this kind of investment that
5 this company, Verizon, is wanting to put
6 into Philadelphia, the fact that they're
7 bringing fiberoptic technology into a
8 city that doesn't really have it, the
9 fact that they're bringing competition to
10 a city that desperately needs it, I'm
11 certainly in concert with everyone that
12 says the rates just keep going up.

13 I think that it's important to
14 make the right decision here, not to
15 delay it to the point that we force them
16 out the door. I mean, I'm just saying
17 the way I feel here. I think that we
18 need to make sure that we vote
19 expeditiously to make sure that the City
20 and the constituents -- the pastors that
21 were here represent probably about 20,000
22 to 25,000 people in the City of
23 Philadelphia. And so we are all in
24 support of this FiOS system, and we would
25 hope that it's taken under consideration.

1
2 We listened to some of the
3 arguments as it relates to what the FiOS
4 system would do in terms of territory,
5 and I would say this, that I understood
6 clearly that it is a competitive market
7 and they should have the option of being
8 able to roll out in the City based on
9 their technological breakdown.

10 So that's where I stand with
11 it, and, again, I appreciate this
12 opportunity and I thank you for
13 listening.

14 COUNCILMAN CLARKE: Thank you.
15 Thank you, Bishop.

16 Councilman Rizzo.

17 COUNCILMAN RIZZO: Reading all
18 this, I just clarified something. The
19 Comcast network, in all fairness to
20 Comcast, is a fiberoptic network. Where
21 it differs is when it comes up the
22 street, the part that goes from the house
23 to the curb -- to the pole is a hybrid of
24 fiberoptic. It's not fiberoptic, but the
25 network itself is. And I just wanted

1

2 that to be on the record. I asked for a
3 clarification, because I remember reading
4 somewhere where it said that Comcast
5 network is fiberoptic. I just wanted to
6 get that on the record.

7 Thanks, Mr. Chairman.

8 COUNCILMAN CLARKE: Thank you,
9 Councilman.

10 REVEREND CRAIG: Yes. Good
11 evening. Thank you for your time. I'm
12 Reverend Dr. John Craig. I'm the
13 Associate Pastor of the Philadelphia
14 Revival Temple Church, which is located
15 in South Philadelphia, and I too am in
16 support and our church is in support of
17 having Verizon come through with their
18 FiOS.

19 We certainly stand behind the
20 concept of competition, as everyone has
21 alluded to today. We also believe that,
22 of course, competition will help to drive
23 down costs to the consumer.

24 We also believe in the power of
25 the Verizon network that will be the

1
2 conduit for Verizon's TV service.

3 So in short, we do support the
4 proposal and we would hope that, as
5 Bishop Robinson has said, we would hope
6 that Council would move expeditiously to
7 put this to a vote and allow this to come
8 forward.

9 Thank you.

10 COUNCILMAN CLARKE: Thank you
11 so much for your testimony. Thank all of
12 you for being so patient.

13 We have Ms. Rashid from the
14 Nicetown CDC. And I actually don't have
15 anyone else listed.

16 MR. CRUZ: Mr. Chairman, I
17 registered yesterday.

18 COUNCILMAN CLARKE: Mr. Cruz,
19 you registered? Please come on up.

20 How many individuals are here
21 who wish to testify today?

22 (One person raised their hand.)

23 COUNCILMAN CLARKE: Okay. Just
24 come on up, please.

25 (Witnesses approached witness

1

2 table.)

3 MS. RASHID: Good evening,

4 Chairman and --

5 COUNCILMAN CLARKE: Good

6 evening.

7 MS. RASHID: -- the rest of

8 Councilmembers that are here and have

9 left. My name is Majeedah Rashid and I

10 represent the Nicetown CDC. I also

11 represent the Citywide NAC Alliance,

12 which is an organization made up of 22

13 neighborhood advisory committees, and as

14 well as a member of the Philadelphia

15 Association of CDCs.

16 I came here today to voice my

17 concern about the agreement being

18 considered with Verizon. As you know,

19 the Nicetown CDC is a resident-driven

20 community development corporation. My

21 concern is actually whether Verizon is

22 actually going to come to Nicetown and

23 every other neighborhood in the City of

24 Philadelphia.

25 It is important for our

1
2 residents and businesses to have a choice
3 as to where they will get their video,
4 Internet and phone service. It is now
5 possible for a small business in Nicetown
6 to participate in the global economy, but
7 if for some reason Verizon doesn't come
8 to Nicetown and may have to head to East
9 Falls or Center City, then we would be
10 left out, as we often have been in the
11 past.

12 Also, if Verizon decides that
13 there may be greater revenue potential in
14 other areas, such as Chestnut Hill and
15 Mount Airy, then we may also have a
16 concern of that nature.

17 Currently, the Nicetown CDC is
18 able to provide Internet access to
19 residents and businesses in Nicetown with
20 services provided by Comcast to our
21 organization. In turn, the Nicetown CDC
22 can provide basic computer instruction
23 and Internet access to area residents and
24 businesses free of charge.

25 I am asking Mayor Nutter and

1

2 City Council to ensure that Verizon
3 provide service to every neighborhood in
4 the City. This must be more than a
5 promise, and there should be an effective
6 means to ensure accountability if
7 promises are unfulfilled.

8

Furthermore, residents and
9 businesses should be notified of when and
10 where construction will occur, with ample
11 time to prepare for inconveniences.
12 Nicetown and other areas of Philadelphia
13 that are under revitalization have
14 significant construction. For example,
15 Nicetown will have significant
16 construction related to SEPTA's Wayne
17 Junction development and other proposed
18 construction in the surrounding area.

19

Finally, what will Verizon do
20 to improve our neighborhoods? What will
21 they do to provide good jobs and the
22 training that comes with it? Basically
23 this agreement will give them a license
24 to print money, and what do we, the
25 communities, get in return? We really

1
2 need to look at that. And what we will
3 have concrete evidence of what will be
4 done in the communities, the
5 neighborhoods.

6 We have years of experience
7 working with Comcast and other cable
8 companies that serviced our city. We
9 knew what to expect, but also what
10 support we could receive from these
11 companies. I trust you are appreciative
12 of what can be accomplished here with a
13 comprehensive agreement with Verizon that
14 protects our residents and neighbors, as
15 well as providing Verizon with new
16 customers.

17 I also have a concern regarding
18 the mapping that was presented and in
19 terms of how long it's going to take to
20 be rolled out in certain areas. I think
21 that Councilwoman Krajewski, as well as
22 Councilman Rizzo, had good points
23 regarding that mapping issue, and we
24 really need to get more details of that.
25 And also our Councilwoman, Councilwoman

1

2 Miller, in regards to the build-out, that
3 build-out is very important in regards to
4 how it's going to affect neighbors and
5 communities.

6 I, as the Executive Director of
7 the Neighborhood Advisory Committee, am
8 often presented with things that come and
9 they don't have ample presentation to the
10 communities, and often they'll come to us
11 voicing their concern, as well as I know
12 Councilwoman Miller can attest to that,
13 that we get the back end of some of that.

14 So we want to know exactly
15 whose pavement is going to be torn up.
16 If so, what streets are going to be torn
17 up, what dirt is going to be tracked into
18 homes and things of that nature.

19 Thank you for your
20 consideration.

21 COUNCILMAN CLARKE: Thank you.

22 MR. BOOZER: Good evening. My
23 name is Darryl Boozer. I'm the President
24 and CEO of IBS Communications. I'm a
25 minority-owned business here in the City

1

2 of Philadelphia.

3

I'm here today to give my

4

testimony for this FiOS franchise. I

5

hope that the City Council passes on this

6

bill as soon as possible, but I also hope

7

that the City Council also holds Verizon

8

or any other companies that comes and

9

presents things to the City of

10

Philadelphia, that they make sure they

11

have minority participation. And I mean

12

really hold their feet to the fire. I've

13

seen a lot of bills get passed and I

14

don't see a lot of minority participation

15

from businesses and Philadelphia

16

businesses. I think one way of putting

17

our City back to work and start

18

increasing economic empowerment is to put

19

our companies that are in the City of

20

Philadelphia back to business. So

21

Verizon shouldn't subcontract outside the

22

City. Should contract inside the City.

23

Also, those companies that hire

24

people that work in the City to get this

25

contract should also make sure they hire

1
2 people in our communities or in your
3 Council districts, because that's the
4 only way you empower your people.

5 As far as competition for the
6 consumer, if the consumer gets savings on
7 their bill, I think it will be great. It
8 also will increase -- if you're looking
9 at spending, they'll have more money to
10 spend. A lot of times most of them are
11 spending most of their money on cable.
12 They're not spending their money on
13 anything else. So if you're concerned
14 about consumer spending and spending
15 money in the City of Philadelphia, this
16 is also another way. You have the
17 competition. It will also drive down
18 prices.

19 Also, as far as technology,
20 I've been in technology for a long period
21 of time. By having other companies
22 involved in this competition, it will
23 also increase the technology that's doing
24 more development in technology.

25 And as far as -- I heard some

1
2 other things say as far as call centers
3 and stuff like that. I don't see why
4 there shouldn't be some call centers in
5 the City of Philadelphia. We need to
6 start putting our own people back to
7 work. So some of the things should be
8 involved in that agreement.

9 Thank you.

10 MR. CRUZ: Good evening to all.
11 My name is Luis Cruz. I am the owner of
12 Cruz Construction, which is based here in
13 Philadelphia. Thank you, Chairman Clarke
14 and all other Councilmembers of the
15 panel, for providing me the courtesy to
16 testify today.

17 I come to you today to ask what
18 is Verizon proposing to guarantee the
19 City that will employ minority
20 contractors and businesses in the
21 build-out of their FiOS systems. And I
22 hope it's not just what the agreement
23 says, 17-600. As we know, 17-600 is the
24 shortest section of this agreement. It's
25 one sentence. 17-600 doesn't work.

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I know that City Council and Mayor Nutter are on the record as wanting to increase minority participation in City-related contracts, and as you all know, private contracts with the City gives you more leverage to be able to demand more from the private sector. This should not only be an economic opportunity to Verizon, but also to contractors in the City. Only now can the City demand and hold them accountable with measured commitments and penalties. This is the only way they will keep the commitment. I know this as a fact, being in business for close to 20 years and seeing the promises made in this room and breaking them as they walk out.

Since Verizon needs your approval before it can lay one piece of fiber or crack one block of concrete, how is Council going to guarantee my company, my employees and their families, who pay taxes in this city, and others are given a real chance to participate in this

1

2 work?

3

4 As City Council members, you
5 have not only the authority, but also the
6 responsibility to ensure that my company
7 and others like me have an opportunity to
8 grow their businesses. If I can have an
9 opportunity to develop a meaningful and
10 profitable relationship with Verizon, I
11 will have the experience of
12 professionalism to work for any company
13 doing business in Philadelphia.

14 The majority of minority
15 businesses in the City employ the most
16 people from our neighborhoods, and that's
17 what we want to protect. Why not get
18 Verizon to commit to giving opportunities
19 that are measurable to local companies
20 who employ local City residents? As you
21 heard them say, there is no new jobs
22 going to be created from them coming into
23 the City. So the only way that we could
24 get them to give us more avenues of
25 getting more tax revenues and more
opportunities in this economy is by

1
2 helping the businesses participate in
3 those contracts.

4 We need your support now more
5 than ever to keep paying the rent, keep
6 paying our workers, homes, taxes and
7 raising their family.

8 As my elected officials, you
9 must have language in your Verizon
10 agreement that mandates participation by
11 minority contractors like myself, and you
12 must provide teeth to these agreements.
13 That means not only imposing severe
14 penalties if Verizon does not comply, but
15 also provisions to reward Verizon if they
16 can exceed their goals. As they were
17 mentioned here, percentages were
18 mentioned here by Mr. Bishop, but yet
19 they're not in the agreement. You have
20 done this with other companies, like the
21 Linc, like Citizens Ball Park, and
22 hopefully you will expect nothing less
23 from Verizon. But please put it in
24 writing and pin them down to hard and
25 verifiable numbers and deliverables.

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I am very excited for Verizon and FiOS to come to Philadelphia, but I would rather be making a living and providing for my family, and Verizon shouldn't be the only benefactor. I, along with many other minorities, want to be working for Verizon, hopefully building a future relationship. Please ensure that this is a beneficial endeavor for everyone.

Thank you again for allowing me to testify.

COUNCILMAN CLARKE: Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Mr. Chairman.

Very quickly, because the hour is very late. Mr. Cruz, I don't want you misled out of this. I think it was stated earlier the work that's going to be done is being done by the Communication Workers of America, who have a contract with Verizon. That's who is going to be doing the work.

1

2 So in all fairness, your
3 company or other companies are not going
4 to be getting jobs out of this. I think
5 it's only fair to say that, put that on
6 the record.

7 MR. CRUZ: I understand that,
8 and that's why -- I found out yesterday,
9 and that's why I'm here today,
10 Councilman. Because if the only thing
11 that the City is going to benefit, as
12 Butkovitz was saying, is \$20 million, I
13 don't think that's enough. If they're
14 not creating any new jobs and they're not
15 creating any new opportunities, there's
16 got to be something that could be carved
17 out for the businesses of the City.

18 COUNCILMAN GREENLEE: Well,
19 they have a contract with Communication
20 Workers. Now, Communication Workers, in
21 due respect to them, is a diverse union,
22 but they are going to be the workforce
23 here. So I don't want to mislead you. I
24 mean, this Council has always been pretty
25 strong in minority participation, and we

1
2 certainly know from the Communication
3 Workers that -- like I said, they are
4 diverse, but I don't want lead you to
5 believe that there's going to be private
6 companies coming in here doing the work,
7 because it just isn't the fact.

8 COUNCILMAN RIZZO: Point of
9 information.

10 COUNCILMAN GREENLEE: I want to
11 be honest with you.

12 COUNCILMAN RIZZO: Point of
13 information.

14 COUNCILMAN CLARKE: Councilman.

15 COUNCILMAN RIZZO: I don't
16 think this gentleman, Mr. Cruz, is
17 talking about coming here and splicing
18 fiberoptic cables. I think he's talking
19 about digging. I think he's talking
20 about restoration of excavations that the
21 Communication Workers, giving them access
22 to certain areas. You're not talking
23 about --

24 MR. CRUZ: Thank you,
25 Councilman.

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COUNCILMAN RIZZO: -- that the Communications Workers involve themselves in. I think you're talking about the side stuff, the clean-up.

COUNCILMAN CLARKE: I'm not sure if they're going to be trenching.

Mr. James --

MR. BOOZER: Sure they are.

COUNCILMAN CLARKE: -- can you come up and clarify.

COUNCILMAN RIZZO: They're going to trench.

MR. BOOZER: They're going to trench.

COUNCILMAN RIZZO: If they have homes that have underground service, they've got to dig a trench to get the service to the house.

COUNCILMAN CLARKE: Let's let the gentleman who gets paid to give us the facts.

MR. JAMES: Councilman, to answer your question, certainly there's going to be opportunities for them to be

1
2 doing trenching, as well as laying fiber
3 in the ground, but the answer to the
4 question, with the testimony that Verizon
5 gave earlier, they have a Supplier
6 Diversity program, which they've
7 committed to increasing the percentage of
8 opportunities here in Philadelphia, and
9 they talked about increasing their
10 current level at 14 percent to 20 percent
11 in five years, to 25 percent in five
12 years after that, and to 30 percent.

13 So I believe that there is,
14 through this agreement, an opportunity
15 for Mr. Cruz's business and other local
16 businesses and minorities to participate
17 through their Economic Opportunity Plan
18 to find opportunities. So it is not a
19 franchise that is devoid of any
20 opportunity. It's just not as explicit
21 as it was in the original franchise
22 agreement, but it is certainly in there
23 and they're committed goals.

24 COUNCILMAN RIZZ0: For once we
25 agree today.

1

2 MR. JAMES: We always agree.

3 MR. BOOZER: Also, I'd like to

4 add to that. Also, part of their

5 communications, they also are going to

6 allow themselves to demark, where they

7 use a lot. They also hire companies to

8 run things from that demark on. So there

9 is opportunity for companies.

10 COUNCILMAN CLARKE: Okay.

11 Look, all right.

12 MR. CRUZ: We leave it to you

13 guys.

14 COUNCILWOMAN MILLER: Well, I

15 think one thing is for sure, though. If

16 there is an opportunity, then we probably

17 need a little bit more information, but

18 we'll make sure that we support getting

19 Philadelphians involved in that. We

20 don't have a problem doing that at all.

21 You know that.

22 MR. CRUZ: Thank you,

23 Councilwoman.

24 MR. BOOZER: Thank you.

25 MR. CRUZ: Thank you all.

1

2 COUNCILMAN CLARKE: You're

3 welcome. Thank you for your testimony.

4 Anyone else to testify on this

5 bill?

6 (No response.)

7 COUNCILMAN CLARKE: There being

8 none, the Committee on Public Property

9 and Public Works will recess until 9:00

10 a.m. December the 11th.

11 (Committee on Public Property

12 and Public Works recessed at 7:20 p.m.)

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I HEREBY CERTIFY that the
proceedings, evidence and objections are
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MICHELE L. MURPHY
RPR-Notary Public

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