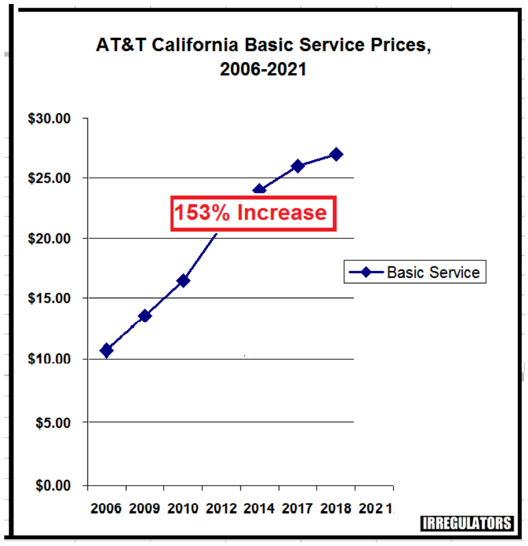

REPORT 2:

Monopoly:
Communications 'Harvesting'
as an Antitrust Case

NEW REPORT SERIES:
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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April 7th, 2021

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Monopoly: Communications Harvesting as an Antitrust Case

PREAMBLE

The AT&T California Service Guides were updated on March 1, 2021. They list prices for wired phone service, known as "POTS", "Plain Old Telephone Service", as well as the other services that use the state-based public telecommunications utilities networks. This first chart shows that the basic Calling Features, such as Call Waiting, are now $11.99 per service, per month, if the customer doesn't have a 'bundled' plan. In 2004, AT&T CA's Call Waiting was $3.23, but thanks to faulty deregulation and a policy of 'harvesting', the price went up 271%. (Note: AT&T CA was previously SBC CA and before that Pacific Bell.)

E. Rates and Charges **CUSTOM CALLING SERVICES - RESIDENCE (cont'd)**

1. Custom Calling Services[5]

a. Individual Features[2], rate for each line

AT&T

	Non-Recurring Charge[1]	Monthly Rate
- Call Forwarding[3]		
- Call Forwarding	RR	$11.99 (I)
- Busy Call Forwarding	RR	11.99
- Delayed Call Forwarding	RR	11.99
- Select Call Forwarding	RR	11.99 (I)
- Remote Access to Call Forwarding	RR	4.00
- Call Waiting[8]	RR	$11.99 (I)
- Three-Way Calling[2]	RR	11.99
- Speed Calling, 8 code capacity	RR	11.99 (I)
- Speed Calling, 30 code capacity[6,7]	RR	8.00

IRREGULATORS

However, in 1999, AT&T (then BellSouth)'s "Calling Features" were examined by the Florida Public Service Commission and they found Call Waiting only cost **a fraction of a cent to offer and pennies to offer most of these other features. And that was 22 years ago.**

BellSouth Calling Features, 1999,

BellSouth - Vertical Services				
(Residential)	Rate	Cost	Contribution	
			Amount	Percentage
3-Way Calling	$3.75	$0.6236	$3.13	501%
Call Waiting	4.00	0.0082	3.99	48680%
Call Forwarding Busy	1.00	0.0021	1.00	47519%
Caller ID Deluxe	7.50	0.2230	7.28	3263%

No One Is Using the Copper Wires? Wrong. The FCC Marketplace report in 2020 showed 38 million POTS lines, but 108 million of 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:** 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. In this case, there is an additional 50-75 million copper wired POTS lines or more in use but not counted as an access line. This means that could be 38+75 million POTS lines, plus an additional 70 million VoIP lines with a percentage still using the copper based POTS line.

We will come back to this accounting as there has been a concerted effort to manipulate the accounting of access lines at both the state and federal level for over 15 years.

Competition? This next chart shows that 'Basic Service' went up 153%, and each optional service went up 94% to 525%. How can prices continually increase over a 17-year period if there was serious competition? Worse, how can AT&T charge $11.99 when it only cost a fraction of a cent for Call Waiting?

AT&T California Hartvesting Utility Phone Customers, 2004-2021

	2004	2008	2021	Increase
Local Service	$10.69	$10.94	$27.00	**153%**
Call Waiting	$3.23	$6.00	$11.99	**271%**
Caller ID	$6.17	$9.99	$11.99	**94%**
Inside Wire (Wirepro)	$2.99	$6.00	$11.99	**301%**
Unlisted numbers	$0.28	$1.25	$ 1.75	**525%**

IRREGULATORS

This is Happening in Every State Controlled by AT&T or Verizon. This is from the Verizon New Jersey Product Guide showing price gouging for Call Waiting at $14.25 for business and $12.99 for residential service.

VERIZON NEW JERSEY INC.
PRODUCT GUIDE

Service	Business	Residence
Call Waiting, per line	$14.25	$12.99
Caller ID With Name	$12.75	$12.15

How Much is too Much?

But, some charges are just so outrageous so as to take your breath away. In CA, if you do not have a plan for "Toll" calls, which are calls within your region beyond 16 miles, AT&T California will charge your business line $5.11 a minute, which is up from the still ridiculous $1.90 five years ago.

AT&T CALIFORNIA GUIDEBOOK

PART 9 - Message Toll Services — 20th Revised Sheet 17
SECTION 1 - Message Telecommunications Services and Rate Schedules

1. **TWO-POINT MESSAGE TELECOMMUNICATION SERVICE[1] (cont'd)**

i. Business Schedule

DAY RATE MILEAGE / EVENING RATE MILEAGE / NIGHT & WEEKEND RATE	Dial 1-Minute	Each Add'l Minute	
13-16	$5.11	$5.11	(I)
17-20	5.11	5.11	
21-25	5.11	5.11	
26-30	5.11	5.11	
31-40	5.11	5.11	
41-50	5.11	5.11	
51-70	5.11	5.11	
71+	5.11	5.11	(I)

/1/ Also known as Local Toll.

ATT TN CA-21-0014 — Effective: March 1, 2021

We just diagramed 'harvesting' and "Plunder Pricing", where a monopoly can control the customers' service and prices and can raise rate continuously. But the real issue isn't just about the copper wires or price, but that many of these California customers or the larger 100 million lines are 'stranded' and there are few or no serious alternatives. In the end, this is about a failure to properly upgrade the networks to fiber optics. And, as we will outline, it is about the ability of the monopoly's market power to do this in every state with impunity and to hide basic information.

Who would pay these rates? Based on multiple surveys we fielded since the 1990's, people do not read or understand the charges on their bills, So, instead of being put into 'collections', customers just pay the total and grimace. The telcos believe 'ignorance' is the path to unfettered revenues and more deregulation.

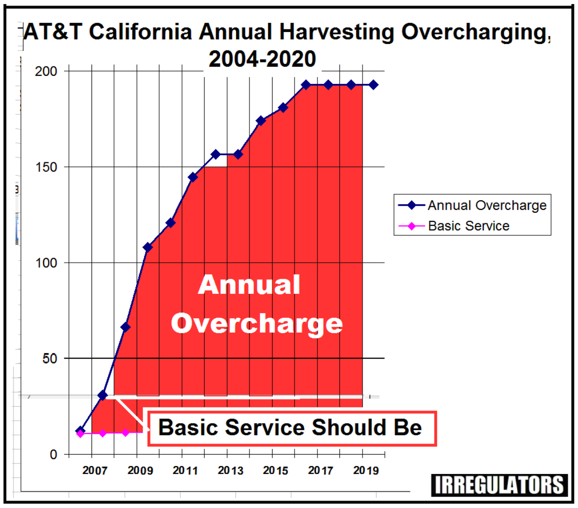
Ironically, Aaron Epstein, a senior citizen living in North Hollywood, California, who has been a customer of AT&T and Pacific Bell since the 1960's was so frustrated that AT&T hadn't brought fiber to his neighborhood that he spent $10,000 and took out advertisements in the Wall Street Journal. After receiving national attention, AT&T was embarrassed into replacing his current copper-based DSL with a fiber optic service. (Click for Mr. Epstein's advertisement. See Ars Technica stories for some of the details.)

We dedicate this report Aaron Epstein as his actions caused us to investigate.

Monopoly: Communications Harvesting as an Antitrust Case.

The decision to break up Ma Bell, the original AT&T, known as the "Modified Final Judgment", "MFJ", was signed in 1982. It states:

> **"Substantial increases in the rates for local telephone service, thus eroding the statutory goal of universal telephone service for all Americans. See 47 U.S.C. § 151."**



- **"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.
- **"Predatory prices**" are setting the price of a service or product below the price of a competitor, which can be good for the customer but harmful to competition.
- **'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.

This report is being published as part of a new series "**Break Up the Big Telecom and & Big Cable Monopoly Cartel"** and it addresses the harvesting of basic utility phone customers of AT&T California that has been going on for the last decade-plus. However, as we discuss, these actions are the work of a cartel—AT&T, Verizon and CenturyLink —who are supposed to be the caretakers' of America's critical infrastructure. Instead, we found identical practices to 'harvest' the customers of wired state utility networks throughout America, becoming the gatekeepers of America's communications, with the cable companies, Comcast and Charter.

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.

Manipulate the FCC accounting to use utilities as cash machine for wireless. These 3 holding companies have taken control over the entire 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, diverting billions of the construction budgets to build out wireless and work for all of the other subsidiaries.

Failure to bring fiber optic broadband and high speed to compete. Moreover, in many areas of the US, there are no other serious choices, even for voice service or high-speed broadband. The idea that AT&T et al. knows this is one thing; but the fact that in many states AT&T et al. were supposed to bring fiber optic broadband to customers and didn't, and left the entire state's infrastructure to deteriorate, is a national disgrace.

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, must be examined.

We will focus on AT&T California because of our previous, extensive data and analysis, but we will also tie in the other AT&T states, as well the Verizon and Centurylink:

But, in the end, we estimate that over 100 million lines in America may have been hit with massive rate increases with little or no justification and this is done through the fact that AT&T et al. are monopolies that control critical infrastructure and services, and they have vertically integrated their subsidiaries to give these affiliates financial perks and privileges which has given them the ability to continuously increase the rates on all aspects of the wired network services, and even wireless.

It took a pandemic to expose that most of America was never properly upgraded,
But, if you want to consider "market power" as an anti-trust violation, market power is the ability to rewrite the basic history and storyline so that virtually no one understands that there are still telecommunications public utility, or even which company in their state has some responsibilities to properly upgrade and maintain the networks.

.

Our Data Sources: We Are Using a 5 Point Comparison

A) **The AT&T California "Service Guides", as of March 1, 2021** AT&T updated its official "California Pricing Service Guides", revealing that prices had increased almost every year when compared to our previous surveys.

B) **"Examination of the Local Telecommunications Networks…"** has finally been released. It is a series of reports about AT&T California and Frontier (formerly Verizon CA), by the California Public Utility Commission and created with the respected research firm, Economics & Technology. The **"CPUC-ETI"** Reports were previously released but the information was redacted; the unredacted version was made available on January 21, 2021.

C) Previous California Phone Bill Surveys --"CCPF-Teletruth" In 2004 and 2008, we conducted surveys under a grant from the California Consumer Protection Fund, "CCPF", and San Diego based UCAN. In 2004, as TeleTruth (now the IRREGULATORS) we created a survey collecting actual local, long distance, broadband, wireless and cable bills, then interviewed a sample of these customers. In 2008, we repeated the process. This was done, in part, to see the impacts of deregulation from a state franchise law known as DIVCA.

D) **New York City and State Analyses**. NNI started publishing reports in 2012 using the Verizon NY annual reports, among other sources. In 2014, "It's All Interconnected" was published by Public Utility Law Project; the analysis was used in an investigation and settlement of Verizon NY in 2018. AT&T CA is using the same financial accounting principles as Verizon NY, USOA, sometimes called ARMIS, and our tracking of communications bills started in 1992.

E) The FCC Marketplace Reports and Our Reports on Access Line Accounting. The FCC's Marketplace report is an eye opener as they count 108 million wired customer phone lines at the beginning of 2020. Our research reports include analyses of other state and federal reports, as well as other FCC reports.

IRREGULATORS, New Networks Institute, and TeleTruth: 3 Decades of Data and Analysis: 30 years of extensive data and analysis of the Bell networks created by New Networks Institute, TeleTruth and now the IRREGULATORS, including a decade of financial examination of Verizon NY, (which publishes a full annual financial reports)

This report combines other primary source data, including the recent decade-long study of AT&T California by Economics & Technology, (based on ATT full financial report information), and now the current March, 2021 pricing from AT&T.

- About the IRREGULATORS
- IRREGULATORS work: California Bibliography
- Filings, Reports, Documents, Article Bibliography

1) SUMMARY: AT&T California Rate Increases and Harvesting Impacts

Since 2006, We Estimate the Customer Harms from ATT CA's Harvesting.
*(This overcharging does NOT include the inflated ATT Service Guide charges found in the opening graphs. We use only the basic rate and basic taxes and features) in 2020:

- Overcharging of basic service was about $16-22 a month, $195 to $270 a year.
- Counting taxes and add-ons, overcharging can be $30 a month- $360 a year.
- $1,700-$3,200 per line since 2006, depending on the service. We are using $2,500 for the average from 2006-2020.

Note: This is only a small part of customer overcharging we uncovered.

AT&T California Overall Impact

- $580-$800 million in harvesting annually, counting taxes and fees.
- From 2006-2021, the total is $9.3 billion-$12.8 billion, where each year would have an increase in price as well as the various taxes and surcharges.
- This does not take into account those who were harvested and dropped the line.

Nationwide Overcharging from Big Telecom for Harvesting

AT&T controls the telecommunications utilities in 21 states. In checking the service guides they all show massive continuous increases, as does Verizon's 9 states and the District of Columbia and CenturyLink's states and territories.

We base this part of the analysis of the number of copper-based lines in America supplied by the FCC and cross-referenced by our previous reports.

- Nationwide we estimate a conservative $10.8- $14.5 billion annually,

This does not include the 'plunder pricing' of the service guide or the additional copper based lines that have been reclassified to not be included in the access line accounting.

AT&T California Prices, from 2006-2020

- **Basic phone service** went up 153%, not counting taxes, fees, surcharges or even the FCC Subscriber Line Charge. (We could not find the published rate for the years 2020 and 2021.)
- **Calling Features**, such as Call Waiting, went up 271%; Caller ID went up 94%.
- **Inside Wiring** went up 301%.
- **Nonlisted numbers** went up 525%.
- **Local Calling and "ZUM" Calling** went from an average of 5 cents to 57 cents; however, by time of day, the increases are 543% to 1814%.
- **Business "Toll Call"** which is in-state, without a plan cost $5.11 per minute, up from $1.90 a minute in 2016.

2) Do these Prices and Conditions Rise to an Antitrust Monopoly Plunder Pricing Case?

The recent California Public Utility Commission Report, officially released, unredacted, January 21st, 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%.

3) **2004-2008: The Original Deregulation Harmed Phone Customers.**

FINDING: **Massive Unsubstantiated Rate Increases and Harvesting Started in 2006 with a law called "Digital Infrastructure and Video Competition Act".** The original deregulation of the price of service was based on changes in the state law related to the implementation of DIVCA and other state initiatives. Unfortunately, since 2006, prices were allowed continuous rate increases, with a massive jump between 2004, before the law was put into effect, through 2008.

As we wrote in our CCPF-Teletruth-UCAN 2008 survey,

- **"Local Service Increases Occurred on All Services.** Since 2006, the California Public Service Commission has simply allowed a continuous set of increases on virtually all parts of local service. Our survey found that Call Waiting has increased 86%, unlisted numbers 346% and directory assistance (DA) went up. 1630%. For example, in 2004, local service included 3 free DA calls then $.46 cents. Today, the cost is $1.99 per directory call.
- "At the end of 2008, there were new increases to the phone charges by the state commission which included, Flat Rate – up to 24% per month, while Measured Rate went up 25%. This cost doesn't include increases to the taxes or surcharges.

- **"There Were a Host of Other Disturbing Findings**. Over 10% of the customers were charged over $12.00 a month for a service that they never ordered. Known as "cramming", where the customer is charged by a different phone company for a service they never ordered, this problem is happening throughout the US."

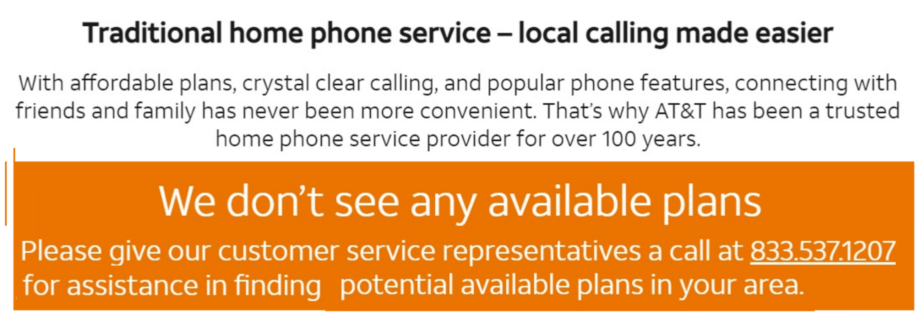
In **2006, SBC, now called AT&T Inc., bought AT&T Corp., which was the second version of AT&T.** After the original break up in 1984, a part of AT&T kept long distance (calls between states) as well as the name and it was primarily offering long distance service and it was a competitor for local and broadband/internet services. This consolidation of the market has meant price increases of local and long-distance service. If there was serious competition, then we would expect prices to decline, not increase, the prices customers should pay.

4) 2006-2021 AT&T California Harvesting, Basic and Ancillary Services

The prices we present are the documented retail rates as told by AT&T's Service Guide, dated March 1st, 2021. We note that these are 'retail rates', the rate a customer would pay if they did not choose a plan or if their plan expired.

NOTE: We could only find an **AT&T What's Available** graphic, dated February 2020. It is using the old pricing from some services.

DID AT&T CANCEL BASIC PHONE SERVICE? It appears AT&T has stopped offering this service to new customers nationwide, but the reports vary by state. One has only to attempt to find the page listing AT&T California's pricing to realize no such page exists and the searches send you to pages that include:



- **AT&T California Harvesting, Basic and Ancillary Services 2004-2021**

The **AT&T California Service Guides** were published March 1st, 2021. Comparing that information to our previous Teletruth-CCPF surveys, and the information supplied by the current CPUC report findings—it is not a pretty picture.

AT&T California Harvesting Utility Phone Customers, 2004-2021				
	2004	2008	2021	Increase
Local Service	$10.69	$10.94	$27.00	153%
Call Waiting	$3.23	$6.00	$11.99	271%
Caller ID	$6.17	$9.99	$11.99	94%
Inside Wire (Wirepro)	$2.99	$6.00	$11.99	301%
Unlisted numbers	$0.28	$1.25	$ 1.75	525%

IRREGULATORS

- **Basic phone service** went up 153%, not counting taxes, fees, surcharges or even the FCC Subscriber Line Charge. (We could not find the published rate for the years 2020 and 2021.)
- **Calling Features**, such as Call Waiting, went up 271%; Caller ID went up 94%.
- **Inside Wiring** went up 301%.
- **Nonlisted numbers** went up 525%.

5) Local and Local Toll Call ("ZUM") Pricing

All aspects of the Basic Service costs went up dramatically, including local and calls near by called "ZUM" calls.

AT&T Local Toll Calling in San Diego,, 2004-2021						
California San Diego, 2004						
Time of Day	Day		Evening		Night	
Minute	1st	2nd	1st	2nd	1st	2nd
	$ 0.08	$ 0.05	$ 0.06	$ 0.04	$ 0.05	$ 0.03
Time of Day Discount			20%	20%	40%	40%
California, March 1, 2021						
ATT Service Guide	$ 0.57	$ 0.57	$ 0.57	$ 0.57	$ 0.57	$ 0.57
Extra Compared 2004	$ 0.49	$ 0.52	$ 0.51	$ 0.53	$ 0.52	$ 0.54
Above 2004 pricing	543%	1010%	728%	1312%	1036%	1814%
	87%	92%	89%	93%	92%	95%

IRREGULATORS

Price Increases of 543%-1814% on Just Basic Phone Calling.

In 2004, local calling was using arcane formulas where the price of a call varied by both the time of day as well as the first and second minute. So, a call made at 'night' would be 5 cents a minute for the first minute and 3 cents for second and all other minutes.

These prices were for local calls and 'local toll' –sometimes referred to as "Zum" calls, but still in the local calling area.

By 2021, the price is now a flat $.57 cents per minute, no discounts. This is the retail rate. As mentioned, there are packages that had their pricing grandfathered, or bundles that can be purchased.

But this is ludicrous pricing. It is 'plunder pricing'. It is not based on revenues or expenses to offer the service and the increase of 543% to 1814% one would think violates all just and reasonable statutes.

6) Business Toll Call Pricing at $5.11 a Minute

As one of the opening charts detailed, taken directly from the latest ATT California service guides, a "Toll Call" which is in-state, now costs $5.11 per minute if the customer doesn't have a plan. We tracked this back to July 2016, when the price was $1.90.

AT&T California Basic BUSINESS Wireline Toll Rates, 2016-2021

Business Schedule

DAY RATE MILEAGE / EVENING RATE MILEAGE / NIGHT & WEEKEND RATE	MARCH 1, 2021			JULY 2020	JULY 2016
	MILEAGE	Dial 1-Minute	Each Add'l Minute	Dial 1-Minute	Dial 1-Minute
BUSINESS	13-16	$5.11	$5.11	$4.65	$1.90
	17-20	5.11	5.11	4.65	1.90
	21-25	5.11	5.11	4.65	1.90
	26-30	5.11	5.11	4.65	1.90
	31-40	5.11	5.11	4.65	1.90
	41-50	5.11	5.11	4.65	1.90
	51-70	5.11	5.11	4.65	1.90
	71+	5.11	5.11	4.65	1.90

169% Increase in 5 Years!

IRREGULATORS

We note the massive rate increase from 2016—a speeding up of the harvesting process. How can AT&T, in good conscience, raise rates from $1.90 to $5.11, much less charge ludicrous prices, when it should cost the customer few cents at best? There is no indication of how many customers are paying these charges.

The next example is of plunder pricing on 'calling plans' which is a phone line as well as an additional service, in this case it is for a certain amount of local calls in a 'local phone calling plan'.

7) Calling Plan Harvesting 2016-2021

AT&T CA CALLING PLANS, 2016-2021

4. LOCAL USAGE OPTIONAL CALLING PLANS FOR BUSINESS (cont'd)

D. RATES AND CHARGES	2016 MONTHLY RATE	2020 MONTHLY RATE	2021 MONTHLY RATE
Local 250, each line	$16.56	$41.80	$46.00
Local 700, each line	42.78	106.70	118.00
Local 1200, each line	70.38	174.90	193.00

IRREGULATORS

While we demonstrated the changes since 2006, there have also been massive increases to basic service plans over the last 5 years. These plans have had an outrageous 175% rate increase since 2016. Taken directly from the AT&T Service Guides for the same plan-- since 2016, the small package which bundles local service with 200 calls was only

$16.56, but jumped to $46.00 a month. We will return to this version of plunder pricing on these packages in a moment.

8) Installed Base of Services, Circa 2008.

The TeleTruth-UCAN surveys did extensive analysis on what services were in use. Approximately 40% of the customers had a least one extra service, and we would expect these percentages to be in the ball-park with the current basic service customers in 2021. (We note that Lifeline and seniors had a higher percentage of add-on services.)

39.5%	**Have some additional feature or service**
23.0%	Wirepro (Inside Wire Maintenance)
20.5%	Unlisted Numbers
6.0%	Call Waiting
4.5%	Caller ID
3.0%	Some other feature
4.5%	Package with calling features, not included
	in stand alone service.

NOTE We did multi-variate analyses in our surveys. We not only received the actual bills but did follow up interviews using a sample of those who had high bills or suspicious charges.

9) The Price of All Copper-Based Services Should Have Been in Steep Decline.

Let us return to the CPUC-ETI Report, which states that the utility (sometimes called ‘legacy’) customers are being harvested.

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

Rate Increases are Not Based on Actual Costs, According to the Reports.

> “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.”

Deteriorating Service Quality has been Identified, Which Is Happening Nationwide.

> “The quality of AT&T … voice services has steadily declined over the 8-year period from 2010–2017 that is covered by this examination, with the number of outages increasing and the service restoration times getting longer.”

Persistent Disinvestment—AT&T Spent Virtually Nothing on Maintaining the Copper Networks.

With all of the rate increases, one would think that there would be more money to spend on the networks… but that is not AT&T's plan. According to the CPUC-ETI report:

> "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."

10) IRREGULATORS Analysis of Verizon NY Shows Identical Patterns of Harvesting.

We have examined the issues of the price of service and the creation of the Digital Divide in New York State. Verizon NY is the state public telecommunications utility and it, too, has been harvesting customers.

We observed harvesting over the last decade and discussed it in our 2014 report "It's all Interconnected", published by Public Utility Law Project.

> "The State has never examined the collusive ties of the wireline and wireless affiliates, nor examined this sub-plot — that Verizon New York and the affiliates have strategically planned steps that have allowed them to continuously a) harvest POTS customers, b) drain the utility that c) raises rates based on losses generated by the affiliates and d) forces customers onto more expensive wireless products and services."

And updating the information, using the Verizon NY 2016 Annual Report and the previous financial reports, we found:

- **"Low Income Families are De Facto Investors, without the Benefits:** Low income families, seniors, rural customers and everyone else got hit with multiple rate increases — 84% on basic service, 50%-250% on ancillary services, in New York State since 2006–2016. Verizon and the State claimed the increases were for "massive deployment of fiber optics" and losses. The losses were artificially created and the massive fiber deployment was mostly shifted to wireless.
- **"Customer Overcharging:** We estimate that in NY State customers paid an additional $1,000–1,500 per line, from 2006 to 2016, for basic service (and an ancillary service) as built into rates are these construction perks and compensation for losses, and the dumping of billions of dollars annually of expenses created by the Verizon's subsidiaries."

And it is clear that this entire harvesting business plan is tied to force-marching customers onto wireless services… because it is not state-regulated, makes the company more money, and it can cross-subsidize the other lines of business with the state telecom utility's assets, contraction budgets, etc.

"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."

But here is the rub:

Notice there is no mention that they are state telecommunications utilities; this is about wireless improving investment.

However, in New York, Verizon received multiple rate increases that were for "massive deployment of fiber optics", and all of the state copper-based wired utility customers had the rate increases we discussed before.

This is from the NY State Department of Public Service, June 2009. Notice that the Order specifically states that Verizon needs financial relief, meaning rate increases, because of the losses.

> "Verizon's financial condition is 'relevant' when the Commission considers pricing changes because "the state has an interest in a viable company ….There seems to be little question that the company is in need of financial relief; Verizon reported an overall intrastate return of a negative 4.89% in 2006 and its reported intrastate return on common equity was a negative 73.6%."
>
> "For 2007, Verizon reported an overall intrastate return of negative 6.24% and a return on common equity of negative 46.0%."

The losses are from Verizon Wireless' and the other affiliates' not paying market prices for the use of the networks, and to get the use of the construction budgets of the utility, among other cross-subsidies, which we address in other reports.

11) Accounting of the Basic Access Lines has been Deceptive.

How many people are being harvested in CA and around the US?

The "common wisdom' has been manufactured and it claims that local service and the wired networks were just the copper-based voice phone lines and that there aren't any customers left. While harvesting and raising rates 50%-100% certainly is driving customers to drop their lines, there has been a misrepresentation of the number of copper-based lines in service and the millions of customers have been harmed:

In California, we believe AT&T has at least 4 million basic service lines, 2.2 million of POTS and additional millions for other services, are using the existing copper wires—and they have been impacted in California.

- There are over 2.2 million basic copper-based phone customers in AT&T CA.
- This number leaves out an additional estimated 2-4 million more lines of copper-based services in California, from DSL to U-verse and AT&T's IP services. There are also 'special access' lines, (sometimes called "Business Data Services", "BDS" or "Backhaul") that are everything from the alarm lines to data services to hot spots that are still based on copper wires.
- All of these other lines are also being harvested as the root of this are the increases of the underlying basic service with an additional service attached.

There is no full accounting of copper-based access lines for AT&T in California or by the FCC or in any AT&T state. We've previously documented not only the holes in the data but more importantly, the implications for creating harmful public policies.

The Copper-Wire World of AT&T

			Access Line
1.	**Total Number of 'Locations' in AT&T Territories**	76,000,000	
2.	**Fiber Optic Locations 'Passed'**	4,600,000	Not Counted
3.	**Retail Consumer Switched Access Lines**	**5,853,000**	**Counted**
4.	Percent of Customers Using "POTS"	**17%**	
5.	Households 100%	**34,000,000**	**Not Counted**
	MISSING ACCESS LINES: COPPER		
6.	**U-Verse Consumer VoIP Connections**	**5,425,000**	Not Counted
7.	"IP"	12,888,000	Not Counted
8.	DSL	1,291,000	Not Counted
9.	U-Verse	4,253,000	Not Counted
10.	**Connections 15 -20 million**		Not Counted
11.	**Missing**: Special Access Lines, Wires to Cell Sites	?	Not Counted
12.	**Missing:** Business Access Lines	?	Not Counted
13.	**Missing:** Access Lines Wholesale	?	Not Counted
14.	**Access Lines Not Counted**	50-90%	Not Counted

Source; AT&T 2016 Annual Report, AT&T FCC Filings

National 3-Card Monte on Access Line Accounting

The FCC's Marketplace report is an eye opener as they count 108 million wired customer phonelines – and almost 40 million are referred to as "TDM" switched, which is another way of saying basic copper phone line. In the previous quote from 2017 there were 55 million phone lines and a total of 119 million wired phone lines. -_ since there are about 120 million total households in the US an 32 million businesses, (most are under 5 people) –it would seem that the line 'everyone is going wireless', and dropping the phone lines is misleading.

> "146. Retail voice subscriptions are provided through two fixed technologies: Traditional switched access and interconnected VoIP subscriptions. Our most recent data from the 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,…these combined 108 million fixed retail voice telephone service subscriptions,"

But this is just the 'voice-related' copper wires. U-verse, by AT&T, is a copper to the home service with fiber somewhere in the neighborhood, and the phone service, which is VoIP, is using the copper wire. But, U-verse is not counted as an access line, so if the customer simply changed the service from the utility phone service to U-verse, it would appear as a loss of a line, even though the actual physical wires did not change.

But it gets stranger. The FCC did an investigation of BDS, "Business Data Services", and made some startling findings. "Incumbent LEC" means the AT&T California and Verizon NY, as they are the state-based "incumbent", and they are the "local exchange company" -- meaning those who offer local phone service in this case.

> "50. Incumbent LEC BDS providers have historically provided the **overwhelming majority of TDM services using copper.** TDM services, however, are not dependent on a certain connection medium.
>
> "Incumbent LECs and competitive providers reported revenues of almost $45 billion for 2013 for the sale of dedicated services… Available information suggests that the annual revenues for the broader enterprise services industry could exceed $75 billion annually."

- With $45 billion in revenues, and with the majority being copper, this would mean at least $25 billion in revenues from these services are using the utility's copper lines.
- There was no recognition that there is a utility and that the copper wires are part of this utility.
- Because it is NOT classified as an "intra-state" POTS line, this copper access line is not counted as a line.

- Nowhere does the FCC or anyone provide a count of actual phone lines – even though these are the exact same copper wires.
- The "special access" (backhaul) lines are highly profitable and yet they are part of the monopoly's wires. However, as we show from Verizon NY, special access is paying ½ as much of the expenses as the local service category, but has double the revenues.

Nationwide, we estimate that over 100 million copper-based access lines are still in service, with 40 million using the basic POTS phone service, and an additional 50-75 million or more using the copper wires for data lines, such as DSL. This would be in addition to the 70 million VoIP connections (or some combined number).

The actual number of lines is critical as AT&T and Verizon claim they can 'shut off the copper', but, in reality, it is to illegally to use the construction budgets for wireless.

12) AT&T CA Overcharging from Harvesting and Plunder Pricing.

Without serious data collection of bills from AT&T, it will be impossible to know the full extent of the harms of this harvesting process. But consider:

- In 2019, there were 2.2 million POTS customers in AT&T California,
- There has been no wave of new POTS customers, we would assume that all of these were hit with the 153% rate increase and at least 40% had 1 or more add on services.
- We do not know how many were grandfathered in or got packages, which also had major increases.

Example 1: Package Harvesting.

Comparing this to the previous chart, this chart shows the increases on basic packages over a 5-year period using AT&T Service Guides.

AT&T CA CALLING PLANS, 2016-2021

4. LOCAL USAGE OPTIONAL CALLING PLANS FOR BUSINESS (cont'd)

D. RATES AND CHARGES

	2016	2021	Change	Annual	Increase
Local 250	$ 16.56	$ 46.00	$ 29.44	$ 353.28	178%
Local 700	$ 42.78	$118.00	$ 75.22	$ 902.64	176%
Local 1200	$ 70.38	$193.00	$122.62	$ 1,471.44	174%

IRREGULATORS

This is the example of current harvesting of one group of customers who have a packaged service. As we pointed out, in 5 years the lowest price service went from $16 to $46 – an overcharge of $29.44 a month or with the largest package, the different is paying an additional $122.62 a month – over $1,471 extra a year. That's a 175% increase for 6 years.

Previous Models: Verizon New York Rate Increases.

In 2015, New Networks Institute created a major report on the issues surrounding rate increases in New York State. In 2005, state laws were changed to give major deregulation to Verizon NY, the state public telecommunications utility. As we mentioned previously, by 2010, this is was a case of 'harvesting'; there were no audits or investigations of the actual costs of basic service, and by 2010, Verizon announced it would not be rolling out the fiber optic based service FiOS, except in specific areas it had an agreement.

- "Customers paid about $996.74 extra, counting taxes, fees and surcharges, since 2006 for the changes in state regulation.
- If the customer had just basic service and inside wire maintenance (or any other feature, , they paid an additional $611.61.
- In 2015, that will be an extra $140.80 for just basic service for one year.
- From 2004 through 2015, if you simply had basic phone service and inside wiring, your rates went up 92%.

AT&T California Harvesting Overcharge

First, we did not use the published AT&T retail charges we highlighted in this report.

We used those 'out-of-reality' charges to show just how out of whack the situation is --- the monopoly can essentially make up charges-- whatever it wants, with impunity and most likely violating various laws.

Our focus is of the Digital Divide issues, where someone in an AT&T or Verizon or CenturyLink area has been 'stranded' with inferior services and is now being harvested, with continuous rate increases. Worse, these extra profits are not going to upgrade and maintain the state wired infrastructure but is being used for wireless or whatever else ATT wants.

Overall, using 2004 as the starting point, which was before the major bad deregulation that started this harvesting, we believe, on average customers are overcharged at least $20 a month, $195 dollars a year on just the additions to the plan fees. If we include the add ons or the taxes, the additions are over $30.00 a month, this means that anyone with service since 2006 was overcharged $1,700 -$3,200 per line.

We freely admit that customers can be subscribed to lower-priced, unregulated bundles, many of which have long-term lock-ins, and/or be grandfathered in and only having to endure a smaller amount of unreasonably priced services. But, according to the CPUC-ETI report, prices have continuously gone up and up and up….

Overcharging through Harvesting of AT&T California Customers, 2006-2021

	2007	2009	2011	2013	2017	2020
Basic Service	$ 10.69	$ 13.50	$ 19.95	$ 23.00	$ 26.00	$ 27.00
Overcharge						
Monthly		$ 2.81	$ 9.26	$ 12.31	$ 15.31	$ 16.31
Annual.		$ 33.72	$111.12	$147.72	$183.72	$195.72

This is the approximate overcharging for the year 2020 based on taking the foundational basic service and adding the add-ons and taxes and fees; the totals were derived from the tracking by year of the excess, so the taxes reflect the taxes being increased as there are those that are based on the amount of the item.

2020	Basic	Add-ons	Total	Taxes	Total
Month	$ 16.31	$ 5.86	$ 21.92	$ 8.33	$ 30.25
Annual	$ 195.72	$ 70.36	$ 263.08	$ 99.97	$ 363.05
Total	$ 1,774.44	$578.36	$2,289.80	$870.12	$3,159.92

Again, we specifically limit this to the basic rate increases, and the average estimation of the add ons as we uncovered in the 2004 and 2008 CCPF-Teletruth surveys using actual bills, and the same is true of the application of the taxes, fees and surcharges.

Simply put – In 2020, Basic Local Service was $27.00 up from $10.69 and the chart above reflects that fact as well as the application of the a basic taxes and using formulas we developed for an average of the ‘add-on ‘fees.

In aggregate, overcharging from harvesting by AT&T California is estimated at $580-$800 million in annually, counting taxes and fees as of 2020.

Overage	$578,776,000
Taxes	$ 798,710,880

And yet, prices should have been in steep decline as the primary expenses were slashed. We did not include that calculation in this report, but it would dramatically increase this ‘plunder pricing’ model.

Harvesting Nationwide from Plunder Pricing

We estimate that the 'harvesting' overcharging is almost $10.8- $14.5 billion annually. This uses the FCC claims of the number of copper-based services still in use

America's Overcharging – Harvesting

NATIONWIDE	$ 14,522,016,000
Overcharge	$ 10,792,320,000

This does not include the ludicrous pricing of the service guide or the additional copper based lines that have been reclassified to not be included in the access line accounting.

NOTES:

These are the low numbers as they do not reflect all copper-based access line services that are being hit with increases and, as we discussed previously, there is no full accounting of copper-based access lines for AT&T in California or by the FCC or in any AT&T state.

- The lack of data pertaining to lines also inflates the number, but at the same time it compensates for questions that include-- how many customers are grandfathered in, how many have packages that supply discounts?
- We used a model of 'how much revenue and installed base of add on services' we developed in previous surveys; previous surveys showed that 40% of AT&T customers had at least one add on service.
- Our calculations of tax has multiple moving parts. First, many of the taxes are percentage based, or were not included in the information supplied about price to the customers in the AT&T documentation, such as these service guides or the ATT web site. One enormous charge is the FCC Line Charge, which has a cap of $6.50 a month, but it is taxed a Universal Service Fund fee, adding 25%+.
- In all, our best guesstimates have proven to be within the basic parameters as they rely on the information of AT&T and the CPUC.