

New Networks Institute

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New Networks Institute Presentation for: [NY Speaks: A Hearing on Our Rights to Connect & Communicate.](#)

It is time to take a pro-active stance to solve Net Neutrality and other communication's issues as well as stop the Time Warner-Comcast and AT&T-DirecTV mergers. New Networks Institute (NNI) has uncovered new documents and data and we are calling for investigations and legal/regulatory challenges.

Solving Net Neutrality: The FCC Must Investigate Verizon's Use of Title II as a Cash Machine Today; Verizon has Deceived the FCC, Public and the Courts.

1) Verizon's FiOS is Based on a Title II, Telecommunications, Common Carriage, FTTP Network.

LEGAL AUTHORITY TO CONSTRUCT FIBER TO THE PREMISES

Verizon New York Inc. ("Verizon"), as a common carrier under Title II of the Communications Act of 1934 (the "Act"), constructed its *Fiber To The Premises* (FTTP) network as an upgrade to its existing telecommunications network.

Verizon told the FCC that Title II harms investments. And yet, Verizon is using the Title II classification today in every state as a cash machine for their fiber optic deployments, which includes FiOS, as well as the fiber optic wires to-the-cell-towers.

2) Verizon NY Basic Phone Customers Had Rate Increases for Title II Networks

Verizon uses Title II because it gets the utility rights-of-way for free and can charge regular phone customers multiple rate increases (84% since 2006) for "massive deployment of fiber optics", even though 80% of the municipalities in the state will never get upgraded. These increases hit all customers, including seniors and low income families. NYSPSC, 2009.

(Commission) today authorized Verizon New York Inc. (Verizon) to increase its monthly charges for certain residence local exchange access lines by \$1.95 a month, and to allow those charges to go into effect on June 20, 2009.

"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."

3) Verizon Created a Financial Shell Game Using Title II.

The Connect NY Coalition, which includes Common Cause and Consumer Union, filed a [petition with NY State](#), July 2014, to investigate Verizon's cross-subsidies of the state utility and the affiliate companies, including Verizon Wireless and other Verizon subsidiaries. This Petition is based, in part, on New Networks Institute's reports on Verizon's financial and business practices, including our report for Public Utility Law Project, (2014). They write:

“There is significant evidence challenging the notion that legacy systems are money losers, and evidence indicating that even if they are, the losses have been inflated by accounting techniques. There is reason to believe that providers are cooking the books. If true, the consumers of the state are being either manipulated or defrauded.”

Since this time, NNI has obtained more documents, data and created new analyses which will be released in the next few weeks. This same investigation needs to be carried out in every state and at the FCC and by Congress. NOTE: We assume AT&T is doing the same financial game; they have been able to hide their financials from regulators.

4) The Broadband Bill of Rights: Open the Networks Now

The Telecommunications Act of 1996 opened up the phone networks to direct competition; it allowed customers to choose their own phone, broadband, Internet and even cable service provider. However, there was little enforcement.

- In 2001, New Networks Institute and a team of analysts, lawyers as well as customers created the “The Broadband Bill of Rights”.
- In 2002, Congressmen Nadler's office worked with us to develop proposed legislation that is, in fact, directly tied to Net Neutrality issues.
- <http://teletruth.org/Broadband%20Bill%20of%20Rights.htm>

Unfortunately, the FCC closed the networks to competitors in 2004-2005 with onerous re-regulation, which caused Net Neutrality issues. Today, customers can't choose their own ISP, broadband or cable provider over the wires.

If the networks are Title II, and if customers have been funding the network investments, then it is time to reopen the networks giving customers choice and lower rates. Period.

Time Warner & Comcast Should be Investigated—Now.

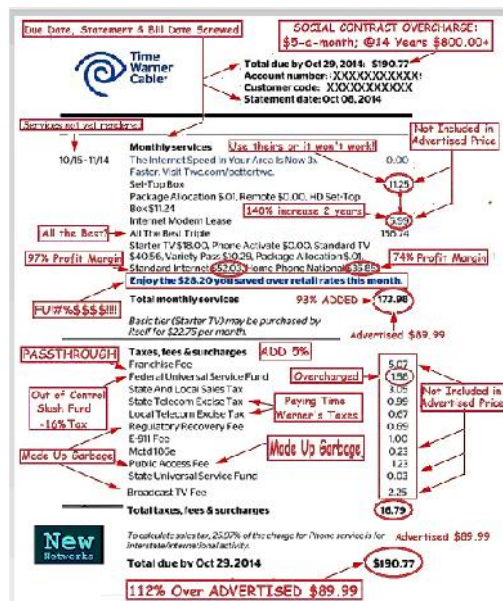
4) Investigate the Social Contract

In 1995, Comcast and Time Warner signed an agreement with the FCC, known as the “Social Contract”. They were allowed to raise rates up to \$5.00 a month to pay for upgrades and for the wiring of schools. The Comcast Social Contract states:

"Comcast will provide a free service connection to each public and private school located within 200 feet of Comcast's activated cable plant. Comcast will provide a service connection at cost to public and private schools beyond 200 feet of its activated cable plant. Comcast will also provide a free modem and free modem service to all such schools within a year after Comcast makes personal computer-based Internet access service via cable commercially available to residential customers...Additional internal wiring to serve additional outlets in any school will be provided at cost."

When a contract expires, the billing for services should stop. We can find no indication that the companies stopped billing customers the additional \$5.00 per month. Moreover, we can not find any accounting of the wiring of schools. This appears to indicate that customers have been overcharged about \$800.00 per household and counting -- and that schools were never properly upgraded—costing billions in extra Universal Service Fund taxes.

1) **Time Warner Triple Play Advertised \$89.99. Now \$190.77** [Click for Full Size.](#)



In just two years, the price of this basic “triple play” package went from the advertised of \$89.99 to \$190.77, and the advertised price can never, ever be obtained by a customer. This bill proves there is no competition to lower rates, that company has created made up fees, is allowed to pass through their own taxes or franchise fees, and hide everything via deceptive billing practices. We call for an investigation now, before any merger.

Insult to Injury: Time Warner’s High-speed Internet had a 97% profit margin in 2013.

For details see: [“The Book of Broken Promises; \\$400 Billion Broadband Scandal & Free the Net”](#)