

**REPORT 3:**



**Break Up Big Telecom: \$1+ Trillion in Overcharging ... And Counting.**

*Halt the Overcharging and Fix the Core Problems before America Gives AT&T, Verizon, CenturyLink, Comcast and Charter Government Subsidies.*

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**EXECUTIVE SUMMARY****Break Up Big Telecom: \$1+ Trillion in Overcharging ... And Counting.**

How much money have you, your family, friends, and business been overcharged by Big Telecom and Big Cable over the last 3 decades? And why is America giving AT&T et al. government subsidies to ‘fix’ the Digital Divide when these companies were responsible? As the data indicates, these few companies took actions over the last 3 decades to create the Digital Divide, not to mention leading the fight to disregard Net Neutrality, and a host of other issues that harmed our Digital Future.

New Networks Institute and the IRREGULATORS estimate that we have all been overcharged over \$1.3 trillion dollars by AT&T et al. over the last 3 decades by what is now a cartel, created through faulty mergers and a lack of state and federal oversight; we already gave the companies deregulation, tax perks, government subsidies, and rate increases for a fiber optic future that never materialized, multiple times.

**Follow the Money:** We will discuss halting all of the cross-subsidies that make the service providers basic telco operations unprofitable, halting the excessive made-up charges on subscriber’s bills that make the services unaffordable—but also taking steps to separate the holding companies from controls over the state, wired public telecommunications utilities, must occur to correct these long-time issues.

**Use the Money to Fix the Digital Divide:** By presenting all of the overcharging by Big Telecom in one place, Congress, the states and the FCC can take steps to use these funds—billions per state, to do the upgrades to fiber optics as well as lowering rates, even bring back competition to keep market forces in balance.

We focus on “Big Telecom”, mainly AT&T and Verizon, and a lesser amount on “Big Cable”, including Comcast and Charter. This is not an exhaustive examination because that would require that the federal and state government regulatory agencies to had done their job and audited the companies’ financials and, to not let what is now a cartel take control of the data and even the storyline.

**First, Let’s Start with the Large Cumulative Overcharging.**

- **\$1.3 Trillion, we estimate, was overcharged 1992-2020,**
- **\$60-86 billion annually in overcharging. Audits must start.**

**OVER THE LAST 3 DECADES, WE FOUND:****Previous Failed Broadband Commitments, 1992-2018**

- **\$500 Billion in Overcharging**

- \$15 billion overcharging, Verizon New Jersey's plan for 100% with fiber completed by 2010; Customers paid \$5,000-\$7,000, per household by 2015.
- **Background:** New Networks Institute has tracked the original commitments which were to replace the existing copper with fiber optics, since 1991, and encapsulated what happened in a trilogy of books, over 60 reports, and state and federal filings, that resulted in an estimated overcharge of \$25 billion annually.

**See: New Networks Institute Reading Library**

### **Big Telecom Accounting Manipulation, 2006-2020**

- \$818 billion in overcharging from 2001-2020
- \$79 billion in annual overcharging, 2021 estimated from rate increases.
- \$3.7 billion, Verizon New York 2017, each state is different; Verizon NY published annual report showed billions in cross-subsidies, tax benefits.
- \$21-23 billion overcharged through cross-subsidies of Corporate Operations dumped into the utility construction budgets diverted to wireless, 2019.

**Background:** Starting in 2001, the FCC, with the help of Big Telecom, were able to manipulate the FCC cost accounting rules that allocated the expenses to different services that use the state public utilities, with the impact – it made the majority of all expenses be put into local wired service, and charged to local phone customers. At the same time, AT&T et al. other lines of business that use the same wires did not pay market prices, and it allowed the wireless business to divert the state wired construction budgets to fund wireless instead of upgrading rural areas and inner cities. The utility also became a dumping ground and forced to pay the majority of Corporate Operations expenses, which includes executive pay to lawyers and lobbyists. This shell game made the entire US infrastructure appear unprofitable, which was used to manipulate public policies.

**NOTE:** We merged the accounting in these models post-2018. The total was a great deal more that we report here; this was the medium-low scenario. Also, due to the Pandemic, and new government subsidies, the accounting for broadband overcharging will also be impacted.

### **THESE 2 AREAS DROVE OTHER THE DETAILS OF THE OVERCHARGING.**

**SUBPLOT:** At the core, Big Telecom's plan has been dismantle the state utilities and hand over wireline customers to their wireless divisions ---because it makes them more money. This grand strategy has been in process for over a decade. Halting the accounting shenanigans that enabled this plan, and not letting the other divisions use the networks as a cash machine has to occur; it is the only serious play.

Worse, AT&T et al. also wants to take over the online advertising market, and tie entertainment and content to the networks they control; they want to track you on all devices, then be able to sell that information—and since they have vertically integrated their services, they have given their own services privileges and perks – all of which has been a financial disaster and a disaster from delivering world class broadband infrastructure for the states and utilities they control.

In short, they have pursued a path than has nothing to do with bringing world class infrastructure via their state utilities, and have done everything in their power to do as little as possible with the goal to optimize profits over the public interest.

### **OVERCHARGING DETAILS**

To give the reader a perspective of the excessive charges America is paying, we used research from the European Union and Rewheel research, as well as Consumer Reports and actual bills, and web information by the companies. This just one demonstration of how much Big Telecom and Cable's controls over our infrastructure has cost America.

#### **Compared: America's Cable Triple Play; Big Telecom's Wireless Services, Prices offered by European Union Countries**

- \$73 billion in annual overcharging—the difference in price from the European Union to AT&T and Verizon's prices for Wireless and the Triple Play of Big Telecom and Cable
  - \$150 a month in overcharging on the Triple Play; the US average is \$217.00; EU countries are offering a triple play for \$25-50—That is \$1,800 a year in overcharging
  - \$30+ a month in overcharging for wireless; According to Rewheel the EU has 'truly unlimited'; 1000GB or more; US is \$90 for 50GB;
  - \$15 a GB vs \$.07 cents: Spectrum wireless service highlights how Low volume users are particularly harmed by US prices, as EU prices are about seven cents.

Of course, there are 'deals', package prices, promotional prices, discounts, but, as we are about to discuss, most of these leave out the made up fees and additions that add 20-40% more a month than the advertised price.

**Part of this is because there is no competition and the incumbent companies control the critical network infrastructure.**

**Made-Up Fees.** Because there is no government oversight and no competition, companies can and do take advantage. For example, the addition of the Broadcast TV and Sports Fee, or the Cost Recovery fees are not mandated by the government, are not audited, and are not included in the advertised price.

We estimate that:

- \$22.7 billion dollars in overcharging from add-on “**Cost Recovery Fees**” and the cable “**Broadcast TV & Sports Fees**”, now at \$10-\$30 a month.
- 300 million wireless subscriptions pay an extra \$42.00 a year.

**Harvesting: Continually Raising Rates;** Local service customers have been not only left stranded without being upgraded, but also hit with continuous increases—to force-march them to wireless.

- \$11.8 billion dollars annually we attribute to the harms of harvesting basic phone landline customers with continuous rate increases for 15 years.
- 35 million customers may be overcharged \$25-30 a month, \$300-360 a year, but it could be as much as 100 million total customers.
- \$2,700-\$3,200 per line, we estimate has been overcharged since 2006.

**Business Data Service Overcharging and Cross-Subsidies** “Backhaul” also known as “Special Access” or “BDS”, “Business Data Services”, are the guts of the networks’ they are the basic copper and fiber wires used for data lines to cell sites and to competitors and ATT et al, control the prices of wireline and wireless, manipulated to keep prices inflated for both end users and competitors

- **\$31,000,000,000 in Annual Overcharging**
- Verizon NY’s 2019 Annual report showed that BDS, which uses the state utility infrastructure, had a profit margin of 55%.
- \$80-100 billion in revenue is hiding. There is no FCC or state reports that detail the size, scope and cross-subsidies that are evident
- Hundreds of millions of access lines are also hiding. In 2007, the FCC stopped publishing the number of copper and fiber optic ‘special access’ lines in service.—that \$80 billion dollars in revenues with zero published lines in service— and the FCC’s last data showed that ½ were copper-basic phone lines that were reclassified to NOT be counted as line.
- **\$53 Billion in Annual Overcharging.** BDS overcharging combined with all of the other cross-subsidies totaled \$53 billion a year in 2017, in large part because the companies still use the distorted frozen allocations, and Verizon NY is required to publish an annual report. Because the companies still use the same accounting, we assume that the overcharging in NY matches the other states, with caveats.

**Consumer Federation of America: Big Telecom & Cable Overcharging**

- **\$60 Billion Annual**
- **\$250 billion 5 years, 2012-2016**
- **\$45 a month; \$540 Annual Fees.**

In 2016, Public Knowledge published "[Overcharged and Underserved](#)", written by Dr. Mark Cooper, Director of Research, Consumer Federation of America, which analyzes the Big Telecom and Big Cable companies – concluding that over \$60 billion was being overcharged; over \$250 billion in just 5 years 2012-2016

“Combining the consumer pocket overcharges, we conclude that the total is almost \$60 billion per year. While the overcharges have mounted, the total for the past five years is in the range of \$250 billion or more.... For a typical household with two wireless subscriptions, a landline, broadband Internet access service, and multi-channel video, the total overcharge is about \$45 per month (\$540 per year). The aggregate overcharges are almost \$60 billion per year.”

## INTRODUCTION

How much money have you, your family and friends been overcharged by Big Telecom and Big Cable over the last 3 decades? And why is America giving AT&T et al. government subsidies to 'fix' the Digital Divide when these companies were responsible? As the data indicates, these few companies took actions over the last 3 decades to create the Digital Divide, not to mention, net neutrality problems, and a host of other issues that harmed our Digital Future.

New Networks Institute and the IRREGULATORS, estimate that we have all been overcharged over \$1.3 trillion dollars by AT&T et al. over the last 3 decades by what is now a cartel, created through faulty mergers and a lack of state and federal oversight; we already gave the companies deregulation, tax perks, government subsidies, and rate increases for a fiber optic future that never materialized, multiple times.

According to the [international group OECD](#),

“Market power refers to the ability of a firm (or group of firms) to raise and maintain price above the level that would prevail under competition is referred to as market or monopoly power. The exercise of market power leads to reduced output and loss of economic welfare.”

But, this definition leaves out that market power in the case of AT&T et al. is the ability to control America's critical wired infrastructure, not just what it costs but in the Age of high-speed broadband it also is about who did and did not get upgraded to fiber optic services, and at what speeds. It is about capturing the FCC at the federal level and at the state level the legislatures and utility regulatory agencies to move America's public policies and regulatory agendas so that they put the corporate interests of Big Telco and Big Cable over the public interest of the Customers and Competitors. These corporations also have state legislatures put forward 'model' legislation written by AT&T et al. with a group called ALEC, the American Legislative Exchange Council, pushed through by politicians who are under the free market ideological influence and campaign funding of AT&T et al.

And this AT&T et al. is just three holding companies, AT&T, Verizon and CenturyLink (now Lumen), ironically all part of the original Bell companies, that were supposed to be competing for wireline broadband as part of their merger conditions, and never went 'out-of region'. And now they control the majority of the US wireline networks, as territorial fiefdoms, which are used for wireless, and they have their friends, the cable companies, Comcast and Charter, all in sync to block competition or stop cities from creating their own networks.



But worse, it is about the ability of this cabal to actually rewrite basic history and confuse the public enough so they don't know that they are being overcharged, that the Digital Divide was created on purpose and that the caretakers of America's critical infrastructure has let the state telecom public utility networks deteriorate. They don't know there are still public state telecommunications utilities, or even who is the company controlling their city or state's communications.

Now, that's market power.

Essentially,

- Regulation has failed – and the companies used their influence to get out of regulation or obligations.
- Deregulation of the state utilities did not bring fiber optic broadband as promised, just billions more revenues and profits.
- The mergers did not expand competition but allowed the companies to consolidate their power – and give more money to buy and maintain market power.
- They control the wires, the guts of the networks, known as Backhaul, or BDS, and they were even able to take over the FCC,
- They can present made up and distorted facts claiming competition was robust when it didn't exist.
- They sliced and diced consumer protections which are now thread bare and almost non-existent.
- And because of consolidation, they are working as a cartel, exerting undue influence and getting their way with regulators and legislatures –

All of this has resulted in the massive overcharging of the public, through a myriad of ways – and because there is no institutional memory, the companies have come up with a strategy of the long game – over a series of years they will continue to slice away our right to affordable broadband service.

**And this lack of institutional memory allows them to claim that they want to solve the “Digital Divide” and seek government subsidies to deploy broadband.** The Biden administration wants us to shell out another \$100 billion, of the public's money through various programs, and there are other misguided bills coming out of Congress or in state legislatures that have Big Bells' fingerprints, while other actions are happening at government agencies, including an “Emergency Broadband Benefit” administered by the FCC. Many states have plans to subsidize broadband infrastructure deployment by throwing money at incumbent telcos and cablecos.

All they are doing is rewarding those companies that not only failed to bring America fiber optic broadband, as promised, and let the entire US copper-based telecommunications infrastructure deteriorate, but also caused the Digital Divide

on purpose – and have been able to fool everyone in the process to continue to overcharge the public.

### **Stop throwing money at the companies that overcharged us and didn't deliver.**

To repeat: At the core, Big Telecom's plan has been to make the entire US infrastructure appear unprofitable so that they could dismantle the state utilities and hand over wireline customers to their wireless divisions—because it makes them more money. This grand strategy has been in process for over a decade. Halting the accounting shenanigans that enabled this plan, and not letting the other divisions to use the networks as a cash machine must be stopped – and the only serious play is to separate the companies from control of the wires.

And what is forgotten – these companies are wired telecom utilities that control the state public infrastructure – and we stress 'public', and they are supposed to be working for us, the public, giving us the best infrastructure – i.e., the best high speed fiber optic broadband services, at reasonable rates—but through market power, we are now in a situation which is – Please Sir, may I have another?

### **Follow the Money**

How much money have you, your family, friends and business have been overcharged and how to do we stop this mess? That is the question we should be answering. Here are some of the skeletons that are buried in plan sight.

- **Market Power:** They have added charges on telephone, cable, internet broadband and wireless services—because they can.
- **Market Power:** Harvesting the entire US wired customer base, with over 100 million lines and able to make sure no regulator or politician to examine the rate increases of 150%.
- **Market Power:** America's prices are 5-20 times more than overseas, Why? Overseas pricing vs US shows monopoly controls over the wires.
- **Market Power:** Backhaul, the core infrastructure also known as "Special Access", or "BDS", "Business Data Services", which control the prices of wireline and wireless services, have been manipulated to keep prices inflated and competitors to pay egregious rates.
- **Market Power:** Overall, Consumer Federation of America's examination of the Big Telecom and Big Cable companies, working together to overcharge in a myriad of ways – estimated at \$60 billion annually.
- **Market Power:** Broadband Scandal: From 1993-2018, NNI estimated that \$500 billion was charged to local phone customers for multiple commitments for upgrades to fiber optics.
- **Market Power:** Accounting Scandal: The ability to manipulate the FCC's cost accounting rules, known as ARMIS, made the entire US infrastructure appear unprofitable, and the utilities became a cash machine for the other

subsidiaries. By the end of 2020, we estimate this was used as a mechanism to overcharge America almost \$818 billion dollars, which is in addition to the broadband scandal overcharging.

### **Overcharging Details**

These numbers were built using primary data as much as possible, but without specific information collected or made available, the findings bring up as much questions as they answer.

#### **1) Market Power: Added charges on telephone, cable, internet broadband and wireless services—because they can.**

Because there has been no serious competition, regulators have talked for years about removing the additional charges on your bills.

- These fees are NOT government mandated.
- These fees are not audited or reviewed,
- They are made-up and just tacked onto the bill.
- Are NOT included in the advertised price of service.
- These fees and others add 20-40% extra.
- These fees appear on wireline, wireless, cable TV, satellite, and phone service.

This is on top of the bait and switch that occurs when you purchase, say, the triple play and you realize that you got snookered and the advertised price was a) a promotional price that would go up 100% or more or b) it didn't include 20-40% of the total.

**Our Position:** None of these charges are valid unless they are authorized by a government entity and they are forced to be charged. These are charges that are nothing more than the cost of doing business. Moreover, adding anything more than a few dollars should be investigated. AT&T and Comcast own sports properties and broadcast programming so additional payments, after the customer purchases a service, is deceptive. And without actual audits of the financials to add these fees, which have continuous increases, the addition of a \$19.00 a month fee violates 'just and reasonable' statutes, not to mention deceptive advertising where 20-40% of the actual bill is missing from the advertisement.

Let's focus on a few fees.

Read more about the [Broadcast TV & Sports Fee](#)

- **The Broadcast TV & Sports Fee** is a made-up fee and it has gone up dramatically, 751% since 2014, to over \$19.00 per month on a March Spectrum NY bill 2021, and it is a national issue.
  - Suddenlink, in California, has a “Broadcast Station Programming Surcharge” of \$15.00/month plus a Sports Programming Surcharge of \$6.65/month — total of \$21.65/month.

Comcast Xfinity increased their Broadcast TV Fee to \$ 19.45 and Regional Sport Fee to \$10.75, as 2 separate fees totaling \$30.20 in 2021. However, this can vary by city.

- **“The Broadcast TV Fee** is an itemized charge that you'll see on your bill. This charge is not a government-mandated fee and will increase from time to time. It is based on our costs of providing the local broadcast stations that we carry on our cable systems in each area. These costs include the fees that the broadcast stations charge us to carry them on our cable systems, which are among our largest increasing costs. The Broadcast TV Fee is not included as a part of our promotional pricing or pricing under your minimum-term agreement and can increase during your promotion or minimum-term. You'll receive advance notice before an increase takes effect.
- **“The Regional Sports Network Fee** is an itemized charge that you'll see on your bill. This charge is not a government-mandated fee and will increase from time to time. It's based on our costs of providing the regional sports networks that we carry on our cable systems in each area. These costs include the fees that regional sports networks charge us to carry them on our cable systems, which are among our largest increasing costs. The Regional Sports Network Fee is not included in our promotional pricing or pricing under your minimum-term agreement and can increase during your promotion or minimum-term. You'll receive advance notice before an increase takes effect.”

This increase means that Comcast is making \$6-7 billion on these 2 fees, with no audits, but as a ‘separate fee’ that is not in the “promotional pricing”.

### AT&T Wireless and Wireline

- **Cost Recovery Charges have different flavors; AT&T charges at \$1.50, on wireless and even cable bills.**
- **Administration fees at \$1.99, are scattered on wireless and wireline bills.**
- **“[Cost Assessment Charge](#)” AT&T writes: is a per-line, per-month fee. It isn't a tax or charge that the government requires us to collect. It helps us recover the costs of supporting and administering government programs and requirements.”**
  - “Effective October 1, 2019, there will be an increase in the AT&T **Cost Assessment Charge** used to recover AT&T property taxes. The monthly rate will change from 2.92% to 7.00% of your total AT&T Business Internet, Phone and/or U-verse TV monthly charges. Oct 11, 2019”

**Federal Universal Service Fund**

One other charge that must be mentioned is the Universal Service Fund. A decade ago it was an [out of control slush fund](#). While it has multiple parts, such as the ERate to get schools upgraded, or the ‘high-cost’ fund where rural areas, that should have been upgraded via the utility’s coverage areas and overall rate increases over the last few decades isn’t addressed. Worse, there is a new wave of greed moving in.

- **Universal Service Fund tax on ‘interstate’ services** is now at an all time high of 33.4%, collecting over \$10 billion and this charge is also a pass-through as it is applied to the communications service.

**The Math:**

**Triple Play Charge: The Broadcast TV and Sports Fee**

**Caveats:** One way to examine this is to focus on the Triple Play and using the industry data: There are about 75 million cable subscribers and at \$10.00 it would be \$9 billion and at \$15 it would be \$13.5 billion. – which is in-between this range. However, considering Comcast, with 20 million video subscribers is now up to \$30.00+ for these 2 fees, our findings appear to be in the low-mid range.

We are using the Big Telecom triple play and the cable TV cable subscribers, and excluded DirecTV (and Dish) from these calcs.

**Combined: Big Cable- Big Telecom Broadcast-Sports Fee, 2020**

<b>Telecom- Broadcast TV Sport</b>	10,000,000	\$15.00	\$180.00	\$1,800,000,000
<b>Cable- Broadcast TV Sport</b>	37,000,000	\$20.00	\$240.00	\$8,880,000,000
<b>(DirecTV)</b>	20,000,000	\$10.00	\$120.00	(\$2,400,000,000)
<b>Total-Broadcast TV Sport Fee</b>	47,000,000	\$18.94	\$227.23	\$ 10,680,000,000

What’s missing are surveys of bills to see just how much is being charged in 2021, as this fee has had a meteoric rise over 751% over 5 years. Because it is applied on both cable and telecom cable TV services, we consider this an act of a cartel as it is being done by all carriers, the pricing is in the same range, and it is not mandated or government sanctioned. Competitors could have not added this fee to the bill, for example.

**Wireless Cost Recovery**

AT&T and Verizon have over 300 million wireless subscriptions alone, and the Cost Recovery and Admin fees are bringing in an extra \$42 a month to these companies – that’s \$12 billion.

	In Millions	Per Month	Annual	Billions
<b>Wireless Cost Recovery</b>	300,000,000	\$ 3.50	\$ 42.00	\$12,000,000,000

And talk about sticking charges on bills.

The Spectrum cable Triple Play bill, March 2021, shows 3 Cost Recovery fees, the Broadcast fee and a Universal Service Fee.

Regulatory Cost Recovery Fee	0.07
Regulatory Cost Recovery Fee	0.44
Regulatory Cost Recovery Fee	0.72
Federal Universal Service Fund	2.83
<b>Broadcast TV and Sports Programming Surcharges</b>	<b>19.15</b>

There is no explanation on the bill about these 3 separate cost recovery fees—what they are applied to, or why there are 3 charges. Though the bill has pages of advertisements, there is no information and the person is sent to a generic page which does not supply anything but basic definitions.

- 2) Market Power—Harvesting the entire US wired customer base, with over 100 million lines and make sure no regulator or politician examines the rate increases of 150%.**

**Report and Summary [Harvested and Stranded: \\$10-14 Billion Annually](#)**

Then we have harms to specific groups – like those who are ‘stranded’ and are being ‘harvested’. Throughout America, especially rural America, the telecom companies simply never showed up with high-speed broadband, or it was not affordable, or there are simply those who don’t want to use wireless and are still using a copper-based ‘landline’.

According to the FCC there was about 40 million lines in service in the beginning of 2020, and there is an additional 50-75 million lines of copper wires that are still in use—over 100 million lines we estimate.

And they have been harvested by AT&T et al., who have continuously raised rates over the last 15 years, proving there is no competition. In California, the basic rate went up 150% while the add-on services went up 100-525%.

Using the best, but still faulty data from the FCC, it is clear that the industry has not only hidden the total number of lines in America that are still using a copper wire, but also who are hit with these continuous rate increases; more data is needed

In tracking harvesting for a decade, we believe that harvesting impacts at least 35 million customers who are being overcharged about \$25-30 a month and that our total of \$11.8 billion in conservative.

Thus, we did a high and low calculation to give a range of the potential number of customers being harmed and the total overcharging for the low and high scenarios – and this is annual overcharging.

	Millions	Per Month	Annual	Overcharge
<b>Harvesting</b>	35,000,000	\$ 28.00	\$ 336.00	\$ 11,760,000,000
<b>High</b>	100000000	\$ 28.00	\$ 336.00	\$ 33,600,000,000
<b>Low</b>	35000000	\$25.00	\$ 300.00	\$10,500,000,000

Moreover, the harms are not just 2021, but extend back. Using Verizon NY financial data as well as other primary sources, including bills, since 2006, the total amount appears to be around \$1,700-\$3,200 per line, since the last round of deregulation hit

<b>Since 2006, depending on the level of service.</b>	\$1,700-\$3,200 per line
<b>Nationwide, estimate a conservative</b>	\$10.5- \$33.6 billion annually.

Read our full report and article for details.

- 3) **Market Power: America’s prices are 5-20 times more than overseas, Why? Overseas pricing vs US shows monopoly controls over the wires.**

See [Triple Play vs the Pricing of the European Union](#)

See [Wireless vs the European Union](#)

But, this is just the chump change from the real harms that Big Telecom have caused. This overcharging has deep roots. Why does America’s triple play (cable TV, phone and broadband) average \$217.00, in the US according to Consumer Reports when, overseas, you can get the same service for \$25-50 dollars – that’s an overcharge of \$150+ bucks or more.

(Today, [30% have a triple-play bundle](#), and 63% have more than one service.)

If 30% of 75 million customers are overcharged \$150 a month, that is \$45 billion industry wide. (This would include cable and telco triple play offerings.)

Us Average Triple Play	\$215.00
Overseas EU	\$24-\$47.00
Overcharge (We Used)	\$150;00
Annual Overage	\$1,800.00
25 Million Have Triple Play	
45 Billion	\$45,000,000,000

This would include all of the previous discussions of added and made-up fees. Using another model that incorporates the actual triple play subscriptions for ATT, Verizon, Comcast and Charter, we find that over \$51 billion annually was overcharged as compared to the EU. This combines the Telecom and Cable Triple Play.

**Triple Play: European Union vs US Big Telecom & Cable**

Triple Play	Subscriptions	Monthly	Annual	Total
Telecom Vs Europe	10,000,000	\$150.00	\$1,800.00	\$18,000,000,000
Cable Vs Europe	18,500,000	\$150.00	\$1,800.00	\$33,300,000,000
<b>Total Overcharge</b>				\$51,300,000,000

Why call this an overcharge? Simply put, why are America’s prices so inflated as compared to Europe? It has made prices not only unjust and unreasonable, but caused the Digital Divide.

Because there is no competition, there can be no lower prices. But in the case, there is a monopoly or duopoly controlling the infrastructure; the added expenses we discussed inflate the US prices as does the fact that the telecom services used ‘backhaul’ i.e., wires of the utility that do data, or use the copper, like AT&T’s U-verse, and they, therefore control the end user prices.

**Wireless Service vs US**

Most of the wireless services in Europe are ‘truly’ unlimited services, with over 1000GB for \$35 dollars, when, in the US, our wireless companies are deceptive with most using the word ‘unlimited’ services, to mean anything. But the large unlimited plans are capped at 50GB for \$80-\$90.00.

Of 300 million subscribers, if 20% are high-end users who are being overcharged even \$30 bucks a month, the telcos would reap \$21 billion annually or \$360 a year per subscriber.

(Note that the overcharging from made-up fees would be included.)

**The Wireless Overcharge**

Wireless services in Europe have ‘truly’ unlimited services, with over 1000GB for \$35 dollars; in the US, unlimited means being capped at 50GB for \$90.00, and though prices can vary, and there are ‘deals’ in reality, many more customers purchase large plans just so that they don’t get overages or service disruptions, or they don’t usually know how much they are using, (which is very common, as we found this in our various surveys collecting actual bills, since 1993.)



**Estimated Overcharge of High Volume “Unlimited” Wireless Customers: US vs European Union, 2020**

<b>Verizon And ATT Subs</b>	300,000,000
<b>20% With Unlimited</b>	60,000,000
<b>Overcharge</b>	\$ 30.00
<b>Annual</b>	\$ 360.00
	\$ 21,600,000,000

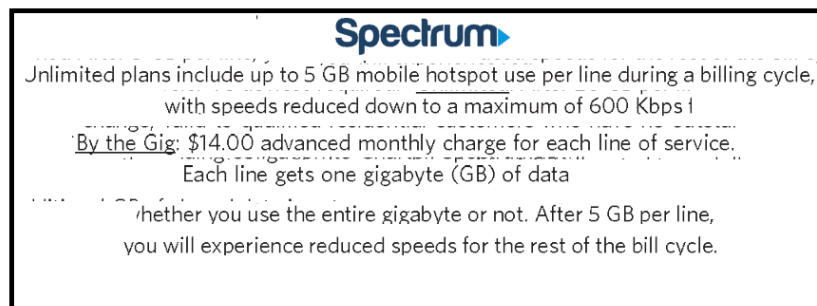
(Note that the add on overcharging from made-up fees would be included.)

**America’s Low Volume Users Are Really Hosed.**

There is a class of wireless low-volume users who are paying \$30-50 for 1-5GB; they are really being gouged.

Spectrum resells Verizon Wireless, under the spectrum brand (a direct conflict of interest, when the largest wired telco and cableco in a region have a sweetheart deal on a service.) Spectrum is charging \$14.00 a Gig, even if the customer only uses a fraction, and it sets limits on the service so that it slows down to a crawl of 600 kbps (1000 kbps=1mbps). Spectrum wired service hotspot in the home has speeds of hundreds of mbps.

The absurdity that this is an unlimited plan belies the fact that overseas, the average price was \$35 for 1000 GB with an average price of \$.07 cents. (from Spectrum ‘fine print’ april1st, 2021)



- 4) **Market Power**, the core infrastructure known as “Special Access” or “BDS”, “Business Data Services”, which control the price of wireline and wireless service, have been manipulated to keep prices inflated and competitors to pay through the nose.

**Backhaul Overcharging; Why America’s Prices Are Overcharged.**

There is no competition and Big Telecom controls the underlying wired infrastructure known as “Backhaul”, which has obscene profit margins. This one area was estimated to be overcharged at least \$20 billion annually... inflating America’s wireless prices, back in 2017.

In a letter written by [Public Knowledge, Consumer Federation of America, National Digital Inclusion Alliance, Common Cause, Next Century Cities, New America's Open Technology Institute, Institute for Local Self-Reliance.](#)

“Consumer Federation of America (CFA) has estimated that “abusive pricing” has resulted in overcharges in the BDS market totaling \$20 billion annually each of the last five years. Without legitimate competitors in the marketplace, businesses have no choices when they purchase essential BDS connectivity. According to CFA, half of the \$40 billion charged annually for BDS services are overcharges as a result of incumbent LEC market power. The current overcharges for BDS harm small businesses, universities, schools, libraries, and other customers for whom connectivity is essential. These overcharges also result in indirect costs to American consumers totaling more than \$150 billion.”

<b>Direct costs</b>	<b>\$20 billion</b>
<b>Indirect costs</b>	<b>\$150 billion</b>

**NNI-IRREGULATORS Updated Special Access Revenues and Overcharging – and Cross-subsidies**

In June 2020, the Verizon New York Annual report was published and it showed that the regulated Special Access services were \$1.9 billion in revenues and had a 55% EBITDA – Earnings Before Income Taxes, Depreciation and Amortization, -- i.e., profits before taxes and write-offs. At the same time, Local Service, using the same networks, lost over \$1 billion dollars.

Historically, Special Access had a 12-14% EBITDA. Having extrapolated the size of market using the Verizon NY data over the last decade, we know that there are other ‘special access’ revenues, some of which are hidden in different categories, but also different subsidiaries.

Based on previous reports, we found that there were other subsidiaries of Verizon also selling special access but weren’t paying for the construction. In fact, local service is paying the majority of the construction – almost double what the “special access’ services are paying.

[Click for Verizon NY 2019 Annual Report or the IRREGULATOR analysis.](#)

Annual Report of VERIZON NEW YORK INC.		For the period ending DECEMBER 31, 2019			
1) Line No.	Item (a)	Total (b)	Nonregulated (c)	Local Service New York State (f)	Backhaul Other (g)
2)	9 Total Operating Revenues	\$ 4,057,694,093	\$ 1,248,720,704	\$ 863,900,772	\$ 1,945,072,618
3)	10 Operating Expenses				
	11 Plant Specific, Non-Specific				
4)	11 Construction & Maintenance	\$ 2,873,833,130	\$ 1,030,574,328	\$ 1,237,251,778	\$ 606,007,024
	12 Marketing	\$ 379,168,289	\$ 55,776,642	\$ 204,794,179	\$ 118,597,468
5)	15 Corporate Operations	\$ 835,176,803	\$ 84,884,865	\$ 506,894,408	\$ 243,397,530
	16 Subtotal	\$ 4,419,767,562	\$ 1,188,407,188	\$ 2,153,061,869	\$ 1,078,298,505
	17 Depreciation & Amortization	\$ 1,002,966,892	\$ 33,423,013	\$ 631,253,569	\$ 338,290,310
	18 Total Operating Expenses	\$ 5,422,734,454	\$ 1,221,830,201	\$ 2,784,315,438	\$ 1,416,588,815
6)	19 Net Operating Revenues	\$ (1,365,040,360)	\$ 26,890,503	\$ (1,920,414,666)	\$ 528,483,803

New Networks Institute 7) **55% EBITDA** **IRREGULATORS**

We estimate that Special Access revenues are around \$78-\$95 billion and the overcharging is around \$35 billion, but we've used 31-\$38 billion.

- **\$78-\$95 Billion Nationwide In Revenues,**
- **\$31-\$38 Billion or More in Overcharging.**

A large part of the problem can be seen in the financial reports. First, the subsidiaries did not pay market rates, and it may be that AT&T and Verizon have a sweet-heart deal to not pay market rates in reciprocal locations to the other's state utility. Moreover, wireless services have not paid for a great deal of the construction, nor have the other subsidiaries, totally distorting the profits.

- 5) **Market Power:** Overall, Consumer Federation of America's examination of the Big Telecom and Big Cable companies, working together to overcharge in a myriad of ways – estimated at \$60 billion annually.

In 2016, Public Knowledge published "[Overcharged and Underserved](#)", written by Dr. Mark Cooper, Director of Research, Consumer Federation of America, which analyzes the Big Telecom and Big Cable companies – concluding that over \$60 billion was being overcharged; over \$250 billion in just 5 years 2012-2016.

"Combining the consumer pocket overcharges, we conclude that the total is almost \$60 billion per year. While the overcharges have mounted, the total for the past five years is in the range of \$250 billion or more.... For a typical household with two wireless subscriptions, a landing, broadband Internet access service, and multi-channel video, the total overcharge is about \$45 per month (\$540 per year). The aggregate overcharges are almost \$60 billion per year."

- 6) **Market Power** – Broadband Scandal: From 1993-2018, NNI estimated \$500 billion was charged to local phone customers for upgrades of the states primary utilities with fiber optics –and this happened multiple times.

#### **Previous Failed Broadband Commitments, 1992-2018**

- \$500 Billion in Overcharging
  - \$15 billion overcharging, Verizon New Jersey's plan for 100% with fiber completed by 2010; Customers paid \$5,000-\$7,000, per household by 2015.
  - **Background:** New Networks Institute has tracked the original commitments which were to replace the existing copper with fiber optics, since 1991, and encapsulated what happened in a trilogy of books, over 60 reports, and state and federal filings, that resulted in an estimated overcharge of \$25 billion annually.
- 7) **Market Power – Accounting Scandal:** The ability to manipulate the FCC's cost accounting rules, known as ARMIS, made the entire US infrastructure appear unprofitable, and the utilities became a cash machine for the other subsidiaries.

The analyses of the accounting manipulation are based on a decade of investigation, and the Verizon NY Annual Reports, which are based on the FCC's cost accounting formulas. The IRREGULATORS team includes one of the leading experts in the utility accounting and with multiple auditors, we found that billions of dollars of expenses were being allocated to local service, one of the services using the state infrastructure. The other services, including Business Data Services and wireless, were not paying market prices, and the majority of the construction budgets had been diverted to build the fiber networks used by the wireless company, without proper payments, this made the entire wired telecommunications utility appear unprofitable, and this was used for rate increases, staff cuts, claims that it was unprofitable to upgrade rural areas.

#### **Just Three Line Items: Construction, Corporate Operations, and Marketing**

- \$1.1-\$1.6 billion was overcharged, we estimate to Verizon NY Local Service in just 2019, for just three expense items; Construction & Maintenance, Corporate Operations expenses and Marketing. (This is the low number.)
- \$16-\$23 billion in just 2019 -- Nationwide, this equates to Local Service being overcharged in America

Examine the previous exhibit of Verizon New York's 2019 Annual Report and 3 things stand out

- \$600 million dollars (Line “5F”) Local Service is paying 62% of all of the Corporate Operations
- \$1.2 billion-- Local Service is paying the majority of the construction budgets — which is impossible as local service are revenues from the copper wireline services and there is no serious construction.

Those expenses are being dumped into this category illegally, “Line “3F””. These are cross-subsidies funding the other Verizon subsidiaries to inflate their profits, while making local service appear unprofitable,

- \$1.9 billion in losses for local service, (“Line 6F”), but it is based on paying the majority of the expenses that should have been paid by special access, FiOS (the non-regulated “column c”) or even the wireless— Verizon Wireless that revenue is not in these financial books and nowhere to be found as break out for NY State.

Thus, the accounting formulas in place has totally distorted all of the state utilities financials. We believe this was done on purpose and it started in 2001 and was never examined or fixed.

And these actions caused the Digital Divide.

Fixing this mess, means halting the cross-subsidies and redirecting billions of dollars annually back to the state utility that can be used to upgrade the entire state with fiber optics and lower rates immediately.

**Total Overcharging.**

By the end of 2020, we estimate that this manipulation of the accounting was used as a mechanism to overcharge America almost \$818 billion dollars, which is in addition to the overcharging of the broadband fiber optic scandal.

**Big Telecom ONLY Overcharging by Year, 2017-2020**

	2018	2019	2020
<b>Total Accounting</b>	\$704,000,000,000	\$760,000,000,000	\$818,000,000,000
<b>Total With Broadband</b>	<b>\$1,204,000,000,000</b>	<b>\$1,260 000,000,000</b>	<b>\$1,318,000,000,000</b>
<b>Annual Current Overcharge</b>	\$71,000,000,000	\$74,000,000,000	\$79,000,000,000

The annual amount, \$79 billion, reflects just the Big Telecom overcharging. We separated Big Telecom and Big Cable overcharging because this document was focused more on AT&T and Verizon than on the cable companies.