



**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of )  
 )  
Petition for the Dissolution of the )  
Technical Advisory Council )      \_\_ Docket No. \_\_  
and for the Cessation of Commission )  
Activities Related to the Closing of the )  
Public Switched Telephone Network )

**PETITION FOR THE DISSOLUTION OF THE TECHNICAL  
ADVISORY COUNCIL AND FOR THE CESSATION OF  
COMMISSION ACTIVITIES RELATED TO THE CLOSING OF  
THE PUBLIC SWITCHED TELEPHONE NETWORK**

**New Networks Institute  
Teletruth**

**Prepared by:**

**Bruce Kushnick**

[bruce@newnetworks.com](mailto:bruce@newnetworks.com)

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## **Introduction**

TeleTruth and New Networks Institute, organizations representing telecommunications business and residential customers' interests, file this Petition for the Dissolution of the Technical Advisory Council (TAC) and for the Cessation of Commission Activities Related to the Closing of the Public Switched Telephone Network (PSTN). The Petition asks the Commission immediately to disband the Technical Advisory Council as its members have serious conflicts of interest due to their financial relationships with AT&T and Verizon. Further, we request a halt to all of its activities in furtherance of the closing of the Public Switched Telephone Network because the data being used to support this move is flawed and distorted by the industry.

The FCC's current path is doing nothing more than helping AT&T and Verizon remove regulations while dismantling the entire United States communications infrastructure and privatizing publicly-funded assets. This path has impeded our country's economy, disadvantaged us vis a vis the rest of the developed world, and harmed all telephone, broadband, internet, wireless and even cable customers. And continuing on this path can and will create seriously harmful public policies.

The FCC has repeatedly used advisory committees to legitimize the restructuring of the telecommunications sector. These special outside groups consist of industry "experts," academics and representatives from trade associates and non-profits. They



establish legitimacy and are required to follow the Federal Advisory Committee Act (FACA). However, a report by the GAO warns<sup>1</sup>:

“Because conflict-of-interest reviews are only required for federal or special government employees, agencies do not conduct conflict-of-interest reviews for members appointed as representatives. As a result, the agencies cannot be assured that the real or perceived conflicts of interest of their committee members who provide advice on behalf of the government are identified and appropriately mitigated.”

It adds a cautionary note:

“Further, allegations that the members have conflicts of interest could call into question the independence of the committee and jeopardize the credibility of the committee’s work.”

These words speak directly to TAC’s inherent flaws.

TAC’s stated goal is to close down the PSTN. At a December 2011 meeting, it announced<sup>2</sup>: “The FCC should take steps to prepare for the inevitable transition from the PSTN ...” In addition, it argues: “As the number of subscribers on the PSTN falls, the cost per remaining customer increases and the overall burden of maintaining the PSTN becomes untenable.”

However, in truth, this ostensibly “independent” FCC body provides legitimacy to promote an unstated four-fold agenda: (i) to end the long-embraced belief that communications is a public “utility,” (ii) to raise consumer rates, (iii) to remove all remaining regulations, and (iv) to increase industry consolidation. This strategy is clearly evident in the current TAC.

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<sup>1</sup> FEDERAL ADVISORY COMMITTEES Additional Guidance Could Help Agencies Better Ensure Independence and Balance, GAO, April 2004

<sup>2</sup> [http://transition.fcc.gov/oet/tac/tacdocs/Dec2011\\_mtg\\_full.ppt](http://transition.fcc.gov/oet/tac/tacdocs/Dec2011_mtg_full.ppt)



In order to show the problems with the FCC-AT&T-Verizon attack on the American public, we will give very specific examples, with the primary one being the current state-based broadband proceeding in New Jersey that is in front of the New Jersey Board of Public Utilities (BPU). It is a model for just how perverse the current transition of the PSTN has become and how it serves only Verizon and AT&T, not the public, as in the words "Public" Telephone Networks.

In 1992, Verizon, New Jersey made commitments<sup>3</sup> – in writing, that they would rewire 100% of their entire network – the Public Switched Telephone Networks (PSTN)—the state-based utility, by 2010. Verizon, New Jersey would replace the existing copper wiring with a fiber optic wire capable of 45 Mbps in both directions, ‘transforming’ the PSTN “to a public switched network, which transports video and high speed data services in addition to voiceband services."

Verizon, New Jersey’s construction of critical infrastructure was based on receiving massive financial incentives under the alternative regulation plan called “Opportunity New Jersey”. Verizon has not fulfilled its obligations, even if they count their cable service FiOS, which is also being funded directly from the monies being collected to upgrade the PSTN. We estimate that Verizon, New Jersey received over \$13 billion in excess profits and tax breaks from 1992-2009.

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<sup>3</sup> Links to the documents are included in this article.  
<http://www.niemanwatchdog.org/index.cfm?fuseaction=background.view&backgroundid=632>



In March, 2012, instigated by 2 small New Jersey towns, Greenwich and Stow Creek of Cumberland County, the New Jersey BPU issued a show cause order<sup>4</sup> for Verizon to explain why they had not fulfilled their obligations to upgrade the networks.

The failure to properly upgrade the state-based utility plant happened in every AT&T and Verizon state. And moreover, the redefinition of the PSTN happened 20 years ago – in every state.

We believe the goal of the TAC is to remove all regulations which help AT&T and Verizon. We believe that the TAC intentionally or unintentionally does not distinguish between the legal concept of “PSTN” and the technical concepts behind what is now referred to as “POTS” (plain old telephone service). The PSTN has evolved over the years even as the technology has changed. As we will discuss, the definition of the PSTN was changed by 1992 to include broadband, video and all other services over the PSTN wiring and plant.

We believe the TAC has decided to push wireless which helps their members and the deals they have with AT&T and Verizon, and that its plan is to destroy the entire telecommunications infrastructure by fully privatizing publicly funded networks. And TAC is part of a massive campaign being played out by AT&T on both the federal as well as state level whereby AT&T and Verizon are working through the American Legislative Exchange Council (ALEC) to get state laws changed to remove all

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<sup>4</sup> <http://www.teletruth.org/docs/verizonshowcause.pdf>



regulations on AT&T and Verizon, including removing the carrier of last resort obligations.

We also believe there has been a massive failure on the part of the FCC and TAC to investigate the cross-subsidization among the utility and Verizon and AT&T's other companies and affiliates, such as Verizon, New Jersey, the utility with Verizon Wireless, Verizon Online, Verizon Long Distance, Verizon Enterprise Solutions and the other Verizon affiliates who are dismantling the entire PSTN, moving customer-funded assets out of the utility, and at the same time either dumping expenses into the utility or not paying back to the utility its fair share. Based on data from SEC filings, Verizon Wireless may not be as profitable as it being reported, goosing its numbers by charging wireline customers for construction or not paying fees other competitors would pay. This 'affiliate' cross subsidization is also vertically integrating products by creating collusive-ties between the affiliates which, in turn, has been harming the PSTN customers – raising rates unless the customer purchases a package --- which is then deregulated and not counted as an access line, which in turn is harvesting PSTN customers.

And yet, TAC continues to make claims about the PSTN and the customers, even though it is ignorant or worse, designed to directly harm customers.





**1) Massive Collusion of Members can not be Understated.**

The term “conflict of interest” seems to have no meaning in Washington, DC or at the FCC. More so, TAC appears to have been set up by AT&T and Verizon to close down the PSTN.

TAC consists of some 47 members who represent a diverse assortment of players, including telco and cable companies, Internet Service Providers (ISPs) and web services, infrastructure suppliers and equipment manufacturers, trade associations and investment/venture capital firms, academics and a handful of startups.

APPENDIX 1 documents all 47 members, their ties to Verizon and AT&T, their revenues for 2011, and their ‘business’ position, vis-à-vis Verizon and AT&T.

The 2011 revenues from the core 16 companies participating on the TAC was close to \$800 billion; they have a vested business interest in the outcome of the FCC deliberations. More revealing, in addition to their individual corporate interests, the majority of TAC members have financial ties to the telecom duopoly of AT&T and Verizon. (AT&T controls 22 states as they are the major Incumbent Local Exchange Carriers (ILECs) and Verizon has at least 9 states and the District of Columbia as well as three remaining GTE state properties garnered through mergers.



### **TAC Members by Segment and Direct Financial Ties to Verizon or AT&T:**

- Cable Sector:
  - Comcast has a joint marketing deal with Verizon and is selling wireless spectrum to it;
  - Time Warner has a joint marketing deal with Verizon and is selling wireless spectrum to it;
  - Bright House and the aforementioned two cable companies together acquired wireless spectrum and resold it to Verizon for \$3.6 billion.
- Telco & Switch Sector:
  - Harris – partner with AT&T serving public safety agencies;
  - Juniper Networks – partner with Verizon.
- High-tech Sector:
  - Apple, Google and Microsoft have joint sales programs with both AT&T and Verizon for their respective smartphones and tablets.
- Equipment Sector:
  - Motorola – has equipment deals with AT&T and Verizon ;
  - Alcatel-Lucent – Key wireline switch provider; partner with Verizon ;
  - Intel – partner with Verizon.
- Investor Sector:
  - Hummer Winblad – partnered with Verizon Ventures in KIIP;
  - General Atlantic – funded AKQA, a major Verizon Wireless client;
  - New Venture Partners – partnered with Verizon.
- Service Sector:
  - Accenture (formerly Arthur Anderson) – partner with AT&T and Verizon Business Services.
- Non-profits:
  - VON Coalition (“Keep IP communications free from government regulations”) – backed by AT&T;
  - Silicon Flatiron (at the University of Colorado Law School) – backed by AT&T, Verizon and Comcast;
  - National Association of Broadcasters (NAB) and the Consumer Electronics Association (CEA) do not list their membership, so one can only guess whether AT&T, Verizon and Comcast are members.



- Government Sector:
  - DARPA – works with Verizon on federal systems and has worked with AT&T on multiple occasions.

A review of TAC representatives identifies a handful of ostensible competitors, 3 to 5 companies that have a vested interest in the old PSTN and in preserving some form of “public” network, if not meaningful competition. These companies include XO, EarthLink and Level 3 and they account for about \$6 billion in revenue. This is less than 1 percent compared to the nearly \$800 billion in revenues aligned with the interests of AT&T and Verizon.

But it’s far worse when one realizes that some of the members’ other ties are out to destroy the PSTN state by state.

For example:

The Von Coalition<sup>5</sup>, which includes TAC members AT&T, Google and Microsoft, is on the attack in multiple states from California and Colorado to New Hampshire and Wyoming, calling for bans on state regulation of VoIP-based PSTN services even when these are provided by ILECs as functional substitutes for POTS.

VON Coalition activities have included:

- VON letter to Chairman of the California Assembly Utilities and Commerce Committee supporting SB 1161, which would require legislative action before the California PUC could regulate IP communications services.
- VON members meet with key FCC officials to promote their positions in ongoing proceedings impacting the IP communications industry.

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<sup>5</sup> [http://www.von.org/secpgs/03\\_filings/subpages/category/01\\_public\\_filings.html](http://www.von.org/secpgs/03_filings/subpages/category/01_public_filings.html)



- VON letter to Connecticut Speaker of the House supporting legislation (SB 447) that would limit potential state regulation of VoIP.
- VON testifies before the Wyoming Joint Corporations, Elections and Political Subdivisions Interim Committee supporting legislation that would prohibit the state public service commission from regulating IP-enabled services, including VoIP.
- VON testifies about the history of VoIP regulation at the California Senate Committee on Energy, Utilities and Communications Informational Hearing on Apps, Internet Services and the 21st Century Global Telecommunications Network.
- VON testifies before Colorado Senate Committee on Business, Labor and Technology supporting HB 157, which classifies IP-enabled services, including VoIP, as not subject to regulation by the state Public Utilities Commission. PDF
- VON sends letter to NH House Science, Energy and Technology Committee urging passage of SB 48, which would confirm that VoIP services are not subject to regulation.

And there are a host of other groups, lobbying groups, astroturf groups, corporate-funded think tanks that these companies fund. AT&T, Verizon, Comcast and the NCTA (cable association) and the CTIA (wireless association) are all members of American Legislative Exchange Council (ALEC), which designed model legislation that is used by politicians in the various states to directly harm the public interest; in this case, close down the PSTN. The VON Coalition's testimony reveals just how pervasive these skunkworks campaigns are as ALEC appears to have had a hand in every state VON testified.

A further insight into how regulatory capture works at the FCC is revealed in the role played by TAC's chairman, Tom Wheeler. He is an old hand in the inside-the-Beltway game. He served as president of the National Cable Television Association (NCTA) from 1979 to 1984 and was CEO of the Cellular Telecommunications & Internet



Association (CTIA) from 1992 to 2004. After several years at a number of technology start-ups, Wheeler is now a principal with Core Capital Partners. He knows how to corral cats. He recently opined: “PSTN is a casualty of the digital world.”<sup>6</sup>

Reviewing the list of TAC representatives, two sectors are remarkably absent. One consists of PSTN users, which is everyone with a phone service from AT&T or Verizon, and it ranges from large-volume corporate entities to the small mom-and-pop businesses, not to mention inner-city to rural users. It’s their pockets being picked every month that keeps the system going. The other sector consists of public policy and advocacy groups that question the dominant corporatist mindset that pervades the FCC and, in turn, the TAC. They offer a different interpretation of telecommunications and, in a democracy, should be heard. The absence of these two groups speaks to the unquestioned power of regulatory capture.

Although styled a “technology” council, TAC’s true agenda is d to change public policies to the detriment of most American consumers.

## 2) **What are the Public Switched Telephone Networks (PSTN)?**

The FCC’s definition or the PSTN is an embarrassment. It is driven by AT&T and Verizon’s goal to remove all telecommunications regulation and has nothing to do with the reality of the last 28 years.

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<sup>6</sup> [http://www.core-capital.com/tmc\\_jan\\_12.aspx](http://www.core-capital.com/tmc_jan_12.aspx)



The FCC's definition of the PSTN is "POTS", Plain old Telephone Service, and all of the information provided by the FCC, from the number of access lines, to the uses and applications of the network and even the counting of 'wireless-only' households are based on this fiction.

This definition was advocated in 2009 by AT&T as part of its National Broadband Plan filing, claiming that there were 2 networks -- a broadband circuit switched legacy network and the broadband-IP network. AT&T labels the 'legacy network' only POTS.

"AT&T strongly supports a Commission Notice of Inquiry regarding the transition from the circuit-switched legacy network to broadband and IP-based communications. That transition is underway already: with each passing day, more and more communications services migrate to broadband and IP-based services, leaving the public switched telephone network ("PSTN") and plain-old telephone service ("POTS") as relics of a by-gone era."

And it is this document and the manipulation of the data pertaining to access lines that was a driving force for the TAC's investigation into closing down the PSTN.

As we will discuss, the Public Networks are ALL wires, chattel, switches, buildings and all properties of the state-based utility, such as Verizon, New Jersey. It has never been a 'voice only' network as data services have always been offered as part of the PSTN. Moreover, for over 20 years customers have attached data technology, such as fax machines or used a modem to 'dial up' online services, bulletin boards or even the Internet. And let's not forget ISDN, which was 2 channels and a data channel over the



copper wiring, which supported both voice and data applications over PSTN facilities. It was supposed to be used for ‘picture-phones’ or music applications, whether digital or analog – in the 1980’s.

More to the point, the PSTN was redefined back the 1990’s when state laws were modified to have the companies upgrade the PSTN from a mostly copper-based network to a fiber-based network.

For example, in New Jersey the law was changed starting in 1992 to upgrade the entire PSTN to fiber optic services, to be completed 100% by 2010 and it was supposed to be capable of 45 Mbps in both directions. The law states that the PSTN was being “transformed”, to a “public switched network, which transports video and high speed data services in addition to voiceband services.”

This is an indisputable fact. Here is the opening of the New Jersey law and regulations.

"D. NJ BELL'S PLAN FOR AN ALTERNATIVE FORM OF REGULATION MAY 21, 1992 --- NJ Bell's plan declares that its approval by the Board would provide the foundation for NJ Bell's acceleration of an information age network in Now Jersey and referred to by NJ Bell as ‘Opportunity New Jersey’. Opportunity New Jersey would accelerate the deployment of key network technologies to make available advanced intelligent network, narrowband digital, wideband digital, and broadband digital service capabilities in the public switched network, and thereby accelerate the transformation of NJ Bell's public switched network, which today transports voiceband services (voice, facsimile and low speed data), to a public switched network, which transports video and high speed data services in addition to voiceband services." (emphasis added).

And let us be very clear; what is described is a single public network. In its 2001 “New Jersey Infrastructure Report,” Verizon, New Jersey made clear that it operates one



network, not separate networks for “communications” and “information”; one public switched common carrier network.<sup>7</sup>

“By integrating a number of services on a single network, Verizon NJ will continue to make optimum use of our service delivery capabilities. The evolution to the full service ATM [Asynchronous Transfer Mode] based switched broadband network will increase significantly the efficiency of serving New Jersey through automated provisioning and activation processes, increase capacity availability, and result in an even more flexible delivery platform. Verizon NJ’s integrated network of switches, transmission facilities and operating systems provides New Jersey’s residential and business communities with a technologically advanced telecommunications infrastructure that is ready, willing and able to act as the on-ramp to the Information Highway.”

### **3) Sun-setting the Technical Advisory Council – Biased, Atrocious Data and Analysis Used to Harm the American Public.**

In order to demonstrate the current misdirected regulatory path and the flawed and biased work of the TAC, we will draw from the FCC’s report “The Sun-setting of the PSTN”, the presentation made by the Status of Recommendations, September 27, 2011 and the recent “PSTN Transition Issues Work Group” document.<sup>8</sup>

This data and analysis has taken the FCC to a new low, rewriting the history of America’s telecommunications infrastructure, which we believe reflects a deeper purpose

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<sup>7</sup> [In the Matter of the Application of New Jersey Bell Telephone Company For Approval of its Plan for an Alternate Regulation](#), Decision Docket Number T092030358, 4/14/03

<sup>8</sup> <http://transition.fcc.gov/bureaus/oet/tac/tacdocs/TAC-WG-Ques-5-9-12.pdf>  
<http://transition.fcc.gov/bureaus/oet/tac/tacdocs/TAC-WG-Descriptions-and-proposed-members5-8-12.pdf>





to cater to large corporate interests, while deceiving the American public as to what is really at stake.

**A) There was No Mention of the Word “Utility”.**

The Public Utilities are the PSTN and the word “public” is there for a reason. And yet, there is absolutely no recognition that the PSTN is a utility in any document. The designation of a Public Utility carries with it a set of protections and regulations that recognize its essentiality and the public’s dependency on its use. The FCC has never made findings that American consumers have adequate, affordable alternatives and therefore no longer require a PSTN to meet their telecommunications needs, nor could the FCC make such findings using correct definitions and data rather than the skewed, self-serving data and hype that has been foisted on and credited by regulators (unknowingly, unquestioningly and willingly) by the industry masters of manipulation.

Public Utility ratepayers, moreover, have funded and therefore have a proprietary interest in the network infrastructure that is systematically being privatized with a regulatory free hand by Verizon and AT&T, perhaps the largest swindle in the history of the world.

**B) The Council Supplies No Definition of the Term PSTN.**

Not once in a document talking about closing down America’s entire telecommunications system is there one concise, well thought out description of the PSTN. Instead we get ‘systems of record’, a term that is meaningless. Is that the ‘utility’? Then why didn’t the FCC say utility?



“For decades, the PSTN has had such dominant penetration (>90%) in U.S. households and businesses that, it is de facto, one of our national “systems of record” for achieving social and economic goals related to communication. The assumption that such goals can be achieved via the PSTN was based on its high level of penetration and some of those goals, such as universal service, created a positive feedback loop that further reinforced the central position of the PSTN.”

**C) Basic Statements of Fact Are Embarrassing.**

The FCC TAC states that “broadband digital services” is the goal of closing down the PSTN.

“Broadband digital services, attained through a multiplicity of systems that transfer digital information (cellular, WiFi, other RF, xDSL, cable, fiber, etc.). To meet our national goals these may collectively have to achieve certain targets with respect to universal penetration, reliability, emergency pre-empt, etc.”

In 1992, this is the definition of “Broadband Digital Services”, as presented in the New Jersey law.

“Broadband Digital Service — Switching capabilities matched with transmission capabilities supporting data rates up to **45,000,000 bits per second** (45mps) and higher, which enables services, for example, that will allow residential and business customers to receive high definition video and to send and receive interactive (i.e., two way) video signals.”

Meanwhile, DSL, deployed in the 1990’s, was a bait and switch in most states as the companies not only failed to properly upgrade the PSTN to fiber but instead rolled out an inferior product over the old copper wiring, starting in the late 1990s.



In fact, AT&T and Verizon have both announced that they are ‘abandoning’ DSL<sup>9</sup> as part of the closing of the PSTN. And Verizon and AT&T also announced that they have stopped expanding their FiOS<sup>10</sup> and U-Verse<sup>11</sup> service. Ironically, even Wifi is a wired service as all Wifi requires a wired, broadband uplink connection to work. The business strategy is clear: to migrate PSTN customers to expensive wireless data plans to pad the corporate bottom line, as shown by Verizon Wireless’ recent revamping of its pricing structure. Any individual Smartphone customer now will have to pay a monthly access fee of \$40 for unlimited voice and text and purchase a data plan starting at \$50/month for 1 gigabyte of data usage. Adding on taxes and surcharges, the entry point for a Smartphone customer is about \$108/month. Millions of Americans who require a Smartphone to check daily job postings, etc. on the Internet cannot afford to pay Verizon’s price (AT&T is already hinting that it will follow suit). How does this trend jive with the FCC’s vision for a broadband capable future for all Americans?

**D) TAC Failed to Examine the PSTN’s History and Upgrades Over the Last 20 Years.**

The TAC writes:

“To meet our national goals these may collectively have to achieve certain targets with respect to universal penetration.”

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<sup>9</sup> <http://www.telecompetitor.com/verizon-confirms-its-plans-to-abandon-dsl/>

<sup>10</sup> [http://www.washingtonpost.com/blogs/post-tech/post/verizon-ends-satellite-deal-fios-expansion-as-it-partners-with-cable/2011/12/08/gIQAGANrfO\\_blog.html](http://www.washingtonpost.com/blogs/post-tech/post/verizon-ends-satellite-deal-fios-expansion-as-it-partners-with-cable/2011/12/08/gIQAGANrfO_blog.html)

<sup>11</sup> <http://www.dslreports.com/shownews/ATTs-Stankey-Uverse-Build-Virtually-Over-114279>



This is a joke, right? By the year 2010, the entire state of New Jersey was to be completed with fiber optic services capable of 45 Mbps in both directions. But this is only one state.

In 2009, the FCC tasked the Columbia Institute for Tele-Information (CITI) to do "an analysis of the public statements of companies as to their future plans to deploy and upgrade broadband networks as well as an historical evaluation of the relationship between previous such announcements and actual deployment". The FCC adds that the focus is on data analysis of "investment plans and deployment figures of upgraded broadband infrastructure in this century".

CITI's historical evaluation only goes back to 2004. After talking to CITI we agreed to create a separate report to cover fiber optic promises for the period of 1990-2004 because, in many states, the changes in state laws are still on the books for deployments and there have been current rate increases based on the previous fiber optic based-broadband deregulation.

"The History, Financial Commitments and Outcomes of Fiber Optic Broadband Deployment in America: 1990-2004: The Wiring of Homes, Businesses, Schools, Libraries, Hospitals and Government Agencies"<sup>12</sup> was filed as part of the National Broadband Plan. We requested that the FCC hold a workshop to discuss this failure to properly upgrade the entire US PSTN plant, as customers paid about \$340 billion dollars for these upgrades.

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<sup>12</sup> <http://www.newnetworks.com/FCCCITIBroadband.pdf>



The next exhibit highlights some of the broadband commitments by what is now AT&T, Verizon and Centurylink, with the data taken directly from the companies' own materials and state-based alternative regulation plans and laws.

**Exhibit 1**  
**Announced Verizon, AT&T and Centurylink**  
**Upgraded Residential Subscribers, 1994-2000**

	Total By 2000
AT&T	
Ameritech	6,000,000
Pacific Telesis	5,500,000
South Western	5,600,000
BellSouth	5,600,000
SNET	1,000,000
Verizon	
NYNEX	5,000,000
Bell Atlantic	12,000,000
GTE	2,800,000
US West (Centurylink)	2,600,000
Total	46,100,000

*Sources: AT&T, Verizon and Qwest Annual Reports and Announcements.*

About ½ of the entire US was supposed to be upgraded by the year 2000. In virtually every state, laws were changed to give the companies massive financial incentives to upgrade the PSTN; billions per state. In every case, the company never fulfilled their obligations, even though state laws were changed to supply excess profits for new construction.



As we also pointed out, multiple state laws had obligations to rewire either the entire state or all schools, libraries or hospitals or both. Again, this was an upgrade of the PSTN, not a separate network and certainly not funding a cable service, which is actually illegal in multiple states as the law specifically states that competitors to the PSTN were not supposed to be ‘cross-subsidized’. And this is not ‘old news’, as New Jersey has an active investigation, while Pennsylvania’s completion of their ‘fiber optic network’ was supposed to be completed by 2015.

For example, here is a sample of state commitments made to customers that appeared, not only in state laws but also in ‘video dialtone’ filings with the FCC for ‘permanent’ deployments of video services over the PSTN.

**Exhibit 2**

**Sample of Verizon and AT&T States: Promised PSTN upgrades to Fiber Optics.**

Massachusetts	330,000 lines
Pennsylvania	100% if the state by 2015
New Jersey	100% of the State by 2010
Maryland	100% of the state by 2010
Ohio	100% of schools, libraries and hospitals by 2000
California	5.5 million homes wired by 2000.
SNET	1 Million homes by 2007.

And note: The FCC has never investigated the issues pertaining to customer-funding of broadband via these state-based alternative regulation plans. We first filed about this issue in 1999, even though the materials we present are from primary sources, including the phone companies’ materials, state laws and regulations, etc.



We Ask:

- Where's the TAC's call from the members to upgrade the entire U.S. infrastructure?
- Where's the TAC's call for investigations into why these networks were never properly upgraded or the monies collected to do these upgrades?
- Where's even a mention of these state-based alternative regulation plans or the commitments made in almost every state?
- Why is there a massive disconnect between the TAC goal "To meet our national goals these may collectively have to achieve certain targets with respect to universal penetration" and the actual data we just supplied?

#### **4) Discussion of TAC's Flawed Access Line Accounting**

**TAC writes:**

- "By 2014, the United States will have fewer than 42M access lines – Access line losses were nearly 6.6 million between 2Q09 and 2Q10, a drop of 7.3%."

At the end of 2006, the last date the FCC published total lines, there were 379 million lines. Since that time the FCC has refused to count actual installed lines; instead the FCC's analysis of access lines is based on a subset of total lines. And all of the presented data is an access line accounting fiction that has been promulgated by AT&T, Verizon et al for over a decade.



- In some states this fiction has been used to stop paying property taxes.
- In some states it has been used to get rate increases.
- And access line accounting, as well as the flawed data being used for ‘wireless-only’ impacts, is being used to close down the entire PSTN in all states.

If POTS is not the whole PSTN, then “access lines” should include ALL services that are part of the PSTN.

But all of this is tied to the manipulation of the information supplied by AT&T and Verizon. This is AT&T’s information for first quarter 2012. AT&T claims that they lost over 5.2 million ‘switched access lines’ in 1 year or over 12%.

“At March 31, 2012, our total switched access lines were 35.4 million compared with 40.6 million at March 31, 2011.... Our total broadband connections were 16.5 million at March 31, 2012 and 2011. U-verse High Speed Internet subscribers totaled 5.9 million at March 31, 2012, a 60.9 percent increase over the year-earlier quarter. At March 31, 2012, the number of U-verse video subscribers totaled 4.0 million, with a net gain of 200,000 subscribers in the first quarter of 2012. ...The number of U-verse voice connections (which use VoIP technology and therefore are not included in the access line total) increased by 164,000 in the quarter to reach 2.4 million.”

But then, reading the rest of the information, AT&T doesn’t count its other ‘voice phone calling’, which uses “VOIP” technology for “U-Verse” so it is not counting 2.4 million lines; these services go over the identical PSTN wires that were already in place. Nor does it go into the additional 60% increase of ‘high-speed subscribers’, which





also goes over the same wire and which would add 5.9 million lines, or the 4 million 'video subscribers', which also goes over the exact same PSTN wire.

Each of these areas is a major stream of money --- direct revenue to AT&T over the PSTN wire that was in place, as U-Verse relies solely on the PSTN wires; AT&T never replaced the wires with fiber optic services.

When the dust clears, AT&T's PSTN is bringing in multiple revenue streams, not to mention substitution VOIP services that are NOT being counted. Or to flip this, AT&T is lying about its voice connections because when a customer leaves the "Switched" line and goes to VOIP, it looks like a loss of a line, thus inflating the line accounting losses.

The FCC's accounting follows this basic shell game with the numbers, as it doesn't count the majority of lines.

**A) Line Losses: The FCC's Own Data Collection Show that the "Switched" Lines Are a Subset of Total Lines.**

Let's us be very specific about the FCC's presentation and access line accounting. The following chart is based on the FCC's Statistics of Common Carriers, which was an annual report published by the FCC to give basic data about the phone companies' businesses, from access lines to revenues. First published in 1939, the last data the FCC collected on phone lines in America was for 2006 and published in 2008. It showed that there were 379 million access lines at the end of 2006 and that only 34% were "switched access" lines. This is as compared to "Special Access" lines (or equivalent channels)



which were 250 million. (While Special Access lines are not specifically “switched” telephone lines, they represent a major part of the Public Network overall and are critical to providing both wireless and broadband services.)

NOTE: The FCC has not been responsive to our repeated pleas to a) update this data and b) include all lines in their line accounting.

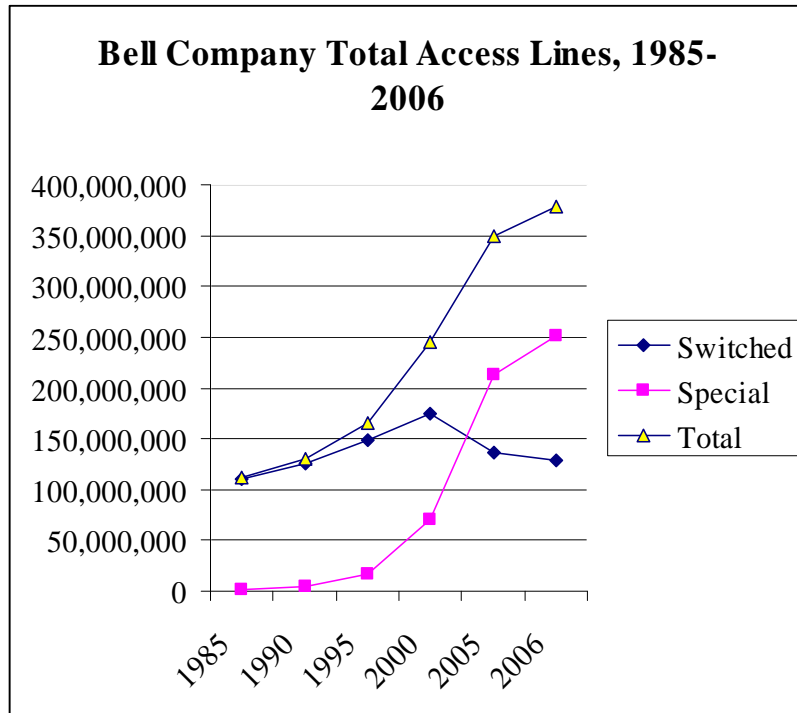
This example, using FCC data for the last 2 decades shows that since 1984, “Bell Switched Access increased 17%”, but that total lines increased 247% by 2006.

**Exhibit 3**

**Bell “Switched” Lines Vs Bell "Total Lines", 1985-2006  
(In the millions)**

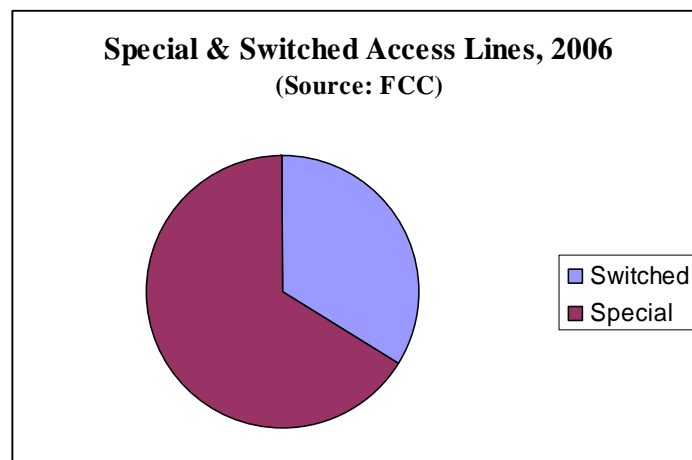
	1985	1990	1995	2000	2005	2006	change
<b>Switched</b>	110,153,844	126,388,961	148,410,289	174,178,811	136,292,186	128,645,200	17%
<b>Special</b>	1,390,896	4,035,297	17,603,651	70,604,556	213,138,243	250,621,476	17919%
<b>Total</b>	111,544,740	130,424,258	166,013,940	244,783,367	349,430,429	379,266,676	240%
<b>switched %</b>	99%	97%	89%	71%	39%	34%	

*Source: FCC using phone company supplied data.*



NOTE: One other very interesting thing about these numbers – in just one year, 2005 to 2006, Special access channels increased by 38 million; there was only a 7 million line loss of switched access lines – a total gain of about 30 million equivalent lines. Also, the FCC data fails to separately account for high-capacity Special Access circuits of each size (e.g., voice-grade, DS1 and DS3), and also fails to account for the huge growth of “forbearance” services that are sometimes a substitute for Special Access. These make use of the same Public Network infrastructure facilities and are extremely profitable, but are unregulated and thus do not show up in carrier line counts.

And just to reinforce how much of the actual total lines are missing in the FCC's data, here is a pie chart, where "special Access" is almost 2/3 and 'switched access is only 1/3 of total equivalent lines. Again, this is FCC available, published data.



NOTE: We have presented this information to the FCC multiple times.

**"Special Access"** is not 'special', as it can be items like an alarm circuit or a dedicated data line used for an ATM machine. More importantly, most of these services still travel over the PSTN wiring.

Special Access is also important because wireless services require a circuit (a wire) from the cell tower that aggregates the calls and sends them to the wireless switching centers and other parts of the wireless networks.. Cell phone traffic is voice calling as well. They may be business lines being rented from the incumbent, but shouldn't the FCC know about all lines that are using the PSTN wires, whether they are data or voice, end-user residential or business, or even business to business, before closing down the entire PSTN?



**B) State Examples of Access Line Accounting from FCC’s Reports**

Here is another example of total access lines vs. the subset “switched access”, this time by state from the same FCC Statistics of Common Carriers, report using 2006 data, (the last data the FCC collected and made public) supplied by the phone companies.

**Exhibit 4  
FCC Statistics of Common Carriers, Verizon New York and New Jersey  
December 2006.**

	<b>Verizon NJ</b>	<b>Verizon, NY</b>
Total Switched Access Lines	4,909,917	7,960,486
Total Access Lines (Switched and Special)	21,319,502	42,993,193
	23%	19%

It shows that in Verizon, New York and New Jersey the “switched” lines were only 19% and 23% respectively of the total lines. Thus, this information clearly shows that Verizon is only using “switched” access and not the total lines, which include special access lines when it discusses its line losses.

The idea that 81% of lines in New York and 77% of lines in New Jersey are not counted, even though almost all of these services go over the same PSTN wiring, seems lost on the FCC.

What does all this mean? DSL, FIOS, and “special access” lines are not being included, making the line counts meaningless as they are no longer counting the wire but through a regulatory sleight of hand, they can omit whole classes of services.

The FCC’s narrow approach to evaluating the PSTN, then, is to only deal with voice wireline calling and therefore to help AT&T, Verizon and the other



telecommunications incumbents carry out their profit driven plan to close down America's entire utility telephone system.

The FCC will argue that this is about a change in technology – Poppycock. An alarm circuit, an ATM data line and others millions of lines traverse the PSTN wiring, even if they can be 'non-switched'. Also, when other services are added to regular voice lines, Verizon stops counting them as switched access lines as well, even though the lines are used for voice calling over the PSTN.

**And let us be very specific:**

- U-Verse, AT&T's 'advanced' network cable service goes over the copper wiring – the PSTN wiring. When U-Verse is turned on, is that line no longer being counted as part of the PSTN accounting, even though it's the same exact wire?
- When Verizon pulls the copper wiring out of service and replaces it with the fiber optic wire –that was supposed to be part of the upgrade of the PSTN as stated in New Jersey law, is that line an 'access line'?
- When a customer drops the second line because purchasing DSL, where 1 wire becomes 2 separate channels – A voice channel and a data channel – is either of the channels counted as an access line?
- Is DSL, when added as a standalone line, being counted as an access line?



- When a customer orders a package over the same exact copper wire and they also get DSL, does that access line remain in the accounting?
- When a customer, using the same exact copper wire, uses the service for an alarm circuit or some other 'special access' line, is it counted as an access line?
- If the same copper wiring is used by a customer for Custopak, a phone service with additional feature to mimic Centrex, is it counted?
- Are Centrex lines counted, even if they go over the same exact PSTN wire?
- If U-Verse is being used for Internet service, broadband or cable service, is any line being counted as an access line, or even a special access line or an 'access line equivalent'?

The FCC's TAC has made zero inquiries into the basic accounting of access lines and there is no discussion of the types of lines and services that are and have been part of the PSTN since its inception. The FCC has stopped even requiring a full accounting of ALL lines, or at least has not made the data it has collected public.

**We ask: How many PSTN wires are not being counted?**



C) **What is An ‘Access Line’?**

The issue of types of lines that are and are not counted gets even more perverse when we go back to the original state alternative regulations for broadband.

“Access lines” were ALL lines, including fiber optic lines, and this was the PSTN, not some second network.

Let’s go through two specific state examples:

Verizon, Pennsylvania has a current commitment to have rewired the entire state of Pennsylvania by 2015. The law specifically stated that this was to provide ‘broadband’ services and capability over ‘access lines’.

“Bell has committed itself to construct this network and deliver broadband services to its customers within only a few years. On July 18, 1995, the Commission entered an Order, which approved Bell's Second Supplement to its Network Modernization Plan in its **Alternative Regulation** proceeding (Docket No. P-00930715).<sup>13</sup>

“Under the Network Plan, as modified, Bell committed to provide a broadband network to at least 20% of all access lines in its urban, suburban and rural areas by 1998.<sup>14</sup> On this network, Bell stated its customers will have "45 Mbps necessary for upstream digital video transmission and the 45 Mbps necessary for downstream digital video transmission."<sup>15</sup> Thus, Bell pledged to construct a two-way video network -

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<sup>13</sup> Investigation pursuant to Section 3005 of the Public Utility Code, 66 Pa. C.S. 3005, and the Commission's Opinion and Order at Docket No. P-00930715, to establish standards and safeguards for competitive services, with particular emphasis in the areas of cost allocations, cost studies, unbundling, and imputation; and to consider generic issues for future rulemaking , Docket No. M-00940587 , PENNSYLVANIA PUBLIC UTILITY COMMISSION , 1996 Pa. PUC LEXIS 91; 172 P.U.R.4th 201

<sup>14</sup> n91 Order of July 18, 1995 Slip Op. at 6.

<sup>15</sup> n92 Id. at 16.





a network with much greater capacity than now exists - and deliver this network to at least 20% of its access lines within a few years.”

And the state law was very clear. This upgrade was an upgrade of ‘access lines’.

“Percentage of access lines that are providing broadband.”<sup>16</sup>

[\*12] services or have broadband available [sic] (ability to access broadband service within five days), which shall be determined by **dividing the total number of access lines in each category which have broadband availability by the total access lines in that category.** (Emphasis supplied)

“We conclude that the measurement of Bell's progression to universal broadband capability should give percentages referenced to access lines in the various categories, urban, suburban and rural, as well as percentages referenced to total access lines. This minor reporting methodological consideration, based on our review of the information contained in NMP-2, allows the Commission to establish an accurate, interim measurement standard for the monitoring of Bell's progression to 100% deployment.”

Besides Pennsylvania, which was then Bell Atlantic, NYNEX also made clear that their commitments to upgrade the state with fiber optics was about ‘access lines’ not a separate network – but was ‘introducing fiber based technologies to access lines’.<sup>17</sup>

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<sup>16</sup> Re: **Bell Atlantic** - Pennsylvania, Inc.'s Petition and Plan for Alternative Form of Regulation Under Chapter 30.; Gene Molino; Roy F. Clouser v. **Bell Atlantic** - Pennsylvania, Inc. Docket No. P-00930715; P-00930715C001; P-00930715C002 PENNSYLVANIA PUBLIC UTILITY COMMISSION , 1995 Pa. PUC LEXIS 55

<sup>17</sup> New England Telephone and Telegraph, Commonwealth of Massachusetts, Docket 95-40, Testimony, John Killian, Vice President, NE Tel, Massachusetts.



- 6) Deploy fiber facilities to meet customer demand the main campuses of all colleges and universities by year end 1998;
- 7) Deploy fiber facilities to meet customer demand to all psychiatric, chronic and critical care hospitals by year end 1998; and
- 8) Deploy fiber facilities to meet customer demand to all industrial office parks by year end 1998; and
- 9) Complete interoffice fiber network by year end 1998

B. In addition to the specific infrastructure improvements in A above, NYNEX will immediately begin deploying a broadband network within the Commonwealth by introducing fiber-based broadband technologies to 330,000 residence and business access lines in the Commonwealth.

The fact that none of the residential fiber optic services were ever built in either state, (much less the wiring of hospitals, medical facilities or even colleges and universities) during the timeframe stated should have been investigated a decade ago. But more importantly, there was no mention of any state-based commitments pertaining to the upgrading of the PSTN, in the current FCC PSTN examination which clearly shows a failure of the FCC to do due diligence on what exactly constitutes the PSTN



## **TIMELINE**

### **D) CONCLUSION: Timeline for the "Redefining" of the PSTN.**

What can we conclude from these cross-referencing the various state-based definitions of the words 'Access Lines'?

The FCC is now using a bastardized version largely created in 2009 to help remove regulation on the PSTN and the TAC has embraced this new version, which only furthers the master plan of AT&T and Verizon in as much as the PSTN was never 'POTS' only.

Based on the state-based examples, and other data, we believe that this is the timeline and manipulation of the data that brought us to this unholy place.

### **D 1) 1990's the Access Lines are all Lines.**

During the 1990's the PSTN was based on "access lines" that were broadband or to be broadband -- The PSTN and broadband were the same. There was no 'voice only' distinction, nor was the PSTN POTS. As the New Jersey state law made clear in 1991, the PSTN was being 'transformed' to provide broadband for video and data, as well as 'voice-band' services.



Also, as told from the Pennsylvania Public Utility Commission's analysis of Verizon's commitments to upgrade the PSTN, the accounting of "access lines" -- which were to add broadband capability to their customers' existing services.

"Pursuant to the Network Plan, Bell committed itself to provide a broadband network to at least 20% of all access lines in its urban, suburban and rural areas by 1998. On this network, Bell will offer its customers "45 Mbps necessary for upstream digital video transmission and the 45 Mbps necessary for downstream video transmission." n94 Thus, Bell envisions constructing a two-way video network and delivering 45 Mbps transmission capabilities to at least 20% of its access lines within a few years."

#### **D 2) The Late 1990's adds "Access Line (Voice Grade) Equivalents"**

During the mid-1990's, the companies created a new term "access line equivalents" or "voice grade equivalents", which were established to increase the line counts. According to SBC, voice grade equivalents that included data circuits were a more accurate approach to growth than compared to simply looking at the installed lines.

"Given the growing importance and magnitude of data revenue streams and circuit volumes, access line growth has become less than a comprehensive measure of strength in the market. The development of Voice Grade Equivalents (VGEs), which include data circuits, provides a consistent and quantifiable means for bridging the gap between access lines and data services."

Again, this was all one network and the companies were using this to explain the data part of their business. There was no 'separate POTS, only service and no separate



data networks.

### **D 3) Cry Poverty and Line Losses, 2000-2001**

In 2000-2001, SBC merged with Ameritech and Verizon was created with the merger of Bell Atlantic and NYNEX, and each company claimed that they needed these mergers to compete out of region – meaning compete in each others' territories. They also claimed that they would be using the same wholesale services like "UNE-P" to compete in each others regions for wireline services—They both lied. There was never any direct serious competition out of region at the time.

At this point, however, they started to downplay their 'access line equivalents' and in fact got rid of the accounting over the next few years. Instead, the companies started to focus on the 'line losses', which at this point was nothing more than shifts in businesses.

For example, the companies separated the lines that competitors rented as 'wholesale' lines, as well as the traditional 'voice lines from the 'other lines'.

This 'cry-poverty-and-losses' was done to close the networks from competitors after they merged (and so they wouldn't have to compete), but to keep their newly found long distance business, which they had fought to enter since 1984. (The Telecom Act of 1996 had opened their networks, and in exchange they could offer long distance once each state's PSTN was open to competition.)



This started the deceptive accounting as the companies did not include their "DSL service with residential lines", so as to distort the access line accounting to look like there were losses. And so, the companies claimed that they were "losing lines" and thus needed to get new regulations to close the networks that were opened by the Telecom Act of 1996.

In exhibit<sup>18</sup> below we see that BellSouth's (now part of AT&T) residential line statistics shows a decline from 17 million lines in 1999 to 16.8 million lines in 2001--- a drop of 1.3%.

#### **Exhibit 5**

##### **BellSouth Residential Phone Lines, with DSL and Wholesale 1999-2001**

	1999	2000	2001	change
Residential	17,002	17,135	16,773	-1.3%
Residential with DSL	17,032	17,350	17,394	2.1%
DSL with wholesale	17,848	18,658	19,131	7.2%

But the BellSouth residential phone line category does not include the number of DSL lines it has in service. And if you look at "Residential with DSL" you see that the number of phone and data services were increasing.

The issue was "line-sharing" --- The same copper wiring could now supply both the DSL service as well as the voice phone service. In the case of a "second line" into the

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<sup>18</sup> <http://www.teletruth.org/docs/PROFITSREPORT2002.doc>



home, Bell physically put an additional piece of wire into the home. If someone had a second phone line for their Internet, they could get rid of the extra charges and just have the DSL service added on to the already existing first line.

The Bell companies also left out another critical piece of the picture: "Wholesale Lines". This was when a competitor used the same copper wiring that the Bell phone service used to offer a local customer phone service. With a wholesale line, the competitor was essentially renting the already existing phone line and was paying usually high fees to do this. The Bell companies did not include these lines in their calculations of access lines. If you examine the "DSL with wholesale" you see that these services - which used existing copper wiring but still provided Bell companies with revenue - had grown 7.2%.

This was a major scam, as we noted in multiple previous documents and it's clear that the accounting was done to manipulate public policies. By 2005, the entire wholesale market was decimated as was line sharing as the Bell companies persuaded the FCC to block competitors from using the PSTN wires, even though the Telecom Act of 1996 had opened the networks.



**D 4) AT&T's Petition in 2009<sup>19</sup> -- AT&T Claims There's Two Networks and One Is Just POTS -- Nothing Else.**

By 2009 AT&T started its claims that there were 2 networks -- a broadband circuit, switched legacy network and the broadband-IP network and labels the 'legacy network' only POTS.

“AT&T strongly supports a Commission Notice of Inquiry regarding the transition from the circuit-switched legacy network to broadband and IP-based communications. That transition is underway already: with each passing day, more and more communications services migrate to broadband and IP-based services, leaving the public switched telephone network (“PSTN”) and plain-old telephone service (“POTS”) as relics of a by-gone era.”

And it is this document and the manipulation of the data pertaining to access lines and that spurred the TAC’s investigation into closing down the PSTN.

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<sup>19</sup> <http://www.newnetworks.com/ATTharms.pdf>

A National Broadband Plan for Our Future, GN Docket No. 09-47, GN Docket No. 09-51, GN Docket No. 09-137 COMMENTS – NBP PUBLIC NOTICE #25, COMMENTS OF AT&T INC. ON THE TRANSITION FROM THE LEGACY CIRCUIT-SWITCHED NETWORK TO BROADBAND





## 5) **Wireless-Only Issues**

The wireless only data being promulgated by the TAC is essentially worthless.

For example, the TAC writes.

### **Observations:**

- Wireless substitution for landline was 29.7% at the end of 2011<sup>20</sup>

Really? This number was derived from the Center of Disease Control's analysis and is, well, garbage. The FCC's wording, is missing the words – "residential" and "voice only" calling, and even then it is not correct.

### **B) 'Wireless-Only' Businesses have not been Counted or Analyzed.**

How many business customer have gone 'wireless only'? Does the FCC no longer have wireline services? How about Congress or the Department of Justice? How about the grocery store in Du Pont Circle?

The FCC provides no information about wireless-only businesses. However, it is clear that businesses, in general are NOT wireless only. One has only to walk down Main Street USA to see that businesses have, for example, alarm circuits as well as ATM machines and both require land lines currently. In fact, alarm companies as well as ATM companies we've interviewed can not even use VOIP services.

**CONCLUSION: This analysis leaves out an entire category of users – Businesses.**

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<sup>20</sup> FCC's Status of Recommendations, September 27, 2011



**B) Residential and Business Customers that are categorized as Wireless-only aren't Wireless-Only.**

Next, the FCC has decided to rely on counting 'residential-voice only' to claim those wireless-only households are almost 1/3 of America. Unfortunately, this data did not ask whether these households have cable or broadband, or Internet or anything else that requires a wire.

A [research report](#) from Strategy Analytics<sup>21</sup> found that about 6 million U.S. households rely on wireless (including 3G or 4G) to exclusively connect to the Internet. Out of 120 million households, this would indicate that 'wireless-only' households are only 5% of the US as it's clear that there still could be a wire in the customer's home for broadband, internet or cable.

**C) Wireless-Only Assumptions by the TAC are without Merit.**

Meanwhile, the FCC's TAC makes a host of its own assumptions why wireless is replacing wireline. The TAC writes:

- Much of the population regard wireless as a replacement, and viable alternative to the PSTN with greater service options.
- Willingness to move to wireless is not significantly different between rural and urban populations
- Wireless provides good E911 support, and potential for more options (texting)
- Wireless has an attractive CAPEX structure compared to wireline
- Wireless provides much greater capabilities than wireline

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<sup>21</sup> <http://www.marketwatch.com/story/strategy-analytics-6-million-homes-now-using-wireless-as-only-broadband-service-2011-12-14>



**D) Competition –Wireless Can’t Compete with Wireline.**

- Wireless provides much greater capabilities than wireline.
- Much of the population regard wireless as a replacement, and viable alternative to the PSTN with greater service options.
- Willingness to move to wireless is not significantly different between rural and urban populations.

The next table details the differences in cost and capabilities of wireless and wireline. It shows that if a customer were to use Verizon’s Home Fusion (Cantenna) instead of, say, cable or DSL or FIOS, wireless can’t compete. If someone were to just use Cantenna for basic cable service it would cost \$780.00. And because of bandwidth caps, wireless can’t compete with DSL or Verizon’s FiOS, or AT&T’s U-Verse.

**Exhibit 6**  
**Verizon Home Fusion (Cantenna) Vs FiOS and DSL**  
 (All prices based on web site info, June 25<sup>th</sup>, 2012)

<b>HomeFusion</b>			<b>FIOS</b>			<b>DSL</b>	
<b>Data Allowance</b>	<b>Speed Range</b>	<b>Price</b>	<b>Speed (MBPS)</b>	<b>Price</b>	<b>Cable channel</b>	<b>Speed Range</b>	<b>Price</b>
	5–12 Mbps						
	2-5 Mbps up					.5-1Mbps	\$19.99
10GB		\$60.00				3.1–7Mbps	\$29.99
20GB		\$90.00	15down/5up	\$94.99	285	7.1–15 Mbps	
30GB		\$120.00	50down/5up	\$119.99	370		
Over 1 GB		\$10.00					
Phone				included		DSL & phone	\$54.99



NOTES:

- The exhibit attempts to match the services based on a price range.
- Home Fusion speed is the same range for all services
- Home Fusion has a ‘data allowance’, which is the amount of data capacity that comes with a specific plan.
- FiOS and DSL do not have a ‘data allowance’ at this time.
- All DSL Speeds are a range. Verizon provides no download or upload differences.
- While some Verizon documentation shows 3 different speeds of DSL, the web site only supplies 2 plans.
- FiOS has fixed speeds (in MBPS)
- All prices do not include taxes, fees, and surcharges, (range 6%-40% extra)
- All prices do not include upfront or installation fees or equipment

The FCC again is comparing apples and oranges. Since the FCC has no data about Internet, broadband or cable usage, only phone service, it simply assumes that customers are stupid and will spend hundreds of dollars extra when there are cheaper options.

Wireless can’t do the speed of, say, FiOS, it isn’t as cheap as DSL, nor can it compete with cable. And if you think everyone wants ‘small screens’ with bad resolution on an unreliable wireless network, then the FCC hasn’t bothered to actually talk to customers.

**E) FCC: Wireless has an Attractive CAPEX Structure Compared to Wireline --- NOT.**

Maybe the FCC should actually do its due diligence before it speaks. AT&T’s 2010 Annual Report had a disturbing “Management’s Discussion”, which stated that the wireless division’s profit margins increased based on what looks like dumping expenses into the wireline division.



“Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations-Continued Dollars in millions except per share amounts ...”Historically, intersegment activity had been reported as revenue in the billing segment and operating expense in the purchasing segment. Upon consolidation, the intersegment revenue and expense were eliminated with the consolidated results reflecting the cash operating and depreciation expense of providing the intersegment service. As part of AT&T’s ongoing initiatives to manage its business from an external customer perspective, we no longer report intersegment revenue and report the cash operating and depreciation expense related to intersegment activity in the purchasing segment, which provided services to the external customer. While this change did not impact AT&T’s total consolidated results, the impact to each operating segment varied. In particular, the Wireless segment, as a purchaser of network, IT and other services from the Wireline segment, experienced a reduction in cash operating expense partially offset by increased depreciation expense with the net result being increased operating margins.”

Where are the FCC audits for cross-subsidization? Where’s the data pertaining to the treatment of the affiliates and the state-based utility? The FCC’s is not making good on its promise of data-driven decision making.

**F) Wireless as a Better Choice for E911?**

TAC writes:

- Wireless provides good E911 support, and potential for more options (texting)

When someone registers for Digital Voice from Time Warner – which is VOIP, the customer is told they must listen to a recording to ‘verify’ that they understand that VOIP services, like Time Warner or FiOS, can not be trusted in a power outage because VOIP is not powered like a regular POTS line.



“Time Warner Cable Digital Home Phone is not a self-powered service. During an electrical power outage, your Digital Home Phone service, including any medical or security alert service and E911 service, may not be available.”<sup>22</sup>

And this is only one of many problems with VOIP. Many ATM machine companies as well as Alarm and Security companies require the customer get a ‘hardline’ because their services do not run using VOIP.

**G) The Benefits of Wireline – Better Health, More Money.**

We leave you with this piece of data from the Center for Disease Control’s Wireless-only survey. If you keep your phone line you will smoke less, drink less, not be as ‘stressed out’ and have more money to pay for medial care when needed.

This information is about as accurate as all of the other information presented by the CDC on phone service.

**Exhibit 7  
Health-Related Behaviors, Wireline vs. Wireless-Only**

	Wireline	Wireless
Five or more alcoholic drinks in 1 day at least once in past year	17.2%	31.5%
Current smoker	15.3%	24.4%
Experienced serious psychological distress in past 30 days	2.8%	4.1%
Ever been tested for HIV	31.9%	43.5%
Failed to obtain needed medical care in past year due to financial barriers	5.8%	13.0%

<sup>22</sup> <http://www.timewarnercable.com/SoCal/support/policies/phonebatterybackup.html>



**6) The Dismantling of the PSTN and Overcharging Customers.**

Probably the most disturbing aspect of the TAC analysis is the failure to acknowledge just how Verizon and AT&T have been dismantling the PSTN, privatizing assets and moving them out of the utility while at the same time dumping expenses into the utility.

In the previous section we discussed the ‘wireless-only’ analysis and quoted AT&T, which explained that it was goosing its wireless profits at the expense of the wireline customers.

But this is only the tip of the iceberg of financial hanky panky being played out using the utility customers as not only funders of deregulated products, but most importantly that these products are then privatized with no accountability to the customers.

Our report "Verizon's State-Based Financial Issues & Tax Losses"<sup>23</sup> outlined how five of Verizon's states -- New York, New Jersey, Massachusetts, Rhode Island and Pennsylvania were showing billions in losses for 2009-and 2010, but when the ‘affiliate transactions’ are analyzed, it shows how the affiliates manipulated the PSTN's profits, revenues and expenses. Taken directly from the companies' state-based SEC filings, we found that:

“In just the last two years, 2009-2010, Verizon's state-based SEC filings reported over \$5.4 billion of losses in just 5 states — New York, New Jersey, Pennsylvania, Massachusetts and Rhode Island — and an ‘income tax benefit’ of almost \$2 billion. (Adding projected 2011 losses could

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<sup>23</sup> <http://www.newnetworks.com/Verizonshellgame2012.pdf>



bring the total to \$9.5 billion with a tax savings of \$3.4 billion) Using these losses, Verizon went back to some of state public service (utility) commissions, such as New York, to raise local phone rates billions of dollars. In some states, like New Jersey, Verizon is also claiming they no longer have to pay property taxes to many municipalities.”

More to the point the PSTN’s profitable areas have been moved out the utility, so that the benefit goes back to corporate and not the state utility and its ratepayers.

“These losses are of the state-based phone utility networks, sometimes called the Public Switched Telephone Networks (PSTN). They are being created, it seems, by the manipulation of money and assets through Verizon’s affiliates and subsidiaries, from Verizon Wireless or Verizon Enterprise Solutions which provides long distance, or Verizon Online, which offers Internet service. It appears these separate subsidiaries are not paying their fair share back to the state utility for the use of the networks, are dumping expenses into the utility’s accounts, while at the same time are shifting assets out of the utility into these separate subsidiaries, which in turn creates massive financial losses on paper. It also seems that Verizon Services, the corporate parent, is dumping billions of dollars in expenses, which could include executive pay and lobbying fees or even foundation donations and legal fees, exacerbating the state-based losses.”

Nothing could make this clearer than what happened in New York state – where customers paid for ‘fiber optic’ upgrades through the raising of PSTN local service rates. This is a quote from the NY State Department of Public Service that specifically points out that the ‘fiber optic’ services are being paid for by rate increases. New York State Department of Public Service, June 2009<sup>24</sup>

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<sup>24</sup> CASE 09-C-0327 – Minor Rate Filing of Verizon New York Inc. to Increase the Monthly Charges for Residence Local Exchange Access Lines (1MR and 1FR) by \$1.95 per month, State Of New York





“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.”

If the PSTN is separate from the ‘broadband networks’ than how can Verizon charge customers for the development of that product through the PSTN customers? And these rate increases are now standard throughout the US.

- The FCC’s TAC failed to investigate or examine the flows of money as the dismantling of the PSTN’s products and services.
- The FCC has essentially allowed massive cross-subsidization of ‘deregulated’ products being paid for by ‘PSTN’ customers, even though according to the FCC the PSTN is just POTS.

The FCC has stopped requiring data be supplied by AT&T or Verizon about any of the PSTN or the affiliate transactions and has removed the ability of anyone to examine the data, allowing the phone companies carte blanche to harm customers.

This paragraph from TAC says it all. It shows that the FCC has a total disregard for basic facts and is manipulating the data and analysis, thinking no one would notice. With details like ‘new services like ‘messaging’’, or talking about voice calling vs. using



the online services—which have been available over the PSTN for the last 20 years, it clearly demonstrates the FCC’s tortured construct for sun setting the PSTN.

“In addition to the availability of alternative mechanisms for voice communication there are now new services, a number of which have high levels acceptance and use within U.S. households and businesses that could provide equivalent or even vastly superior means of achieving some of the social and economic goals previously attained via the PSTN. Among others, these new services include: messaging services such as IM/SMS; mature applications like email; social networking services such as Facebook, Twitter, and many others; web ...Furthermore, since the PSTN does not provide anything close to the services and capabilities of many of the replacement technologies, new national-scale social and economic opportunities may be enabled through near universal adoption of some of these technologies. For example, in the past it has been argued that universal access to voice telephony was essential to helping unemployed individuals gain access to job opportunities. Today, it is hard to imagine, how a job seeker could be effective without access to Internet-based job postings and social networking. Similarly, social networks, GIS applications, and similar software services have proven themselves to be effective tools in providing critical national capabilities in dealing with problems such as large-scale disasters.”

The PSTN is not just voice service. The "N" stands for networks, the wires that have been carrying data and voice since 1984. And the “P” stands for Public, which the FCC has decided to disregard at every turn. The idea that the FCC has decided to close down the PSTN because it couldn’t bother to actually deal with this fact and is instead now simply parroting AT&T and Verizon’s deceptions should make us all ashamed.

Therefore, we request that the FCC close down the Technical Advisory Council immediately and stop all proceedings to sun set the PSTN.

Respectfully submitted: Bruce Kushnick, August 3<sup>rd</sup>, 2012,  
[bruce@newnetworks.com](mailto:bruce@newnetworks.com), 718-333-5161  
185 Marine Ave, Brooklyn, New York 11209



## APPENDIX 1

### Technical Advisory Council Members, Conflicts of Interest, Group 1

This was created via searches by typing in the name of the member, then Verizon and/or AT&T. It is not a 'complete' list and does not list all financial ties to AT&T and Verizon. The "billions" were revenues for 2011 as stated in SEC filings. An "X" in the AT&T or Verizon column indicates some financial ties to the companies. "Ties" indicates the type of technology deal with AT&T or Verizon.

Member	Ties to AT&T or Verizon	Type	AT&T	Verizon	Ties	billions
AT&T	Controls 22 states	phone				\$ 127
Verizon	Controls 10 states +GTE and Alltel	phone				\$ 111
Comcast	<a href="#">Selling wireless spectrum -Verizon,</a>	cable		X	wireless	\$ 56
	<a href="#">Comcast Verizon Wireless Products</a>			X	wireless	
Time Warner Telecom	Time Warner Telecom	cable			wireline	\$ 1
Home Box Office	FiOS sells HBO	content		X	cable	\$ 29
(Time Warner Cable)	U-Verse sells HBO		X			
	Time Warner cable, sells HBO.			X		\$ 20
	<a href="#">Verizon Sells Time Warner cable</a>	cable		X		
	<a href="#">Verizon buys TW Spectrum</a>			X	wireless	
Cisco Systems	<a href="#">Verizon Wireless Teams Up</a>	equipment		X	wireless	\$ 44
	<a href="#">AT&amp;T 3G MicroCell:Cisco</a>		X			
Google	<a href="#">Partners with Verizon on phone</a>			X	wireless	\$ 38
	Merger Agreement with Motorola					
Motorola	<a href="#">Motorola -Verizon Wireless alliance</a>	hardware		X	wireless	
	<a href="#">Motorola AT&amp;T phones</a>		X		wireless	
Microsoft	<a href="#">Microsoft Debuts AT&amp;T's Mango</a>	software	X		wireless	\$ 76
	<a href="#">Verizon Live TV On The Xbox 360</a>			X		
	<a href="#">Verizon New FiOS TV-Powered</a>					
Intel Corporation	<a href="#">Google, Intel and Verizon partner</a>	hardware		X		\$ 54
Apple	<a href="#">Partners with AT&amp;T on wireless</a>	hardware	X		wireless	\$ 190
	<a href="#">Partners with Verizon on wireless</a>			X	wireless	
Qualcomm	<a href="#">AT&amp;T Qualcomm airwaves</a>	wireless	X		wireless	
	<a href="#">nPhase, -Verizon Wireless</a>			X	wireless	
Alcatel-Lucent	<a href="#">Verizon 4Gventure forum --</a>	investment		X	wireless	
	<a href="#">Phone supplier to AT&amp;T</a>	hardware		X	wireless	15
	<a href="#">Verizon mobile</a>			X	wireless	
<a href="#">Accenture,</a>	<a href="#">Accenture- Verizon Business</a>	consulting		X		\$25
	<a href="#">AT&amp;T Launch Medical Imaging</a>		X			
<a href="#">Harris Corporation</a>	<a href="#">AT&amp;T and Harris Alliance</a>	security	X		wireless	\$6
Juniper Networks	<a href="#">Verizon-deal</a>	networks		X	wireless	\$4



## Technical Advisory Committee Members, Conflicts of Interest, Group 2

“C” column was added for ‘competitor’ or “?” for we don’t know at this time.

Member	Ties to AT&T or Verizon	Type	AT&T	VZ	Ties	billions	C
<a href="#">Bright House Networks</a>	<a href="#">Verizon bought spectrum</a>	cable		X	wireless		
DARPA	<a href="#">Verizon FNS DARPA</a>	gov		X	all		
	AT&T DARPA		X				
<a href="#">New Venture Partners</a>	<a href="#">Verizon 4Gventure forum</a>	investment		X	wireless		
<a href="#">Hummer Winblad</a>	Kiip-, Verizon Ventures	investment		X			
<a href="#">General Atlantic</a>	<a href="#">AKQA Verizon Wireless</a>	investment		X	wireless		
	<a href="#">Hewitt Honored by AT&amp;T</a>		X				
<a href="#">VON Coalition</a>	AT&T, Microsoft, and Google	association	X		VOIP		
<a href="#">Silicon Flatirons</a>	<a href="#">AT&amp;T, CenturyLink, Verizon</a>	academic	X	X			
CEA	Consumer Electronics Asc.	association		X			
	CEA doesn’t list members		X				
NAB	National Asc. of Broadcasters	association		X			
	(NAB doesn’t list members)		X				
GENBAND	<a href="#">bought pat of Nortel VOIP</a>	VOIP	X	X			
<a href="#">Tiversa</a>	<a href="#">security attachment for Mcfee</a>	security	X	X			?
<a href="#">Liberty Global, Inc</a>	<a href="#">John Malone</a> Chair, sold TCI to AT&T, now Comcast	cable	X		cable	\$10.1	?
	<a href="#">Libertycablevision PR</a>						
<a href="#">Insight Venture Partners</a>		investment					?
<a href="#">American Radio</a>	American Radio Relay League	association			Ham radio		
<a href="#">OPASTCO</a>		association			wireline		C
<a href="#">ATSC</a>	Advanced TV Systems Com.	association					
<a href="#">CAIDA</a>		association					
<a href="#">David Clark, MIT</a>		academic					
<a href="#">Wincom</a>	Wireless research committee	academic			wireless		
<a href="#">Marvin Sirbu,</a>	Carnegie Mellon Special Gov.	academic					
<a href="#">WV Broadband CO-OP</a>		Start up			Wired wireless		C
<a href="#">incNetworks</a>		Start up			wireless		
<a href="#">YuMe</a>	Intel partners	Start up					?
<a href="#">OpenTechWorks</a>		consulting					?
<a href="#">Dyna LLC</a>	Wireless -inventors				wireless		
<a href="#">Loral Space</a>		network			satellite	\$1	C
<a href="#">WildBlue Comm</a>	subsidiary of Viasat	satellite			Satellite	\$1	C
<a href="#">XO Communications</a>	<a href="#">XO Communications</a>	CLEC			wireline	\$1	C
<a href="#">Level 3 Communications</a>		CLEC			wireline	\$4	C
<a href="#">EarthLink</a>		ISP			wireline	\$1	C

**Tele**  
**Truth**

