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IRREGULATORS to California Gov. Newsom; Halt the Billions in AT&T Cross-Subsidies: Use the Funds to Solve the Digital Divide with Fiber Optics, Open to Competition and Lower Prices.

The IRREGULATORS filed comments with the California Broadband Council and the Public Utility Commission pertaining to the [executive order by Governor Newsom](#), to solve the Digital Divide and provide 100 Mbps download speeds at affordable prices.

Our reply doesn't include more government subsidies. It lays out a critical a new path that focuses on halting billions of dollars in cross-subsidies from AT&T's state based public telecommunications utility, AT&T California, and the AT&T subsidiaries. This overcharging should be immediately redirected to fund the deployment of very high speed fiber optic services to all citizens of California at affordable rates and open to all competitors.

NOTE: We added an additional report detailing how AT&T's statements on network investments are inflating the amounts being spent both in CA as well as the US.

The Issues that Need to be Investigated and Actions Taken

- 1) We believe there is massive cross-subsidizing leading to overcharging of the wired networks by AT&T, costing consumers \$1.7-2.4 billion annually and that this money can be redirected to fund fiber optic broadband to all, not at 100 Mbps speed for downloads but 1Gbps in both directions, as well as dramatically lower rates on all communications.

This is based on our analysis of Verizon New York, the state telecommunications utility and the annual reports that are public. The FCC's accounting rules were applied in 2007 to both companies and were identical and never changed since then.

- 2) What is needed is a full audit of financial annual reports of AT&T and the other carriers for cross-subsidies with the wireless and other affiliates, such as U-Verse, as well as the adoption of a cost allocation approach that reasonably tracks the way costs are incurred by the various services.

Halting these cross-subsidies will provide enough funding to upgrade all areas of the AT&T territory with fiber optics and adjusting the rates to be once again 'just and reasonable'.

- 3) The Governor needs to assess why AT&T was not held accountable for renegeing on its obligation to deploy fiber optic services throughout California, starting in the 1990's, for which it was granted multiple deregulatory concessions, such as "price caps" that were based on claims that California would be a fiber optic state.
- 4) Prices are out of control; Audit the "Backhaul" profits. AT&T controls the wired infrastructure, known as 'backhaul', in the majority of California, which also

- gives them control over the wireless prices. This underlying wired infrastructure has excessive profit margins, even though it is part of the state utility.
- 5) AT&T did not upgrade most of the retail services, and because AT&T did not properly upgrade the state, there was no direct competition to the cable companies, creating the Digital Divide.

Thus, the cable and telco companies were also able to just add made-up fees to the bills, now an industrywide practice. Thus, the price for local services is no longer just and reasonable.

- The price of basic AT&T CA utility phone service went up 143%, 2004-2016.
 - The price of every ancillary service went up, from Call Waiting, which went up 240%, to unlisted numbers, which went up 525%
- 6) **Find the Dark Fiber and Let The Cities Light It Up.** AT&T California, (Pacific Bell) had 81% of their fiber optic network NOT LIT and NOT IN USE, as of December 2007; there were 2.9 million miles of fiber optic wires in California; 2.4 million miles were NOT TURNED ON.
 - 7) The state needs to go back and fix the data collection and analysis, where AT&T and the other providers are not even mentioned in the Annual Report to the Governor.
 - 8) **Investigate the “Unserved Areas” and Payments to AT&T.** How much money did AT&T get to upgrade areas of its own state utility? The AT&T BellSouth merger was supposed to have 100% of their territories upgraded to handle the FCC’s minimum broadband speed level, which was only 200Kbps, and completed by the year 2007.
 - 9) “Price cap” deregulation did not work and AT&T appears to be cross-subsidizing the other lines of business and overcharging customers in different ways, just like NY. New rules moving forward need to bring in competition, economic growth and jobs, as well as lower prices, with a wired, fiber optic future to all areas of California; customers already paid for network upgrades multiple times.
 - 10) Name AT&T, Frontier, Comcast et al. The Governor’s executive order, and almost all of the other legislation, etc. treats these companies as if they were in a Harry Potter movie—and called “those who are not named” or ‘you know who’ – yet, these few companies have control over the entire California infrastructure and have taken advantage of their monopoly position—because there is a silence to hold those accountable, by name.

The [IRREGULATORS](#) is an independent consortium of senior telecommunications experts, analysts, forensic auditors, consultants, and lawyers, including former officials at federal and state agencies, including the FCC, state attorney general and consumer advocate offices, who advocate for consumer interests by exposing the unlawful acts of large telecommunications companies.

New Networks Institute was established in 1992 as telecommunications market research and consulting firm.