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15 Quotes: The Wireline-Wireless Bait-&-Switch Overcharged America and Caused the Digital Divide.

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Facts and Details that Have Been Avoided Over the Last 2 Decades

- 1) Verizon decided to go ALL wireless and “Cut off the Copper”, in rural areas, 2012.
- 2) Moving Customers to wireless makes the company more profits
- 3) Verizon’s wireless networks have historically been built out of the Wireline, state utility budgets.
- 4) The NY Attorney General confirmed that Wireless and FIOS were funded via the state utility construction budgets.
- 5) Verizon NY received rate increase after rate increase on basic service, starting in 2006 for “massive deployment of fiber optics” and “losses”.
- 6) The Fiber to the Home (Fiber to the Premises, “FTTP”) is a “Title II”, common carrier service and part of the state utility. Title II allowed Verizon to add the fiber to the home as Local Service costs, which, in turn, were charged to local phone customers.
- 7) Did Verizon Commit Perjury? Verizon claims the fiber is “Title II” to the State, but “Title I”, to the FCC, public and investors.
- 8) Wireless, using the fiber optic wires for FiOS, helps to eliminate staff, cuts expenses to do fiber to the home installs, and has the state wireline utility fund it.
- 9) 5G nationwide deployment construction expenditures will remain being paid by the wireline networks.
- 10) “One Fiber” plan is now a euphemism to put expenses into the wireline budgets.
- 11) Opportunity NJ was to replace the existing copper wire access lines with fiber optic access lines, to cover 100% by 2010. By 1997, the Advocate office found the plan would create the Digital Divide.
- 12) Verizon NJ’s plan was to upgrade the existing copper networks with fiber optics for a ‘public’ network used for voice, to a public network for video and broadband services.
- 13) One Public Network, upgraded to voice and broadband, was the plan in NJ- and it was paid for by customers.
- 14) Verizon NJ pulled off the wireline wireless bait-and-switch at the speed of DSL.
- 15) Wireless carriers, funded by the FCC’s Mobility Fund in rural areas, can’t be relied on to deliver only 5 Mbps.

AT THE CORE

Over the last decade, Verizon and AT&T have built their wireless networks, mostly financed by local wired phone customers and using the wireline utility telecommunications construction budgets.

This caused the Digital Divide as the companies not only made the entire wired telecommunication networks appear unprofitable but were able to not upgrade major parts of their franchised areas; most importantly, much of these are low income and rural areas throughout the state.

The current Covid-19 confinement at home has shown just how devastating this failure to upgrade most of their territories has had. In most areas, customers are forced to use 1 provider, the cable company, and because there is no serious competition, prices in America for wireless and high-speed broadband are 3-14 times higher than worldwide—or worse, no high speed services are available. And because the companies have control over the existing wired infrastructure used for wireless, they control the price of wireless service as well, not to mention the quantity and quality of the service.

And all of this has been intentional on the part of Verizon and AT&T. With the captured FCC, they have been not only dismantling the state utilities, but claiming that the networks should have no obligations or regulations – that the networks are private property for personal use.

Moreover, the current wireless carriers who are getting billions in FCC Mobility Funding for rural areas can't be relied on to deliver even a minimum speed of 5 Mbps.

What follows is a collection of quotes from the companies' filings, the executives, and regulators about the fact that America should have been a fiber optic nation and instead, the companies were able to divert the money to fund their inferior, expensive wireless services.

Partial List: IRREGULATORS & New Networks Institute Reports and Articles

- The Book of Broken Promises: \$400 Billion Broadband Scandal & Free the Net.
- <http://irregulators.org/wp-content/uploads/2017/05/BookofBrokenPromises.pdf>
- [Full Documentation: 5G: The Wireline-Wireless Bait & Switch: Because It Makes Them More Money What AT&T & Verizon Tell Investors.](#)
- <http://irregulators.org/wp-content/uploads/2018/10/REPORTCEOattverizon5g.pdf>
- [Proving Verizon's Wireline Networks Diverted Capex](#) for Wireless Deployments Instead of Wiring Municipalities, and Charged Local Phone Customers for It, 2016.
- Verizon New Jersey Fiber Optic Failure Resources
- <https://newnetworks.com/verizonnjbroadbandresources/>
- Verizon Massachusetts Failure to upgrade the State Resources
- <http://irregulators.org/fact-sheetmaverizonfiber optic/>
- Verizon Pennsylvania Failure to upgrade the State Resources
- <http://irregulators.org/verizonparesources/>
- AT&T California Failure Upgrade the State Resources
- <http://irregulators.org/caattfiberastory/>
- IRREGULATORS Big Win: We Freed The States From The Fcc
- <http://irregulators.org/irregulators-big-win-we-freed-the-states-from-the-fcc/>
- [FILED WITH FCC COMMENTS: REPORT 1: Did AT&T, Verizon, CenturyLink & the FCC Intentionally Create the Digital Divide?](#)
- <https://ecfsapi.fcc.gov/file/1082805496908/DIGITALDIVIDEIRREGULATORSFREEZE.pdf>
- [FILED AS REPLY COMMENTS: REPORT 2: Verizon New York 2017 Annual Report: An Analysis of Cross-Subsidies and Customer Overcharging](#)
- <https://newnetworks.com/verizon-new-york-2017-annual-report-overcharging/>
- [Petition for the FCC to investigate](#) whether Verizon has committed perjury as Verizon has failed to disclose to the FCC, courts or public that their entire financial investments are based on Title II; filed Jan 13th, 2015.
- <http://newnetworks.com/investigateverizontitleii/>
- [Show Us the Money PART I: Verizon's FiOS, Fiber Optic Investments, and Title I.](#)
- <http://newnetworks.com/nnifiospetitionadd/>
- [Letter to the FCC](#), Comments: Open Internet proceeding. RE: Verizon's Fiber Optic Networks are "Title II" — here's What the FCC Should Do. DOCKET: Open Internet Proceeding, (GN No.14-28)
- <http://newnetworks.com/fctitleiiletter/>

1) **Verizon decided it would go ALL wireless in rural areas and “Cut off the Copper”, in 2012.**

“Cut the copper off” said [Lowell McAdam](#), former Chairman and CEO of Verizon Communications, speaking at the Guggenheim Securities Symposium, June 21, 2012.¹

“And then in other areas that are more rural and more sparsely populated, we have got LTE [Verizon Wireless] built that will handle all of those services, and so we are going to cut the copper off there. We are going to do it over wireless. So I am going to be really shrinking the amount of copper we have out there, and then I can focus the investment on that to improve the performance of it.”

2) **Moving Customers to wireless makes the company more profits**

At the September 2012, J.P. Morgan analyst conference, McAdam said moving the customers to wireless makes the company more profits:

“And in many areas we’re also taking customers that aren’t performing well on copper and we’re moving them over to the wireless technology. So that improves our cost structure significantly and streamlines all those ongoing maintenance costs.”

In every statement, there is no mention that these networks are part of a utility with obligations to serve the entire state. There is no mention that there have been changes in the state regulations to fund fiber optic upgrades in rural areas, or worse, that the state utility budgets were diverted to fund other lines of business — but essentially charged to the local customers.

3) **Verizon’s entire wireless networks have historically been built out of the Wireline, state utility budgets.**

In 2012, Fran Shammo, former Verizon CFO [told investors](#) that the wireless company’s construction expenses have been charged to the wireline business.²

“The fact of the matter is Wireline capital — and I won’t get the number but it’s pretty substantial — is being spent on the Wireline side of the house to support the Wireless growth. So the IP backbone, the data transmission, fiber to the cell, that is all on the Wireline books but it’s all being built for the Wireless Company.”

¹ <http://newnetworks.com/VerizonKillCopperjune2121012.pdf>

² http://www22.verizon.com/investor/DocServlet?doc=goldman_vz_transcript_092012.pdf

- 4) **The NY Attorney General confirmed that Wireless and FIOS were funded via the state utility.**

In 2011, Verizon NY stated that the company spent over \$1 billion on the utility capital investment. The NY [Attorney General claimed](#) that 75% of the expenses for wireless and fiber optic cable networks were being charged to the state utility.

“Verizon NY’s claim of making over a ‘billion dollars’ in 2011 capital investments to its landline network is misleading. In fact, roughly three-quarters of the money was invested in providing transport facilities to serve wireless cell sites and its FiOS offering. Wireless carriers, including Verizon’s affiliate Verizon Wireless, directly compete with landline telephone service and the company’s FiOS is primarily a video and Internet broadband offering.”

- 5) **Rate Increase after Rate Increase on Basic Service, Starting in 2006**

Claiming that that the fiber optic wires were actually an upgrade of the state utility, starting in 2006, Verizon NY was granted multiple rate increases, adding 84% to basic service and 50–250% for add-on services. NYPSC statement about [rate increase](#), June 2009:³

Notice that this was for “massive deployment of fiber optics” in New York. And for financial relief Verizon NY “reported an overall intrastate return of negative 6.24 percent and a return on common equity of negative 46% percent.”

- 6) **The Fiber to the Home (Fiber to the Premises) is a “Title II”, “common carrier” service and part of the state utility.**

In order to have local phone customers be charged to build a fiber optic networks, in 2005, Verizon was able to convince the state that the fiber optic wires were just an extension of the existing, Title II, common carrier, telecommunications networks.

³[https://www3.dps.ny.gov/pscweb/WebFileRoom.nsf/Web/B849A020314983A3852575D900530827/\\$File/pr09054.pdf](https://www3.dps.ny.gov/pscweb/WebFileRoom.nsf/Web/B849A020314983A3852575D900530827/$File/pr09054.pdf)

On June 15, 2005, the New York Public Service Commission (“NY PSC”) “declared that Verizon NY’s FTTP upgrade is authorized under its existing state telephone rights because the upgrade furthers the deployment of telecommunications and broadband services, and is consistent with state and federal law and in the public interest.” The NY PSC determined that, unlike a company seeking to build an unfranchised cable television system, Verizon NY already has the necessary authority to use the rights-of-way to provide telecommunications service over its existing network. See Declaratory Ruling on Verizon Communication, Inc.’s Built-Out of its Fiber to the Premises Network, NY Public Service Commission, Case 05-M-0520/05-M-0247, June 15, 2005 at 4.

As more fully described in Exhibit 1, Verizon NY maintains that it is constructing its FTTP network pursuant to its authority as a common carrier under Title II of the Communications Act of 1934, as amended, and Section 27 of the New York Transportation Corporations Law. For this reason and others, certain terms and conditions may differ between the incumbent cable provider’s franchise and Verizon NY’s franchise.

Had this FTTP been classified as an internet broadband service, then it would not have been classified as Title II, but “Title I”, an information service.

7) Verizon Claimed it was Title II to the State, but “Title I”, to the FCC, the Public and Investors.

And it gets stranger. Not only did Verizon not tell investors that there were still state utilities, or that the broadband-internet service wiring was really part of this state utility—an upgrade to the existing copper wired networks, but Verizon told the State that FiOS was a Title II network but told the FCC and the media that Title II is harmful and, of course, the fiber optic wires should be classified as Title I.

- **Compare these two statements by Verizon Communications, Inc., and the company’s affiliates.**

This first excerpt is from a [2014 Verizon NY cable franchise agreement](#), and is similar, if not identical to every other Verizon state-based fiber-to-the-premises (FTTP) deployment.⁴

LEGAL AUTHORITY TO CONSTRUCT FIBER TO THE PREMISES

Verizon New York Inc. (“Verizon”), as a common carrier under Title II of the Communications Act of 1934 (the “Act”), constructed its *Fiber To The Premises* (FTTP) network as an upgrade to its existing telecommunications network.

⁴ <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7b6E9A2E9B-776D-4282-BC58-A3647F3037BA%7d>

The second excerpt is from [Verizon's Open Internet Comments](#), July 15, 2014⁵

“Imposing a Title II common carriage regime on broadband providers would be a radical change in course that would only chill, not spur innovation. Title II is a regulatory dinosaur, crafted eighty years ago - and based on 19th-Century laws regulating railroads - to address the one-wire world of rotary telephones.”

We filed multiple complaints about this Janus-faced story telling. From these documents, filings and press statements we see that Verizon’s claims that Title II harms investment is patently not true.

- [Petition for the FCC to investigate](#) whether Verizon has committed perjury as Verizon has failed to disclose to the FCC, courts or public that their entire financial investments are based on Title II; filed Jan 13th, 2015.
- [Show Us the Money](#) PART I: Verizon’s FiOS, Fiber Optic Investments, and Title I.
- [Letter to the FCC](#), Comments: Open Internet proceeding. RE: Verizon’s Fiber Optic Networks are “Title II” — here’s What the FCC Should Do. DOCKET: Open Internet Proceeding, (GN No.14-28)

8) Wireless, using the fiber optic wires for FiOS, eliminates staff and cuts expenses to do fiber to the home installs.

This message has been repeating over and over: Get rid of ‘labor intensive’ activities and lower expenses. Lowell McAdam, at the May 24, 2016 event:

“So if you think about it if I can get we than say a 1000 meters of a business and I give them a router, a basic router that has a 5G service inside it and I’m up and operating immediately, I mean, think about the difference for the carrier in the cost structure; half of our cost to establish high speed data whether it’s consumer business is inside the four walls of the business. “Once you go wireless, you don’t have to run co-ax, you don’t have to do any of those high labor intensive activities and so you light up service overnight. So then you get into how much capacity do you want and you can - the pricing models can change dramatically.”

9) 5G Nationwide Deployment Construction Expenditures Will Remain being Paid by the Wireline Networks,

On the [Verizon 2nd Quarter 2018 Earnings Conference Call](#), July 24, 2018, Matthew Ellis, Verizon CFO.⁶

⁵http://publicpolicy.verizon.com/assets/images/content/07_15_14_Verizon_Verizon_Wireless_Open_Internet_Re mand_Comments.pdf

“We’re just going to continue what we’ve been doing. So on the CapEx side, certainly as you look between first and second quarter you got timing in there; but as we build out fiber and as you say, we mentioned the 50 cities outside of the ILEC footprint where we’re deploying fiber today -- **you’ll see a blurring of the line of the CapEx between the segments, so obviously that fiber build shows up in our wireline segment but the largest customer for that build is the wireless piece of the business, so this is part of densifying the network, repositioning the network to not just excel in 4G but also be ready for 5G, especially using millimeter wave spectrum as you mentioned.**”

10) The “One Fiber” plan is now a euphemism to put wireless expenses into the wireline budgets.

According to [FierceWireless](#), reporting on the Verizon 4th quarter 2019 results, Verizon’s plan is now called “One Fiber” project, which is mainly to support 5G, mainly out of region and for business customers.⁷

“Verizon’s One Fiber project, which has been ongoing for several years, combined all of the telco's fiber needs and planning into one project. It also allows Verizon to plot out its fiber uses cases and purchasing plans across all of its sectors....In addition to densification of the wireless network and enabling wireline access, having fiber deep is key for supporting radio access networks (RAN) as well as provisioning an increasing number of small cells.

“With the addition of three cities announced on Thursday, Verizon is now up to 34 cities for its 5G services. While Vestberg acknowledged that fiber played a key role in serving its cell sites, he said on the earnings call that fiber has more use cases ahead of it, specifically for business services.”

11) Opportunity NJ was to replace the existing copper wire access lines with fiber optic access lines, to cover 100% by 2010; by 1997, the Advocate office found the plan would create the Digital Divide

In April 1997, the New Jersey Ratepayer Advocate had filed a complaint, as Verizon had not fulfilled the obligations after 5 years. The [New York Times](#), wrote, April 17, 1997 “Bell Atlantic Plan Neglects Poor, Advocate Say”⁸

- This was a replacement of the copper telephone wire with fiber optic cable,
- the company was on track to hake all its consumers with broadband by 2010,

⁶ <https://www.fool.com/earnings/call-transcripts/2018/07/25/verizon-communications-vz-q2-2018-earnings-confere.aspx>

⁷ <https://www.fiercetelecom.com/telecom/verizon-ceo-fiber-build-out-paying-off-for-more-than-5g>

⁸ <http://movies2.nytimes.com/library/cyber/week/041797fiber.html>

- low income areas were being neglected, and
- customers paid for the fiber optic wire.

“In the five years since Bell Atlantic promised to wire every home and business in New Jersey with fiber optic cable, the company has hooked up suburban business parks and large corporations and set a schedule for suburban neighborhoods, but has not yet made specific plans for the thousands of poor people who live in the state's largest cities.”

“Under the plan...it would replace all 56 million miles of the state’s copper telephone wire with fiber optic cables. So far, the company has laid 800,000 miles of cable: less than 2 percent of the copper lines.

"The company is on schedule for hooking up the whole state by the year 2010, making New Jersey the first state to be rewired...We’re on track... "There is no other company committed to getting broadband to all its consumers by the year 2010."

“Nolan A. Bowie, at Temple University, said, ‘They are marginalizing whole groups of people because they will always be left behind... If you don’t want a two-tiered society, you need to make sure that everyone is wired within a reasonable period of time’.”

“Ms. Peretz, the NJ Ratepayer Advocate said...’those people have paid for the fiber optic lines through their monthly bills, she said, but they have not yet benefited.”

12) Verizon NJ’s plan was to upgrade the existing copper networks with fiber optics for a ‘public’ network used for voice, to a public network for video and high speed data services

"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 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."

13) One Network, upgraded to broadband; Voice and Broadband are part of state utility

Verizon’s own words shows that the PSTN was ALL services as ALL services were being funded via customers’ excess phone charges. FiOS is a ‘brand’, not a fiber optic network.

The [Verizon New Jersey 2001 infrastructure Report](#) stated⁹:

“By integrating a number of services on a single network, Verizon NJ will continue to make optimum use of our service delivery capabilities. The evolution to the full service ATM based switched broadband network will increase significantly the efficiency of serving New Jersey through automated provisioning and activation processes, increase capacity availability, and result in an even more flexible delivery platform. Verizon NJ’s integrated network of switches, transmission facilities and operating systems provides New Jersey’s residential and business communities with a technologically advanced telecommunications infrastructure that is ready, willing and able to act as the on-ramp to the Information Highway”.

[We estimated that over \\$13-15 billion was collected to upgrade to a ‘fully fiberized’ state,](#) starting in 1993 through 2015, thus overcharging customers for networks they never received¹⁰.

This same pattern happened in Pennsylvania, which had requirements to have rural, urban and suburban areas upgraded to fiber by 2015, only to have various maneuvers that would allow for wireless to replace this agreement with speeds of 1.5Mbps, not 45Mbps in both directions.

14) The Wireline Wireless Bait-and-Switch at the Speed of DSL

The ‘promise-them-fiber-optics-to-the-home’, then switch to wireless at the speed of the aging copper-wire based DSL happened in multiple states.

One of the most egregious bait-and-switch cases has been in New Jersey. “Opportunity New Jersey”, (“ONJ”), was an agreement with New Jersey Bell (now Verizon New Jersey), the state telecommunications utility, that required the company, starting in 1996, to have 100% of their territory covered with fiber optic services, capable of 45Mbps in both directions, and completed by 2010. Verizon completed less than ½ of their Garden State territories (representing 94-96% of the state), then stopped. In 2014, Verizon was allowed a bait-and-switch to substitute wireless, at the speed of DSL, for the home-based high speed broadband connection.

Leecia Eve, Verizon VP, [in her testimony](#), March 24th, 2014, concluded that there were never any requirements to do fiber previously until FiOS, which was not deployed until 2006. And Verizon adds that FiOS did not exist in 1992. Therefore, it was OK to create a stipulation agreement that removed any obligations.¹¹

⁹ <http://newnetworks.com/InfrastructureReport2001.pdf>

¹⁰ <http://newnetworks.com/CaseStudyNewJerseyBroadband.pdf>

¹¹ <chrome-extension://mhjfbmdgcfjbbpaeojofohoefgihjai/index.html>

“Another false assertion is that Verizon’s broadband obligation could only be met through the deployment of fiber facilities. The fact is, as the Board has recognized for years, DSL deployment satisfies the broadband commitments in Opportunity New Jersey...And, of course, FiOS as a broadband service did not exist in 1992, when Opportunity New Jersey was developed.”

“Furthermore, the Verizon Wireless 4G LTE network provides broadband at average data rates that in many cases exceed those provided by DSL”

This Verizon NJ testimony borders on perjury as Opportunity NJ was specifically a long term plan to have 100% completion of a fiber optic network, which we NOT called FIOS; the actual speed in the law was for 45Mbps in both directions, not DSL speeds, and we can find no ‘recognition’ by the State of this ‘bait-and-switch’. Moreover, this was all laid out in the state alternative regulation plan—and in the 1997 Ratepayer Advocate’s complaint.

15) Wireless Carriers, funded by the FCC’s Mobility Fund in rural areas, can’t be relied on for even a minimum speed of 5 Mbps.

The FCC’s has put out billions of dollars in funds to serve unserved rural areas, and this is related to the FCC’s [Plan to Launch \\$9 Billion 5G Fund for Rural America](#)”¹²

Unfortunately, the “[Mobility Fund Phase II Coverage Maps Investigation Staff Report](#)”, December 4th, 2019, found that, even with a minimum speed of only 5 Mbps download,¹³

“Through the investigation, staff discovered that the MF-II coverage maps submitted by Verizon, U.S. Cellular, and T-Mobile likely overstated each provider’s actual coverage and did not reflect on-the-ground performance in many instances. Only 62.3% of staff drive tests achieved at least the minimum download speed predicted by the coverage maps—with U.S. Cellular achieving that speed in only 45.0% of such tests, T-Mobile in 63.2% of tests, and Verizon in 64.3% of tests. Similarly, staff stationary tests showed that each provider achieved sufficient download speeds meeting the minimum cell edge probability in fewer than half of all test locations (20 of 42 locations). In addition, staff was unable to obtain any 4G LTE signal for 38% of drive tests on U.S. Cellular’s network, 21.3% of drive tests on T-Mobile’s network, and 16.2% of drive tests on Verizon’s network, despite each provider reporting coverage in the relevant area.”

“When aggregated across all challengers and states, 66.4% of challenger-submitted speed tests recorded no download speed whatsoever and 87.2% of the submitted challenger speed tests recorded download speeds below the minimum speed required (5 Mbps).”

¹² <https://www.fcc.gov/document/pai-announces-plan-launch-9-billion-5g-fund-rural-america>

¹³ <https://docs.fcc.gov/public/attachments/DOC-361165A1.pdf>