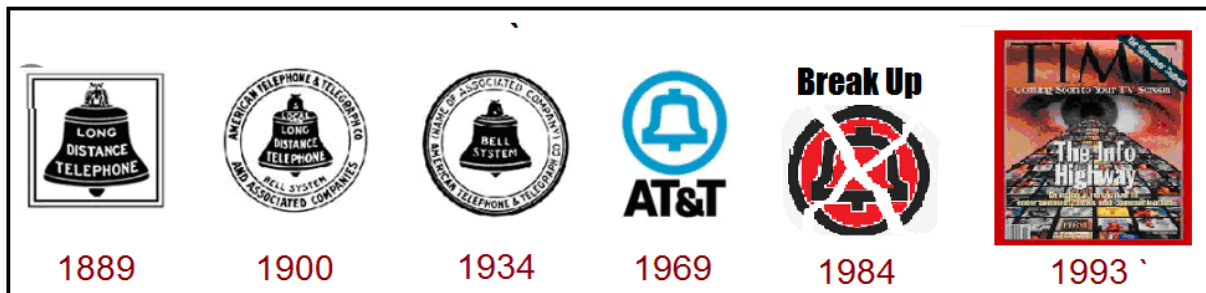


**REPORT 1:**

## **Break Up the Big Telecom and & Big Cable Monopoly Cartel**



*Let's just call it 'Break up AT&T et al.... Again'.*

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**What Does it Mean to Break up ATT et al?**

- The IRREGULATORS are calling for the United States Department of Justice and state Attorney General offices to start antitrust cases against AT&T, Verizon, CenturyLink, and their subsidiaries, formerly known as the “Bell” companies. The outcome must be to separate the wired state public telecom utilities from their control.
- **Separate the subsidiaries from the use of the public communications utilities.** All wireless companies and services, the ISP/broadband access, business data services and enterprise subsidiaries, along with all of the other media, advertising and entertainment businesses, shall be completely separated so that any business dealings with the utilities are no longer privileged and shall be conducted at arms length.

**Follow the Money**

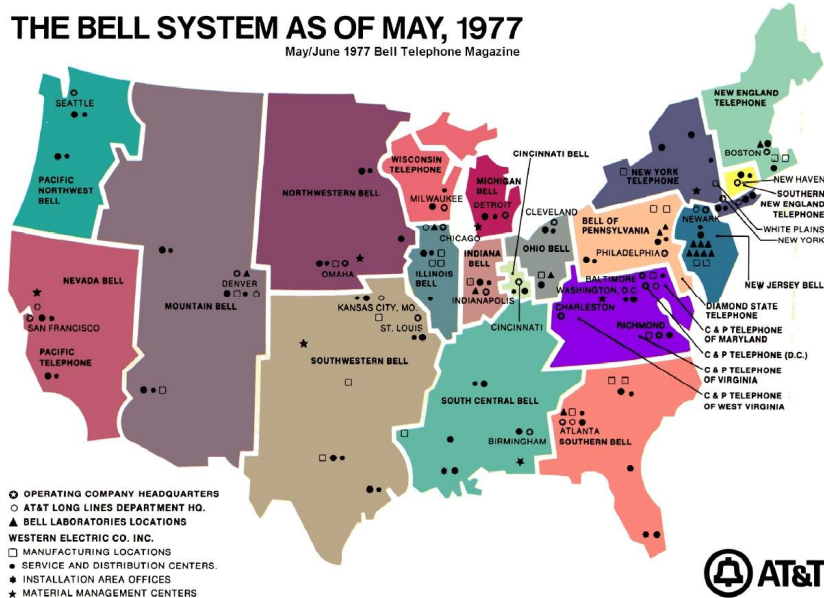
- **Subsidiaries shall pay market prices like any other unaffiliated company** wishing to use the state communications utilities and the public rights of way, as well as pay for all access fees, or billing and collection services provided by the utility.
- **Stop the dismantling of America’s telecom utilities.** All network infrastructure that was paid for via the state telecommunications construction budgets is property of the state utility and subsidiaries must reimburse the utility for all associated costs and for the continuing use of utility services.
- **Return all “Business Data Service”, “Special Access” and “Backhaul”** networks that were funded by the utility are the property of the utility, including the wires to the cell sites, the fiber to home, and any other backhaul service and the subsidiaries must pay the utility for their ongoing use.
- **Halt all ‘corporate operations’ expense dumping** that are being put into the state utilities including all lobbying or corporate jets, which are not directly tied to the state..
- All monies charged to the phone, broadband and internet customers through these subsidiaries shall be treated as defacto investors and shall be made whole.
- **Investigate the manipulation and use of the FCC’s accounting formulas** that have made the entire US infrastructure appear unprofitable.
- **Investigate the telco-cable ties that harm customers and economic growth.** We request that the DOJ investigate---All dealings with the phone and cable companies and whether the cable companies are part of this ‘trust’.
- **Investigate the harms caused by unchecked mergers.**

**Goals: Solve the Digital Divide, Net Neutrality and High-Speed broadband.**

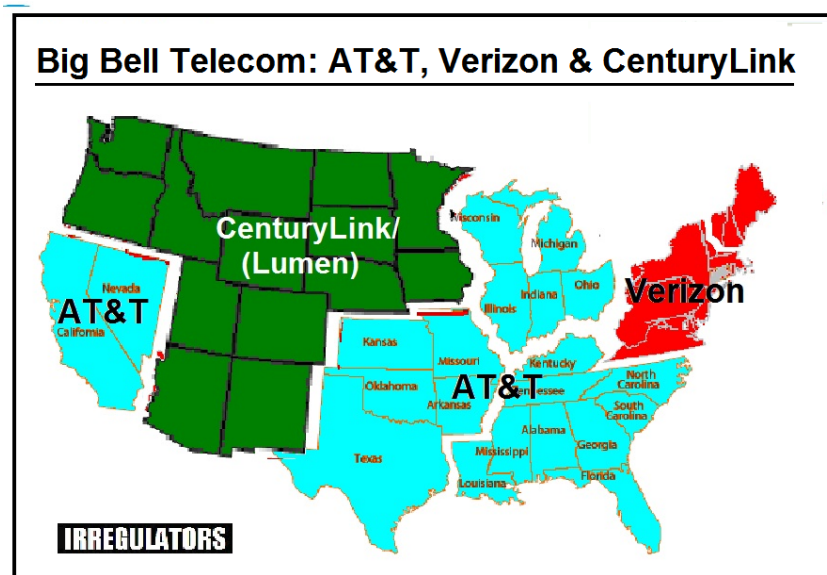
- **Create a new open access fiber-optic based state-based telecommunications utility** that has universal coverage at 100%, affordable rates for all subscribers and is open to all competitors at the same price as the original subsidiaries and affiliates pay.
- **Reopen the networks to direct competition.** The wired copper and fiber networks that are part of the utilities must be reopened to all competitors, as was the intent of the Telecommunications Act of 1996;
- **Municipalities should also be entitled to a negotiated portion of the revenues** from affiliate and subsidiary and competitor payments to use the networks, and at the reduced costs once the cross-subsidies are removed.

## MAPS: AT&T BEFORE AND BIG TELECOM AFTER

The original Bell Companies, controlled by AT&T, were divided up into 22 separate companies each controlling one or more state utilities.

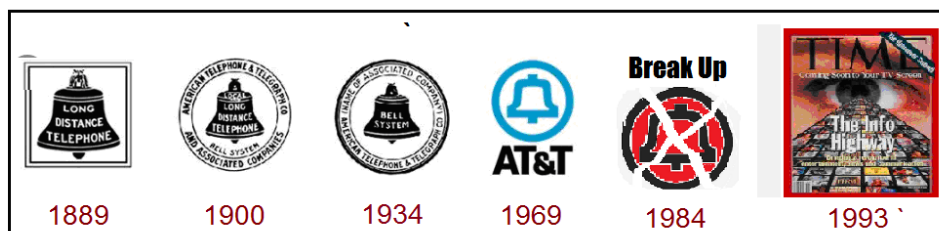


**THE YEAR 2021:** Three holding companies control most of the US state utilities, except for spin-offs. (Verizon sold off Maine, New Hampshire and Vermont to Fairpoint in 2007; Frontier bought various utilities from AT&T and Verizon.)



## The Case to Break up the Big Telecom (and Big Cable)

### INTRODUCTION



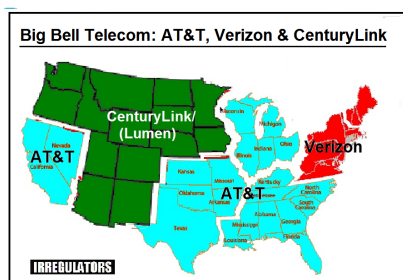
Let's just call it Break Up AT&T et al.... Again.

Over the last few years there has been a call to go after “Big Tech” companies, including Google, Amazon, Facebook and Twitter. The “FTC” (“Federal Trade Commission”, as opposed to the “FCC”, the “Federal Communications Commission”) and Attorney General offices around the US are [actively going after Facebook](#), and there are other cases against Amazon and Google, claiming ‘Big Tech’ is harming America due to monopolistic practices. (And this is on top of cases overseas against [Amazon](#), [Google](#) and the other online companies.)

While there appear to be legitimate issues about market power in the ‘search’ and ‘online advertising’ markets, all of these services not only require that the user choose to visit these companies’ web presence, but a user must first have an Internet Service Provider (ISP) that connects them to the broadband infrastructure, hopefully using a high-speed broadband connection. And these services are either using a wired connection or going over airwaves with wireless, which almost always ends up on the wired networks.

In the end, the overwhelming majority of connections are now controlled by a cartel, just a few companies dubbed: “Big Telecom”—AT&T, Verizon & CenturyLink, and “Big Cable”, Comcast & Charter. They control most of wires, most of the wireless business, and with the cable companies, they control the high-speed broadband access connectivity service, including the Internet to access websites and the new video streaming services, not to mention phone and bundled Cable TV services in America.

### The Big Bell Telecom Monopoly



By the 1970's, it was clear that the original AT&T had become a very powerful monopoly. It not only controlled the primary state telecommunications utilities in most states; but it also controlled the long-distance service (calls between states) and it blocked competitors from using these networks. In 1984, 7 "Regional Bell Operating Companies", "RBOCs", were formed and each became the caretaker of a collection of these utilities. There were also independents like GTE or SNET (CT), and long-distance companies, including MCI.

The map shows how these Bell companies never left and divided up the country into land-based fiefdoms that do not seriously compete for wired phone and broadband services, even though that was a requirement of most of the mergers that made these three dominant holding companies.

In fact, there were attempts to change this outcome. The Telecom Act of 1996 opened these wires to competition, but with the help of the FCC, the cabal not only killed off most competition, including 7,000 independent ISPs.

By 2007, Humpty Dumpty had been put back together, as three, very large holding companies with specific geographic coverage. Moreover, they took over the independents; Verizon was the creation of Bell Atlantic adding the independent, GTE; AT&T purchased the independent SNET, claiming they would compete on the East Coast—which did not ever happen. Moreover, they gobbled up the long-distance business. SBC bought AT&T, which had been the largest long-distance company, and took the name AT&T around 2005, and Verizon bought MCI. These mergers effectively killed off the 2 largest competitors. (Ironically, Verizon later sold off a chunk of the GTE holdings to Frontier and it's holdings in Maine, New Hampshire and Vermont, while AT&T sold them SNET.)

### **The Pandemic Woke Up America**

Ironically, it took a Pandemic of major proportions, that forced a 'stay-at-home' mandate in America, to make the public notice that there were problems with America's high-speed broadband service geographic coverage, the affordability of this connectivity access and thus their connection to the internet services.

Almost overnight, the terms "Digital Divide", "Digital Inclusion" and "Digital Inequity" as well as "infrastructure" have filled the media. Congress, the FCC and almost every city, county and state in America is attempting to come to grips with the fact that large areas of rural America, as well as more localized problems in the inner cities, either any connectivity, low connectivity or don't have high speed broadband available or worse, the services are just not affordable.

Unknown to most, starting in 1991, the "National Infrastructure Initiative", (also known as the "Information Superhighway"), was announced as part of the Clinton-Gore campaign. The goal was to have America replace the aging copper wires with a fiber optic wire, and the companies



went state-to-state to have laws changed, claiming they would build this fabulous fiber optic future if they were granted rate increases and given tax perks.

New Networks Institute, the IRREGULATORS (and before that Teletruth), have been calling for investigations of what is now AT&T, Verizon and CenturyLink (now Lumen) for decades. In fact, we were featured on Bill [Moyers on America, Emmy-nominated "The Net at Risk", on PBS](#), in 2006, in a segment ironically called "**The New Digital Divide**" where we warned of this unholy outcome – slow, inferior, high-priced services that are deployed in the wealthier areas, with only 1 or 2 providers (a monopoly or duopoly), if at all.

In 2015, we estimated that over [\\$400 billion dollars](#) had been collected for fiber optic networks that were never deployed. We now know this failure to bring high speed broadband to America was one of the major culprits that caused the Digital Divide.

And in 2021, the issues we laid out have gotten worse. We are at the tipping point of the end game. Politicians and advocates call for throwing hundreds of billions of dollars in government subsidies at the problem. This is a bad idea.

There is no institutional memory and the companies have been able to even rewrite history. Today, almost everyone thinks there are no state telecommunications public utilities in place, that the wires are all unprofitable and that 5G wireless will fix it all. And there is no understanding that America has been giving these companies hundreds of billions of dollars in deregulatory favors, such as increased profits or major tax perks, not to mention the ability for the companies to continuously raise rates for decades with no investigation.

**But there is a subplot: Dismantle the state utilities for wireless because it makes more money.** The companies have been able to manipulate the FCC's financial accounting rules that have been used to allocate expenses to the different lines of business so that local service and the utility pay the majority of costs. This has had multiple harms. First, it made the entire US wired infrastructure appear unprofitable. Worse, it is being done to 'shut off the copper' and dismantle the state utilities, diverting the construction budgets to fund the wireless deployments and leaving parts of cities and many rural areas as digital deserts, and it allowed for 'harvesting' of the local phone customers – raising rates continuously for 15 years. And depending on the state, this could be billions of dollars that should have been used to maintain and upgrade the state utilities to fiber optics.

The true irony is that while many of the advocates and politicians are calling to make the internet and broadband a utility—it already is and they just didn't notice.

### **It Is Time to Separate the AT&T Et AL. from Control of the Wires.**

There is the only way to stop their ability to use the state utility as a cash machine for their other lines of business, including wireless, and that is to divest the holding company and its subsidiaries from the wired, state-based telecom public utility. At the same time, we must make the hundreds of subsidiaries pay market rates to use the utility infrastructure.

By doing this we stop much of the overcharging of America on all services created by these new controls and the removal of the subsidies. And with the new revenues coming from the companies that previously got a free ride, which is billions per state, will be available to not only lower rates but to extend fiber optic broadband infrastructure throughout the states. But, these networks must be open to all competing service provider, and municipalities and counties need to play an active role in upgrading and building out their cities, towns and jurisdictions.

This is not just about the copper wires, but about all of the wires, including fiber optics. These communications companies have been able to manipulate reclassify and play other games to make it appear that the fiber optic wires, and even different categories of the copper wires, were not part of a state telecommunications utility. This shell game must be halted.

### **What are the Overarching Reasons to Break Up ATT Et Al?**

**Over a 30 Year Period, AT&T Et Al. Failed to Bring High Speed Fiber Optic Broadband to Compete:** AT&T and the companies that make up AT&T all had made state-by state commitments to replace the existing copper wires with fiber optics starting in 1990's— and they never came through. And the same 'broken promises' happened throughout America multiple times. AT&T now covers 21 states and after 30 years, out of 76 million locations, ATT has only 5 million business and residential fiber optic lines. Moreover, Verizon failed to upgrade 9 states (plus DC) and CenturyLink's failed to do its 14 states' utilities as well as the various territories in the US.

**Customers Paid for Upgrades:** Besides making commitments, in almost every state, laws were changed to give the companies more profits in the form of rate increase and tax perks. And this occurred multiple times, with the claim that customers would get AT&T's U-verse or Verizon's fiber to the home cable and internet service, FiOS.

**Shut Off the Copper; Let the Networks Deteriorate:** Verizon, AT&T and CenturyLink have been engaged in 'shutting off the copper', and they claim this is to 'migrate' customers onto better services, but the facts show that that they have failed to properly upgrade their state utilities with fiber optics and the plan is to move customers to more expensive, and today, more profitable, wireless service.

**Manipulated the FCC Accounting to Use Utilities as Cash Machine for Wireless:** These 3 holding companies have taken control almost all US wireline utility networks and because of their unprecedented market power, and unknown to most, they have been able to manipulate the underlying the flows of expenses so that the basic copper-based services pay the majority of expenses. Verizon and AT&T have been diverting billions of the construction budgets to build out wireless and work for all of the other subsidiaries instead of upgrading cities, rural areas and low income areas in the cities.

**Killed Off ISP, Broadband and Internet Competition.** The Telecom Act of 1996 opened the utility networks to direct competition and by the end of 2001 there were 9,500 independent ISPS who have brought America to the internet and had the majority of the business. With the



help of the FCC, SBC and Verizon were able to close the networks to competition, putting 7,000 ISPs out of business by 2007; AT&T and MCI were sold to SBC (who took the name 'AT&T') and Verizon bought MCI. Together, and with the cable companies, they took over the small ISP's customers. This caused Net Neutrality issues.

**Mergers were a Disaster: Marrying the Siblings Should have been Blocked.** Starting in 1996, instead of competing, the Bell companies put Humpty Dumpty back together, and each merger closed down the state buildout of fiber optics, and the companies never lived up to any commitments made. AT&T was supposed to compete in 30 cities in the other Bell territories and didn't show up. AT&T-Bellsouth was to have 100% of 21 states with broadband; never accomplished. Verizon was supposed to be in 24 cities out-of-region; never showed.

**Stranded, then Harvested:** In the end, this is a working cartel with a number of hidden agendas – to make the entire US wired utility infrastructure appear unprofitable so that the companies can use this for multiple financial gains, but also public policy controls.

While America believes there is no one using a wired service, much less a copper wire, based on FCC data and our tracking over the last 2 decades, we estimate that there are still over 100 million copper-based lines in America, most of which have been hidden from view. And, as shown by study by the CA PUC, or our worse, harvesting is when the company has a 'captured' client base and they plan is to milk them with continuous price increases.

Those who control the wires control access to all services, all communications.

**Backhaul Profits Are Out Control. AT&T Et Al. Control the Prices to Competitors and as well as Wireline, Wireless and Even Broadband Prices.** By controlling the basic guts of the networks, (also known as “**Business Data Services**”, or “**Special Access**”) America is being overcharged \$50-60 billion dollars annually—and this is one of the reasons America's communications prices are 5-20 times more expensive than overseas.

**Prices for All Services are Out of Control.** Because of this control over the infrastructure, and specifically 'Backhaul', America's 'triple play' now averages \$215.00 a month while studies by the European Union shows that a triple play (broadband internet, phone and cableTV) can average \$25-\$47 dollars. Meanwhile, overseas, wireless services can cost under \$35 and comes with 1000 GB... in the US the term 'Unlimited' means – 50-75GB at \$90.

**The Big Cable Companies Also Got a Free Ride.** Their prices are not set based on the costs of running the networks but the ability to continually raise rates and add made up fees as AT&T et al. didn't show up to bring competition.

**5G and Wireless for the Home Becomes a Nonstarter in this New Stay-At-Home Era.** According to [OpenVault](#), the average home online use is now 480 GB a month. 5G has massive data limits. Worse, it requires a fiber optic wire every few blocks, and isn't profitable once the subsidies are removed—5G will prove to be been nothing more than another historic bait and switch—use technology to get rid of regulations and obligations.

**The End Game Is Here.** The state telecommunications utilities have been allowed to deteriorate – and this must be stopped and the networks that are funded by the local phone customers through a massive manipulation of the accounting needs to be immediately halted, and this includes the obscene amount of corporate operations expenses.

This is what the California Public Utility Commission’s unredacted report, published January 2021 said to sum up the harms,

“Persistent disinvestment, extensive affiliate transactions at self-serving transfer prices, extraordinarily large rate increases, and deteriorating service quality all point to ‘harvesting’ as AT&T California’s overarching strategy for its legacy services and customers. These extensive affiliate transactions, the directly measurable indicators of disinvestment — depreciation accruals that exceed gross additions, payments of dividends to the parent company that exceed the nominally reported net income, and the persistent erosion of AT&T CA’s Net Plant — and the deteriorating service quality overall, together compel certain conclusions as to AT&T California’s overall financial condition and investment policies.”

But the story is a lot worse and this is not just AT&T or about California. Over the last decade the IRREGULATORS uncovered that in Verizon NY, the state-based telecom utility, has been using the FCC’s manipulated formulas to make the entire state infrastructure appear unprofitable – and we estimate that over a billion dollars annually has been diverted to wireless instead of building out the state.

To add to the injury, Verizon and AT&T act as a cartel. Is it any coincidence that no state was ever properly upgraded, that all states have let their entire network to deteriorate or that they manipulated the FCC to not audit or investigate why these companies never upgraded the rural areas, or low income areas, and how these actions have caused the Digital Divide?

### **What are the Remedies: What Does it Mean to Break up ATT et al?**

At the core, the goal is to take the state utilities back for the public and not be the cash machine of the holding companies. We are requesting:

**Separate the Utilities’ Critical State-Based Infrastructure from the Controls of the Monopolies:** The IRREGULATORS are calling for the Department of Justice, DOJ, state Attorney General offices, as well the Congress to start antitrust and other cases against AT&T, Verizon, CenturyLink and their subsidiaries with the outcome –to separate the wired state utilities from their control.

**Separate the Subsidiaries’ from the Utilities to Block the Harms of Vertical Integration:** We request that all of the subsidiaries— including wireless, the Internet Service Provider (ISP), the broadband access service, both residential and business services, and all other media content, advertising and entertainment businesses— be completely separated so that any business dealings with the network infrastructure are no longer privileged; these subsidiary

companies shall be considered just like any other non-affiliated company wishing to use the state telecom network that occupy the local rights of way – paying full market prices.

**Halt the Corporate Operations Expense Dumping:** All corporate operations expenses that are not directly tied to the state utility shall be halted immediately, including all lobbying, lawyers, corporate jets, foundation grants, political contributions.

Big Telecom charges most of these expenses to ‘local service’, even though the expenses may have nothing to do with the operation of the state utility.

**Return Backhaul, the Business Data Networks, to the Utility:** All “Business Data Services” (BDS), (also called “special access” or “backhaul” networks) that were funded by the local telecom utility will be returned to the utility, including the wires to the cell sites, the fiber to home, or any other backhaul service.

These wires are the guts of the networks and they are being charged to local customers but giving the companies’ other businesses advantages, privileges—and discounted or free ride on expenses.

**Market Power and the Trust:** We also request that the DOJ investigate the ‘trust’ and market power issues that have been developing over the last 40 years since the original ‘divestiture’ of AT&T and the creation of the seven headed Hydra known as the Regional Bell Operating Companies (RBOC) and how they have been able, through mergers, created a new, larger and more controlling ‘trust’.

**Telecom and Cable Collusion vs Competition:** We request that all dealings with the cable companies that have allowed for sweetheart deals to be in place where competition has been harmed, be halted, as it is clear that there has been a de facto series of agreements that have harmed America. This includes whether they too, are part of this ‘trust’—part of the same associations, astroturf groups, use of the same law firms, consulting firms, and use of ALEC, the American Legislative Exchange Council, to create model legislation that harms competition, especially municipal and cooperative broadband providers, small rural telcos and independent providers such as Google Fiber or other competitors who have been harmed by this cabal.

NOTE: We address the issues surrounding Big Cable elsewhere but at the core, the cable companies have been the beneficiaries of all of the attention on the wired telephone networks, especially since the regulations and obligations for the wire utilities extend back for decades.

**The Goals: Solve the Digital Divide, Net Neutrality and Bring High-Speed Broadband to Everyone at Reasonable Rates.**

**Create a new open access fiber-optic based state-based telecommunications utility** that is a best-of-class network in the world, with universal very high speed (target 1 Gbps) coverage to

100%, at affordable rates for all subscribers. And it should be open to all competitors at the same price as the original subsidiaries and affiliates pay.

However, since most states have only a fraction of the fiber networks in place, utilizing in the ground but unlit (Dark Fiber) and enhancing the copper to deliver interim higher speeds, are critical actions.

Separating the companies' ability to control the wired utility networks and the affiliates' use of these networks is an imperative to make sure that there is, in every state, critical fiber optic-based infrastructure as well as the continued maintenance and upgrade of the existing copper networks, which should have already been replaced as promised.

**Market Power Is the Ability to Rewrite History and Facts:** In interviews with consumers, legislators and even pundits on all sides of the discussion, it is clear that virtually no one knows basic facts. This lack of knowledge runs through all of the issues, including the charges on the bill or the Digital Divide. In short, this has been a slow and steady disinformation campaign, whether planned and coordinated, going on for decades.

Most interviewed did not know there are still state telecom utilities, that there were plans for fiber optic upgrades in their state, that customers were charged multiple times for these networks, or that the utilities are not just the 'aging copper wires' but are fiber optic wires.

This is true over-the-top market power – to have the populace so confused they don't even know who to blame, who should be held accountable and how they are being taken advantage of without their knowledge and consent.

Instead of holding AT&T et al. accountable, most just want to throw money or have government subsidies to those who not only failed to bring America a fiber optic future— but who charge us for the privilege of expensive and inferior services, and especially harming those they claim need help.

**40 Years: How Did the Current Marketplace Become So Deformed?****1) Approximately 84 Million Homes and 10+ Million Businesses Had a Copper Wire for Phone Service and Basic Data in 1984.**

In 1984, at the break up of AT&T, the new ‘Bell’ holding companies were given America’s state-based utilities. And as a telecommunications utility, just like water or electricity, everyone in the utility franchise area was entitled to phone service – from the gas station in the desert to the apartment in the city, or gift shop on ‘the island’. In fact, almost all of America had been wired by the late 1960’s, though there were still notable holes left to be filled.

Moreover, the Communications Act of 1934 not only mandated that everyone in America was entitled to phone service, but prices had to be ‘just and reasonable’.

Starting in the 1980’s, it was clear that data/online services, using the phone line and a ‘modem’ attached to the computer was going to bring new services over the old wires. ISDN, the first poster-child for broadband, was starting to be deployed – but, it was slow—and couldn’t compete and offer cable/TV services. But, the companies used it to get the first wave of deregulation – i.e., more profits. The service became known as “It Still Does Nothing”.

**2) Every State Still has a Public State Telecom Utility, Hidden in Plain Sight.**

In every conversation, virtually no one knows that there are still state telecommunications utilities. Even the California Public Utility Commission leaves out the basic “U” word in recent proceedings, as does the FCC in every proceeding.

But the [laws in California](#) and in almost every state, make it clear that the wires are part of the utility covered by utility laws.

**CALIFORNIA**

- [“DIVISION 1. REGULATION OF PUBLIC UTILITIES \[201–3297\]](#)
- (Division 1 enacted by Stats. 1951, Ch. 764. )
- PART 1. PUBLIC UTILITIES ACT [201–2120]
- ( Part 1 enacted by Stats. 1951, Ch. 764. )
- ARTICLE 1. Specified Utilities [1001–1013] ( Article 1 enacted by Stats. 1951, Ch. 764. ) 1001.

“No railroad corporation whose railroad is operated primarily by electric energy, street railroad corporation, gas corporation, electrical corporation, telegraph corporation, telephone corporation, water corporation, or sewer system corporation shall begin the construction of a street railroad, or of a line, plant, or system, or of any extension thereof, without having first obtained from the commission a certificate that the present or future public convenience and necessity require or will require such construction. **If any public utility, in constructing or extending its**

**line, plant, or system, interferes or is about to interfere with the operation of the line, plant, or system of any other public utility or of the water system of a public agency, already constructed, the commission...”**

### **3) We Paid for a Fiber Optic Future that Never Showed Up.**

**America should have been a fiber optic nation by 2010, replacing the copper-based state telecommunications utility wires.**

Former Vice President Al Gore announced a national broadband plan called the “National Infrastructure Initiative” in 1991. Also dubbed the ‘Information Superhighway’ the goal was to have the state-based utilities replace their existing copper wires with fiber optics, and completed by 2010. Every phone company in every state went to the state commissions and legislatures to get changes in the law, known as ‘price caps’ or deregulation to pay for this with the state commitment the extra profits would be used for construction.

- AT&T California (Pacific Bell) was to spend \$16 billion to have 5.5 million households wired by the year 2000, starting in 1996.
- Verizon New Jersey Bell was to have 100% of their territory, upgraded by 2010 – with fiber to the home, with 45 mbps in both directions, starting in 1996.

And these plans included rural, urban and suburban areas, low income and wealthy neighborhoods.

### **4) The State Deregulations Were to Replace the Copper with Fiber to Deliver ALL Services, Not Just Voice Services Over the Copper, But Video and Data.**

The state utility networks, sometimes called the “PSTN”, “Public Switched Telephone Networks”, were always designed to cover ALL services, which includes broadband and video services.

This is a quote from the Order by the New Jersey Board of Public Utilities granting New Jersey Bell (now Verizon New Jersey) ‘Alternative Regulations’ in 1992. Dubbed “Opportunity New Jersey”, this was supposed to transform the existing utility networks to broadband—and in this case, fiber optic broadband.

"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."



### **5) Verizon's Fiber Optic Wires Are Part of a State Telecommunications Utility and Classified as Title II.**

In 2014, we filed with the FCC that all of the Verizon fiber optic networks are Title II and part of the state utility. This quote is from the [Verizon NJ FiOS franchise](#) which was supposed to cover 95% of the state.

"The construction of Verizon NJ's fiber-to-the-premises FTTP network (the FTTP network) is being performed under the authority of Title II of the Communications Act of 1934 and under the appropriate state.. ---As such any construction being performed in the public rights of way is being undertaken pursuant to Verizon NJ authority as a telecommunication service provider."

The "Title II" part is very controversial because Verizon talked out of both sides of its mouth. To the States it claims that these fiber optic wires are part of the state utility as Title II – this way Verizon could charge these networks to local phone customers and the utility.

### **6) Fiber Optic Broken Promises II: AT&T's Re-verse and Verizon's FiOS**

By the end of 2004 there was nothing to show for it. No state had demanded either the build out of the fiber refunds, and America was still a mostly copper to the home nation.

However, from 1992-2004, the companies had collected over \$200 billion dollars from customer overcharging, tax perks, and there was virtually nothing to show for it.

By 1998, the Internet had hit and the world wide web was the rage, so the companies used the existing copper wires to offer DSL, which was considered inferior in 1992.

A decade after the first plans had failed to upgrade threw states was a decade before AT&T and Verizon would announce U-Verse and FiOS, in 2004.

U-Verse was a bait-and-switch and AT&T used the existing copper wires with a fiber optic 'node in the neighborhood, while Verizon's FiOS uses a fiber optic wire that is "Title II" and part of the state utilities.

### **7) Competition was Killed Off Based on FCC Actions, Led by Verizon Et Al.**

The Telecom Act of 1996 opened the wires of the state utilities to direct competition. America's internet was created by small independent ISPs, entrepreneurs who could rent the wired, mostly copper networks. By 2001, there were 9,500 ISPS that handled the majority of all internet customers. Verizon and SBC were able to close the networks to direct competition because they claimed that they were rolling out fiber optics and shouldn't let these small ISPs get free ride.

By 2005, This caused Net Neutrality issues, as the companies that control the wires can control access, and it killed off 7000 ISPs and the 2 largest competitors, ATT and MCI.

### 8) The Bell Mergers Harmed Competition and Failed to Deliver.

By the end of 2007, competition had been killed off and the companies had married their siblings instead of serious competition outside their regions.

- **AT&T** –Southwestern Bell, (SBC), Ameritech, Pacific Telesis, SNET, BellSouth—and AT&T
- **Verizon**- Bell Atlantic, NYNEX, GTE—and MCI.
- **CenturyLink**- Qwest, US West.

Here's the irony, Humpty Dumpty wasn't just put back together, the new AT&T now controls 21 states, and it was supposed to have a) competed out-of-region with all of the other companies for wired phone and broadband, b) was supposed to have 100% of their territory covered with broadband, based on the FCC's broadband standard, and c) the FCC had granted these mergers based on the companies claiming fierce competition with each other.

For example, The [FCC granted the merger of SBC and Ameritech](#) based on this claim of out-of-region competition in 30 cities in 30 months for wired phone and broadband service, as well as spend \$6 billion on fiber optic broadband.

"This will ensure that residential consumers and business customers outside of SBC/Ameritech's territory benefit from facilities-based competitive service by a major incumbent LEC. This condition effectively requires SBC and Ameritech to redeem their promise that their merger will form the basis for a new, powerful, truly nationwide multi-purpose competitive telecommunications carrier. We also anticipate that this condition will stimulate competitive entry into the SBC/Ameritech region by the affected incumbent LECs."

No competition was ever initiated of any major proportion outside their regions. And in a complaint we filed, we pointed out that SBC-Ameritech was powerful enough to have the FCC's merger condition state that SBC fulfilled its requirement with "at least 3 customers" in a state.

According to SBC in 2001, the company completed some of its commitments by having "at least 3 customers in 19 states"! 57 customers in 19 states.

"In total, SBC notified the FCC that it had installed in 2001 a local telephone exchange switching capacity and was providing facilities - based local exchange service to **at least three unaffiliated customers** in the above listed seventeen markets, five more than the required additional twelve markets to be deployed by April 8th, 2001.

**9) ATT et al. Want to Substitute Wireless for a Fiber Optic Future—because it Makes More Money.**

America is chock full of wireless devices, phones, tablets, etc, but, the current push claims it should also be used as a substitute in the home and office.

Let us be clear. The current plans mentioned to substitute a wireless service with a fiber optic wire is not about serving the public, especially in rural areas.

“Cut the copper off,” said [Lowell McAdam](#), Chairman and CEO of Verizon Communications, speaking at the Guggenheim Securities Symposium, June 21, 2012:

“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.”

This was 9 years ago and the plan was to substitute wireless for a wireline connection.

**10) Verizon and AT&T Decided to Make Their Utilities Cross-Subsidize the Wireless Networks—At the Expense of Fiber Optics to the Home.**

Unknown to most, starting in 2010-2012, Verizon et al. started diverting the billions that were supposed to be used for fiber to the home to fiber to the wireless cell site. In 2012, Fran Shammo, former Verizon CFO [told investors](#) that the wireless company’s construction expenses have been charged to the wireline business.

“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.”

This diverted billions of dollars that should have been used to upgrade cities and bring high-speed broadband to homes and offices.

This is not a wireless ‘router’ in the home, where there is a connection to the cable high speed service and but there’s no wire between the laptop and the wired connection.

**11) The Holding Companies Let the State Telecom Utilities Deteriorate.**

This recent analysis by the [California Commission](#) of AT&T’s network spending in California shows massive problems. It says that AT&T spent less than \$50 million over 8 years on fixing and maintaining the copper networks.

“Over the full 2010–2017 period, less than 1% of all AT&T capital spending on network plant additions, just under \$47-million, was for outside plant rehabilitation projects.... Extraordinarily small portions of AT&T California’s Plant Additions and Maintenance expenditures have been directed at legacy POTS (Plain Old Telephone Service) services over the 2013–2017 period.”

And this is almost identical to the findings of the [Communications Workers of America](#) in an investigation of Verizon New York.

“CWA’s testimony, based on thousands of pages of confidential Verizon documents, concluded that “Verizon New York has consciously, methodically disinvested in its copper network... Indeed, the deterioration of the copper system in New York is clear policy.”

### **The Outcomes**

#### **12) They Created the Digital Divide: There is No Competition for High Speed Wired Services in America; AT&T and Verizon Never Showed Up.**

[Communications Workers of America and NDIA](#) released a series of reports in October, 2020, detailing the lack of high-speed broadband being deployed by AT&T, which is the incumbent utility provider in 21 states.

“An in-depth analysis of AT&T’s network shows the company has made fiber available to fewer than a third of households in its footprint, halting most residential deployment after mid-2019. The analysis also shows that 28% of households in AT&T’s footprint do not have access to service that meets the FCC’s standard for high-speed internet, and in rural counties 72% of households lack this access. Across rural counties in AT&T’s footprint, only 5 percent of households have access to fiber. In some places, AT&T is decommissioning its outdated DSL networks and leaving customers with no option but wireless service, which [is not a substitute](#) for wireline service.”

#### **13) America’s Prices for ALL Services Have Been Manipulated by the Trust.**

At the core of the Digital Divide dilemma is that services are no longer ‘just and reasonable’ and affordable. But the real shock is that America’s wireless services, as well as our broadband, internet and triple play, are 5-20 times more expensive than overseas, according to independent analyses:

**14) America's Wireless Service Prices Are 5–20 Times More Expensive Than Overseas.**

[FACT SHEET 3: \(Pdf 2 Page\)](#)

- Overseas, wireless “truly unlimited” means over 1000 GB for \$35 bucks.
- US big “unlimited” plans are just deceptive and are capped, usually 50 GB.
- On these plans, America has been overcharged over \$50 a month.
- Price per GB for unlimited plans in America \$1.65; Overseas it is 7 cents.

**15) US Triple Play (Broadband, Phone, and Cable TV) Is Overcharged, on Average, \$170 Per Month, Or More, Compared to Europe.**

[FACT SHEET \(2 page PDF\):](#)

- US average price per month is \$217.00, according to Consumer Reports.
- Average triple play price per month is \$24-\$ 47 dollars, according to the European Union.

**16) Stranded and Harvested. Continuous Rate increases but Still Claim There Is Competition—Plunder Pricing**

**Those who have the state utility phone service have been both stranded and ‘harvested’.**

- **“Plunder Pricing”** is the antonym of predatory pricing; A corporation takes every financial and regulatory advantage from a captured customer or client, using multiple means, including harvesting, but continues to deny their actions, or that they are causing specific harms.
- **‘Harvesting’** is a business practice where the company has decided to close or change the service and uses the customers’ inertia, loyalty, or lack of knowledge about basic details to squeeze profits through continuous rate increases, making the customers drop their service or get gouged.

The recent [California Public Utility Commission Report](#), officially released, unredacted, January 21<sup>st</sup>, 2021, has declared that AT&T’s actions are the harvesting of the state utility legacy phone customers.—and the increases are annual and have nothing to do with expenses or the need for these increases.

“Harvesting is AT&T California’s overarching strategy for its legacy services and customers.”

“The succession of annual rate increases applicable to AT&T California’s legacy POTS services were not in any sense cost-driven or cost-based, and instead appear to have been driven by the company’s pursuit of a harvesting strategy with respect to these services.”

As we will detail, and with the CPUC data in concurrence, there has been massive price increases since 2004.

**Basic phone service went up 153%**, not counting taxes, fees, surcharges or even the FCC Subscriber Line Charge. Calling Features, such as Call Waiting, went up 271%; Inside Wiring went up 301%, while Non-listed numbers went up 525%.

### **17) No One Is Using the Copper Wires? Wrong.**

The FCC Marketplace Report in 2020 showed 38 million POTS lines, 108 million total wired phone connections.

“December 2019 FCC Form 477 shows that there are 38 million end-user switched access lines... In addition, there are close to 70 million interconnected VoIP subscriptions.”

**Over 100+ Million Lines Harvested: Hidden Lines:** The FCC data is missing an additional 50-75 million copper wired services, sometimes called landlines’ or more in use but not counted as an access line. Insider telecom wonk terms like ‘switched access’ (which are POTS) and ‘VoIP’ (sometimes called “Digital Voice “and based on “Internet Protocol”, “IP”) reveal that there are different classifications to do the hiding.

### **18) The Cable Companies Got the ‘Social Contract’ to Raise Cable TV Rates in 1996 for Internet and Sweetheart Deals with Verizon.**

The cable companies’ business was based on cable TV and they wanted to go into offering internet and phone service, so they got the FCC to raise rates. Their position was to hide in the shadow of the telcos and let the telcos offer wireless, while they kept the lion’s share of wired broadband and cable TV in their franchise areas.

In fact, they sold their wireless spectrum to Verizon and bundled Verizon Wireless; now they resell Verizon Wireless. Verizon didn’t build out the wired business with any seriousness, and AT&T never upgraded to fiber to compete.—DSL can not do cable modem speeds, nor can U-verse or direct TV.

While the cable TV regulation has a different lineage, the land-based-cable companies have teamed up with lobbying and industry funded groups to keep the control over America’s critical infrastructure as they plead poverty.

Ironically, the original attacks on Google were created when AT&T et al. created and rented astroturf groups and coin-operated think tanks to attack the company because it was claiming it would be offering fiber optic services to compete. Moreover, they wanted to take over the online advertising markets and use their power to track us, as they are not only the infrastructure but control the Internet as the Internet Service Provider.



Over the last 4 decades, AT&T et al. had the capacity and money to have fulfilled their state obligations— and there will not be a competitive market forces to lower rates or make sure that there is competition and everyone is served with very high speed broadband to the home.

Separating the companies from the wires will redirect billions of dollars per state to do what the utilities should have been doing for the last 3 decades and America takes back the public utilities to have each state have the best critical infrastructure, that extends throughout the state to everyone at just and reason rates.

Even the starting point—to halt the massive cross subsidy scheme and separate the companies from the wires, would free up tens of billions of dollars annually to do these upgrades and lower prices. Opening these networks to direct competition, would further America's goal to close the Digital Divide, and fiber optic services and speed to homes and offices at affordable rates.

We've waited 40 years for the Bell companies to make America's networks be the best in world – and now we find that the infrastructure is still a dirt road with a Digital Divide that harms too many Americans, not to mention America's economic growth.

Keeping the status quo means a squeeze play to continually harm America and to put the companies' investors over the public they are supposed to be serving.

Break Up AT&T et al.... Again, is the only thing left to do.