

**FACT SHEET 5: IRREGULATORS v FCC Is Critical to America's Broadband-Internet Future**

**WHAT:** On July 22nd, 2019, the [IRREGULATORS v FCC](#) moved forward with the filing of our initial brief. This legal challenge exposes one of the largest accounting scandals in American history. AT&T, Verizon and CenturyLink, with the assistance of the FCC, have been able to manipulate the FCC accounting rules, which have been frozen to match the year 2000, literally; this made the entire wired US infrastructure appear unprofitable. In December, 2018, the FCC extended this freeze for another 6 years.

**WHEN: NEXT:** The FCC has until September 5th, 2019 to respond.

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Oral Argument Requested

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In the  
UNITED STATES COURT OF APPEALS  
DISTRICT OF COLUMBIA CIRCUIT

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No. 19-1085  
Agency No. 18-182

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THE IRREGULATORS, NEW NETWORKS INSTITUTE, BRUCE A. KUSHNICK, MARK N. COOPER, TOM ALLIBONE, KENNETH LEVY, FRED GOLDSTEIN, AND CHARLES W. SHERWOOD, JR.,

PETITIONERS,  
V.  
FEDERAL COMMUNICATIONS COMMISSION AND UNITED STATES OF AMERICA,

RESPONDENTS.

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ON PETITION FOR REVIEW OF AN ORDER OF THE  
FEDERAL COMMUNICATIONS COMMISSION

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INITIAL BRIEF FOR PETITIONERS THE IRREGULATORS, ET AL

**Documentation:** We prepared a by-the-numbers walkthrough of our primary source, the Verizon NY 2018 Annual Report, published June, 2019, as well as previous reports.

**IMPACTS:****The Price of All Communications Are Being Overcharged Based on Overseas Prices for Wireline, Wireless, Triple Play, Broadband Internet and Cable**

- **Triple Play:** We estimate overcharging on America's basic \$70-\$155 a month, counting taxes, fees, surcharges; but not counting add-ons. (The range starts with the original promotional price through the removal of discounts.)
- **20-35% added taxes, made up fees,** and surcharges above the advertised price.
- **Wireless:** US "unlimited" wireless customers are being overcharged an estimated \$50-\$75.00 a month, not counting the additional 500–1000GB of a real unlimited service that they do not receive--an average of \$873 a year extra

**Creation of the Digital Divide and Homework Gap: [FULL REPORT](#)**

Verizon, AT&T and CenturyLink control the majority of America's state telecommunications wired utilities, and with the help of the FCC, we now believe that they were intentionally made to appear artificially unprofitable since 2000.

- This has allowed the companies to claim that the rural areas were unprofitable, and also receive billions per state in state and federal grants, high cost funds, universal service support and host of other perks.

## Raise Rates; Harm Competition

- At the same time, these 'unprofits' were used to raise rates, get changes to state and federal regulations, but also were responsible for a lack of direct competition adding to excess charges for all services. And because the companies used the utilities for their wireless roll outs, they could inflate rates to all competitors and customers, and directly harm customers.

## Billions in Artificial Tax Losses

- Moreover, it also meant that the state utilities were showing billion in losses, resulting in major tax benefits to the companies and harming the state tax base.

## Control Public Policies and Let the Networks Deteriorate

- The companies can claim that renting to competitors is unprofitable, that having to supply "carrier of last resort" services or even fix broken lines is unprofitable, and that keeping the unions to work on these lines is unprofitable.

## Shut Off the Copper; 5G Wireless and Net Neutrality

- Using manipulated accounting, the companies now claim that they should 'shut off the copper' wires and replace it with 5G Wireless.
- They also claim that Net Neutrality harmed investment.
- The investments were never done on the federal level but are based on local phone customers being overcharged to fund 5G, while the claims of NN harming investment is just the opposite, the investments were made using Title II.

## HOW: UNKNOWN TO MOST

- **The state-based utility wires are the guts of all services** — wireless, wireline, fiber optics and copper. AT&T, Verizon and Centurylink control the wired state utility networks, including the "Business Data Services", sometimes called "backhaul", which are the wires, the guts of the networks, but they are also the basis of wireless in America.
- **They Got Rid of the "U" Word:** The companies have been able to use every method of obfuscation to claim that the telecom utilities no longer exist.
- **There is a Structural Flaw in Every FCC Decision:** The FCC never examined the state-based financial reports, the broadband commitments made on the state level or that the local phone customers have been illegally funding all of the companies' other lines of business—like wireless. The state utility networks are "Intrastate"; the Local Service and revenues are "intrastate", but the intrastate customers have been charged thousands of dollars per customer to fund the "interstate" services, which include Wireless.

**WHO:** Over 5 year ago the [IRREGULATORS](#) formed as an independent consortium of senior telecom experts, analysts, forensic auditors, and lawyers who are former staffers from the FCC, state consumer advocate and Attorneys General Office, as well as telecom auditors and consultants. In fact, members of the IRREGULATORS have been working together, in different configurations, since 1999.

As the IRREGULATORS and New Networks Institute we have filed [over 18 separate reports and filings](#) with the FCC's proceeding 80-286, starting in 2015, to detail for the FCC, with serious expertise, the issues surrounding the accounting rules. Moreover, we have participated in over 30 separate proceedings over the last 5 years.