Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Applications Filed by Frontier Communications Corporation and Verizon Communications Inc. for the Partial Assignment or Transfer of Control of Certain Assets in California, Florida, and Texas	))))	WC Docket No. 15-44

MEMORANDUM OPINION AND ORDER

Adopted: September 2, 2015 **Released: September 2, 2015**

By the Chief, Wireline Competition Bureau; Chief, International Bureau; and Chief, Wireless Telecommunications Bureau:

I. INTRODUCTION

1. Frontier Communications Corporation (Frontier) and Verizon Communications Inc. (Verizon) (together, Applicants) filed a series of applications[1] pursuant to sections 214 and 310(d) of the Communications Act of 1934, as amended (Act), seeking consent to various assignments and the transfer of control of licenses and authorizations held by Verizon's wholly-owned subsidiaries in California, Florida, and Texas to Frontier.

2. On March 12, 2015, the Wireline Competition Bureau (WCB), the International Bureau (IB), and the Wireless Telecommunications Bureau (WTB) released a Public Notice seeking comment on the proposed transaction.[2] In response to the Public Notice, we received a total of ten filings: five comments expressing concern about the transaction,[3] two petitions to deny the transaction,[4] and three

[1] *See Verizon Communications Inc. and Frontier Communications Corporation Application for Consent to Partially Assign and Transfer Control of Authority to Provide Global Facilities-Based and Global Resale International Telecommunications Services and Transfer Control of Domestic Common Carrier Transmission Lines, Pursuant to Section 214 of the Communications Act of 1934, as Amended*, WC Docket No. 15-44 (filed Feb. 24, 2015) (Application). Applicants filed a supplement to the Application on March 6, 2015. Letter from Jennifer L. Kostyu, Counsel to Frontier, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 15-44 (filed Mar. 6, 2015).

[2] *Applications Filed by Frontier Communications Corporation and Verizon Communications Inc. for the Partial Assignment or Transfer of Control of Certain Assets in California, Florida, and Texas*, WC Docket No. 15-44, Public Notice, 30 FCC Rcd 2234 (WCB/IB/WTB 2015).

[3] *See* Comments of California Association of Competitive Telecommunications Companies, WC Docket No. 15-44 (filed Apr. 13, 2015) (CALTEL Comments); Comments of COMPTEL, WC Docket No. 15-44 (filed Apr. 13, 2015) (COMPTEL Comments); Comments of Communications Workers of America, WC Docket No. 15-44 (filed Apr. 13, 2015) (CWA Comments); Comments of TEXALTEL, WC Docket No. 15-44 (filed Apr. 13, 2015) (TEXALTEL Comments); Joint Comments of The Utility Reform Network, The National Association of State Utility Consumer Advocates (NASUCA), and the Center for Accessible Technology, WC Docket No.15-44 (filed Apr. 13, 2015) (jointly, Consumer Advocates Comments).

[4] The Greenlining Institute Petition to Deny, WC Docket No. 15-44 (filed Apr. 13, 2015) (Greenlining Petition); Petition to Deny of Florida Power & Light Company, WC Docket No. 15-44 (filed Apr. 17, 2015) (Florida Power & Light Petition). Florida Power & Light requests acceptance of its late-filed petition, explaining that it attempted to file its petition on time on April 13, 2015, but experienced an electronic filing error. It states that the delay did not

(continued …)

replies.[5] Three of the commenters are competitive local exchange carrier (LEC) trade associations (CALTEL, COMPTEL, TEXALTEL) that request continuing access to interconnection agreements, wholesale inputs, and more detail on the customer transition process.[6] Communications Workers of America (CWA) and a joint group of Consumer Advocates express concerns about broadband deployment, service quality, Frontier's financial qualifications, and job retention.[7] Florida Power & Light petitioned the Commission to deny the transaction based on existing pole attachment disputes with Verizon.[8] The Greenlining Institute expresses concern about the effect of the transaction on supplier diversity and employment, among other points.[9] We also received replies from the Applicants as well as the Competitive Carriers Association (CCA), which support the competitive LECs' arguments about wholesale inputs and interconnection,[10] and from Lumos Networks, a competitive LEC that raises concerns about existing pole attachment disputes with Frontier in West Virginia.[11] We discuss the issues raised by commenters and petitioners as part of our analysis below.[12]

3. In addition to our review, the States of California and Texas are also conducting reviews to ensure that the transaction is in the public interest.[13] We emphasize that our review of applications

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cause prejudice to any party because it had already provided a timely copy of its petition via electronic mail to all of the relevant parties in the proceeding, including Commission staff. Florida Power & Light Motion to Accept Late Filed Petition, WC Docket No. 15-44, at 1-2 (filed Apr. 17, 2015). We agree that acceptance of Florida Power & Light's petition does not adversely affect our consideration of any party's comments in this proceeding. We therefore grant Florida Power & Light's request.

[5] Reply Comments of Competitive Carriers Association, WC Docket No. 15-44 (Apr. 13, 2015) (CCA Reply); Reply Comments of Lumos Networks, LLC and Lumos Networks of West Virginia, Inc., WC Docket No. 15-44 (filed Apr. 18, 2015) (Lumos Reply). On April 28, 2015, Applicants filed an opposition and reply to the commenters and petitioners. Joint Opposition to Petitions to Deny and Reply to Comments by Frontier Communications Corporation and Verizon Communications Inc., WC Docket No. 15-44 (filed Apr. 28, 2015) (Applicant Reply).

[6] CALTEL Comments at 5-12; COMPTEL Comments at 5-13; TEXALTEL Comments at 5-7.

[7] Consumer Advocates Comments at 3-19; CWA Comments at 5-8. On August 4, 2015, CWA filed a letter stating that it had reached an agreement with Frontier and now supports Commission consent to the transaction. Letter from Debbie Goldman, Telecommunications Policy Director to Communications Workers of America, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 14-22 (filed Aug. 4, 2015) (CWA Aug. 4, 2015 *Ex Parte* Letter).

[8] Florida Power & Light Petition at 4-22.

[9] Greenlining Petition at 1-9. Greenlining states in its April 13, 2015 petition to deny that its filing is based on "information that is currently available" and that its "current position may not be its ultimate position." *Id*. at 1.

[10] CCA Reply at 3-8.

[11] Lumos Reply at 2-5.

[12] *See infra* at paras. 14-30.

[13] *Joint Application of Frontier Communications Corporation, Frontier Communications of America, Inc. (U5429C), Verizon California, Inc. (U1002C), Verizon Long Distance LLC (U5732C), and Newco West Holdings LLC for Approval of Transfer of Control Over Verizon California, Inc. and Related Approval of Transfer of Assets and Certifications*, 15-03-005 (Cal. Pub. Util. Comm., filed Mar. 18, 2015); *Application of GTE Southwest Incorporated dba Verizon Southwest and Frontier Communications Corporation for an Amendment to a Certificate of Operating Authority,* Proposed Order, Docket No. 44630 (Tex. Pub. Util. Comm., rel. Aug. 21, 2015). Applicants state that there was no required approval process in Florida. Letter from William F. Maher, Jr., Counsel to Frontier Communications Corporation, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 15-44 (filed Aug. 25, 2015) (Frontier Aug. 25, 2015 *Ex Parte* Letter). On May 8, 2015, the U.S. Department of Justice (DOJ) granted early termination of its pre-merger review under the Hart-Scott-Rodino Antitrust Improvements Act of 1975. Early Termination Notices, https://www.ftc.gov/enforcement/premerger-notification-program/early-termination-notices/20150937.

filed with the Commission does not impact the states' independent proceedings on the proposed transaction, nor do we intend any finding in this *Memorandum Opinion and Order* to pre-judge the states' independent consideration of matters before them under applicable state law or precedent, which may differ from our standard of review.

4. We have carefully reviewed the record, and requested and analyzed additional information from the Applicants.[14] Based on our analysis, we find that approval of the transaction is unlikely to result in any potential public interest harms outweighing any potential public interest benefits. Accordingly, we find that the transaction, on balance, serves the public interest, and we consent to the proposed assignments and transfers.

II. BACKGROUND

A. Description of the Applicants

1. Frontier Communications Corp.

5. Frontier is the fourth largest incumbent LEC in the United States and serves primarily rural areas and smaller cities.[15] Through its wholly-owned operating companies, Frontier provides residential and business customers with telecommunications and other services, including local and long distance voice services, broadband Internet access service, and multichannel video service.[16] Frontier currently has approximately four million customers, including 2.3 million broadband customers in 28 states.[17] Applicants state that Frontier, a publicly traded Delaware corporation, has no entities or individuals that own 10 percent or more of its stock.[18]

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[14] Letter from Randy Clarke, Chief, Competition Policy Division, FCC, to William F. Maher and Patrick R. Halley, Counsel to Frontier Communications Corporation, and Kathleen M. Grillo, Senior Vice President, Federal Regulatory and Legal Affairs, Verizon, WC Docket No. 15-44 (filed June 17, 2015) (Supplemental Information Request Letter); Letter from William F. Maher, Jr., Counsel to Frontier Communications Corporation, to Marlene H. Dortch, Secretary, FCC WC Docket No. 15-44 (filed July 1, 2015) (Response to Information Request); Letter from William F. Maher, Jr., Counsel to Frontier Communications Corporation, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 15-44 (filed June 10, 2015) (Frontier June 10, 2015 *Ex Parte* Letter).

[15] Frontier Communications Corp., Form 10-Q for the Quarterly Period Ended March 31, 2015 at 21 (May 7, 2015), *available at* http://investor.frontier.com/secfiling.cfm?filingID=20520-15-33&CIK=20520.

[16] Application, Exh. 1, Description of the Parties, Description of the Transaction, Public Interest Statement and Administrative Matters (Public Interest Statement) at 4-5.

[17] *Id*. at n.6. Frontier currently serves customers in Alabama, Arizona, California, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, Utah, Washington, West Virginia, and Wisconsin. Frontier states that, as of August 1, 2015, the approximate numbers of customers broken down by the services the customers purchase are as follows: approximately **[Begin Confidential Information]** [redacted] **[End Confidential Information]** customers purchase broadband service on a standalone basis; approximately **[Begin Confidential Information]** [redacted] **[End Confidential Information]** customers purchase voice service on a standalone basis; and approximately **[Begin Confidential Information]** [redacted] **[End Confidential Information]** customers purchase bundled broadband and voice services. As of August 1, 2015, Frontier further states that it provides FiOS broadband service to approximately **[Begin Confidential Information]** [redacted] **[End Confidential Information]** customers, DSL broadband service to approximately **[Begin Confidential Information]** [redacted] **[End Confidential Information]** customers, and U-Verse (a video service) to approximately **[Begin Confidential Information]** [redacted] **[End Confidential Information]** customers. Frontier Aug. 25, 2015 *Ex Parte* Letter at 1-2.

[18] Application at 6.

2. Verizon Communications Inc.

6. Verizon's operating subsidiaries, Verizon California Inc., Verizon Florida LLC, and GTE Southwest Incorporated d/b/a Verizon Southwest (together, the Transferring Companies) provide local and long distance retail and wholesale voice and data services, retail broadband services, and video services in portions of their respective states.[19] Applicants state that these operations include approximately 3.7 million voice connections, 2.2 million broadband (DSL and FiOS) connections, and 1.2 million FiOS video connections.[20]

B. Description of the Transaction

7. On February 5, 2015, Frontier and Verizon entered into a Securities Purchase Agreement (Agreement).[21] Applicants describe the terms of the Agreement in their Application. According to their Application, prior to closing, Verizon will create "Newco" as a wholly-owned subsidiary and the ownership interests of the Transferring Companies will be moved to Newco so that they will become wholly-owned, direct subsidiaries of Newco.[22] Applicants state that Frontier will then purchase all of the ownership interests of Newco.[23] Upon completion of the proposed transaction, Newco will become a wholly-owned, direct subsidiary of Frontier and, accordingly, the Transferring Companies will become wholly-owned, indirect subsidiaries of Frontier.[24] In addition, Applicants state that certain voice long distance customers of Verizon Long Distance LLC will be assigned to Frontier Communications of America, Inc., an affiliate of Frontier.[25] Applicants further state that these customers primarily originate switched long distance traffic initiating from the local exchanges in California, Florida, and Texas that are a part of the proposed transaction.[26]

III. DISCUSSION

A. Standard of Review

8. Pursuant to sections 214(a) and 310(d) of the Act, the Commission must determine whether the proposed assignments and transfer of control of certain licenses and authorizations held and controlled by Verizon to Frontier will serve the public interest, convenience, and necessity.[27] In making this determination, the Commission first assesses whether the proposed transaction complies with the specific provisions of the Act, other applicable statutes, and the Commission's rules.[28] If the proposed transaction does not violate a statute or rule, the Commission considers whether the transaction could result in public

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[19] Public Interest Statement at 1.

[20] *Id*. at 9.

[21] *Id*. at 8.

[22] *Id*.

[23] *Id*.

[24] *Id*. at 9. *See supra* para. 6 (listing Transferring Companies).

[25] *Id*.

[26] *Id*.

[27] 47 U.S.C. §§ 214(a), 310(d). Section 310(d) of the Act requires that we consider applications for transfer of Title III licenses under the same standard as if the proposed transferee were applying for licenses directly under section 308 of the Act, 47 U.S.C. § 308. *See, e.g.*, *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Memorandum Opinion and Order, 22 FCC Rcd 5662, 5672, para. 19 (2007) (*AT&T/BellSouth Order*).

[28] *Applications filed by Qwest Communications International Inc. and CenturyTel, Inc. d/b/a CenturyLink for Consent to Transfer Control*, WC Docket No. 10-110, Memorandum Opinion and Order, 26 FCC Rcd 4194, 4199, para. 7 (2011) (*Qwest/CenturyLink Order*); *AT&T/BellSouth Order*, 22 FCC Rcd at 5671-72, para. 19.

interest harms by substantially frustrating or impairing the objectives or implementation of the Act or related statutes.[29] The Commission then employs a balancing test, weighing any potential public interest harms of the proposed transaction against the potential public interest benefits.[30] Applicants bear the burden of proving, by a preponderance of the evidence, that the proposed transaction, on balance, serves the public interest.[31]

9. The public interest evaluation necessarily encompasses the "broad aims of the Communications Act," which include, among other things, a deeply rooted preference to protect and promote competition in relevant markets, accelerate private-sector deployment of advanced services, ensure a diversity of license holdings, and generally manage spectrum in the public interest.[32] The public interest analysis may also entail assessing whether the transaction will affect the quality of communications services or will result in the provision of new or additional services to consumers.[33] In conducting this analysis, the Commission may consider technological and market changes, as well as trends within the communications industry, including the nature and rate of change.[34]

10. The Commission's competitive analysis, which forms an important part of the public interest evaluation, is informed by, but not limited to, traditional antitrust principles.[35] The U.S. Department of Justice (DOJ) reviews telecommunications mergers pursuant to section 7 of the Clayton Act, and if it wishes to block a merger, it must demonstrate that the merger may substantially lessen competition or tend to create a monopoly.[36] DOJ's review is also limited solely to an examination of the competitive effects of the acquisition, without reference to other public interest considerations.[37] The Commission's competitive analysis under the public interest standard is somewhat broader. For example, it considers whether a transaction will enhance, rather than merely preserve, existing competition, and it takes a more extensive view of potential and future competition and its impact on the relevant market.[38]

11. The Commission's analysis with respect to the claimed benefits of any proposed transaction considers a number of factors.[39] First, the benefit must be transaction-specific.[40] That is, the

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[29] *See, e.g.*, *AT&T/BellSouth Order*, 22 FCC Rcd at 5672, para. 19.

[30] *See, e.g.*, *id*.

[31] *See, e.g.*, *id*.

[32] *See, e.g.*, *Applications of Softbank Corp., Starburst II, Inc., Sprint Nextel Corporation, and Clearwire Corporation for Consent to Transfer Control of Licenses and Authorizations; Petitions for Reconsideration of Applications of Clearwire Corporation for Pro Forma Transfer of Control*, IB Docket No. 12-343, Memorandum Opinion and Order, Declaratory Ruling, and Order on Reconsideration, 28 FCC Rcd 9642, 9651, para. 24 (2013) (*Softbank/Sprint Order*); *Application of AT&T Inc. and Qualcomm Incorporated for Consent to Assign Licenses and Authorizations*, WT Docket No. 11-18, Order, 26 FCC Rcd 17589, 17603, para. 32 (2011) (*AT&T/Qualcomm Order*).

[33] *See, e.g.*, *Softbank/Sprint Order*, 28 FCC Rcd at 9651, para. 24; *AT&T/BellSouth Order*, 22 FCC Rcd at 5673, para. 20.

[34] *See, e.g.*, *Softbank/Sprint Order*, 28 FCC Rcd at 9651, para. 24; *AT&T/Qualcomm Order*, 26 FCC Rcd at 17599, para. 24.

[35] *See, e.g.*, *Softbank/Sprint Order*, 28 FCC Rcd at 9651, para. 25 (2013); *AT&T/BellSouth Order*, 22 FCC Rcd at 5673, para. 21.

[36] 15 U.S.C. § 18.

[37] *Id*.

[38] *See, e.g.*, *Softbank/Sprint Order*, 28 FCC Rcd at 9651-52, para. 25; *AT&T/BellSouth Order*, 22 FCC Rcd at 5673, para. 21.

[39] *See, e.g.*, *Softbank/Sprint Order*, 28 FCC Rcd at 9677-78, para. 91; *AT&T/BellSouth Order*, 22 FCC Rcd at 5760, para. 200.

claimed benefit must be likely to occur as a result of the transaction, but unlikely to be realized by other practical means having fewer anticompetitive effects.[41] Second, the benefit must be verifiable.[42] Because much of the information relating to the potential benefits of a transaction is in the sole possession of the applicants, they are required to provide sufficient evidence supporting each claimed benefit to allow the Commission to verify its likelihood and magnitude. Third, "the magnitude of benefits must be calculated net of the cost of achieving them."[43] Specifically, in evaluating the magnitude of benefits, the Commission assesses the efficiencies and benefits the applicants claim in light of the costs produced by the merger or incurred in achieving the efficiencies or benefits.[44] Finally, the Commission applies a "sliding scale approach" to evaluating benefit claims.[45] Under this sliding scale approach, where potential harms appear "both substantial and likely, a demonstration of claimed benefits also must reveal a higher degree of magnitude and likelihood than we would otherwise demand."[46] Based on the record, and to the extent that commenters raise potential concerns, for example addressing competitive harm or other negative impacts, the Commission evaluates whether the proposed transaction would be likely to result in those potential harms. Conversely, where potential harms appear unlikely or less likely and less substantial, the Commission will accept a lesser showing of claimed benefits.[47]

B. Applicants' Qualifications

12. As a threshold matter, we must determine whether the Applicants meet the requisite qualifications to hold and assign and transfer licenses under section 310(d) of the Act and the Commission's rules. In general, when evaluating assignments under section 310(d), we do not re-evaluate the qualifications of the transferor.[48] Exceptions to this rule occur where, for example, issues related to basic qualifications have been designated for hearing by the Commission or have been

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[40] *See Applications of AT&T Inc. and DIRECTV for Consent to Assign or Transfer Control of Licenses and Authorizations*, MB Docket No. 14-90, Memorandum Opinion and Order, FCC 15-94, para. 273 (2015) (*AT&T/DIRECTV Order*); *Applications for Transfer of Control of Licenses from Comcast Corp. and AT&T Corp., Transferors, to AT&T Comcast Corp., Transferee*, Memorandum Opinion and Order, 17 FCC Rcd 23246, 23310, para. 165 (2002) (disregarding purported harms that are speculative and not merger specific).

[41] *Applications of Comcast Corp., General Electric Company and NBC Universal, Inc. for Consent to Assign Licenses and Transfer Control of Licensees*, MB Docket No. 10-56, Memorandum Opinion and Order, 26 FCC Rcd 4238, 4330-31, para. 226 (2011).

[42] *See, e.g., AT&T/DIRECTV Order* at para. 274; *Softbank/Sprint Order*, 28 FCC Rcd at 9677-78, para. 91.

[43] *See, e.g., Softbank/Sprint Order*, 28 FCC Rcd at 9677-78, para. 91.

[44] *See Application of Echostar Communications Corporation, General Motors Corporation, and Hughes Electronics Corporation (Transferors) and Echostar Communications Corporation (Transferee)*, MB Docket No. 01-348, Hearing Designation Order, 17 FCC Rcd 20559, 20630-31, para 190, n.464 (2002) (*citing* Horizontal Merger Guidelines, issued by the U.S. Department of Justice & Federal Trade Commission, April 2, 1992, revised April 8, 1997 at § 4).

[45] *See, e.g., Softbank/Sprint Order*, 28 FCC Rcd at 9677-78, para. 91.

[46] *See, e.g., id.* at 9678-79, para. 93.

[47] *See, e.g., id.*

[48] *See, e.g., Applications of Sprint Nextel Corporation and Clearwire Corporation for Consent to Transfer Control of Licenses, Leases and Authorizations*, WT Docket No. 08-94, Memorandum Opinion and Order and Declaratory Ruling, 23 FCC Rcd 17570, 17582-83, para. 23 (2008) (*Sprint Nextel/Clearwire Order*); *Applications of Cellco Partnership d/b/a Verizon Wireless and Atlantis Holdings LLC For Consent To Transfer Control of Licenses, Authorizations, and Spectrum Manager and De Facto Transfer Leasing Arrangements*, WT Docket No. 08-95, Memorandum Opinion and Order and Declaratory Ruling, 23 FCC Rcd 17444, 1764, para. 31 (2008) (*Verizon Wireless/ALLTEL Order*).

sufficiently raised in petitions to warrant the designation of a hearing.[49] This is not the case here. Thus, we need not evaluate Verizon's basic qualifications.

13. With respect to the proposed transferee, Section 310(d) requires that the Commission consider its qualifications as if it were applying for the license directly under section 308 of the Act.[50] Among the factors that the Commission considers in its public interest inquiry is whether the applicant for a license or license transfer has the requisite "citizenship, character, and financial, technical, and other qualifications."[51] CWA commented that Frontier should explain how it has the financial resources to maintain and expand services, including broadband and video services, in the affected exchanges.[52] We address Frontier's financial qualifications in section C.1.b., below.

C. Public Interest Harms and Benefits

14. In this section, we consider the potential harms and benefits arising from the merger. As discussed below, we find that this transaction is likely to result in tangible potential benefits for customers through improved broadband service and investment, and certain synergies and cost savings. Because Verizon and Frontier do not currently compete against each other in the affected exchanges, the transaction does not reduce the number of service providers in local markets. Applicants have filed additional evidence in the record that adequately addresses other potential harms, and we find that certain issues raised in comments are not transaction-specific and are therefore outside the scope of our review. Overall, we find that the transaction's potential benefits outweigh any potential public interest harms.

1. Potential Harms

a. Competition

15. Based on the record evidence, we conclude that this transaction is unlikely to have adverse competitive effects.[53] In order for a merger to have horizontal effects on competition, the parties must currently provide, or be very likely to provide, similar services within the same relevant geographic market.[54] Where a company expands geographically, however, there may also be competitive effects, depending on its share of a larger geographic market. Although Frontier and Verizon have adjacent local exchanges in three areas of California, Applicants assert that they do not compete for customers in the relevant market for the transaction because Frontier operates neither local exchange nor mobile facilities

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[49] *See, e.g., Sprint Nextel/Clearwire Order*, 23 FCC Rcd at 17582-83, para. 23; *Verizon Wireless/ALLTEL Order*, 23 FCC Rcd at 17464, para. 31.

[50] 47 U.S.C. § 310(d).

[51] 47 U.S.C. §§ 308(b) ("All applications for station licenses, or modifications or renewals thereof, shall set forth such facts as the Commission by regulation may prescribe as to the citizenship, character, and financial, technical, and other qualifications of the applicant to operate the station . . ."), 310(d); 47 C.F.R. § 63.03(c)(1)(v) (stating that the Commission, acting through the Chief of the Wireline Competition Bureau, may determine that an application "requires further analysis to determine whether a proposed transfer of control would serve the public interest"). *See AT&T/BellSouth Order*, 22 FCC Rcd at 5756, para. 191; *Applications of SBC Communications Inc. and BellSouth Corporation for Consent to Transfer of Control or Assignment of Licenses and Authorizations*, WT Docket No. 00-81, Memorandum Opinion and Order, 15 FCC Rcd 25459, 25465, para. 14 (WTB/IB 2000).

[52] CWA Comments at 2. *See Applications Filed by Frontier Communications Corporation and Verizon Communications Inc. for Assignment or Transfer of Control*, WC Docket 09-95, Memorandum Opinion and Order, 25 FCC Rcd 5972, 5979-83, paras. 13-14, 18-25 (2010) (V*erizon/Frontier Order*).

[53] *Verizon/Frontier Order*, 25 FCC Rcd at 5980, paras. 15-16 (concluding that there were no horizontal effects in the transaction where Applicants did not compete for customers).

[54] The Commission has stated that a transaction is considered to be horizontal when the parties to the transaction sell products that are in the same relevant product and geographic markets. *See, e.g., AT&T/BellSouth Order*, 22 FCC Rcd at 5675, para. 23 & n.82.

in any of the transferring exchanges.[55] Further, Frontier states that, prior to the proposed transaction, it had no plans for expanding operations into the acquired territories.[56]

16. Notably, no commenter asserts that the combined entity will hold market power or that the transaction would directly result in a significant reduction of competition at the local level or, based on any aggregation of subscribers, at a regional or national level.[57] Applicants argue that the proposed transaction actually would result in increased competition by creating a stronger competitor to national telecommunications and cable companies.[58] Applicants state that Verizon will retain all of its wireless operations in the affected states.[59] Therefore, we find that, based on our review of the record, the transaction is unlikely to result in any reduction in competition.

b. Frontier's Financial Condition Post-Transaction

17. *Financial Issues*. As part of its public interest inquiry, the Commission must consider whether the applicant for a license transfer has the "requisite . . . financial, technical, and other qualifications."[60] In making this determination, the Commission will not substitute its judgment for that of the applicant or the market.[61]

18. Some commenters expressed concern that Frontier might not be financially qualified to maintain and invest in the networks it is seeking to acquire in this transaction. CWA expressed concern that, post-transaction, Frontier might be capital constrained due to competing demands on its resources for debt service and increased dividend payouts to shareholders, and that, as a result, Frontier might not be able to expand fiber and maintain copper networks that it is acquiring from Verizon.[62] Other commenters

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[55] Public Interest Statement at 14-15, 18.

[56] *Id*. at 18.

[57] *AT&T/DIRECTV Order* at paras. 146-147, 155-156 (finding that although the transaction would result in some loss of competition between AT&T and DIRECTV, which provided overlapping video services, the transaction did not result in harmful horizontal effects because the parties focused their marketing efforts on customers of cable companies, which they considered to be their primary competitors, and because AT&T's wireline and DIRECTV's satellite video services were not "particularly close substitutes."). Similar concerns have not been raised regarding the proposed transaction, because there is no evidence Frontier will have market power on a national level. We address claims raised by commenters and petitioners regarding the potential impact of the transaction on wholesale inputs and other issues that could affect competition in paras. 21-28 below.

[58] Public Interest Statement at 3-4, 15-16.

[59] *Id*. at 9, n.16.

[60] 47 U.S.C. § 308; *AT&T/BellSouth Order*, 22 FCC Rcd at 5756, para. 190. *See Applications of Ameritech Corp., Transferor, and SBC Communications Inc., Transferee*, CC Docket No. 98-141, Memorandum Opinion and Order, 14 FCC Rcd 14712, 14947-48, para. 568 (1999); *see* 47 U.S.C. § 310(d).

[61] *See Verizon/Frontier Order*, 25 FCC Rcd at 5981-83, para. 19 (stating that "although the Commission has a responsibility to consider the financial qualifications of the transferee, it is not the Commission's role to substitute its business judgment for that of the applicants or the market: rather, the relevant question here is whether Frontier has the requisite financial qualifications to hold and use these Commission licenses and authorizations in the public interest.").

[62] CWA Comments at 11-13. CWA commented that a financial analyst projected that Frontier's "capital intensity" (which is a measure of capital expenditures as a percent of Frontier's revenues) might be below that of other telecommunications carriers, including rural carriers. CWA cited to an analyst report that estimated that Frontier's capital intensity would fall to 12.9 percent by 2018, as compared to its pre-acquisition capital intensity of 14.4 percent. CWA states that this would drop Frontier's capital intensity to below the 2014 capital intensities of CenturyLink, Windstream, Verizon, and AT&T. *Id*. Frontier provided record information indicating that its capital intensity from 2010-2014 was consistent with and, in some cases, higher than other carriers. Applicant Reply at 11 and Exh. A, Declaration of John M. Jureller (Frontier Jureller Reply Decl.) at paras. 13-14. We agree that there are no specific claims in the record about Frontier's underinvestment in network assets. In addition, as discussed below,

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also expressed concern regarding Frontier's financial ability to manage its increased footprint post-transaction.[63] Commenters disagree with Frontier's assertion that EBITDA (earnings before interest, taxes, depreciation, and amortization) is a useful calculation to demonstrate an improved capital structure and an ability to invest in its network.[64] Further, some commenters express concern that Frontier is disinvesting in its network, claiming that, in each of the years 2011 through 2014, Frontier's capital expenditures were less than network depreciation.[65]

19. To address financial concerns raised in the record, we requested that Frontier provide information on any issues that would compromise its ability to improve its network and customer service quality, information on its debt level, and additional details on its financial expectations and cost reduction plans.[66] Frontier submitted a declaration from its Executive Vice President and Chief Financial Officer stating that the transaction will strengthen Frontier's financial profile and improve scalability so that it can better provide high-quality services in the long term.[67] Frontier maintains that the major credit rating agencies expect that it will be able to use its increased cash flows and capital resources to improve services and network facilities, and that Moody's Investors Service affirmed Frontier's corporate credit rating after it announced the transaction, noting that the increased cash flow will improve Frontier's ability to invest in its network.[68]

20. While we cannot predict with certainty whether Frontier will be free of any financial difficulties after closing, no commenter has disputed the additional information in the record, and we are not persuaded that the transaction is unduly risky or will result in specific public interest harms. We also agree with Frontier that it has not entered into this transaction with a disincentive to invest in its network and broadband infrastructure, which would impact its ability to compete against cable and wireless providers, and that it can most efficiently serve the wireline customer base in the transaction areas by investing in more economical, modernized equipment.[69] After careful review, and as the Commission has found in prior Frontier transactions, we find that the general assessment of the financial community and

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Verizon has acknowledged that it has no specific plans to further invest in infrastructure in the transaction areas, while Frontier has demonstrated that its business plans include significant investment after consummation of the transaction. *See infra* at paras. 35-36.

[63] Consumer Advocates Comments at 6.

[64] *Id*. at 6-7. EBITDA is widely used by industry observers, such as equity analysts, as an indicator of profitability in the telecommunications sector and provides perspective on operating cash flow. *See Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations*, WT Docket No. 11-65, Order, 26 FCC Rcd 16184, 16207, n.37 (Wireless Telecom. Bur. 2011). Frontier has provided evidence in the record explaining that it expects its operations to support long term revenue and increased EBITDA generation. Applicant Reply at 6-7; Frontier Jureller Reply Decl. at paras. 13-14; Response to Information Request at 3-4 (providing information on net debt to adjusted EBITDA ratio for the proposed transaction).

[65] Consumer Advocates Comments at 18-19, and Table 2. Commenters argue that, in 2011, Frontier's depreciation and amortization was $1.4 billion, and its capital expenditures were $748 million; in 2012, depreciation and amortization was $1.2 billion and capital expenditures were $748 million; in 2013, depreciation and amortization were $1.1 billion, while capital expenditures were $634 million; and, in 2014, depreciation and amortization were $1.1 billion and capital expenditures were $572 million. *Id*.

[66] Response to Information Request, Exh. at 1.

[67] Frontier Jureller Reply Decl. at paras. 4-14.

[68] Response to Information Request at 2-3. Frontier states that, as proof that the transaction has been positively received by the financial community, it recently closed equity offerings of $750 million of common stock and $1.75 billion of mandatory convertible preferred stock, which will provide a portion of its capital structure. *Id*.

[69] Applicant Reply at 9-15.

Frontier's statements regarding its financial viability are reasonable.[70] Other than the ordinary market risks that accompany any business transaction, there is no evidence in the record indicating that this transaction will be likely to result in financial harms that we expect would compromise Frontier's ability to maintain and improve its networks.[71] We find no persuasive evidence that Frontier is an underfunded or an irresponsible buyer unlikely to fulfill its obligations. Based on the record before us, we therefore conclude that Frontier has shown that it has the requisite financial qualifications to undertake the proposed transaction.

c. Other Issues

21. *Infrastructure and Service Quality*. In response to the Public Notice, certain commenters raised concerns about the current state of Verizon's copper network, particularly in California, and assert that Verizon has a poor service quality record.[72] They caution that Frontier may be unable or unwilling to remedy these issues, claiming that Frontier has urged the California Public Utilities Commission (CPUC) to "eliminate all service quality measurements and rely on competition to protect consumers and network reliability,"[73] and that the record presented is insufficient to evaluate Frontier's resources to support and maintain quality customer service.[74] Similarly, with regard to Applicants' network infrastructure, Florida Power & Light and Lumos raise concerns about both Applicants' prior actions with respect to pole attachments.[75] Florida Power & Light and Lumos urge the Commission to impose conditions on a grant of this transaction to remedy these alleged failures and violations and to ensure that the transaction serves the public interest.[76]

22. In response, Applicants assert that the allegations regarding the state of Verizon's network are beyond the scope of this proceeding, and note that they are the subject of an ongoing rulemaking proceeding with the CPUC.[77] Applicants further contend that commenters' pole attachment claims are non-transaction-specific and industry-wide policy issues that should be addressed in other proceedings.[78] They also state that Florida Power & Light currently has complaint proceedings regarding these issues pending before the Commission, which were initiated prior to this transaction.[79]

23. The Commission has previously found improved quality, enhanced service, and new products to be examples of consumer benefits resulting from merger-specific efficiencies that are relevant

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[70] *Verizon/Frontier Order*, 25 FCC Rcd at 5980-83, paras. 18-24; *Applications Filed by Frontier Communications Corporation and AT&T Inc. for the Assignment or Transfer of Control of the Southern New England Telephone Company and SNET America, Inc*., WC Docket No. 14-22, Memorandum Opinion and Order, 29 FCC Rcd 9203, 9208-09, paras. 15-19 (WCB/IB/WTB 2014) (*AT&T/Frontier Connecticut Order*).

[71] *See Verizon/Frontier Order*, 25 FCC Rcd at 5980-83, paras. 18-24 (explaining that the Commission accepts that all transactions carry risks and that all companies are vulnerable to unforeseen events, but that Frontier, as the acquiring company, demonstrated that it was likely to be able to expand broadband and meet service quality commitments based on financial conditions at the time it entered into the transaction).

[72] *See, e.g.*, CALTEL Comments at 3-4, 6, 8; CWA Comments at 4, 13.

[73] CALTEL Comments at 9-10.

[74] CALTEL Comments at 3-4; CWA Comments at 4, 13; Consumer Advocates Comments at 8-9, 12-13.

[75] Florida Power & Light Petition at 18-21; Lumos Reply at 3-4 (stating that Lumos has experienced significant difficulties in obtaining timely action on pole attachments from Frontier in West Virginia).

[76] Florida Power & Light Petition at 22-23; Lumos Reply at 5.

[77] Applicant Reply at 19-20. The parties further note that "[w]hat is relevant . . . is that Frontier is committed to investing and providing high-quality wireline service in the areas it is acquiring." *Id*. at 20.

[78] *Id*. at 4.

[79] *Id*. at 27-28.

to the public interest analysis.[80] As explained below, we find that Frontier is more likely to improve service quality and invest in infrastructure improvements, including for voice services, than Verizon would be absent the transaction,[81] and we therefore disagree with commenter assertions that service quality concerns should function as a reason to deny or condition the proposed transaction.[82] In response to concerns about state commission review of network service quality and ongoing state commitments, Applicants affirm that, post-closing, Frontier will continue to be subject to all applicable state regulatory commission rules and decisions addressing service quality and remediation, irrespective of the change in ownership.[83] We also agree with Applicants that the concerns regarding pre-existing pole attachment disputes are not relevant to the proposed transaction. As the Commission has repeatedly held, we will generally not impose conditions to remedy pre-existing harms or harms that are unrelated to the transaction at issue.[84]

24. *Wholesale Services and Agreements*. Several competitive LEC commenters ask the Commission to condition approval of the transaction on Frontier's commitment to provide competitive agreements and pricing for critical inputs such as interconnection and special access services.[85] These commenters disagree that Frontier will offer wholesale customers "substantially the same services on the same terms and conditions under their existing contracts, price lists and tariffs," as Frontier committed to do in the Application.[86] The competitive LECs ask the Commission to convert such assertions into enforceable conditions to protect against potential anticompetitive behavior post-closing.[87] In particular,

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[80] *See, e.g.*, *Applications of Teleport Communications Group Inc. and AT&T Corp. for Consent to Transfer of Control of Point-to-Point Microwave Licenses and Authorizations to Provide International Facilities-Based and Resold Communications Services*, CC Docket No. 98-24, Memorandum Opinion and Order, 13 FCC Rcd. 15236, 15242 and n.40 (1998).

[81] *See infra* at paras. 35-36.

[82] Response to Information Request at 9 (stating that "network enhancements related to expanded deployment of broadband such as upgrading interoffice capacity and deploying fiber distribution facilities closer to the premises, will also improve the network utilized to provide voice services.").

[83] *Id*. at 8.

[84] *See Verizon Communications, Inc. and America Móvil, S.A. de C.V., Application for Authority to Transfer Control of Telecommunicaciones de Puerto Rico*, WT Docket No. 07-43, Memorandum Opinion and Order and Declaratory Ruling, 22 FCC Rcd 6195, 6206-07, para. 25 (2007) (rejecting assertions that a transfer of control should be denied or conditioned based on non-merger-specific issues and finding that applicants were subject to existing requirements). *See Applications of AT&T Inc. and Centennial Communications Corp. For Consent to Transfer Control of Licenses, Authorizations, and Spectrum Leasing Arrangements*, WT Docket No. 08-246, Memorandum Opinion and Order, 24 FCC Rcd 13915, 13929, para. 30, 13974-75, para. 150 (2009) (*AT&T/Centennial Order*) (stating that the Commission will not impose conditions in a merger proceeding to remedy pre-existing harms).

[85] *See*, *e.g*., COMPTEL Comments at ii, 6-7; TEXALTEL Comments at 6-7; CCA Reply at 3.

[86] COMPTEL Comments at 7-13; TEXALTEL Comments at 4-6; CCA Reply at 6-8. *See* Application at 3, 20-21.

[87] COMPTEL Comments at 7-13; TEXALTEL Comments at 4-6; CCA Reply at 6-8. COMPTEL also asserts that a condition requiring Frontier to honor Verizon interconnection obligations and provide access to wholesale inputs, including unbundled high capacity loops, should apply regardless of whether Frontier's network uses time division multiplexing (TDM) or transitions to an all-Internet Protocol (IP) network in the future. COMPTEL Comments at 7-9. As the Commission has held in other contexts, such a condition is not tailored to remedy any purported harms arising out of this transaction. *AT&T/Centennial Order*, 24 FCC Rcd at 13972, para. 141. In addition, the carrier transition to IP networks is the subject of an ongoing rulemaking proceeding to address such issues on an industry-wide basis, and is more appropriately addressed in that context. *See Technology Transitions et al.*, GN Docket No. 13-5 et al., Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 15-97, para. 3 (rel. Aug. 7, 2015) (stating that the item is supporting the IP technology transitions by "adopting limited and targeted regulation to preserve competition and to protect consumers, especially those in vulnerable populations who have not yet voluntarily migrated from plain old telephone service (POTS) and other legacy services").

commenters are concerned about Verizon interconnection agreements that are in "evergreen" status (*i.e.*, agreements that have passed their expiration dates but continue in effect until canceled by either party),[88] and that Frontier will seek to exercise the rural exemption from wholesale and interconnection provisions of section 251 of the Act, to the detriment of competitive LECs.[89]

25. In response, Applicants insist that there is no need to impose wholesale commitments on this transaction.[90] According to Applicants, Frontier will assume existing Verizon wholesale agreements;[91] will abide by all existing interconnection agreements, including those in rural and non-rural areas; will adhere to Verizon's Statement of Rates for unbundled network elements included in interconnection agreements; and, will abide by existing volume and term agreements for wholesale customers.[92] Frontier also asserts that it has no plans to terminate existing Verizon agreements that are in evergreen status after closing.[93] In addition, with respect to the rural exemption, Frontier has agreed that, "for a term of three years after the Transaction closes, in the portions of the Transferring Areas that are rural, Frontier will not assert that it is exempt from section 251(c) obligations pursuant to the rural exemption."[94] Applicants also note that this transaction will not convert any non-rural lines into rural lines.[95] Given these assurances, we find that the transaction is unlikely to result in public interest harms related to wholesale service and agreements.

26. *Operations Support Systems*. Commenters criticized the Application for its lack of detail regarding the conversion and transition of Verizon's customers to Frontier's systems.[96] Applicants responded to these criticisms, noting that, after closing, the Applicants will transfer current Verizon customers onto Frontier's existing operations support systems (OSS) and billing systems, which Applicants state are scalable and will support the operations to be transferred to Frontier.[97] Additionally, unlike the 14-state Verizon acquisition in 2010, Frontier has its own functioning OSS and billing systems in place for the current transfer, and has significant experience with those systems. It will not be working with replicated systems for a year before the cutover as it did before.[98] Frontier also states that it already has "significant operational experience with systems similar to those of [Verizon], including FiOS."[99] The parties have agreed to plan for integration and to test the data transfer process prior to conversion, and Frontier states that it plans to build on its experience with integrating Verizon's operations as well as

[88] CALTEL Comments at 5; TEXALTEL Comments at 5-6; CCA Reply at 6.

[89] COMPTEL Comments at 5-9; TEXALTEL Comments at 6. *See also* 47 U.S.C. § 251(f).

[90] Applicant Reply at 25-26.

[91] Specifically, Frontier states that it will assume those Verizon agreements that relate to service wholly within the areas transferred in this transaction. It further states that "for existing Verizon wholesale agreements that relate in part to service outside of the Transferring Areas, Frontier and the relevant counterparty will enter into an agreement under which those entities will continue to operate under the terms of the Verizon agreement after closing in the respective Transferring Areas only." *Id*. at 25.

[92] *Id*. at 26-27.

[93] *Id*. at 27.

[94] Frontier June 10, 2015 *Ex Parte* Letter at 4.

[95] Applicant Reply at 27.

[96] *See*, *e.g*., COMPTEL Comments at 13-14; TEXALTEL Comments at 7.

[97] Applicant Reply at 16.

[98] *Id*. at 16-17. Applicants also claim that the transition in Connecticut following the 2014 transaction "overall was successful and did not result in prolonged or systemic problems," stating that the issues which arose there were unique to that transaction and "were largely attributable to the unique aspects of transitioning AT&T U-verse services." *Id*. at 17.

[99] *Id*. at 18.

its experience with transitioning AT&T's customers in Connecticut in 2014 to help achieve a smooth cut-over process.[100] Frontier further asserts that it has enhanced its data conversion and quality assurance processes since the 2010 and 2014 transactions, and that it intends to use its transition team from the conversion efforts after the 2014 transaction to implement the transition here.[101]

27. In addition, Frontier claims that many wholesale customers in the affected states already use Frontier's OSS, and therefore will not be required to change their existing systems interfaces to process orders, track provisioning, or manage troubles. Frontier notes that it plans to undertake "a detailed communication and transition plan" to facilitate the use of the Frontier systems for wholesale customers who currently do not do business with Frontier and do not yet interface with Frontier's systems.[102] Frontier will provide training for wholesale carriers regarding ordering, provisioning, and managing wholesale service issues, and carriers will have the opportunity to conduct system interface testing prior to closing.[103]

28. Nothing in the record indicates that Verizon's wholesale or retail customers are likely to experience any loss in functionality as a result of the transaction. Further, in response to the request of Commission staff, Frontier has provided detailed information about the cutover plan it is executing with Verizon to transition customers. It states that the companies have established 140 working teams that are focused on functional transition plans for retail and wholesale customers and a deliverables schedule.[104] Applicants are currently undergoing a preparatory and testing phase to undertake mock conversions so that Frontier's systems are ready to accept and complete orders, billing, network operations functions, and other requirements at the time the transaction closes. Therefore, we find that, in light of this plan and Frontier's transition experience in prior transactions, it is unlikely that the proposed transaction will result in public interest harms related to OSS.

29. *Employment*. CWA notes that the Application provided limited information regarding the impact of the transaction on Applicants' employees, and sought "concrete commitments . . . to ensure that the transaction will not lead to any reduction in employment levels, workers' living standards, and service to customers."[105] Similarly, Greenlining raises concerns about potential harm to current levels of internal employee diversity as well as supplier diversity, noting that Verizon's diversity rates "greatly exceed Frontier's," and that the transaction may result in loss of employment for women or minorities.[106] Greenlining concedes that Applicants have indicated that the transfer will include Frontier's assumption of all of Verizon's current supplier diversity contracts.[107] Other commenters also question whether Frontier will have and maintain adequate staffing levels post-closing to ensure that service quality is not impaired.[108]

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[100] *Id.*

[101] *Id.*

[102] *Id*.

[103] *Id.* at 18-19.

[104] Response to Information Request at 16-19 and Exh. B, Declaration of John Lass (Frontier Lass Reply Decl.) at paras. 10-13.

[105] CWA Comments at 6-7, 13-14.

[106] Greenlining Petition at 5, 7-8.

[107] Greenlining Petition at 7-8. However, Greenlining cautions that "there is no guarantee Frontier would continue Verizon's commitment to supplier diversity when those contracts expire and the CPUC cannot require it." *Id*. at 7-8.

[108] CALTEL Comments at 8; Consumer Advocates Comments at 12-13; *see also* Lumos Reply at 2 ("Lumos' challenges attaching to Frontier's poles are relevant [here] because . . . these issues are an outgrowth of Frontier's inability to adequately manage the ILEC properties it has already acquired.").

30. As in previous transactions, Frontier states that it will honor all existing collective bargaining agreements, will give Verizon employees credit for the purposes of eligibility, vesting, and benefit levels under the company's employee benefit plans, and will give non-union Verizon employees compensation, incentives, and benefits comparable to those they had prior to closing, for a period of one year, as well as annual bonus opportunities at the target level in effect immediately prior to closing.[109] Frontier also states that it plans to use the existing workforce that will transfer over with this acquisition, and will be hiring local general managers as well as filling other positions across the affected states.[110] On August 4, 2015, CWA filed a letter stating that they have reached an agreement with Frontier providing for "employment security protections, the addition of 150 jobs in California and 60 jobs in Texas, a commitment to a 100 percent U.S. based workforce, operational flexibility to enhance the service experience for customers, and two-year extension of the collective bargaining agreements."[111] Based on Frontier's commitment to existing Verizon employees and commitment to local services and management in the affected states, we find that Frontier has provided sufficient assurances that the transaction is unlikely to result in public interest harms related to loss of employment.[112]

2. Potential Benefits

31. The Applicants claim that the transaction will result in public interest benefits in two primary areas: improved broadband services and synergies of approximately $700 million by consolidating operations and increasing economies of scale. As described below, based on the record before us, we find that the transaction is likely to result in benefits to consumers.[113]

32. *Improved Broadband Services*. Applicants claim that Frontier will maintain and strengthen broadband services in the transaction areas in California, Florida, and Texas.[114] Currently, Applicants report that 73 percent of households in the transaction areas in all three states have broadband available from Verizon at varying speed tiers.[115] Frontier states that it plans to expand this availability to

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[109] Applicant Reply at 21-22. *See also AT&T/Frontier Connecticut Order*, 29 FCC Rcd at 9210-11, para. 21.

[110] Applicant Reply at 22.

[111] CWA Aug. 4, 2015 *Ex Parte* Letter at 1.

[112] *See Applications Filed for the Transfer of Certain Spectrum Licenses and Section 214 Authorizations in the States of Maine, New Hampshire, and Vermont from Verizon Communications Inc. and its Subsidiaries to FairPoint Communications, Inc.*, WC Docket No. 07-22, Memorandum Opinion and Order, 23 FCC Rcd 514, 537, para. 38 (2008) (finding that FairPoint's plan to retain all employees and additional positions supported a conclusion that the transaction was not likely to result in the loss of employment). The CPUC is also reviewing the potential employment impact associated with the transaction. *See* CPUC July 2, 2015 Amended Scoping Ruling Order, at 6-7, available at http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M152/K971/152971955.PDF.

[113] The record does not support a finding of verifiable, tangible benefits to competition, and therefore, we do not rely upon it in our findings.

[114] Public Interest Statement at 13-14.

[115] Response to Information Request at 9-10 and Exh. 1. Applicants report that, in California, **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent of Verizon households have FiOS, **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent of households have DSL with speeds of 1 Mbps or less, **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent have DSL with speeds over 1 and up to 5 Mbps, and **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent have DSL with speeds over 5 and up to 15 Mbps; in Florida, **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent of Verizon households have FiOS, **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent of households have DSL with speeds of 1 Mbps or less, **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent have DSL with speeds over 1 and up to 5 Mbps, and **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent have DSL with speeds over 5 and up to 15 Mbps; in Texas, **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent of Verizon households have FiOS, **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent

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areas where Verizon has not been providing broadband service. Frontier further explains that those areas are primarily rural and are similar to many of Frontier's service areas in its existing 28-state territory in which it has been able to increase broadband deployment.[116] Frontier emphasizes that it currently offers stand-alone and bundled broadband service, which is its core growth driver, to approximately 92 percent of households throughout its current service territories.[117] Frontier further states that, as of December 2014, 55 percent of households in its service territory were capable of download speeds of 20 Mbps or more, 74 percent were capable of speeds of 12 Mbps or more, and 83 percent were capable of speeds of 6 Mbps or more.[118] It also states that it has started rolling out one gigabit speeds in certain markets as it upgrades its network.[119]

33. Frontier affirms that it plans to use public funding, including Connect America Fund (CAF) Phase II support, combined with substantial amounts of its own capital, to complete a broadband build-out in high cost areas post-transaction.[120] It states that it will expand fiber-based infrastructure within its network, upgrade network hardware, expand transport capacity in its middle mile and data backbone network in order to expand broadband, increase speeds available to customers, and improve the network for voice services.[121] Overall, Frontier states that the transaction will provide it with an increased scale and scope, increased cash flow, improved access to capital, and enhanced purchasing power to fund network investments, and that, as a result, it will "increase the geographic reach of its current fiber network from 14 percent to 31 percent of its footprint."[122]

34. For several reasons, we conclude that Frontier is more likely to accelerate broadband service in the transaction market areas than Verizon would be absent the transaction, and that this potential for acceleration represents a tangible public interest benefit. First, Frontier's history of deploying broadband supports its assertion that it intends to expand broadband services in the transaction

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of households have DSL with speeds of 1 Mbps or less, **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent have DSL with speeds over 1 and up to 5 Mbps, and **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent have DSL with speeds over 5 and up to 15 Mbps.

116 Response to Information Request at 9-10.

117 *Id.* at 9.

118 Applicant Reply at 8-9 and Frontier Jureller Reply Decl. at para. 15; Response to Information Request at 9.

119 Public Interest Statement at 7; Applicant Reply at 12-13 and Frontier Lass Reply Decl. at paras. 2-3.

120 Response to Information Request at 11-12; Frontier Jureller Reply Decl. at para. 14. In 2011, the Commission created CAF to ultimately replace all existing high-cost universal service support mechanisms and to help make broadband available to homes, businesses, and community anchor institutions in areas that do not, or would not otherwise, have broadband, including in the most remote areas of the nation. *Connect America Fund et al.*, WC Docket No. 10-90, et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17673, para. 20 (2011). CAF Phase II funding is designed to provide ongoing support to areas served by price cap carriers, including areas currently lacking broadband-capable infrastructure. *Id*. at 17673-74, paras. 23-25. On June 16, 2015, the Commission announced that Frontier accepted $283.4 million from CAF to expand broadband to over 1.3 million rural customers in its existing territory. Press Release, FCC, *Frontier Communications Accepts Over $283 Million Connect America Fund Offer to Expand and Support Broadband for 1.3 Million Rural Americans* (June 16, 2015), https://www.fcc.gov/document/connect-america-fund-expanding-broadband-13-m-frontier-customers. Frontier states that if it is "able to obtain regulatory approvals for the Transaction prior to December 31, 2015, it will utilize funding for broadband deployment in the high costs areas within the Transferring Companies' territories." Response to Information Request at 11.

121 Response to Information Request at 9-12. Frontier states that customers that are part of its CAF Phase II build-out will receive a minimum speed of 10 Mbps. *Id.* at 12.

122 Public Interest Statement at 2; Frontier June 10, 2015 *Ex Parte* Letter at 2 (citing Frontier Lass Reply Decl.at paras. 10-11); Response to Information Request at 2-3.

areas above Verizon's existing 73 percent availability rate.[123] In particular, Frontier's 92 percent broadband availability rate demonstrates a steady and significant improvement above the approximately 62 percent availability rate that existed at the time Frontier acquired mostly rural incumbent LEC operations in 14 states from Verizon in 2010, and the record demonstrates that Frontier intends to accomplish similar results with the proposed transaction.[124] In addition, the record indicates that the transaction will result in the opportunity for customers to have access to increased speed tiers. According to Applicants, Frontier offers speeds of 20 Mbps or more to 55 percent of the households in its current territory, while Verizon currently offers that speed tier to a lower percentage of households in the transaction areas in California and Texas.[125] Specifically, Applicants state that Verizon FiOS, which offers speeds above 20 Mbps, is available to only **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent of households in the transaction areas in California and **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent of households in Texas.[126] In Florida, the Applicants report that **[Begin Confidential Information]** [redacted] **[End Confidential Information]** percent of households in the transaction area have access to FiOS.[127]

35. Frontier has stated that it intends to extend broadband to regions that would not otherwise be able to receive wired broadband services from Verizon and that it will deploy fiber and other infrastructure that is capable of providing increased speeds and improving service not only for target locations but throughout its network.[128] To this end, Frontier has committed to deliver, by the end of 2020, broadband to an additional 750,000 households at speeds of 25 Mbps/2-3Mbps across its entire footprint, including in the transaction areas in California, Florida, and Texas.[129] Frontier explains that it will deliver broadband at this increased speed by committing private investment, leveraging all currently available technologies, and deploying new technologies as they become available.[130] It further states that

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[123] Public Interest Statement at 12-13; Frontier Jureller Reply Decl. at paras. 15-16 and Frontier Lass Reply Decl. at para. 8 (stating that Frontier's business plan is to expand access to innovative products, including broadband services, in the transaction areas).

[124] Frontier Jureller Reply Decl. at para. 15. *See Verizon/Frontier Order*, App. C., 25 FCC Rcd at 6002 and Letter from A.J. Burton, Frontier, to Alexis Johns, FCC, WC Docket No. 09-95 (filed July 21, 2015) (describing Frontier's progress in increasing the percentage of housing units within the areas transferred from Verizon to Frontier that have broadband capability) (Frontier July 2015 Semi-Annual Reporting *Ex Parte* Letter).

[125] Response to Information Request at 9.

[126] *Id*. at 9 and Exh. 1. The Commission stated in the *2015 Broadband Progress Report* that Verizon's current FiOS Internet offerings range from 25 Mbps to 500 Mbps downstream, with most customers now subscribing to the FiOS plans that offer download speeds of 50 Mbps or more. *Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion*, GN Docket No. 14-126, Broadband Progress Report and Notice of Inquiry on Immediate Action to Accelerate Deployment, 30 FCC Rcd 1375, 1383-84, para. 16 (2015).

[127] Response to Information Request at 9 and Exh. 1. Applicants state that Frontier is acquiring the existing FiOS broadband network and operations in the transaction areas and will continue to provide service after completion of the transaction. Frontier states that it has experience with FiOS and currently has FiOS-branded broadband video operations in Washington, Oregon, and Indiana. Public Interest Statement at 22.

[128] Response to Information Request at 10; Applicant Reply at 7 (stating that the transaction will produce public interest benefits because "Frontier will continue to invest in the Transferring Companies' wireline facilities and operations," and "by doing so, it will deliver speed and capacity improvements at reasonable prices to customers in each state, including the rural portions of the Transferring Areas.").

[129] Letter from Daniel McCarthy, President and Chief Executive Officer, Frontier Communications Corporation, to The Honorable Tom Wheeler, Chairman, FCC, WC Docket No. 15-44, at 1 (filed Aug. 11, 2015) (Frontier Aug. 11, 2015 *Ex Parte* Letter).

[130] *Id*. at 1-2. Frontier described specific technologies referred to as VDSL2 (bonded and un-bonded) and ADSL2+ (bonded) and also identified a new technology referred to as vectoring. *Id*. at 1 and Att. ("Frontier Communications

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it has spent the last five years building out its network and identifying ways to achieve high speeds over copper loops for its rural customers and that new equipment, combined with upgraded backbone transport, enables high speeds by supplementing its copper network with its fiber backbone.[131]

36. Second, Applicants have acknowledged that Verizon did not have any specific plans to expand FiOS or to improve broadband service and speeds in the transaction areas beyond satisfying any pre-existing obligations.[132] We fully recognize the concern of CWA, the Consumer Advocates, and Greenlining that Verizon has not deployed broadband to all customers in the transaction areas.[133] We find it persuasive that, while Verizon has not demonstrated plans to invest further in the transaction areas, Frontier's business strategy is predicated on "investing in wireline networks and providing advanced broadband capabilities and high-quality service."[134] Frontier states that all of its capital and human resources are concentrated on wireline services to assure optimal use of its high speed broadband infrastructure, and that it intends to focus its business plan on local engagement in the transaction areas in order to expand and improve service.[135] We find Frontier's statements to be credible in this respect. We note that, in conjunction with its 2010 transaction, Frontier states that it has met its commitment to increase broadband access in the rural areas it acquired from Verizon. It states that 38 percent of the households it acquired lacked any broadband services, and 50 percent of households did not have speeds greater than 3 Mbps in 2010. Now, however, it states that 83 percent of customers across all of its markets have speeds of 6 Mbps or greater.[136] To specifically demonstrate its prior experience in expanding broadband in California, Frontier filed information showing that, when it acquired 12 Verizon rural exchanges in California in 2010 serving 17,700 households, broadband had been deployed to about 4,200 households, or about 24 percent of households in the exchanges. As of 2015, Frontier states that broadband service is available to 14,700 households, or 82 percent of households in the acquired exchanges.[137]

37. The Commission accepted a broadband commitment from Frontier as a benefit when it sought to acquire AT&T's incumbent LEC operations in Connecticut in 2014.[138] The commitment

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Broadband Expansion, August 2015"). The Commission has stated that companies are testing technologies such as VDSL2 in order to provide speeds of 10 Gbps over copper. *Ensuring Customer Premises Equipment Backup Power for Continuity of Communications Technology Transitions*, PS Docket No. 14-174, GN Docket No. 13-5, *et al*., Notice of Proposed Rulemaking, 29 FCC Rcd 14968, 14981-82, para. 22, n.70 (2014).

131 Frontier Aug. 11, 2015 *Ex Parte* Letter at 1.

132 Response to Information Request at 12. Applicants state that the pre-existing obligations refer only to commitments under video franchise agreements to serve customers within Verizon's existing FiOS footprint along with contracts to supply FiOS to customers (such as homeowners' associations and multi-dwelling units) inside that footprint. Applicants state that, post-closing, the Transferring Companies, as owned and operated by Frontier, will continue to be subject to those obligations irrespective of the change in ownership. Frontier Aug. 25, 2015 *Ex Parte* Letter at 2.

133 CWA Comments at 2-3, 3-14, Consumer Advocates Comments at 14; Greenlining Petition at 10-11.

134 Frontier Lass Reply Decl. at para. 4.

135 Public Interest Statement at 13-14; Response to Information Request at 13.

136 Frontier Aug. 11, 2015 *Ex Parte* Letter at 1. *See Verizon/Frontier Order*, 25 FCC Rcd at 5992-93, para. 50 and App. C; Frontier July 2015 Semi-Annual Reporting *Ex Parte* Letter, Attach. Frontier's broadband expansion plans at the time of the 2010 transaction were based on providing access to speeds of at least 3 Mbps and 4 Mbps downstream. *Verizon/Frontier Order*, 25 FCC Rcd at 5992-93, para. 50.

137 Letter from William F. Maher, Jr., Counsel to Frontier Communications Corporation, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 15-44, at 1-2 (filed July 17, 2015) (Frontier July 17, 2015 *Ex Parte* Letter); Letter from William F. Maher, Jr., Counsel to Frontier Communications Corporation, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 15-44, at 1-2 (filed July 28, 2015) (Frontier July 28, 2015 *Ex Parte* Letter).

138 *AT&T/Frontier Connecticut Order*, 29 FCC Rcd at 9213-14, para. 27.

focused on expanding IP broadband data speeds of 10 Mbps or greater to more than 100,000 additional households and to construct an ultra-high speed middle mile fiber network and make other network improvements.[139] Frontier now states that, since the transaction closed in October 2014, it has made these network improvements in order to expand broadband to 5,070 additional households with access to speeds of 10 Mbps or greater, with about 19,000 more households having access to 10 Mbps broadband service expected by the end of 2015.[140] As the Commission has found in prior transactions, we expect that Frontier's incentive to execute its broadband business plan, coupled with its prior experience acquiring incumbent LEC assets, including in rural areas, will accelerate broadband deployment in California, Texas, and Florida post-merger.[141]

38. Third, the Commission has previously found that the commitment of private investment in broadband that Frontier describes in the record, including increasing its fiber network from 14 percent to about 31 percent of its footprint post-merger, and the competition this investment will promote among providers, is an important benefit in our transaction review.[142] Thus, we believe, based on the facts presented, that the proposed transaction will promote broadband availability in the transaction areas.

39. *Synergies*. Applicants contend that the proposed transaction will also benefit the public interest by resulting in substantial cost savings. As stated above, Frontier anticipates achieving cost savings of approximately $700 million annually within three years.[143] CWA commented that Frontier's claimed benefits in the Application were vague and not based on sufficient information.[144] Consumer Advocates further questioned whether the savings would benefit consumers.[145] The Commission requested additional information from the Applicants, and they provided further details about Frontier's anticipated cost savings.[146] In particular, Applicants state that " . . . $525 million of the projected savings will come from elimination of Verizon corporate cost allocations for various shared services, line network operations, engineering, and accounting and administrative functions."[147] Frontier states that another $175 million in savings will be based on managing other allocations and costs.[148] In response to our request for additional information, Frontier provided a more detailed description of its plans to utilize available funds to improve the local network in the transferring service areas and to improve the availability of broadband services,[149] stating that "the network will come first in all of its markets, both

[139] *Id*.

[140] Frontier July 17, 2015 *Ex Parte* Letter at 4; Frontier July 28, 2015 *Ex Parte* Letter at 2.

[141] *Verizon/Frontier Order*, 25 FCC Rcd at 5994, para. 56; *AT&T/Frontier Connecticut Order*, 29 FCC Rcd at 9210-11, para. 21. California Emerging Technology Fund (CETF) submitted late-filed comments raising concerns regarding broadband availability and pricing. Comments of California Emerging Technology Fund, WC Docket No. 15-44 (filed July 29, 2015) (CETF Comments). CETF did not include a motion to accept its filing. *See* 47 C.F.R. § 1.46(a). Applicants filed a response arguing that the untimeliness of CETF's filing is unjustified and raises non transaction-specific issues. Letter from William F. Maher, Jr., Counsel to Frontier Communications Corporation, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 15-44, at 1-2 (filed Aug. 6, 2015) (Frontier Aug. 6, 2015 *Ex Parte* Letter). In any event, we note that the issues CETF discusses were previously raised in the record by other parties.

[142] *Verizon/Frontier Order*, 25 FCC Rcd at 5993-94, para. 53.

[143] Public Interest Statement at 17.

[144] CWA Comments at 2, 11.

[145] Consumer Advocates Comments at 13-14.

[146] *See*, *e.g*., Frontier June 10, 2015 *Ex Parte* Letter at 2; Supplemental Information Request Letter at 2.

[147] Frontier June 10, 2015 *Ex Parte* Letter at 2; Frontier Jureller Reply Decl. at 5. *See* Applicant Reply at 13-14.

[148] Response to Information Request at 13.

[149] *Id*.

rural and urban . . . [and that] the Transaction provides significant flexibility for continued investment in the network and to operate the business."[150]

40. As evidence of the likelihood of achieving its projected savings in the proposed transaction, Frontier states that it successfully achieved its projected synergies in past transactions.[151] Frontier states that it exceeded the $500 million operating savings planned in its 2010 transaction with Verizon.[152] Frontier states that, with regard to its 2014 purchase of AT&T's operations in Connecticut, Frontier's annualized cost savings have already totaled $165 million, and Frontier is on track to meet its estimated total operating expense savings of $200 million.[153] Frontier states that these savings improved the finances and cash flow of the company and permitted it to "engage in a balanced, flexible, approach of investing in its network infrastructure, including paying for all commitments pursuant to the prior transactions. . . ."[154] While we are unable to calculate a specific savings amount, we find that, based on the record before us, it is likely that Frontier will achieve its estimated cost savings, and, given its business model and investment plans described above,[155] it is likely that at least some of those savings will further enable it to increase its infrastructure investment, including infrastructure supporting broadband services.[156]

IV. CONCLUSION

41. As discussed above, based on our careful review of the record, we find that the transaction is unlikely to result in any significant public interest harms. We also find that the proposed transaction is likely to result in public interest benefits of increased investment in local networks facilities and broadband services in the transferring service territories and some cost savings. Accordingly, we conclude that granting the Applications serves the public interest.

V. ORDERING CLAUSES

42. Accordingly, having reviewed the applications and the record in this matter, IT IS ORDERED that, pursuant to sections 4(i)-(j), 5(c), 214, 309, and 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i)-(j), 155(c), 214, 310(d) and sections 0.51, 0.91, 0.131, 0.261, 0.291, and 0.331 of the Commission's Rules, 47 C.F.R. §§ 0.51, 0.91, 0.131, 0.261, 0.291, and 0.331, the Applications to assign and transfer control of domestic and international section 214 authorizations and section 310(d) wireless licenses ARE GRANTED.

43. IT IS FURTHER ORDERED, pursuant to Section 4(i) of the Communications Act of 1934, as amended, 47 U.S.C. § 154(i), and section 1.45 of the Commission's Rules, 47 C.F.R. § 1.45, that the Florida Power & Light Motion to Accept Late-Filed Petition, filed on April 17, 2015, IS GRANTED.

44. IT IS FURTHER ORDERED that, pursuant to sections 63.10, 63.13, and 1.939 of the Commission's Rules, 47 C.F.R. §§ 63.10, 63.13, 1.939, the petitions of Greenlining and Florida Power & Light to deny the Applications ARE DENIED as discussed above.

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[150] *Id*. at 14.

[151] Public Interest Statement at 18.

[152] *Id*.

[153] *Id*.; Frontier July 17, 2015 *Ex Parte* Letter at 4.

[154] Frontier July 17, 2015 *Ex Parte* Letter at 4.

[155] *See supra* paras. 31-39.

[156] *See Verizon/Frontier Order*, 25 FCC Rcd at 5995, para. 57 (finding that transaction synergies were a potential transaction benefit, but relying on other merger benefits to support a determination that the transaction was in the public interest).

45. IT IS FURTHER ORDERED, pursuant to section 1.102(b)(1) of the Commission's rules, 47 C.F.R. § 1.102(b)(1), that this Memorandum Opinion and Order IS EFFECTIVE upon release. Petitions for reconsideration under section 1.106 of the Commission's Rules, 47 C.F.R. § 1.106, or applications for review under section 1.115 of the Commission's rules, 47 C.F.R. § 1.115, may be filed within thirty days of the date of public notice of this Memorandum Opinion and Order.

FEDERAL COMMUNICATIONS COMMISSION

Matthew S. DelNero
Chief, Wireline Competition Bureau

Mindel De La Torre
Chief, International Bureau

Roger Sherman
Chief, Wireless Telecommunications Bureau

APPENDIX

SECTION 214 AUTHORIZATIONS

A. International

File Number	Authorization Holder	Authorization Number
ITC-ASG-20150224-00052	Verizon Long Distance LLC	ITC-214-20001121-00680
ITC-T/C-20150224-00055	GTE Southwest Incorporated dba Verizon Southwest	ITC-214-20080219-00077
ITC-T/C-20150224-00056	Verizon Florida LLC	ITC-214-20080219-00064
ITC-T/C-20150224-00057	Verizon California, Inc.	ITC-214-20080219-00063

B. Domestic

The application for approval to transfer control of domestic 214 authorizations is granted.

SECTION 310(d) APPLICATIONS

File Number	Licensee	Lead Call Sign
0006674665	GTE Southwest Incorporated dba Verizon Southwest	KG4012
0006674669	Verizon Florida Inc.	KIY21
0006674674	Verizon California Inc.	KF5881