

Investigate Verizon's Fiber Optics, Cable Competition and Opportunity New Jersey

This summary and chapter about New Jersey's fiber optic failure is from the upcoming “\$200 Billion Broadband Scandal”, published by Teletruth, January 2006. Teletruth has also filed a complaint with the FTC using this material, claiming that deceptive statements about fiber optic deployments made by Verizon changed state laws and led to billions per state in excessive phone charges and tax breaks. Teletruth requests that the New Jersey state legislature, and Attorney General’s Office to investigate our claims. The state was sucker-punched once. — Don’t let it happen again.

Background: Starting in 1991, Bell Atlantic New Jersey claimed that rewiring the state with fiber optics would be a serious boom to the economy, jobs, education, not to mention cable competition. The state legislature passed a law in 1992, followed by an Order by the state Board of Public Utilities in 1993, to essentially change the original “rate of return” regulation, to another form that only examined some of the profits of the companies, known as “alternative regulations”. It gave Verizon a lot more profits.

Fiber Optic Commitment by Verizon:

- In 1993, Verizon made the commitment to replace the existing copper wiring with the 100% fiber optic services, delivering 45 Mbps services, in both directions. Verizon’s FCC filing shows that 384 channels would be available, starting in January 1995.
- By 2006, over 75% of the state should have been rewired, including schools and libraries, 100% rewired by 2010.
- Bell Atlantic claimed it would be spending over \$11 billion dollars by 2000, to have 8.75 million households wired by 2000. Verizon, (with GTE and NYNEX), was supposed to have spent \$15.6 billion for 17.5 million homes by 2000. — None of the promises were ever fulfilled.

The Primary Issues:

- Why is this a fraud case? The networks couldn’t be built in 1993 at the stated cost and the work was never continued or completed.
- 0% of households have a residential service that can deliver what was promised in 1993.
- Customer over-paid an estimated \$2000 per home, \$5-\$6 billion in higher phone rates and perks.
- Harm to the Economy: These actions cost the New Jersey economy an estimated \$150 billion dollars in new growth. It also helped to put large New Jersey-based companies into bankruptcy.
- Collusion? Verizon had cut deals with almost every other state. Instead, they cut all fiber optic service deployment to homes, in 13 states, as a result the Bell Atlantic-NYNEX merger.

Verizon LIES.

How do we know Verizon lied to the state? Verizon, of course. On May 19, 2004, Verizon claimed that it was only now directly connecting to homes with fiber optics.

"Verizon has begun installing in Keller a new technology known as fiber to the premises (FTTP), which uses fiber-optic cable and optical electronics to directly link homes and businesses to Verizon's network. The fiber-optic connections will replace traditional copper-wire links.... Although the use of fiber-optic technology is common throughout the telecom industry, Verizon is the first company to begin using it to directly connect homes and businesses to the network on a widespread scale."

Promised	Delivered
Fiber to the home	Network fiber with no on-off ramps.
45 Mbps in both directions	DSL at 1/100 the speed over old copper.
75% Households wired by 2006	0% households wired with 45 Mbps.

- **DSL: The Bait and Switch:** DSL is an inferior technology and was considered so in 1993. DSL goes over the old copper wiring, and can't handle high-quality video. There was no need to wait a decade for DSL. Also, "ADSL" is a mostly one way product, and has speeds 50-100 times slower than what was promised. Customers were promised a Ferrari on the Info-bahn, and got a skateboard on a dirt road.
- **Long Distance The Second Bait and Switch.** It is now clear that the upgrading of the networks was done to allow the company to offer long distance services in the state.

Construction & Staffing Verizon has been making statements about their construction budgets and staffing that are misleading. Before ONJ, the phone company was spending \$600 million, now they are spending only \$400 million, down 35%. NJ Bell staff as listed in their Annual Reports was only 8,300 in 2003, — down 45% since ONJ. Verizon claims 15,000 but that includes wireless.

	Reality	Claim	Cuts
Number of Staff	8,300	15,000	45%
Construction Budgets	\$600	\$411	35%

The FIOS Fiasco: A Bait and Switch

The Verizon ONJ Commitments vs FIOS

	Promised to Customers	FIOS, 2005
First deployment -- video	1996	A decade late, still doesn't work.
Households wired.	75% of the state	"0" — 45 Mbps services.
Speed, Bi-directional	45 Mbps	Up to 30 Mbps/ down -5 Mbps
Price	\$40 bucks	\$179.95 - \$199.95
Video	384 channels	NOT AVAILABLE YET
Layout	All Areas Equally	Wealthy Areas Mainly
Open or Closed?	Open To ALL Competition	Closed to ALL Competition

A Few Essential Points Need to be Stressed:

- 1) Under Opportunity New Jersey, over 75% of the state should have already been wired. Today, "0" households were offered the services promised in 1993.
- 2) FIOS is over a decade late – that's right. The fiber debut was to be 1996, not 2006 in New Jersey.
- 3) Speed: FIOS is not even close to the speed promised in 1993. Today's FIOS is essentially a one-way service, with the upstream being 5 Mbps or less, and the top speed of 30 Mbps.
- 4) FIOS Video Services are NOT available in New Jersey yet.
- 5) The ONJ Service promised had 384 digital channels. FIOS has 180 video and music channels.
- 6) Price: FIOS 30 Mbps service cost \$179-\$199 a month, not \$30-50 dollars. How is the FIOS price a 'consumer product'?
- 7) FIOS is a Closed Network. Customers funded an 'open to all competitors' network with 'common carrier' obligations. FIOS does not allow competitive services, video, etc.
- 8) Verizon Pick and Choose vs Universal, Ubiquitous Service. The original ONJ was to wire all communities, urban, suburban and rural, equally, not just the richest communities.
- 9) Customers were overcharged \$2000.00 per household already for a service that they still can't get and may never be available in their neighborhood, if at all.
- 10) No Guarantees: FIOS may never be rolled out. There are no firm commitments to do anything.

Teletruth is a nationwide customer alliance, focusing on broadband and consumer issues. Teletruth was a member of the FCC Consumer Advisory Committee (2003-2004) and has gotten back millions of dollars for New Jersey small businesses through our auditing services and data that led to class action suits against Verizon, New Jersey. To read our extensive chapter on New Jersey see:

<http://www.teletruth.org/docs/OpportunityNJ.pdf> or visit Teletruth at <http://www.teletruth.org>