

NEW: REPORT 1

**Solving Net Neutrality:
There is a Fatal Structural Flaw in All FCC Proceedings**

Coming: REPORTS

- FCC, Verizon & AT&T Collude in Access Line Accounting Manipulation—in All Proceedings.
- FCC's Distorted Cost Account Rules Created Massive Financial Cross-Subsidies and Harmed America's Economic Growth
- The Dark Fiber Initiative: Open Networks and Structural Separation.

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**Solving Net Neutrality:
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Solving Net Neutrality:
There is a Fatal Structural Flaw in All FCC Proceedings

Prologue

Former President John Fitzgerald Kennedy, during his acceptance [speech of the Democratic Party's nomination](#) for president, July 15, 1960, made one statement that seems appropriate—again.

“...Blight has descended on our regulatory agencies--and a dry rot, beginning in Washington, is seeping into every corner of America—in the payola mentality, the expense account way of life, the confusion between what is legal and what is right. Too many Americans have lost their way, their will and their sense of historic purpose.”

We are now at the end game in communications as confirmed by Randall Stephenson, [CEO of AT&T](#), who told investors at the 4th Quarter 2017 earnings presentation—it's been a remarkable year because of the “major policy achievements”.

“I just want to take a moment and reflect on 2017 because by any measure, 2017 was a remarkable year. It's remarkable for our country, for our industry where we operate, and for AT&T. And it's been a long time since we've seen so many, what I would call, major public policy achievements compressed into a single year like we saw last year.”

These ‘major achievements’ could only happen because of the regulatory capture of the FCC. This, of course, includes the recent decision to get rid of something called Net Neutrality, the FCC's attack on privacy, the removal of regulations and other consumer protections, not to mention the preemption of the states' rights for oversight and regulations of most telecommunications services. We call this collection of regulatory mayhem [“The Wheel of Misfortune”](#).

And who can blame AT&T for being happy. The recent changes in tax law gave AT&T a tax benefit of \$20 billion dollars, which increased the earnings per share 690%. Overall, the 4 largest “ISPs”, AT&T, Verizon, Comcast and Charter/Spectrum, had a whopping \$58.8 billion in tax benefits in just 2017—and most of it is going directly to the shareholders; the largest shareholders happen to be the senior management, including Randall Stephenson.

This first report **“Solving Net Neutrality: There is a Fatal Structural Flaw in All FCC Proceedings”** is part of a new series, detailing what needs to happen to restore Net Neutrality, but also to address the larger issue—stopping the FCC's harmful plans that were designed by AT&T, Verizon et al.

And the first report lays out the first part—to lay out the basic data to take the FCC to court. We uncovered that there is, in fact, a fatal structural flaw in every FCC decision and proceeding, from Net Neutrality to the shutting off of the copper proceeding, which is the basis of this report.

Simply put: The FCC leaves out all state-based, utility-based “intrastate”—everything, from the broadband commitments made to upgrade the copper networks to fiber optics, the funding of these networks via rate increases, the cross-subsidies of the other lines of business using the utility construction budgets—everything.

And it is all hidden in plain sight. It is like someone looking at the sky and seeing nothing, until they are reminded that if we remove the oxygen and nitrogen they can’t breathe.

We have the data, analysis and expertise to prove it and take Net Neutrality and some of the other harmful current FCC proceedings and decisions to court.

We are All Clueless: The Battle to Undue the Rewriting of Broadband History

In writing this first report and distributing it to readers we found a number of major disconnects—and it is not their fault.

Those who care about restoring Net Neutrality believe it guarantees that companies cannot block, degrade or prioritize their own service, or charge you more. While this sounds great at a rally, it doesn’t solve most of the issues that are at the core of how we ended up here and how to solve what’s broken, or even solve Net Neutrality.

For example, at the core of the FCC’s Net Neutrality, [Restoring Internet Freedom decision](#) are two primary issues:¹

- The FCC argues that the Net Neutrality rules have been slowing down broadband investment and its plan is to ‘preempt’ the states from having their own plan. The FCC claims that it is given this power under something called “section 706”.
- The FCC also claims that something called “Title II” harms investment, and so the FCC has combined the “ISP”, the Internet service, and the “broadband” service, and classified this as “Title I”, an “information” service, which gives a few companies control over broadband and the Internet and web.

However, to the average person, this is all gobbly-gook.

But there is a deeper dilemma; even those who are making public policies have allowed the history of broadband to be rewritten. In fact, Net Neutrality, which has risen to deity-like importance, is a peripheral battle.

Thus, in discussing the solution, we are faced with fact that most believe in the fake history or have no clue of the actual technical issues or even what basic terms mean.

Most people think that:

- The Internet and Web are the wires and the infrastructure. They are not. The Internet Service rides over the wires.
- Only half of the population knows or has heard the term “Net Neutrality”—at best, and much less have even heard of “Title II”.
- The cell phone/wireless service goes ‘into the sky’ or to a satellite. It does not. The call or video goes to a cell site that is attached to a wire. Even “5G” or Wi-fi hotspots require a wire. (Fiber optic is just a new kind of wire.)
- AT&T and Comcast are “ISPs”; while used in common-speak, that is, in fact, wrong. The ISP (the connection to the Internet) business is only a portion of these companies’ services and revenues. AT&T controls 21 state wireline utilities, for example, while Comcast is a cable company that owns NBC and Universal Studios.
- Most people do not know that there are still state telecom utilities, such as Verizon NY or AT&T CA—and that the wires, both the existing copper as well as the fiber optic wires for, say FiOS, or the wires to the cell sites, are part of this state utility.
- And most have no idea that starting in the 1990’s state laws were changed to give the incumbent phone utilities billions of dollars, per state, in tax breaks and raising local phone customers rates to replace the existing copper wires with a fiber optic that would offer fabulous, ultra-fast service to everyone in the state. They were utilities and the costs were charged to everyone – from low income families and seniors to small businesses – everyone.

And the list goes on and on. But at the core is: the wires (and thus wireless) are controlled by the few incumbent phone and cable companies, Verizon AT&T, Comcast and Charter et al. The FCC has erased most competition, regulations and obligations, giving them control over the services over these wires by letting their ‘affiliate companies’ –i.e., the broadband, internet, cable, phone and even wireless services, work together to be able to favor their own services, as well as control your privacy, not to mention the price you pay or who does and does not get upgraded.

The evidence: We are giving away a free PDF as it is the data-base of the state-based broadband commitments.

- ***“The Book of Broken Promises: \$400 Billion Broadband Scandal & Free the Net”***, published by New Networks Institute in 2015, is the 3rd book in a trilogy that started in 1998. It details the failure of AT&T, Verizon, and CenturyLink to deliver on state-based broadband commitments and the failure of the FCC and states to investigate.²
- **“Fixing Telecom” Series and 20 Years of Section 706 Filings.** New Networks Institute and its affiliate, the IRREGULATORS, have been filing for over 20 years at the FCC. Since 2010, we created a series of reports outlining massive financial cross-subsidies, and how the FCC cost accounting rules have become corrupted, based on actual financial reports of Verizon in multiple states. See Appendix 1.

A SHORT HISTORY OF BROADBAND YOU PROBABLY DO NOT KNOW.

In order to make sense of the FCC's plans, explain what terms like 'Title II', Section 706 and other arcane, inside-telecom jargon means—and how we can solve Net Neutrality—we will summarize the details of the history you probably do not know.

But you should know, if you had phone service over the last 25 years or any service that uses the wires, you were overcharged thousands of dollars... per line.

1992: America Was to Become a Fiber Optic Nation—by 2010.

In 1991, the Clinton-Gore ticket ran on a platform that included the “Information Superhighway”, in which America, via every state utility, would be upgraded to replace the existing copper wires, for a fabulous fiber optic future. And what are now Verizon, AT&T and CenturyLink went state-to-state and received financial incentives that removed the barriers to broadband investment – i.e., the companies got state laws changed to rewire some or most or all of their territory to all customers, including wiring schools & libraries—and the companies would get rate increases and tax perks to pay for these upgrades.

At the same time, the companies applied for and received federal permission from the FCC (and a court case) to roll out video-dialtone services, which was also the Info Highway. In almost all filings for “permanent” fiber deployments, there was a state corollary.

1996: The Telecom Act of 1996 Opened Up the Utility Networks for Competition.

The state utility wires were a monopoly and a deal was struck. These networks would be open to competition – a customer could choose their broadband, cable, phone, or Internet Service Provider, and those providers could use the utility's facilities on a wholesale basis for a fair price. In exchange, the local phone companies could enter all of the other lines of business, especially long distance and cable.

The Telecom Act also added Section 706, which required that the FCC do an annual broadband progress report to see if advanced network capabilities were being delivered to **'all Americans'** and that there was **“competition in the local telecommunications market”**.

In 1998, the first report was released and the FCC failed to mention anything about the broadband commitments in every state and failed to document whether there was competition.

By 2001, the Telecom Act was working. There were 9,335 mostly small entrepreneurial ISPs handling the majority of the US online services; AT&T Corp. (the original long distance company, not the current impostor) and MCI had about 20% of the US local phone markets, and there were thousands of CLECs, competitive local exchange companies, offering voice service as well as “DSL”, using the existing copper wires.

And yet, by 2001 virtually none of the fiber optic commitments were met though the companies had collected billions per state.

And the FCC's 2001 Section 706 report never mentioned anything about the state-based broadband commitments, or the money charged to local phone customers.

Note: We have been filing in Section 706 proceedings since 1998 and tracking the FCC's failure to document the state-based commitments and 'local competition'. (Appendix 1)

2001-2005: Telco Takeover of the FCC to Shut Down Competition.

With the advent of a Republican takeover of the FCC, under Michael Powell, (now the head of the NCTA, the cable industry's trade association) in 2001, the Agency created a series of proceedings that would eliminate the right of customers to have a competitor over the state utility wires. It did this by making the broadband service, which was Title II, common carriage, and the Internet Service, which was an information service, be combined as "broadband internet", a glob that was classified as an "Information" service.

While the FCC claimed it was creating "inter-modal competition", where the cable and phone and wireless companies would all compete, it was all garbage—they would just let a few companies divide up the communications services marketplace. Independent ISPs were kicked off the telephone companies' DSL networks and never allowed onto their newer fiber networks.

AT&T and MCI, the two largest competitors, were put up for sale; SBC bought AT&T Corp. and renamed itself AT&T Inc., and Verizon bought MCI. Meanwhile, 7,000 small wireline ISPs were put out of business. This allowed the incumbent phone companies and the cable companies to steal the ISP's customers and 'vertically integrate' their own services—i.e. one company now controlled the wire, the broadband service, the cable service, the phone service and the ISP service over the wire—and could block competition.

IMPORTANT: Net Neutrality was created to have these vertically integrated companies "play nice" when there was no serious competition left. It did not open the networks to direct competition again, nor did the later plan by Wheeler to make both the internet and broadband "Title II".

The cable companies? Alongside the rise and fall of competition on the phone networks, the cable companies had been in the background—they were never seriously required to open their networks for any competition and they were allowed to build subsidiaries using rate increases known as the "Social Contract", which allowed them to build their broadband, phone and ISP service, paid for by local cable TV customers.

2005-2018: The FCC's Accounting Rules Corruption Created Confiscation of Publicly-Funded Property for Private Use.

At the same time, the FCC's accounting rules, which allocate the expenses to these different lines of business, were deformed to put the majority of all expenses into the state-based utility and charge local customers. Low income families, rural areas, small businesses—everyone would end up paying for the wires for the companies' wireless service or the expenses to build out the broadband services, like U-Verse or Verizon's FiOS. At the same time, by 'reclassifying' the services as 'interstate', they could dismantle the state utilities. Moreover, this was all done by, at least, Verizon making the network construction, including the Fiber to the Home, FTTP, as "Title II". This is in direct contradiction of the companies claiming that Title II harmed investment. It is the investment mechanism.

2007-2018: The Rise of Wireless; Verizon and AT&T Are 'Wireless First' Companies, Paid for Via Cross-Subsidies of Local Phone Customers.

In 2007, Apple announced the iPhone and the world of wireless suddenly changed. By 2010, AT&T and Verizon, who controlled the wires, started dismantling the state utilities to be able to use the budgets for wireless. In New York alone, for just 2010-2012, Verizon appears to have shifted \$2.8 billion dollars away from wiring cities to building out cell sites but the expenses were paid by the state utility.

And this meant that the cities in New York State and throughout the US, as this was happening in every state, were being ignored. Note that this shift was diverting the money to have competitive, wired home-based cable/broadband internet/-- the triple play.

And by 2012, both AT&T and Verizon disingenuously claimed that they were now 'wireless-first' companies, even though the hole in this is that the wireless company hasn't been paying for the build out of their networks – it has been the local phone customers. But the companies didn't care and had the FCC move to 'shut off the copper'—which is really to stop all retail wired services, including Business Data Services, and move the construction to wireless and move the customers as well, whether they like it or not—and privatize publicly-funded networks for 'private' use of the company's affiliates. All classified as Title II.

Solving Net Neutrality Report Series**Report 1: We Uncovered a Fatal Structural Flaw in All FCC Proceedings**

The rest of this first report details: We found a major structural flaw in every FCC proceeding which we believe can be used to take the FCC to court in the Net Neutrality decision and other proceedings. We can prove that the FCC has not collected, or at least used, any evidence about the broadband commitments made in the state or anything else about the utilities. For example, they neglect to mention that there are utilities, that, at least Verizon uses Title II to fund its FTTP, Fiber to the Home service, that it uses Title II to cross-subsidize and build out its wireless networks, and that this other network infrastructure

are classified as "interstate"—which is a service that crosses state lines, and not under the jurisdiction of the state commissions but the FCC. However, the wire construction was mostly paid for by the utility customers as an ‘intrastate’ expense.

No other group, organization or company has our data, analysis or expertise or tracked this as we did over the 20 years.

Report 4: The Dark Fiber Initiative: Open Networks and Structural Separation. We present the next steps required to take back the networks and infrastructure customers paid for, and to open these networks up for direct competition so that customers, including rural areas, not only get served, but have wireline and wireless high speed choices.

And who pays for these upgrades? This should not be done through government funding. It is paid for by closing down the cross-subsidies that have built and are being used for other lines of business.

And this, and not years of coming up with an inadequate solution for Net Neutrality based on "let them play nice", is the solution.

Over the last 20 years we watched it get worse, not better. We watched even those who should know better quote the fake history, and most simply have no understanding of the basics. They chant 'save the internet' without knowledge that they have been told a fabricated story and the solutions presented are rehashing of failed attempts.

We believe we solved Net Neutrality -- and the only thing left to do is to supply the real history of what happened—and take the FCC and the companies to court. The rest of this document is the first report. We hope we supplied enough detail, but we encourage the reader examine the evidence first hand.

New Networks’ Team & IRREGULATORS: A Very Unique Position.

New Networks Institute was established in 1992 as a telecommunications market research and consulting firm focusing on the Public Interest. Today it acts as the Managing Director of a consortium known as the IRREGULATORS.

New Networks has expanded our team to include the IRREGULATORS, an independent, expert team comprised of senior telecom experts, analysts, forensic auditors, and lawyers who are former senior staffers from the FCC, state advocate and Attorneys General Office lawyers, as well as former telco consultants. Members of the group have been working together, in different configurations, since 1999.

We’ve Already Started: Over the last few months, New Networks, and our research, has been part of an appeal with Public Knowledge and Consumer Federation of America of the FCC’s ‘Business Data Services’ order, that blocks competition and raises rates of basic

networks that are used by business customers and competitors, including wireless providers, or banks and alarm companies.

Moreover, Verizon New York announced in June 2017 that they would like to settle to avoid an evidentiary hearing, and this continues as of February 2018. There has been an ongoing investigation of Verizon New York pertaining to the condition of the networks as well as the cross-subsidies of Verizon NY, the utility, and the other Verizon affiliates, such as Verizon Wireless—and this has been based, in part, on our extensive research.

Ironically, **The Book of Broken Promises: \$400 Billion Broadband Scandal & Free the Net**, (the 3rd in a trilogy that started in 1998), provides the details of how all of the FCC's proceedings have failed to accurately tell the story of state-based broadband deployments, but more importantly that customers have become 'defacto' investors' –i.e.; they have been charged billions per state to build out the companies' other businesses, like wireless, instead of replacing the existing copper wires with fiber optics to cities. And while it varies by state, school and libraries were also covered in these commitments, which happened multiple times over the last 2 decades.

New Networks has filed in almost every Section 706 proceeding since 1998, asking the FCC to incorporate state-based financial investments, and have filed in over 35 recent FCC proceedings to give us standing to appeal various FCC decisions. See Appendix 1.

Introduction

1) The FCC’s Net Neutrality Analysis is Biased and Deliberate.

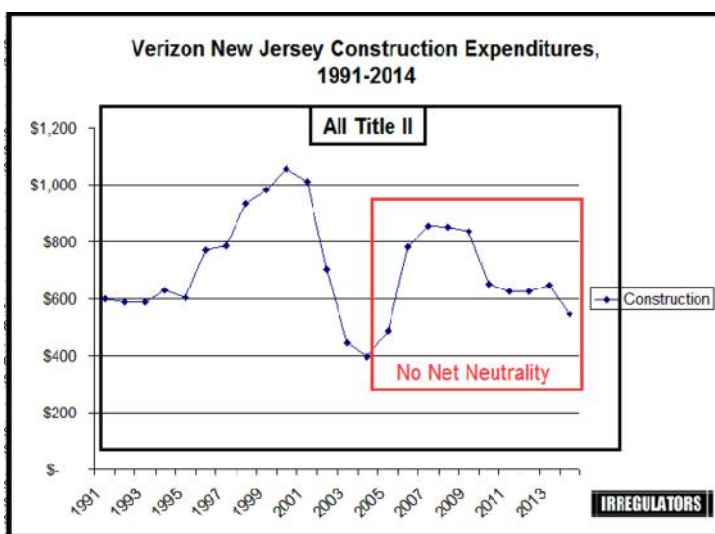
At the core of the FCC’s Net Neutrality, [Restoring Internet Freedom decision](#) are two primary issues:³

- The FCC argues that the Net Neutrality rules have been slowing down broadband investment and its plan is to ‘preempt’ the states from having their own plan. The FCC claims that it is given this power under something called “section 706”.
- The FCC also claims that something called “Title II” harms investment, and so the FCC has combined the “ISP”, the Internet service, and the “broadband” service, and classified this as “Title I”, an “information” service, which gives a few companies control over broadband and the Internet and web.
- [What is Title II?](#)⁴
- [What is Section 706?](#)⁵

Unfortunately for the FCC, there is a primary, structural flaw to these arguments in the Net Neutrality proceeding but it is also in every other recently past or current proceeding. And although it is not obvious, it is sitting there in plain sight and it can easily rip the FCC’s plans to shreds.

2) The FCC has Failed to Incorporate State Data in All Proceedings

This next exhibit reveals part of this structural flaw.



Verizon New Jersey is the state telecommunications utility, and these are the actual construction expenditures from 1991-2014. (Source: Verizon and the previous incarnation, Bell Atlantic.) Notice that since 2009 there was a big drop in ‘investments’, which is directly tied to Verizon’s announcement in 2010 that it was slowing down/halting the deployment of the fiber-to-the-premises, FTTP, deployment for FiOS.

Moreover, Verizon had stopped actively maintaining the copper wires that are still in use. And yet, the FCC’s Net Neutrality decision states that broadband capital investment increased from 2009-2014, and it was only when “Title II” was applied, in 2015, that there was a drop.

“We first look to broadband investment in the aggregate and find that it has decreased since the adoption of the *Title II Order*. ISP capital investment increased each year from the end of the recession **in 2009 until 2014, when it peaked. In 2015**, capital investment by broadband providers appears to have declined for the first time since the end of the recession in 2009.” (Emphasis added.)

This FCC analysis is based on garbage pail-filled analyses, (which we will address) but the FCC also ignored actual, wireline capital expenditures of Verizon in its state utilities. In almost every state, wireline construction for broadband went DOWN after the FiOS slowdown.

NOTE: We focus on Verizon because Verizon NY publishes annual financial reports as a requirement of the NY Public Service Commission and some of the other Verizon states still collect and provide information under FIOA requests. The FCC stopped collecting basic data in 2007 and there is basic negligence in the AT&T and CenturyLink states, some caused by state legislatures being captured by the incumbent utilities, like AT&T FL, to hide the data.

The Structural Flaw: The FCC Ignored Almost Everything that is State-Based.

America is made up of 50 states, (and the District of Columbia, D.C.) and they all have state-based telecommunications utilities. And, in almost every state (and DC), there were and are broadband investments, commitments, financial incentives, etc., and they have all relied on using Title II for state-based broadband deployments and investments—that’s right, Title II.

Simply Put:

- The FCC has ignored, left out, and never mentioned that there are state utilities or “intrastate” (in-state) services. The FCC also never acknowledged that there were and are broadband commitments, and that the companies were given massive financial incentives for investment to build out the networks—over and over.
- The FCC failed to recognize that “Title II” is used in every Verizon state to fund these ‘financial investments’ via charging local phone customers. In fact, the telcos

have been ‘playing’ the state regulations off the federal regs– called “Title Shopping”. Thus, Verizon’s fiber optic wires for FiOS are Title II.

- This flaw is made worse by the FCC’s failure to examine the impacts of its cost accounting rules for 17 years, which allocates expenses between the “intrastate” (state-based) or “interstate” services using the state utility wires. But, over the last decade, they now dump most of the expenses into the local state networks. I.e.; Verizon has made the state utilities cash machines to fund the company’s other lines of business, including wireless.

And **this flaw is in every 2017-2018, FCC proceeding**, from repealing Net Neutrality to shutting off the copper wires and replacing them with wireless, to the 'Business Data Services' deregulation decision. (These are utility wires that are used for business services, such as ATM machines, broadband or wireless services, but are classified as “interstate”.)

The failure to examine the state-based utilities and services is like looking at your own hand and saying:

Well, there are only three fingers on a regular hand because you can’t count the “pinky” or the “thumb”; they are not called ‘fingers’.

It is that blatant, it is that stupid and it is that deceptive.

3) “The Book of Broken Promises”; The Evidence of State-Based Broadband Commitments, Financial Incentives, and Regulatory Malfeasance.

In fact, the FCC has ignored all state-based broadband commitments for the last two decades, and ironically, we documented the FCC’s failure:

- ***“The Book of Broken Promises: \$400 Billion Broadband Scandal & Free the Net”*** published in 2015, was the 3rd book in a trilogy that started in 1998. And it details this failure to examine these state-based deployments, much less the billions per state collected since the 1990’s. (These [articles](#) have been updates to the book.)

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- **Other Data: “Fixing Telecom” Series and 20 Years of Section 706 Filings.** New Networks Institute and its affiliate, the IRREGULATORS, have been filing for over 20 years at the FCC. Since 2010, we created a series of reports outlining massive financial cross-subsidies, and how the FCC cost accounting rules have become corrupted, based on actual financial reports of Verizon in multiple states.

*State-based Broadband Commitments and Financing Ignored***4) The FCC Wants to Preempt State Laws But has Collected No Evidence about ‘State-Based’ Infrastructure Investments.**

The FCC has a responsibility under Section 706 of the Telecommunications Act of 1996 to create a report to Congress to answer whether advanced network services are “being deployed to **all Americans** in a reasonable and timely fashion”, and to take “measures that **promote competition in the local telecommunications market**” and remove barriers to investment.⁶

The FCC writes in the Net Neutrality decision that it can preempt the states’ actions, claiming that the FCC can do a better job to encourage broadband deployments using section 706.

“Finally, insofar as we conclude that section 706’s goals of encouraging broadband deployment and removing barriers to infrastructure investment are best served by preempting state regulation, we find that section 706 *supports* (rather than prohibits) the use of preemption here.”

The FCC can squirm and claim that it only covers ‘interstate’ services and that the state utility and ‘in-state’ or ‘intrastate’ services are under the jurisdiction of the state commissions.

But, **the FCC had an obligation to cover "all Americans"** as well as “promote competition in the **local telecommunications market**”. There is nothing in section 706 that allows the FCC to exempt or omit state deployments, commitments, incentives for removing barriers to entry, etc.

And yet, the FCC has never acknowledged that there were/are state-based broadband commitments or that the companies were given major incentives for investment.

And this is not history, as there have been multiple actions the FCC should have addressed in 2017.

Example 1: In 1993, Verizon New Jersey made a [commitment to have 100%](#) of their state territory upgraded, replacing the aging copper with fiber optics, at speeds of 45Mbps in both directions and to be completed by 2010. Unfortunately, by 2017, customers paid an estimated \$17 billion for a fiber optic future that mostly never came; we estimate that less than ½ of the Verizon NJ territory is covered.⁷

In fact, in May 2017, there was a new stipulation agreement created due to the failure to even maintain the existing copper wires or upgrade a number of rural municipalities.

Example 2: As of March 2017, Verizon is being sued by the City of New York because it had a commitment for 100% of the city to have fiber to the home by mid-2014.

An *Ars Technica* [headline reads](#): (March 13th, 2017)⁸

“1 million NYC homes can’t get Verizon FiOS, so the city just sued Verizon.”

These are holes in deployment. Where is the FCC’s analysis of this intrastate city competition harm?

Unfortunately, this isn’t just about a city or one state. Every AT&T, Verizon and CenturyLink state in the US has had broadband commitments to upgrade some, most or all parts of their territories (including schools and libraries) to fiber optics, multiple times. State laws were changed and extra profits built into rate increases for construction. Unfortunately, these increases were never reduced or lowered when the upgrades failed to materialize.

NOTE: We filed in the original section 706 inquiry in 1998 (and in almost every year for the last 20 years), and pointed this out to the FCC, over and over.⁹

5) **FCC Never Investigated that the ‘In-State’ Fiber Plans are Based on “Title II”.**

What is most bizarre about all of this is that the FCC never examined that state-based broadband commitments, especially the “FTTP”, “fiber to the premises” networks— which have been and are now being put in, are using the “Title II” classification. (Yet, at the same time, Verizon claims that Title II harms investments.)

Starting in 2004, Verizon went to the state public service commissions and had them declare that the fiber optic, “FTTP” wires are part of the existing state utility – and are Title II. Here is part of the cable franchise agreement in New Jersey from 2014.

We filed a Petition for Investigation with the FCC about this.¹⁰

Verizon New Jersey’s Cable franchise agreement, 2014

Verizon NJ has been upgrading its telecommunications facilities in large portions of its telecommunications service territory so that cable television services may be provided over these facilities. This upgrade consists of deploying fiber optic facilities directly to the subscriber premises. 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 telecommunications authority granted to Verizon NJ by the board and under chapters 3 and 17 of the Department of Public Utilities Act of 1948. The FTTP network uses fiber optic cable and optical electronics to directly link homes to the Verizon NJ networks... Pursuant to the NJSA 45:5A-15, telecommunication service providers currently authorized to provide service in new Jersey do not require approval to upgrade their facilities for the provision of cable television service.

The quote above is BLACK AND WHITE and in all Verizon state cable franchise laws and regulations, with only slight variations in language. And because Verizon got to use Title II, Verizon could also dump the expenses into the state utility and have local phone customers pay for an ‘interstate’, ‘information’ broadband...fiber optic ... *We’re the phone company...* wire.

And when we say it is in all Verizon state cable agreements, this excerpt is from the Verizon D.C. franchise agreement. At the top, Verizon claimed that in 2007 it had 12 states with FTTP, covering 835 jurisdictions. Then, notice that Verizon actually calls the construction “Title II FTTP”. And it states that it is an extension of the existing utility networks, and that it is a common carrier network and part of the Communications Act of 1934.

As of August 3, 2007, affiliates of VZ DC hold cable television franchises (both local and state issued) covering 835 jurisdictions in areas of Texas, Indiana, Virginia, Maryland, Florida, California, Pennsylvania, New York, New Jersey, Delaware and Massachusetts, Oregon, and Rhode Island. As of the end of June, 2007, FiOS TV service was available to more than 3.9 million premises in 12 of the states where the Fiber to the Premises (FTTP) network is being constructed: California, Delaware, Florida, Indiana, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Texas and Virginia. 515,000 customers subscribed to FiOS TV as of the end of June 2007.

Verizon currently provides cable service in Montgomery County, Maryland; the cable franchise agreement was effective as of November 28, 2006 and Verizon initiated cable service in the County on December 5, 2006. Verizon also provides cable service in Fairfax County, Virginia; the cable franchise agreement was effective as of October 1, 2005 and Verizon initiated cable service in the County on November 25, 2005. In both counties, Verizon began the construction of its Title II FTTP network in late 2004. Therefore, Verizon was able to initiate cable service to some residents soon after the execution of a cable franchise agreement.

The proposed cable service will be provided over VZ DC's FTTP network, an extension and enhancement of the existing telecommunications network. A general description of the construction of the FTTP network is provided in Attachment 4.

VZ DC will install its FTTP network as a common carrier pursuant to Title II of the Communications Act of 1934, as amended, in accordance with its authority under DC and Federal law. Accordingly, VZ DC is not seeking authority through this Application to construct the FTTP network, but rather is seeking a franchise to use the FTTP network, once installed, to provide cable services in the District.

ALL of these deployments are part of the state utilities. And though it varies by state, in the states we tracked, state-by-state, this construction was mostly charged to local phone customers via multiple rate increases – and none of this was ever mentioned by the FCC or detailed in any FCC Section 706 broadband progress report over the last 2 decades.

6) Customers Paid “Financial Incentives” and Were the ‘Infrastructure Investor’ for Decades, Using Title II.

In June 2009, the NY Public Service Commission (NYPSC) [granted Verizon NY the third rate increase](#) for residential POTS, plain old telephone service, since 2005. The NYPSC press release explained that the rate increase was due to “massive deployment of fiber optics”.¹¹

“‘We are always concerned about the impacts on ratepayers of any rate increase, especially in times of economic stress,’ said Commission Chairman Garry Brown. ‘Nevertheless, there are certain increases in Verizon’s costs that have to be recognized. This is especially important given the magnitude of the company’s capital investment program, including its massive deployment of fiber optics in New York. We encourage Verizon to make appropriate investments in New York, and these minor rate increases will allow those investments to continue’.”

This 2009 increase was the 3rd, adding 84% to the basic rates of all phone customers. This was on top of the increases on all other ancillary services, which started in 1995, from inside wire maintenance to non-listed numbers.

Let us be clear: Verizon NY local phone customers had multiple rate increases to pay for FiOS, a fiber optic-based cable service. As we mentioned, in 2010, Verizon announced it was no longer going to be rolling out the service. Yet, the price of service was never lowered, the networks were never deployed, and the monies went to cross-subsidize other ‘interstate’ services, including wireless. Low income families, seniors, rural customers, small businesses – throughout the State paid extra for networks that they will never receive. Customers were charged over \$1,500.00 per line extra through 2016; this does not include most ancillary services which were also granted rate increases, like non-listed numbers.

And, the FCC never mentions any of this, even though they claim to have jurisdiction over the broadband wires. Most importantly, the FCC claims it can ‘shut off the copper’ in one proceeding without any specific data. Over the last 5 years we created full reports and filed them with the FCC. (See Appendix 1)

Ironically, this cross-subsidy of interstate services was detailed by the NY Attorney General’s Office in 2011, but it never took actions to investigate the actual harms.

7) FCC Never Examined that Local Intrastate Capital Expenditures are Being Diverted Through Title II to be Used for the Other Lines of Business.

In 2011, Verizon NY stated that the company spent over \$1 billion on the utility capital investment. The NY [Attorney General claimed](#) this was misleading, as the money had been shifted to fund Verizon Wireless and FiOS TV.¹²

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

Since these subsidies are, in fact, investments in FiOS, which is fiber to the home, and the wireless networks, which are Business Data Services (special access) to the cell sites, therefore, the FCC can never say that it should preempt states much less that Title II has harmed investment when it has no evidence to support these claims.

8) Verizon New York Shows Massive Financial Cross Subsidies Using Title II.

And just to demonstrate the total corruption of the FCC’s argument about Title II and capital expenditures, especially omitting critical state data, this excerpt is from the Verizon New York Annual Report for 2016, published in June 2017.

Over the last decade the FCC has never examined any of these state financials even though they are directly based on the FCC’s own cost accounting rules. (Read “[Follow the Money](#)” report for details and caveats.¹³)

**Verizon NY Revenues and Major Expenses by Category, 2016
(Excerpt)**

	Total	Nonregulated	Local Service	Access
Total Operating Revenues	\$5,240,782,258	\$1,552,967,493	\$1,211,751,622	\$2,476,063,143
Major Operating Expenses				
Construction & Maintain (Plant)	\$3,256,244,373	\$1,113,045,276	\$1,445,636,286	\$697,562,811
Marketing	\$ 308,034,588	\$ 53,273,050	\$165,799,314	\$88,962,224
Customer Operations	\$ 402,504,360	\$ 28,387,919	\$268,038,623	\$106,077,818
Corporate Operations	\$1,199,635,597	\$ 122,758,995	\$722,877,073	\$353,999,528
Special Access Revenues				\$2,008,589,749
Access EBITDA				50%
Net Operating Revenues	\$(1,079,606,687)	\$183,548,944	\$(2,098,768,683)	\$835,613,052

This shows that the Local Service category, which is primarily POTS, plain old telephone service, copper wires, was charged \$1.4 billion in 2016 for capital expenditures and maintenance (known as “plant and nonspecific plant”), while it only brought in \$1.2 billion in revenues—I.e.; the intrastate utility was charged 119% of revenues for construction. Where is all the money going if the company stopped upgrading the POTS lines and are shutting them off? This is as compared to “Access” fees which had revenues of \$2.5 billion (about \$2 billion in Business Data Services), but only ended up paying less than ½ of what Local Service is paying for construction and maintenance.

And where on these financial books are the ISP services?

9) The FCC’s Cost Accounting Rules Overcharges Customers and Harms Broadband Deployment.

Conclusion: The ‘harms to investment’ have been the use of the FCC mal-formed accounting rules on intrastate-interstate financial revenues and

expenses, which overcharged customers and harmed broadband deployment.

While the FCC claims that their financial accounting rules have been erased or forborne and not applicable anymore—unfortunately, it would appear that they are very much alive and being applied in New York, where they are used for the rate-setting of local rates.

We wrote an entire report, the [Hartman Memorandum](#), to explain the rules and how they became deformed.¹⁴

The FCC ‘froze’ the accounting rules in the year 2001 so that the expenses would be allocated based on the year 2000, and then, over the last 17 years never changed them or seriously investigated their impact on the state- based financials.

This exhibit shows the revenues for Verizon New York, the state utility, divided up by the three standard categories: “Local Service”, “Access” fees and “Nonregulated”, (a garbage pail of expenses that were either previously regulated or were never regulated. Parts of FiOS revenues and expenses, or inside wire maintenance are in nonregulated.)

	2003	Total	Nonregulated	Local Service	Access
Total Revenues	\$ 7,148,203,639		\$ 219,748,000	\$ 4,666,839,000	\$ 2,230,978,000
% of Revenues			3%	65%	31%
Corporate	\$ 1,921,045,187		\$ 131,435,000	\$ 1,249,051,000	\$ 537,299,000
% of Corporate			7%	65%	28%
	2010	Total	Nonregulated	Local Service	Access
Total Revenues	\$4,982,344,773		\$657,117,766	\$2,108,098,276	\$2,127,128,731
% of Revenues			13%	41%	43%
Corporate	\$996,443,439		\$101,275,522	\$605,665,165	\$289,502,751
% of Corporate			10%	61%	29%
	2014	Total	Nonregulated	Local Service	Access
Total Revenues	\$5,230,477,636		\$1,431,325,888	\$1,441,591,799	\$2,357,559,949
% of Revenues			27%	27.6%	45%
Corporate	\$2,604,155,474		\$264,678,550	\$1,572,288,568	\$767,188,356
% of Corporate			10%	60%	29%

Sources: Verizon New York, New Networks Institute

As you can see, the “Corporate Operations” expense went from 65% in 2003 to 60%+ for “Local Service”, even through 2014. However, the revenues for Local Service had a steep decline, from 65% of the total of Verizon NY in 2003 to 27.6% of revenues in 2014.

Nonregulated and Access services all enjoyed the ability to dump expenses into Local Service as in 2014; Nonregulated paid only 10% of the \$2.6 billion of Corporate Operations expense in NY, while Access only paid 29% of the expenses, even though it brought in 45% of the revenues.

“Corporate Operations” expense is a bucket for everything from lawyers and lobbying to the corporate jet.

10) **The Use of Actual, Not ‘Suggestive’, State-Based Financials Shows that the FCC and the Telco-Paid Consultants Are Manipulating the Accounting.**

The FCC claims that there was a decrease in construction expenses because of Title II. In the opening FCC quote, the Agency claims that “ISP capital investment increased each year from the end of the recession in 2009 until 2014, when it peaked”.

Unfortunately, the FCC never uses actual construction expenditures from the phone or cable companies that were being spent on broadband or on the “ISP” portion of these expenses.

Instead, the FCC quotes telco consultant Hal Singer’s seriously flawed analysis where he takes the entire capital expenditures of a ‘holding company’, which includes all companies; wireline, wireless, basic phone service, real estate, and calls it all “ISP” and broadband construction expenses. And while he makes some adjustments, it is purely ridiculous.¹⁵

Verizon had a 5% or more interest in 471 different companies/entities throughout the world in 2016, not counting Yahoo and the other acquisitions of 2017. Which of these companies are ISPs, and how much of the construction budget was part of this number?¹⁶

Similarly, other analyses quoted by the FCC have similar basic flaws – i.e., they do not have data that is granular enough to make any serious conclusion. (But this is only one of many problems with these various garbage pail analyses.)

The FCC could have easily requested that the companies supply the specific info, but didn’t. Instead, the FCC has to back-peddle and say that these other analyses are just “suggestive”.

*Report 2 Excerpt: Manipulating Access Line Accounting: Where are the Interstate Lines?***11) Manipulating the Accounting of Access Lines in Every FCC Proceeding**

In every FCC proceeding, the FCC, AT&T & Verizon, or CenturyLink have manipulated the accounting of basic access lines, fiber or copper. Here are a few examples:

The FCC quotes [AT&T reply comment](#), WC Docket No. 17-84, July 2017

“About 65% of American households now receive all or almost all telephone calls on cell phones, **while only about 14% of American households still rely on legacy TDM landlines**. More than half of all American households (50.8%) have now abandoned land-line voice service entirely.”

Elsewhere, the FCC also quotes AT&T. The numbers do not match.

“Retail POTS subscriptions have declined to the point that less than 17% of households purchase switched-access voice service from an ILEC, and these services will only continue to decline.”

The base of these quotes is total obfuscation to make it appear that there have been major losses of access lines and so the companies should be able to ‘shut off the copper’.

Manipulations Galore:

- **Notice the words/terms:** “retail”, “POTS”, “households”, “switched access”, “voice service”, “ILEC”, “legacy”, and “TDM”.
- **To Sum Up:** The FCC is only discussing residential (household), basic “POTS”, Plain Old Telephone Service, lines offered by the “ILEC”; i.e., the existing incumbent telecommunications utility; Verizon, AT&T or CenturyLink, mostly. And these are the existing copper’ legacy lines, also called “switched access”, or TDM”.
- The FCC is only discussing state-based utility ‘intrastate’ lines, not the total lines.
- These are basic POTS, plain old telephone service, copper lines
- These are only voice lines, leaving out the data lines.
- These are only ‘households’, meaning residential services only.
- This leaves out all business lines.
- This leaves out all copper based lines that have been declared “interstate”, even if they are part of the state utility.
- “Special Access” lines, (renamed by the FCC “Business Data Service”) lines have been left out. This includes the wires to ATM machines or other data services, including the wires to cell sites and hot spots.
- This leaves out all fiber optic lines, such as FiOS’ FTTP lines.
- This leaves out all copper-based POTS lines that are now used for AT&T’s U-Verse.

This means that the majority of access lines, even copper lines, were never counted in the FCC’s ‘shut off the copper’ proceeding. This means that the FCC is only counting “Intrastate” lines, but the FCC has no jurisdiction over these lines. And this also means that the FCC has manipulated the accounting to leave out all “Information Service”, all “VOIP” lines and all “Interstate” lines.

This next chart shows that the majority of AT&T lines in 2016 were never counted, even though many can be ‘shut off’, and even though AT&T’s entire networks are still mostly copper wires, including U-Verse, which is a copper-to-the-home service.



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

This is like some sleazy carnie trick. If the FCC was in grade school and they handed in this garbage, they would get a failing grade. Unfortunately, this is being offered as ‘the record’, ‘the evidence’, the logic for copper retirement – i.e., let the companies shut off the phone lines at will.

12) Verizon NY Copper “Access Lines” Demonstrates FCC Corrupted Accounting

Even though the FCC claims no one is using these networks, in just New York, Verizon detailed it had 2,157,592 copper regular POTS, Plain Old Telephone Service, lines in service at the end of 2016.

But, if you stare at the information supplied in the Verizon NY 2016 Annual Report, which was published in June 2017, on the left is a list of the caveats about what is being counted as a ‘line’.

Verizon New York "POTS" Access Lines, 2016							IRREGULATORS	
A	E	C	D	E	F	G	H	I
Annual Report of VERIZON NEW YORK INC.							For the period ending DECEMBER 31, 2016	
							Number of Access Lines	
61. ACCESS LINES IN SERVICE								
1.	1.	Access lines are any and all facilities appearing at a customer's premises for which an access line charge is made as provided for in company tariffs.					At End of the Year	
2.	2.	Multi-line business access lines shall include all access lines provided to businesses with two or more lines on the same premises (i.e., two line service, key telephone system services, PBX system services).					Confidential	
3.	3.	Public access lines shall include all access lines provided to serve public coin telephones, semi-public coin telephones, customer owned coin operated telephones (COCOTS) and credit card telephones.					Confidential	
4.	4.	Private Line Circuits are telephone facilities furnished under contracts providing exclusive service, i.e., service not requiring central office switching operations.					Confidential	
							2,157,592	

Number 3, Public Access lines, are the pay phone lines and at the end of 2016 there were roughly 6,084, while in Number 4, there were 116,075 private line circuits that are part of this total. However, this data excluded the “Single Line Business” accounts; this information was “not available”.

Single Line Business is	Not Available
Public access Lines	6,084
NY Private lines	116,075

One has only to compare the various sources of information to see just how devious Verizon, AT&T and the FCC are in their access line presentation and manipulations.

This next exhibit is taken from the FCC’s last “Statistics of Common Carriers” report that supplied information about the state utilities and the last year the FCC published this info was for the year 2007.

This excerpt is of Verizon NY. Going down the column we find that there were a total of 39.6 million “Special Access” lines in 2007, which were the overwhelming part of access line accounting. And there are a host of caveats about these lines as they are counted as replacing a copper wire basic line with an access line ‘equivalent’.

Verizon New York Access Lines, 2006-2007

	2007	2006
Switched Access Lines in Service:		
Main Access Lines	4,658,451	5,116,406
PBX & Centrex Trunks	460,379	463,709
Centrex Extensions	999,354	963,213
Other Switched Access Lines	1,064,404	1,417,158
Total Switched Access Lines	7,182,588	7,960,486
Central Office Switches Excluding Remote Switches	301	301
Remote Switches	300	299
Central Office Switches	601	600
Basic Rate ISDN Control Channels	62,486	67,019
Primary Rate ISDN Control Channels	14,952	14,442
Access Lines in Service by Customer:		
Business Switched Access Lines:		
Single Line	145,466	151,497
Multiline/Other Than Payphone	2,677,605	2,799,836
Payphone Lines	88,814	99,303
Residential Switched Access Lines:		
Lifeline	263,473	276,013
Non-Lifeline-Primary	3,584,790	4,137,632
Non-Lifeline - Non-Primary	422,640	496,203
Total Switched Access Lines	7,182,588	7,960,486
Special Access Lines (Non-Switched):		
Analog (4kHz or Equiv)	25,763	27,279
Digital (64kbps or Equiv)	39,615,573	35,005,428
Total Access Lines (Switched and Special)	46,823,926	42,993,193
Local Private Lines	595,918	592,353

(FCC Statistics of Common Carriers, for the Year Ending December, 31, 2007)

Note: There were also about 596,000 private lines and about 89,000 pay phone lines, so those categories had big drops from 2007 through 2016.

But, here’s the fundamental manipulation: The revenues for “Special Access” since 2007 had dramatic increases. According to Verizon New York’s financials, the revenues went up 62%. If the access lines followed suit, then there would be over 64 million access lines and equivalents – in just New York.

Verizon New York Special Access Revenues, 2007-2016

	2007	2016	Increase
Revenues	\$1,229,611,000	\$1,987,796,784	62%
Access Lines	39,615,573	64,177,228	

Source: Verizon NY Annual Reports, New Networks Institute

And here is the kicker: **This means that access lines increased, not decreased.** This means that the number of lines that the FCC is counting has been totally distorted to claim losses.

And let us be clear; the majority of these lines are copper-wire based.

In 2015, the [FCC published some new data](#) and claimed that special access revenues are about \$40 billion and the majority, 60%, or \$24 billion, are ‘mostly-copper based’ telecom (“TDM”) services that are part of the state utility wires.¹⁷

“TDM-based business data services... are the dedicated (usually copper) circuits that many business and other institutional users continue to rely on for their data and other communications needs... Despite the growth of newer technologies, preliminary analysis of the Commission’s special access data collection shows that **revenues from such TDM services continue to make**

up in the range of sixty percent of the roughly \$40 billion annual special access market.”

This new data (which [we were blocked from examining](#) in detail) shows the special access market has doubled in size since the FCC’s guesstimate in 2013, when common wisdom was that this market was only \$12-\$18 billion. This means that the wired networks are growing, and that the copper-wired-networks had massive increases in lines overall, contradicting all of the noise about ‘dropped’ lines.¹⁸

13) How Many Interstate Special Access Lines are there? “Zero”? The FCC Provides No Data about “Interstate” Lines; Only “Intrastate” POTS Lines.

Unfortunately, the FCC has revealed “0” Special Access Lines; that’s “Zero”. There is no mention in any document we can find that supplies the basic special access line accounting. But, based on the number of access lines in 2007 and the growth in revenues discussed, there could now be as many as 600 million related access lines as of 2016.¹⁹

In another proceeding the FCC has decided that it will allow the incumbents to shut off/raise rates to ‘legacy’ copper-based special access services, from T1 (DS1) to T3 (DS3) but the FCC has supplied zero lines.

In all of this the FCC supplies ‘intrastate’ POTS lines but it supplies no information about the total access lines in service. This, of course, would contradict that the state utility is losing lines if special access and these other wires that are classified as “Title II” and part of the state utility were added.

Conclusion: Read the Documentation of What the FCC Ignored

There are other components to be considered to solve Net Neutrality, but at the core, the FCC’s current decision can be sliced and diced by state-based facts which the FCC has continuously ignored. The FCC’s Net Neutrality decision has no evidence it can present to substantiate a claim to preempt the states or that Title II has harmed investment.

The American Public and Congress have been given a fictional story about broadband, and, ironically, *“The Book of Broken Promises: \$400 Billion Broadband Scandal & Free the Net”* exposes the holes in the FCC’s Net Neutrality decision and all of the other FCC proceedings. Combined with our Fixing Telecom reports and documentation, there is more than enough to challenge the FCC’s decisions.

APPENDIX 1: Research, Data, Filings, Complaints

Partial List of the Proceedings We Filed In:

- <http://newnetworks.com/fcc-filings-reports/>
- [Comment 1](#) [Comment 2](#) *Inquiry Concerning Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, Section 706 Inquiry GN 17-199*
- *Restoring Internet Freedom WC 17-108*
- *Accelerating Wireline Broadband Deployment by Removing Barriers to Infrastructure Investment Report and Order, Declaratory Ruling, and Further Notice of Proposed Rulemaking – WC Docket No. 17-84*
- *Wireless Infrastructure NPRM Notice of Proposed Rulemaking and Notice of Inquiry – WT Docket Nos. 17-79 and 15-180*
- *Comprehensive Review of Part 32 Uniform System of Accounts Docket 14-130*
- *Business Data Services in Internet Protocol Environment, Docket No.16-143;*
- *Technology Transitions, GN Docket No. 13-5;*
- *Special Access for Price Cap Local Exchange Carriers, WC Docket No. 05-25;*
- *AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services, RM-10593.*
- **The Book of Broken Promises: \$400 Billion Broadband Scandal and Free the Net** is a encyclopedic collection of state-based Fiber optic deployments,
- **Part II: Facts Missing from the FCC’s Section 706 Broadband Reports**
- https://www.huffingtonpost.com/entry/part-ii-facts-missing-from-the-fccs-section-706-broadband_us_59ca0474e4b0b7022a646d7c
- **NNI Section 706 Inquiry**, 1998.
- http://newnetworks.com/NNI_FCC_9-98.txt
- NNI: 20 Years of Section 706 and related inquiry filings
- <http://newnetworks.com/20yearssection706/>

Verizon’s Use of Title II vs Statements Made to the FCC of Title II’s Harms

- NNI have filed a [Petition for the FCC to investigate](#) whether Verizon has committed perjury as Verizon has failed to disclose to the FCC, courts or public that their entire financial investments are based on Title II; filed Jan 13th, 2015.
- Verizon has [responded with a letter](#) denying our claims, filed, Jan 20th, 2015
- New Networks Institute & Teletruth [Response to Verizon](#), Feb 23rd, 2015
- [Verizon: Show Us the Money](#) PART I: Verizon’s FiOS, Fiber Optic Investments, and Title I. – Part 1: supplement original Petition for Investigation.
- [Letter to the FCC](#), Comments: Open Internet proceeding. RE: Verizon’s Fiber Optic Networks are “Title II” — here’s What the FCC Should Do. DOCKET: Open Internet Proceeding, (GN No.14-28)
- [Comments](#) First: FCC Open Internet Proceeding “Title Shopping: Solving Net Neutrality Requires Investigations”, July 14th, 2014
- [Comment Second](#): Verizon’s FiOS Fiber to the Premise (FTTP) Networks are Already Title II in Massachusetts, Maryland, Florida, New Jersey, District of Columbia, Pennsylvania, New York

Fixing Telecom Series

In December, 2015, we released the first two reports in a new series, “Fixing Telecom” a project that started seven years ago. They are based on mostly public, but unexamined, information, the findings impacts all wireline and wireless phone, broadband, Internet and even cable TV/video services in America.

REPORTS:

- [Report 1: Executive Summary: Verizon’s Manipulated Financial Accounting & the FCC’s Big “Freeze”](#)
- [Report 2: Full Data Report](#)
- [Report 3: SPECIAL REPORT](#) How Municipalities and the States can Fund Fiber Optic Wireline and Wireless Broadband Networks.
- [REPORT 4: Data Report](#) Proving Verizon’s Wireline Networks Diverted Capex for Wireless Deployments Instead of Wiring Municipalities, and Charged Local Phone Customers for It.
- [Report 5: The Hartman Memorandum](#) proves that the FCC’s own cost allocation rules created massive financial cross subsidies between and among the state-based wired utilities, and the companies’ other lines of business, such as special access, or the wireless service.
- [Report 6: The History & Rules of Setting Phone Rates in America](#) —The FCC’s ‘Big Freeze’ details that the FCC has set basic cost accounting expenses to based on the year 2000 and the FCC has never audited or investigated the impacts for 18 years.
- Report 7: [SUMMARY REPORT](#): Verizon Massachusetts & Boston: Investigate the Wireless-Wireline Bait-n-Switch, January 17th, 2017
- Report 8: [Full Report](#): Verizon NY 2016 Annual Report Analyzed, June 2017.

FILINGS:

- [Letter to the FCC for an Investigation of Cross Subsidies as detailed in the Hartman Memorandum](#)

On December 16th, 2015, we filed the first reports in 31 separate FCC proceedings.

- [FCC Filings: Cover Letter, December 16th, 2015](#)
- [FCC List of Proceedings](#)

Verizon State Based Reports and Analysis

- 2012, [“Verizon’s State-Based Financial Issues & Tax Losses: The Destruction of America’s Telecommunications Utilities”](#) where we called for an investigation of Verizon’s financials and the cross-subsidies of its affiliate companies.
- 2013 [Verizon Wireless and the Other Verizon Affiliate Companies Are Harming Verizon New York’s \(The State-based Utility\) Customers & the State.](#)
- 2013 [Investigation of Verizon Wireline and Wireless Companies Business Relations by the New York State Commission](#) — COMMENTS filed by Common Cause–NY, Consumer Union, CWA and the Fire Island Association Call for an investigation using data from New Networks’ research reports.
- 2014 [“It’s All Interconnected”](#) published by Public Utility Law Project, PULP, with David Bergmann, Esq.
- **Note:** [Current Investigation of Verizon New York’s business practices.](#)

ENDNOTES

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- ¹ <https://www.fcc.gov/document/fcc-releases-restoring-internet-freedom-order>
 - ² <http://irregulators.org/bookofbrokenpromises/>
 - ³ <https://www.fcc.gov/document/fcc-releases-restoring-internet-freedom-order>
 - ⁴ <http://irregulators.org/title-2/>
 - ⁵ <http://irregulators.org/section-706/>
 - ⁶ <http://irregulators.org/section706/>
 - ⁷ https://www.huffingtonpost.com/entry/dear-new-jersey-governor-murphy-fix-the-njbpu-make_us_5a4b06e6e4b0df0de8b06c85
 - ⁸ <https://arstechnica.com/tech-policy/2017/03/nyc-sues-verizon-alleges-failure-to-complete-citywide-fiber-rollout/>
 - ⁹ <http://newnetworks.com/20yearssection706/>
 - ¹⁰ <http://newnetworks.com/investigateverizontitleii/>
 - ¹¹ <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7b3C0D0FC7606A-4CD3-B360-EA19179D2008%7d>
 - ¹² <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7bE46EDB40-99B2-4664-8BE4-A9646D09BBBF%7d>
 - ¹³ <http://irregulators.org/wp-content/uploads/2017/06/NYrteportjune22FINAL.pdf>
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