

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

In the Matter of )  
)  
*Inquiry Concerning Deployment of* ) GN Docket No. 19-285  
*Advanced Telecommunications* )  
*Capability to All Americans in a* )  
*Reasonable and Timely Fashion* )

RE: FIFTEENTH BROADBAND DEPLOYMENT REPORT NOTICE OF INQUIRY  
STATEMENT & REFRESHING THE RECORD

**The FCC Rewrote America’s Broadband History through Vigorous Ignorance  
The FCC’s Broadband Reports are Useless to Fix America’s Digital Divide.**

**New Networks Institute**

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**NOTE:** We file this as New Networks Institute (a member of the IRREGULATORS), because of our long standing participation in these proceedings, since 1998, but as separate from the ongoing legal challenge, IRREGULATORS v FCC.

**OVERVIEW**

The excerpt below is part of the 1993 Order by the NJ Board of Public Utilities (BPU) to have what is now-Verizon New Jersey, (the State of New Jersey’s primary public telecommunications utility) start the State’s fiber optic future by replacing the existing copper wires with fiber optic wires capable of delivering speeds of 45Mbps in both directions. By 2010, 100% of the Verizon territory (about 95% of the entire state) was to be completed.

Broadband Digital Service:

Switching technologies matched with transmission capabilities support data rates up to 45,000,000 bits per second and higher, which enables services, for example, that will allow residential and business customers to receive high definition video and to send and receive interactive (i.e., two way) video signals.

New Networks Institute (NNI), established in 1992, is a market research and consulting firm, and a founding member of the IRREGULATORS. NNI was created, in part, to examine the ‘new fiber optic networks’ that were supposed to be covering America as part of something called the ‘Information Superhighway’, which was the centerpiece of the Clinton-Gore presidential campaign. In fact, as we documented, virtually every incumbent telecommunications company, now AT&T, Verizon and CenturyLink, went state-to-state claiming that if the companies were granted ‘price caps’ and deregulation, (i.e., rate increases and tax perks) they would use these excess profits to build out their franchised, public utility territories with fiber optics, including schools and libraries, along with all rural areas and inner cities.

On the federal level, the Telecommunications Act of 1996 was passed and it included opening the local phone networks to direct competition as well as a requirement under Section 706 that the FCC inform Congress and the American public on whether broadband is being deployed in a timely fashion to all Americans. If not, the FCC was to take immediate actions to bring in competition and investment. By 2000, America was one of the world leaders in network infrastructure and internet services—but it relied mostly on the existing copper wires controlled by the telcos.

**The FCC’s entire data and analysis has four structural flaws that permeates every FCC decision and proceeding.** Worse, these flaws have caused over \$1+ trillion dollars in harms, including overcharging customers, the creation of the Digital Divide, and the current path – to dismantle the state-based telecommunications utilities and hand them over the wireless division as private property with no regulations or obligations to those who have been funding these assets—phone customers.

- **Every FCC decision, proceeding and analysis has ignored all state-based anything; it never even acknowledges that there are state-based telecommunications utilities.** From the financial reports of Verizon NY, or the commitments to do broadband upgrades in New Jersey or Pennsylvania, or the rate increases charged to local phone customers who are actually making the ‘investment’ to pay for these broadband commitments—none of this has been addressed or even acknowledged by the FCC for decades.
- **There is no institutional memory much less enforcement for violations and wrongdoing.** In 2001, the FCC set the cost allocations formulas of their accounting rules to reflect the year 2000 and it never examined the formulas for two decades to see if they had become corrupted.
- **Unfortunately, the FCC’s accounting formulas,** which are supposed to properly allocate expenses between the different lines of business using the state-based critical infrastructure were manipulated and they misallocate almost all expenses to charge local phone customers, including the construction used by the wireless company.
- **The bias of a regulatory captured Agency has caused a toxic swamp.** From the advisory committees that have corporate co-opted non-profits or ‘experts’ that work for AT&T, Verizon et al., or even the industry associations and astroturf groups that have been allowed to be on the Consumer Advisory Committee, “CAC”, or the

Broadband Deployment Advisory Committee, the level of conflicts-of-interest has reached a new plateau of corruption. Moreover, the Chairman of the FCC worked for Verizon, while one Commissioner worked for Verizon as well as the Wireless association, CTIA. To top it off, the current 5G wireless plan is based on model legislation of ALEC, the American Legislative Exchange Counsel, an AT&T et al. funded group that is now on the ‘CAC’.

## IMPACTS

- The FCC’s Advanced Network Section 706 Reports have been used to create a revisionist history of the fiber optic and high-speed broadband deployments in America while ignoring and being, in part, responsible for the overcharging of America by [at least \\$½ trillion dollars, starting in 1992](#)<sup>1</sup>. The FCC’s proceedings have been manipulated as they have ignored every state-based, fiber optic broadband commitment, not to mention the billions per-state charged to local phone customers for network upgrades. Most importantly, they have failed to acknowledge that the wired infrastructure, including wireless, is still based on state-based telecommunications broadband public utilities, which are being dismantled.
- Moreover, in order to continually inflate America’s broadband subscription numbers, the FCC has continually kept America’s broadband standard speed to be two-cans and string. And to add to the inflation, the FCC combined this with a costly broadband tracking system that is seriously flawed and unreliable—for [almost a decade](#)<sup>2</sup>.

If this wasn’t enough:

- [IRREGULATORS v FCC](#)<sup>3</sup> is a challenge of the FCC’s accounting rules and formulas that have been applied to the allocation of expenses of the state-based utilities and it exposes one of the largest accounting scandals in American history, adding an additional \$½+ trillion in overcharging – at least \$50-60 billion annually. Over the last decade, we uncovered that the FCC, with the help of AT&T and Verizon, was able to manipulate the financial accounting formulas that now make the entire US wired infrastructure appear unprofitable.
- This financial shell game helped to create the Digital Divide intentionally, with the plan to let AT&T and Verizon substitute inferior wireless services, including 5G. I.e.; it is designed to claim that rural areas are not profitable to upgrade, when instead, the wireline construction budgets that should have been used to upgrade rural areas and inner cities were used to build out the wireless networks. At the same time, the wireless company never mentions that the capex is never repaid by the wireless side of the business; this diversion is used to save billions in taxes, used as an excuse to raise local rates, making local phone customers de facto investors in the wireless business, but most importantly has led to excessive but artificial wireless profits at the expense of the states and cities’ public utility infrastructure.
- Moreover, because AT&T, Verizon and CenturyLink, the original Bell companies, have been able to consolidate and control the wired networks, as well as capture the

- FCC, they have also taken control and [can inflate the price of all services](#) in the US, from wireless and wireline to broadband and internet<sup>4</sup>.
- The cable companies and the phone companies offer no serious competition to each other and so the cable side can add a continuous stream of added charges, have notoriously poor customer service and both [can keep prices inflated 3-10 times](#) more for communications services vs overseas<sup>5</sup>.

We say - *Ignorantia historia et notitia neminem excusat*; roughly translated, ignorance of history and the data is no excuse. Failure to not know the facts and even rewriting history when it suits the corporations who have gamed this process, needs to be exposed and challenged—in every city and in every state, not to mention at the federal level.

### **Fix the Advanced Networks Reports: Fix America's Digital Divide.**

America has been play-acting at fixing the Digital Divide. Unless we as a nation finally deal with this massive financial shell game that has developed over decades and has given the corporations the power to harm America's economic growth for their own needs vs US, the public, we will simply throw money at the companies that already failed to deliver.

**IRREGULATORS' Solution:** There are billions of dollars per state that could be and should have been used for building out the entire state's telecommunications wired infrastructure to fiber optics. As we will discuss, our analysis is based on decades of research, but also on actual financial annual reports of Verizon NY, the state-based, public, telecommunications utility and the only public and published financial report now available. As far as we can tell, there is no other state that requires a full annual report, and the FCC stopped publishing basic critical data state-based data in 2007. Moreover, these FCC advanced networks reports have done more harm than good to the America's Digital Future.

**This is not just a history lesson.** The FCC plan for 2020 and the next decade to cure the Digital Divide is to give a paltry \$2 billion per year for 10 years, to the states, and in turn to the wireless companies so they can deliver seriously inferior speeds with data caps in rural areas. But this is also about dismantling the state public utility infrastructure and handing over publicly funded and created assets to the wireless company as private property for private use.

Ironically, the FCC fails to mention that these government handouts are actually a tax on your bills, which was a whopping 25% on interstate services in the 4<sup>th</sup> Quarter of 2019, and 21.2% in the first quarter of 2020. (And this is one of the many taxes, fees and surcharges that are mostly revenue to the companies.)

**History Predicts the Public Will Lose Over and Over.** The current crop of National Broadband plans from presidential candidates' Bernie Sanders or Elizabeth Warren are to hand-out \$80-\$150 billion in government funding. Worse, most of the cities have bought into the telco's 5G bait-and-switch for their really dumb-smart cities. All of these plans are

based on the revisionist history created by the FCC's advanced network reports which have covered over basic facts and rewrote history.

The FCC has an obligation to tell the whole truth, and it is time that the FCC go after the massive financial cross-subsidies we uncovered, go after the billions per state to properly give residential and business customers, including low income families, what they have all paid for over the past twenty-five plus years. IRREGULATORS v FCC was designed to move in this direction—since the FCC ignored our repeated, but well documented claims of financial distortions that are creating flawed public policies; the case is intended to start investigations of the FCC's manipulation of the financial books that have manipulated the FCC's federal internet and broadband policies.

Thus, we took this case because it is the quintessential challenge that impacts every FCC decision, every state decision and exposes the billions of cross-subsidies that the FCC has refused to address after our repeated filings over the last 5 years. Hopefully, the Court will require the FCC to address the financial shell game and in turn, expose that their Section 706 reports are of dubious merit and manufactured and manipulated 'truths', which have relied on vigorous ignorance.

### **The Backdrop of America's Fiber Optic Fiasco.**

#### **1) Original Public Interest Objective: Affordable, Fiber Optic Broadband to Everyone.**

In 1991, the Clinton-Gore presidential ticket detailed a plan called the "Information Superhighway", which was to replace the aging copper wired utility telecommunications networks with fiber optic wires to the home.

In virtually every state, the incumbent phone companies, now AT&T, Verizon and CenturyLink, went to their state commissions and legislatures and had laws changed, from 'rate-of-return' to 'price-caps' or incentive regulations that gave the companies more profits (and tax breaks) to fund a buildout of the states they controlled.

The Telecommunications Act of 1996 was established to open these networks to direct competition, but it also had requirements under Section 706(b) to examine "the availability of advanced telecommunications capability to all Americans" and whether it was being done "in a reasonable and timely fashion". If not, the Commission is directed to take immediate action by the "removal of barriers to infrastructure investment", and the "promotion of competition in the telecommunications market".

#### **SEC. 706. ADVANCED TELECOMMUNICATIONS INCENTIVES**

“(a) In General: The Commission and each State commission with regulatory jurisdiction over telecommunications services shall encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans (including, in particular,

elementary and secondary schools and classrooms) by utilizing, in a manner consistent with the public interest, convenience, and necessity, price cap regulation, regulatory forbearance, measures that promote competition in the local telecommunications market, or other regulating methods that remove barriers to infrastructure investment.”

[Cybertelecom](#) has an extensive library of documents and supplies the basics of telecom law and policy, including Section 706.<sup>6</sup>

## 2) The Section 706 Advanced Networks Reports Have been a 20-Year Farce.

“Farce”, according to Dictionary.com:

“A comic dramatic work using buffoonery and horseplay and typically including crude characterization and ludicrously improbable situations.”

In 1998, the first Section 706 proceeding started and it defined the speed of broadband as 200Kbps in 1 direction—that’s 1/5 of 1Mbps.

"For purposes of this Report, we define "broadband" as having the capability of supporting, in both the provider-to-consumer (downstream) and the consumer-to- provider (upstream) directions, a speed (in technical terms, "bandwidth") in excess of 200 kilobits per second (kbps) in the last mile. This rate is approximately four times faster than the Internet access received through a standard phone line at 56 kbps. We have initially chosen 200 kbps because it is enough to provide the most popular forms of broadband -- to change web pages as fast as one can flip through the pages of a book and to transmit full-motion video."

Why did the FCC do this? Because Verizon and AT&T did not upgrade their networks to fiber optics as they had claimed they would do if the state laws were changed. So, the FCC set the bar so low that it would allow for DSL over the existing copper wires to count as broadband, even though it did not satisfy the definition of broadband:

“(1) Advanced telecommunications capability: The term ‘advanced telecommunications capability’ is defined, without regard to any transmission media or technology, as high-speed, switched, broadband telecommunications capability that **enables users to originate and receive high-quality voice**, data, graphics, and video telecommunications using any technology.”

But, imagine our surprise to this speed-slap-in the face. Prior to the FCC’s release we had laid out, in vivid detail, that the state-based commitments for broadband and internet speed was 45 Mbps in both directions, and this was part of various state laws, as the opening quote points to.

Over the next two decades we also watched as the FCC ignored and failed to examine the state-based telecommunications utility broadband commitments, which also included the customer funding (read ‘investment’) via alternative regulations and price caps.

### 3) Two Examples of State-Based Fiber Optic Plans.

This [Verizon](#)<sup>7</sup> (then-Bell Atlantic), press release from 1996 laid out the fiber optic plan to have 12 million homes and small businesses upgraded in cities, up and down the East Coast, including Philadelphia, and it was tied to the state plans of New Jersey and Pennsylvania, as Bell Atlantic was the parent holding company to these two state utilities.

“The fiber-to-the-curb architecture that Bell Atlantic will build is the next step in the company's ongoing, aggressive network modernization program. ...Bell Atlantic plans to begin its network upgrade in Philadelphia and southeastern Pennsylvania later this year. The company plans to expand this Full Service Network deployment to other key markets over the next three years. Ultimately, Bell Atlantic expects to serve most of the 12 million homes and small businesses across the mid-Atlantic region with switched broadband networks.”

Also, in the Bell Atlantic Annual Reports, the company claimed they would be spending over \$11 billion through 2000 to make this happen; in the NYNEX 1993 Annual Report, (which merged with Bell Atlantic in 1996) the company claimed it would have 1.5-2 million locations with fiber optics by 1996.

### 4) Verizon New Jersey’s Fiber Optic Failure

In 1993, the New Jersey Board of Public Utilities granted now-Verizon New Jersey, the state-based public telecommunications utility, ‘price caps’, which was ‘alternative regulations’ that would eventually give Verizon over \$15 billion in customer overcharging and tax benefits through 2016 that were supposed to be used to have the entire territory upgraded to fiber optics. Called “Opportunity New Jersey”, by 2010, 100% of the entire Verizon New Jersey territory – rural, urban and suburban areas – were to be completed with a fiber optic upgrade, replacing the existing copper wires, and capable of 45Mbps in both directions.

To repeat, the excerpt in the opening is part of the 1993 Order by the NJ Board of Public Utilities to start this fiber optic future – and the speed, in the law, was 45Mbps in both directions.

To say that Verizon was able to game the regulations and rewrite the law would be putting it mildly. In 2001, Verizon NJ claimed that it was on target and had 52% of their entire territory capable of 45Mbps in both directions, but this was just make-believe.

[In 2014](#),<sup>8</sup> Verizon NJ was able to convince the state regulators that wireless, at the speed of DSL, was an acceptable substitute for fiber-to-the-home that is capable of 1Gbps speeds

(1000Mbps). Less than ½ of the Garden State was properly upgraded, even though the company collected an estimated \$15 billion by 2016. Worse, the excess charges, rate increases and tax benefits were never examined or removed; there were no refunds for not completing the original fiber optic agreement, much less penalties. We note that in the 2006-timeframe, Verizon NJ applied for a 'system-wide' franchise to offer FiOS over the fiber to the home wireline networks in various parts of New Jersey. There was no discussion of the previous commitments, and by 2013, during the renewal of this franchise, no one appeared to remember that the State was to be upgraded to fiber by 2010.

**CLICK: [New Jersey Fiber Optic Broadband Failure Resources](#)**<sup>9</sup>

### 5) Opportunity Pennsylvania

In 1994, Verizon Pennsylvania (then-Pennsylvania Bell, a subsidiary of Bell Atlantic) was granted the 'deregulation' of state laws that essentially gave the Bell company financial incentives to rewire the state with fiber optics for broadband services.

NOTE: This plan, called "Opportunity Pennsylvania" was created by Deloitte & Touche and was used not only in New Jersey, but also cookie cut for AT&T Advantage Ohio, AT&T Indiana and AT&T Illinois.

On March 28, 2002, the PA Public Utility Commission wrote: The Commitments:

*"In view of Bell's **commitment to providing 45 Mbps** for digital video transmission both upstream and downstream, we look forward to Bell's providing this two-way digital video transmission at **45 Mbps**."<sup>10</sup>*

*"Verizon PA has committed to making **20%** of its access lines in each of rural, suburban, and urban rate centers broadband capable within five days from the customer request date by **end of year 1998; 50% by 2004; and 100% by 2015.**"*

*"In order to meet this commitment, Bell plans to deploy a broadband network using **fiber optic** or other comparable technology that is capable of supporting services requiring bandwidth of at least 45 megabits per second or its equivalent."*

Again, this is 45Mbps in both directions, to be deployed starting in 1994, with the requirement to complete the entire state territory of Verizon Pennsylvania by 2015 in rural, urban and suburban areas.

Why? Because, like New Jersey, these are state-based telecommunications utilities where the entire territory must get the benefits as all of the customers paid for these upgrades, and the rural areas expenses were factored into the revenues and expenses of the entire state-territory.



**6) The Outcome: The Liberty Bell Is Cracked; Another State Was Harmed.**

[The Center for Rural Pennsylvania](#)<sup>11</sup> details how the speed of broadband in PA was changed along the way so that it is now two cans and string, 26 years later. Here the speed wasn't reset as 'DSL' but as 1.544Mbps in 1 direction, and to be delivered by wireline or wireless, and it is still the standard in 2020.

“PUC Chapter 30 regulations require companies to make broadband service available within 10 business days of a request at a speed equal to or greater than 1.544 megabits per second (Mbps) in the downstream direction and equal to or greater than 128 kilobits per second (Kbps) in the upstream direction.”

It continues that the current FCC standard of 25Mbps down isn't available to 775,000 customers.

“According to one report, at least 775,000 Pennsylvania residents do not have access to 25Mbps connection speeds. But some experts, and even the FCC itself, believe that these figures may dramatically overstate the actual availability of broadband services.”

CLICK: [Verizon Pennsylvania's Failure to Upgrade PA with Fiber Optic Services; the Bait-and-Switch Resources](#)<sup>12</sup>

**TO SUM UP:** Verizon New Jersey and Verizon Pennsylvania

- Verizon NJ and Verizon PA are state-based telecommunications utilities.
- There was supposed to be full coverage of fiber optic wired upgrades, replacing the copper wires to all customers who were in the utility franchise area.
- The speed was 45Mbps.
- The speed was to be delivered in both directions.
- It was not like a DSL connection where the speed is only fast in 1 direction.
- These commitments started in 1993-1994 but were still in place in 2014-2015 in both states.
- **PUNCHLINE:** No Section 706 report in any year ever examined these state-based price capped regulatory models and Verizon's utter failure to deliver.

Thus, in both states, while the actual speed of the original commitments was 45Mbps in both directions (and in NJ it is in law; in PA it was in all testimony by Verizon) somehow, Verizon was able to slice away the rights of cities and population to deliver seriously inferior services – not even on a wireline networks but as wireless, with its obvious limitations of what was already paid for.

Had the FCC actually done its job, it would have told Congress and the Public about the state-based fiber optic plans and whether they were being deployed in a 'timely fashion' – but that never happened.

**7) The FCC Failed to Examine the Financial ‘Investments’ that Were State-Based on Price-Caps and the Failure of this Regulatory Model.**

**The FCC has an Obligation to:**

“encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans by utilizing... price cap regulation, regulatory forbearance, measures that promote competition in the local telecommunications market, or other regulating methods that remove barriers to infrastructure investment.”

**What happens when these regulatory mechanisms fail to do what they were supposed to be doing – bringing 100% of the state a fiber optic upgrade? And where is any analysis of how the investments were corrupted so that local phone customers have been overcharged thousands of dollars extra for networks they never received?**

“Price caps” and alternative regulations that were applied in New Jersey and Pennsylvania didn’t work and the FCC never investigated anything about any state-based regulatory plan or that there were even state utilities.

**What exactly was the plan?** To repeat, the old copper wiring, (sometimes known as the “Public Switched Telephone Networks” (PSTN)) was going to be replaced with a fiber optic wire. The existing copper wire, that was mandated by the Telecommunications Act of 1934 and the updated 1996 Act, guaranteed that everyone could receive service—and in the state of New Jersey that was going to become fiber optic-based broadband, as standard.

The New Jersey Alternative Regulation Plan made this clear: The phone line for voice was to be a fiber optic landline for video and data.

"NJ BELL'S PLAN FOR AN ALTERNATIVE FORM OF REGULATION MAY 21, 1992 — NJ Bell's plan declares that its approval by the Board would provide the foundation for NJ Bell's acceleration of an information age network in New Jersey and was referred to by NJ Bell as ‘Opportunity New Jersey’... Opportunity New Jersey would ...accelerate the transformation of NJ Bell’s public switched network, which today transports voiceband services (voice, facsimile and low-speed data), to a public switched network, which transports video and high-speed data services in addition to voiceband services."

Moreover, according to the Order, \$1.5 billion was to be spent from 1992-1999 to do these upgrades; that amount being increased one-half billion dollars before the regulations were finally passed in 1993.

- 8) A version of this alternative ‘price cap’ plan was used in almost every state in America (with caveats); no state ever went back and removed the plan or asked for the money back, that we know of.**

Economics & Technology wrote a report about Opportunity New Jersey and how the company failed to invest, but at the same time, it had more profits due to cuts in expenses and new regulatory freedoms. Thus, the only opportunity was to Verizon-New Jersey Bell, not the customers.

“The state’s current regulation system, which was authorized by the New Jersey legislature in its 1992 Telecommunications Act, offers now-Verizon New Jersey (Bell Atlantic-New Jersey, Inc. (BA-NJ)) expanded pricing flexibility and the opportunity for significantly increased earnings in exchange for a commitment by BA-NJ to substantially increase its level of investment in New Jersey’s telecommunications infrastructure under the so-called ‘Opportunity New Jersey’ (ONJ) Plan.

“In the five years following the Board of Public Utilities’ adoption of the ONJ Plan, BA-NJ has enjoyed major financial benefits even though it has not increased its investment as promised and has opposed competition at every turn. The increased pricing and earnings flexibility coupled with reduced investment and continued monopoly pricing practices has enabled BA-NJ’s profits to soar under alternative regulation. Consumers clearly have suffered under the ONJ Plan from unnecessarily inflated prices for many services, and have received few benefits in the form of new services and increased competitive choices.”

**All of these actions were done a decade before Verizon’s Fiber to the Home, used for FiOS, was deployed by Verizon or AT&T announced U-Verse.**

We use these examples because nothing changed over the next 2 decades. This failure to examine the root cause of the Digital Divide clearly shows that there is no institutional memory and the FCC has never examined the state-based fiber optic-based broadband replacement of the existing copper-based utility aging wire, even though customers have been the de facto investors for decades.

**We pointed this out to the Commission in every Section 706 proceeding from 1998-2010, and then again in 2017. (See Appendix 1-3)**

## **9) IRREGULATORS v FCC**

We took this challenge of the FCC to expose the massive financial cross-subsidies that are in place today and that have been used to create a revised history of broadband in America.

We now believe that Congress should investigate the FCC's accounting scandal and how it has distorted ALL broadband and internet deployments, created the Digital Divide and now is pushing a bait-and-switch with Wireless 5G.

**TO REPEAT:**

- The FCC has never acknowledged that there are public state telecommunications utilities in America.
- The FCC never examined the financial books of these utilities.
- The FCC has never examined how their own financial formulas (which were set to reflect the year 2000), are still in use and have become distorted.
- The FCC has never examined how their own financial formulas now put the majority of all expenses into the state public utility 'local service' category, making the entire US critical infrastructure appear unprofitable.
- The FCC has never examined the cross-subsidies between and among the wireline, state-based utility and the Wireless separate subsidiary. This includes billions of dollars – per state – being illegally diverted to fund the construction budgets of the wireless networks build outs.
- The FCC has never examined the financial books of the only state we know of that still is requires a financial report of the state utilities -- in this case, Verizon NY.
- The FCC has never examined how Verizon's Fiber to the Home, FTTH, used for FiOS, has been illegally funded via local rate increases and it is classified as a 'Title II', Common Carrier service – i.e., the 'investment' was being an overcharge to the local phone rates.
- The FCC never examined the violations of the 'forbearance' agreements with AT&T, Verizon or CenturyLink, which freed the companies from specific regulations and obligations in book-keeping. Nor did the FCC examine how the companies failed to disclose how their regulated networks were improperly subsidizing the non-regulated networks.

**10) Two primary examples that impact every FCC and state decision that rely on the formulas of the FCC's accounting rules.**

This is an excerpt from the Verizon NY 2017 Annual Report detailing the major revenues and expenses. [Click for a walk-through of the numbers](#)<sup>13</sup>.

verizon		Verizon New York 2017 Financial Annual Report Excerpt: Revenues, Expenses and Profits			
Line No.	Item (a)	Total (b)	Nonregulated (c)	Local Service (f)	Access (g)
9	1) Total Operating Revenues	4,986,070,423	1,546,034,819	2) 1,077,961,833	8) 2,362,073,771
10	Operating Expenses				
11	Construction & Maintenance	2,884,216,108	1,122,471,379	5) 1,165,566,908	9) 596,177,822
12	Marketing	321,094,164	51,658,380	172,875,774	596,560,010
13	Customer Operations Services	322,848,684	24,393,957	218,383,636	580,071,091
15	Corporate Operations	4) 2,917,904,192	297,290,593	3) 1,768,187,616	10) 852,425,990
18	Total Operating Expenses	7,578,159,192	1,545,861,873	4,022,050,865	2,010,246,453
19	Net Operating Revenues	7) (2,592,088,769)	172,943	6) (2,944,089,032)	351,827,317
	Operating Taxes				
23	Total Federal Income Taxes	(1,393,083,460)	5,415,833	(1,389,614,741)	(8,884,551)
25	Total Operating Taxes	7) (948,403,260)	24,407,060	(1,114,452,526)	141,642,185

- Verizon NY Local Service had \$1.1 billion in revenue, about 21% in 2017, and the total revenues of Verizon NY were about \$5 billion. These are mostly the copper wires, sometimes called “POTS” lines, “Plain Old Telephone Service”.

- Construction Budgets Are Manipulated:** Going down the Local Service column we find that (Number 5), \$1.65 billion was charged in Construction and Maintenance, yet this should have only been about \$100 million as the company stopped upgrading the copper years ago... an overcharge of over \$1.5 billion.
- Corporate Operations Expense Dumping** (Number 3). Notice the \$1.8 billion dollar charge in the Local Service column. This represents over 61% of the total of Corporate Operations; it should be about \$200 million, thus an overcharge of \$1.6 billion. (This is a garbage pail category of expenses which includes everything from the executive pay and corporate jets to the lobbyists, lawyers and corporate astroturf pushing 5G.)

**IMPORTANT: These 2 expense items were manipulated by the FCC cost accounting rules being frozen to the year 2000.**

Thus, in just New York and just for 2017 there is almost \$ 3 billion in charges being put against local service that shouldn't be there; they are subsidizing the other lines of business, such as “Business Data Services” or even FiOS that are not paying the proper corporate operations or even the construction expenses.

But, where is this \$1.1 billion for construction going? According to the NY AG's 2011 filing, 75% of the utility construction was being used for wireless and FiOS. The FiOS deployment stopped in most Verizon areas by 2012.

**11) NATIONWIDE HARMS: Corporate Operations Expenses Matches in All States.**

In the end, Verizon NY is not an anomaly since it is relying on the FCC’s federal cost accounting formulas. Truth is—the accounting formulas appear to continue to be applied, as they were never removed and the accounting was never changed.

This chart shows that the Corporate Operations expenses being applied to the state utility were virtually identical in the percentage being applied to Local Service (“Local”) as opposed to “Access”, which are the interstate fees paid that include Business Data Services. 2007 was the last available data from the FCC.

	Total	Local	Access	Local	Access
AT&T-Illinois Bell	\$748,978	\$193,626	\$55,283	78%	23%
AT&T- Kansas	\$55,097	\$39,030	\$16,067	71%	29%
AT&T-Ohio Bell	\$180,067	\$136,166	\$43,901	76%	24%
AT&T-Pacific Bell - California	\$743,215	\$559,141	\$184,074	75%	25%
AT&T-Tennessee	\$110,541	\$81,025	\$29,515	73%	27%
AT&T-Texas	\$484,384	\$348,390	\$135,994	72%	28%
Centurylink-Qwest Colorado	\$141,869	\$97,716	\$44,153	74%	26%
Centurylink-Qwest-Oregon	\$58,678	\$41,835	\$16,842	71%	29%
Verizon-California GTE	\$258,859	\$203,080	\$55,780	78%	22%
Verizon Florida LLC	\$167,920	\$122,308	\$45,612	73%	27%
Verizon Maryland	\$239,710	\$173,268	\$66,442	72%	28%
Verizon Massachusetts	\$326,090	\$216,918	\$109,172	67%	33%
Verizon New Jersey	\$425,805	\$303,828	\$121,977	71%	29%
Verizon New York Telephone	\$1,092,744	\$740,543	\$352,201	68%	32%
Verizon Pennsylvania	\$122,168	\$83,733	\$38,435	72%	28%
Verizon Washington D.C.	\$67,115	\$43,884	\$23,231	65%	35%
Total Percentage				72%	28%

**12) The final insult to injury: Cities don’t know what has occurred, that they are part of a state utility so they are creating a new model of more overcharging to fund an inferior future based on 5G.**

On January 7th, 2020, NYC Mayor [De Blasio’s Administration Released Internet Master Plan for the City’s Broadband Future](#).<sup>14</sup> Mayor Bill de Blasio stated:

“Every New Yorker deserves access to affordable, high-speed internet. However, the private market solution to broadband service continues to leave out too many New Yorkers. With the Internet Master Plan, we are giving notice to corporations that the days of creating a digital divide in our city are over.”

The press release includes experts, pundits, politicians and those who are part of the NYC government. While they are passionate about solving the Digital Divide, most appear to not know that there is still a state-based telecommunications public utility, Verizon NY, that it covers both NY State, (as well as NYC), and virtually no one knows that the public utility is required to publish an annual financial report, which is never mentioned in this Internet Master Plan.

**APPENDIX 1**  
**19 Years of FCC Section 706 Comments and Complaints**

**[READ THE FILING:](#)**<sup>15</sup>

New Networks Institute and members of Teletruth have previously filed numerous comments, petitions, and complaints with the FCC on the Bells' fiber optic deployments (now-AT&T, Verizon and CenturyLink) and the costs to customers. This is a partial list, starting in 1998 with the first Section 706 report; we filed over 20 times from 1998-2010 pertaining to Section 706 and broadband, and have just filed in the 13th Section 706 Report.

**1999:**

- New Baby Bell Expose Refutes FCC Advanced Network Report and Calls for an Investigation of "Info-Scandal", 3/17/99. In 1999, New Networks Institute published "The Unauthorized Bio of the Baby Bells", which outlined how the phone companies had failed to deploy fiber optic services as promised and how the FCC's data was a 'white-washing' of the facts.
- <http://www.newnetworks.com/alonefccrefute4.html>

"As we will demonstrate, the FCC's Report is a white-washing, attempting to show that the Telecom Act worked and has delivered on its promises to give Americans new services. Unfortunately, the Report is filled with numerous serious flaws. For example, the report lacks concrete evidence to support their claims."

Commissioner Tristani writes:

"I am especially concerned about the lack of hard evidence when it comes to our obligation to determine that advanced telecommunications services are being deployed, and are available, to all Americans."

**APPENDIX 2**  
**The History, Financial Commitments and Outcomes of Fiber Optic  
Broadband Deployment in America: 1990-2004**  
**The Wiring of Homes, Businesses, Schools, Libraries, Hospitals  
And Government Agencies**

[READ THE REPORT](#)<sup>16</sup>

The FCC tasked the Columbia Institute for Tele-Information (CITI) to do “an analysis of the public statements of companies as to their future plans to deploy and upgrade broadband networks as well as an historical evaluation of the relationship between previous such announcements and actual deployment”. The FCC adds that the focus is on data analysis of “investment plans and deployment figures of upgraded broadband infrastructure in this century.”



**APPENDIX 3:  
FCC Response to Data Quality Act Complaint: 2010**

With respect all other aspects of your complaints, we find that your allegations lack any specificity concerning issues with the quality, objectivity, utility, or integrity of the broadband data collected and used by the FCC. We find that the associated FCC data are consistent with both OMB and Commission Data Quality Act Guidelines, and that the methods employed by the FCC to collect, analyze and interpret the data are reasonable and consistent with the relevant guidelines.

- In 2008 filed a Regulatory Flexibility Act challenge as well as a Data Quality Act complaint (still undecided), pertaining to WC Docket No. 08-190, WC Docket No. 07-139, WC Docket No. 07-204, WC Docket No. 07-273, WC Docket No. 07-21)
- <http://www.teletruth.org/forbearance.htm>

**2009**

- FULL COMMENTS AND CASE STUDY:  
<http://www.teletruth.org/docs/TeletruthRFA.pdf>
- CASE STUDY: How Regulations Designed to Help Small Business Competitors Failed to Work and Harmed Broadband, Competition, Customers, Innovation, and the Economy. Teletruth Requests New Proposed Rulemaking Actions the FCC Should Take to Fix Future Problems.

**2010**

- Omnibus Data Quality Act Complaint Against All Phone, Broadband, Wireless, Cable and Internet Charges Since 2000.
- <http://www.teletruth.org/docs/DQAPhonecharges.doc>
- Omnibus Data Quality Act Complaint: Against All Broadband Data Since 2000.
- REQUEST: Customer-Funding of Broadband; Follow the Money for All Revenues Collected in the Name of Broadband since 2000.
- <http://www.teletruth.org/docs/DQABroadband.doc>
- Omnibus Data Quality Act Complaint Against All Data Since 2000 Used in the Regulatory Flexibility Act Analyses in All Current Dockets in 2010.
- Case Study of Small Business Wireless Spectrum Auctions and Internet Provisioning
- <http://www.teletruth.org/docs/TeletruthDQAREgflex.doc>
- <http://www.teletruth.org/docs/DQACasestudy.doc>

**APPENDIX 4****[The Book of Broken Promises: \\$400 Billion Broadband Scandal & Free the Net.](#)****ENDNOTES**

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<sup>1</sup> <http://irregulators.org/wp-content/uploads/2017/05/BookofBrokenPromises.pdf>

<sup>2</sup> [http://www.niemanwatchdog.org/index.cfm?fuseaction=Ask\\_this.view&askthisid=501](http://www.niemanwatchdog.org/index.cfm?fuseaction=Ask_this.view&askthisid=501)

<sup>3</sup> <http://irregulators.org/irregulatorsvsfcc/>

<sup>4</sup> <https://medium.com/@kushnickbruce/at-ts-wireless-profits-are-outrageous-at-t-s-5g-wireless-prepaid-prices-are-obscene-compared-dc15c57926f>

<sup>5</sup> Ibid.

<sup>6</sup> <https://www.cyberte telecom.org/broadband/706.htm>

<sup>7</sup> <https://newnetworks.com/Bellatlanticfibertothe curb1996.htm>

<sup>8</sup> <https://newnetworks.com/verizonnjbroadbandresources/>

<sup>9</sup> Ibid.

<sup>11</sup> [https://www.rural.palegislature.us/broadband/Broadband\\_Availability\\_and\\_Access\\_in\\_Rural\\_Pennsylvania\\_2019\\_Report.pdf](https://www.rural.palegislature.us/broadband/Broadband_Availability_and_Access_in_Rural_Pennsylvania_2019_Report.pdf)

<sup>12</sup> <http://irregulators.org/verizonparesources/>

<sup>13</sup> <https://medium.com/@kushnickbruce/irregulator-treasure-map-billions-for-broadband-in-your-state-and-refunds-on-your-communications-ccd60561aefb>

<sup>14</sup> <https://www1.nyc.gov/office-of-the-mayor/news/010-20/de-blasio-administration-releases-internet-master-plan-city-s-broadband-future>

<sup>15</sup> <https://ecfsapi.fcc.gov/file/111446579449/FCCcomments1998210sep25fin.pdf>

<sup>16</sup> <http://www.newnetworks.com/FCCITlbroadband.pdf>