Teletruth News Analysis, August 12th, 2009

Verizon, New York, Is Hosing its Local Service Customers, Especially Seniors and Lifeline Customers through Major, Unjustified Rate Increases. ---This is Big. This is a Big Scam.

Since 2003, Basic Local Service Has Gone Up 90%; Since 1980, the Total Bill Is Up 596% for the Exact Same Service.

The State of New York Department of Public Service Should Be Investigated for Failure to Protect the Public from Verizon Overcharging.

Is Verizon's FiOS destroying utility property when the copper wire is removed? Should Verizon be charged for this act and the use of the public utility network? Is it Legal to Increase Local Utility Rates to Fund a Cable Service?

The Story:

There is a basic law of free market economics – Companies can not continually raise prices when there is competition. Competition lowers prices, right? Not for Verizon.

I'm sitting here examining a local phone bill insert from Verizon New York – and virtually every charge has price increases starting June 20th, 2009. Remember, local service is not one service but lots of services, from 411-directory assistance, in-state toll calls, inside wire maintenance, or calling features including Call Waiting or Caller ID, to name a few.

See portions of the insert: http://www.newnetworks.com/verizonrateincreases.htm

Since 2003 there have been continuous increases. Basic local phone service has gone up 90%, (not counting heavy taxes and surcharges). Verizon convinced the New York State Commission over the last 5+ years that there is serious competition. Verizon also claims that they are losing lines, has lots of competitors, is losing money on local service and they are even rolling out broadband. Shouldn't we all be happy?

What about packages and bundles, VOIP, wireless or the cable "triple" play? Besides the fact that packages are fraught with 'truth-in-billing' violations, where the price quoted is not the price actually charged, that the prices quoted are a "gimme", a promotional price that only lasts a year, or that 80% of customers are on the wrong plan, paying extra for services they don't need or use, there exist whole classes of customers, such as seniors, Lifeline customers and small businesses, who only need local service. Instead, they are being squeezed. Known as "Harvesting", customers are forced to either cry uncle or get a package or are hosed.

This trend of unjustified price increases being foisted on phone utility customers is not only happening in New York or even by Verizon. Virtually every Verizon, AT&T and Qwest state is now considering or has been granted massive rate increases, claiming there is competition; the data being used is based on ‘losing phone lines’ or other voodoo analyses.

The NY State DPS claims that “competition will spur innovation, promote investment and will continue to add to customer choice.” Instead, what has happened is that Verizon has created a ‘competitor’, FIOS, to the local phone utility and it is draining the utility, not only cutting lines, but also using the construction budgets that are supposed to be upgrading the public utility networks. FiOS is closed to competition, not ‘ubiquitous’ in deployment, and the irony – it is being funded through rate increases of the utility with little or no benefit to the actual local service customer.

In short, the motto for local phone utility customers should be “Please Sir. May I have another?” It is outrageous and, as we will discuss, these increases are made up via manipulated data about competition and financial losses, combined with a Public Service Commission that has rubber stamped unwarranted rate increases, and these increases have impacted seniors and those who can least afford “affordable” local phone service the most.

How did utility local phone service become the high-cost provider?

First, a bit of history.

In 1980, local service in New York City cost about $8.50 and it came with a phone, the wire in the home, 6 free directory calls and a $4 local call allowance. Local phone service was a monopoly and the Public Service Commission was in charge of making sure that utility prices are “fair and reasonable”.

Today, *(removing the phone rental) the cost of the exact same service is a whopping $53.11 a month --- a total of 596% increase since 1980. However, because of faulty deregulation since 2003 ‘basic’ local service is up 90%, inside wiring up 103%.

Click to see Verizon’s local phone service cost timeline, 1980-2009, which is based on actual phone bills.
http://www.newnetworks.com/Verizonphonebill1980-2009.htm

Tele Truth

Some of the costs and increases are outrageous by any measure. For example, Call Waiting is now $6.75; Caller ID is now $9.50. Call Waiting cost less than 1 cent to offer; Caller ID cost less than a few pennies.

Click to see an analysis of the cost of BellSouth's (now AT&T) calling features as presented by the Florida Public Service Commission in 1999, a decade ago. Costs today are supposedly much lower.
http://www.newnetworks.com/BellSouthcallingprofits.htm

And other services? Toll Calls (calls within the state) are now $.21 a minute, while each call costs fractions of a cent to provide. Directory Assistance is now $1.50 per call with tax – up 1530% since 1980. The cost to offer directory is $.15-$.30 a call. Considering the company got the 411 networks for free in a sweetheart deal and gives no free calls anymore, having a profit margin of 600% isn't too bad, is it?

And let's not forget the taxes. The "Universal Service Fund" tax is now at an all time high of 12.9% tax on all 'interstate' service, (230% increase since 2000). Other federal and state and local taxes and surcharges add an additional 18+% in New York City.

In fact, prices should have been in steep decline. New construction for local service is down over 60% since 2000, while employees working for network customers are down over 70% since 1984, when compared to the increases in revenues. Verizon and AT&T had 220% overall increases since 1984.

To see "25 Year Analysis of Key AT&T, Verizon and Qwest Financial Indicators"
http://www.newnetworks.com/attverizontwentyfifth.htm

There are some major points to cover:

1. There is no serious, stand alone local phone service competition for the utility product. There are no 'free market' forces to lower rates; thus unbridled rate increases continue throughout the state.
2. While packages and bundles may save money for high volume users, packages are fraught with truth-in-billing violations, 'gimme' promotional prices that can then increase 50%, or the fact that the majority are on the wrong package or bundle, thus spending more overall.
3. There are whole classes of customers including seniors, low income families, Lifeline customers, small businesses and just regular phone users who rely on the utility local phone service. They are being squeezed into either being overcharged or are forced to go to a more expensive package. Seniors, for example, use less broadband and cable services and may not even have a cell phone.

4. There is a duopoly, at best, for broadband; local service is still controlled by Verizon. The cable companies only have 18% of the local phone market nationwide, though it varies by location, and they control the cable market. Wireless is not a substitution for local phone service for many customers.
5. Teletruth and UCAN's California survey of 700+ phone bills in San Diego Ca, shows a serious lack of competition and faulty deregulation, causing raising phone prices.
6. Unbridled deregulation and market consolidation caused vertical integration and "tying" of products; Anti-trust violations abound.
7. Verizon has created a competitor to Verizon the utility – It is the fiber-based broadband product, FIOS. The Company is currently draining and harming the utility product. Price increases are going to fund an "interstate information service" --- broadband, which does not have the original obligations of the utility, as well as a 'cable' service, FiOS TV.
8. The New York Public Service Commission first 'deregulated' local service, claiming there is competition. This analysis uses hand-waiving and voodoo economics with no actual facts. The recent analysis claims that Verizon is losing money on local service, but a closer examination shows that the State is manipulating the data, leaving out key areas of highly profitable services.
9. The Public Service Commission's actions are 'squeezing' customers, and have specifically hurt seniors, small businesses, and others who rely on the utility product for local service.
10. Verizon has manipulated data on 'losing lines' to make the case there is 'serious competition'. In fact, Verizon's access lines have increased.
11. Is Verizon's FIOS destroying utility property when the copper wire is removed? Should Verizon be charged for this act and the use of the public utility network?
12. Verizon's original deregulation in the 1990's was based on the agreement that the company would be upgrading the utility product with fiber optic services. It was to be ubiquitous, throughout the state in rural, urban and suburban areas equally, and it was to be 45mbps in both directions and handle 800-1000 channels. It was open to all competitors. FiOS is not open to competitors; it is not being deployed throughout the state (only 70% at best) and is now the 'private property' of the company for personal use.

1) There Is No Serious Stand Alone Local Phone Service Competition For The Utility Product.

There are no companies offering the equivalent stand alone local service. No one is advertising stand alone local service, based on advertisements to the public or snail-mailings sent. Verizon doesn't advertise the service. But Verizon and the Commission will claim that there are lots of competitors.

2) Packages and Bundles May Save Money For High Volume Users, But Have Serious Truth-In-Billing Violations.

Packages are the only way a customer can get lower local prices. The raising of the local rates, then, is a squeeze play. It requires the customer to pay more until the customer screams ‘uncle’ and purchases a package *(which are also going up in price), or gets hosed.

Verizon offers numerous packages that bundle local, long distance, DSL/broadband, Internet, satellite, and now cable service and even wireless service. Unfortunately, Verizon’s packages are also fraught with ‘watch outs’. For example, Verizon offers “Verizon Triple Freedom”, with the price listed of $79.99. It includes local and long distance calling, Internet with broadband (high-speed at a speed of 1 mbps) and Dish satellite service.

See the insert for the package: http://www.newnetworks.com/verizoninsert.htm

However, this price is a truth-in-billing violation as it doesn’t include an estimated 30% extra in taxes, fees, (including the obligatory FCC Line Charge for $6.42 which doesn’t go to the FCC but is direct revenues to Verizon) and other questionable charges. And there is no mention of what happens to the price after one year, when prices go up. Worse, when the customer calls Verizon and asks what a new service is going to cost in toto, Verizon says that it is too complicated to do because of ‘taxes and surcharges’, even though Verizon does give a customer a bill when the service starts. A ‘calculator’ to do this calculation is trivial to build and to supply to the customer representatives.

Next are the cable companies offerings; the only other provider of a wire to the home. In New York City they are Time Warner and Optimum and among others. They do not compete with each other.

Time Warner has a triple play (which is 5 services --- local, long distance, broadband, Internet connectivity, and cable service). The cable company does not sell local phone service as a stand alone product.

Cable packages are also fraught with consumer peril and truth-in-billing violations, among other issues. For example, Time Warner is now selling the ‘triple’ play for $33 a month per service or $99 a month *(up $10 since May 2009). Sounds cheap until you realize that in the fine print it outlines that this price is a ‘gimme’; a promotional price that goes away in a year and raises most prices almost 50%.

3) Whole Classes of Customers, Including Seniors, Low Income Families, Lifeline Customers, Small Businesses and Just Regular Phone Users Rely on the Utility Local Phone Service. Bundles Are Not an Option.

Let's be more specific – The Senior and Lifeline Utility Customer.

Why do these continuous price increases screw seniors the most? Well, seniors use stand alone local service. To date, there is only old or spotty data to rely on, but it is clear that:

b) 65% of seniors were not online or even 'had access to the Internet' in 2007. (Seniors are 'people 65 and older'. Census data was released June 2009 using 2007 data)
c) Seniors are not heavy users of telecom or broadband services and thus do not get the benefits of bundling.
d) Seniors are more likely to use some services, like 'inside wiring', which went up 103% in price since 2003 and calling features. Seniors and Lifeline customers in California had over 40% with inside wiring, which is an extra fee even with Lifeline.
e) Many of the increases harm Lifeline customers as many of the 'extra' services are not covered under Lifeline, but are charged regular retail rates, including all calling features and inside wiring.
f) Seniors are less likely to have a cell phone much less use cellphones as their 'primary' phone. AARP's last report (2005) claimed only 37% even had a cell phone.
g) According to the NCTA, the cable association, in 2009 only 65% of US population has cable service; thus seniors aren't going to get the triple play from the cable companies.
h) The recent DTV transition claimed that 18+% of households were 'over-the-air' TV users, and it is clear that the majority of 'over-the-air viewers' were seniors and low income families. The Association of Public Television Station pinned the number at almost 25% of Americans aged 65 and older received their TV over the air.

In short, seniors are less likely to have broadband; thus VOIP; bundling is not an option to get lower local service if it requires cable, or broadband or even Internet. And wireless is not a substitute.

How many seniors, low income, Lifeline and general utility customers with stand alone service are impacted?

4) Comparing the Installed Base of Products: Local, Long Distance, DSL, Cable competition, etc.

We've created a quick comparison chart to explain the basic services. Http://www.newnetworks.com/Competitionchart.htm

There is virtually no published research on the New York market share of services we could find, but the overall nationwide statistics give us the 'installed base' of competition in general.

- Cable: Nationwide, the NCTA claims that cable companies offering phone service only have 18% of the market. Neither Verizon nor AT&T offers any serious competition to the cable companies. Verizon's FiOS TV and AT&T's U-Verse are only in 3+ million out of 117 million homes ---less than 3% of the US.
- Broadband Duopoly: The cable and phone companies split the broadband customers and have taken over the Internet service market with the help of bad rulings by the FCC. Over 7000 independent Internet Service Providers (ISPs) were put out of business because they were not allowed to migrate their ISP dial up customers to the faster networks.
- Wholesale: When it comes to competition from companies who use parts of the local phone networks through 'wholesale' rates, (known as UNE-p), AT&T and MCI, the 2 largest companies, were put out of the local business and up for sale, caused by egregious FCC decisions. In 2009, only 6% of the lines have wholesale competition and the number is falling.
- VOIP: Voice Over the Internet Protocol requires the customer to purchase broadband from one of the providers. It is not a stand alone local service.
- Wireless? An estimated 15% of customers have a 'wireless only' solution and Verizon is the largest provider of wireless in their territories, and are able to use the advertising, mailing and marketing of the 'utility' product ---- an illegal free ride. No wonder local prices had to increase.

5) California Survey of Phone Bills Shows a Serious Lack of Competition and Raising Phone Prices.

Our analysis of the current New York market is not based just on these broad numbers. In 2009, Teletruth with UCAN, a consumer advocacy group, surveyed over 700 customers in San Diego California. Funded by the California Consumer Protection Fund, California has also seen major increases of AT&T California (formerly SBC/Pacific Bell) prices since 2004 through market consolidation, vertical integration of products, as well as seriously flawed deregulatory policies by the state public utility commission. In 2004, AT&T and MCI were the two largest competitors. By 2008, AT&T was merged into the legacy Pacific Bell, while MCI's customers have been dwindling as they continued to raise customer rates. Cox cable services was the only major competitor, but only had 22% of the local phone market.

See: http://www.newnetworks.com/ucanstudy.htm

6) Unbridled Deregulation and Market Consolidation Caused Vertical Integration and "Tying" of Products; Anti-Trust Violations Abound.

How did all this happen? The punch line to the cross-subsidization, vertical integration and the market becoming a duopoly was the consequence of unbridled state and federal deregulation, harmful mergers, and a lack of enforcement. In 1996, the Telecom Act passed, rewriting the original 1934 Act. The basic premise was that the local incumbents could go into long distance and other services once they opened the networks. Right after the networks were deemed "open", the companies entered long distance and then were able to get the FCC in 2005 to erase the basic laws that allowed competition. They also got a definitional change that broadband was not a 'telecommunications' service, but an 'interstate information service', which did not have the obligations, such as 'common carriage' and open to competitors. At the same time, around 1996, the companies started to merge, creating larger entities that were supposed to 'compete' with each other, but never did.

By 2009, AT&T and Verizon ate 13 companies, having gobbled up the other Bell companies, GTE and SNET (which were independent) as well as MCI and AT&T, the 2 largest competitors. Consequently, they have created virtual monopolies-fiefdoms that do not compete for wireline or broadband services, but they also gained control of long distance, DSL, local service and split wireless – vertically integrating all of the products. This gave them the ability to bundle service, as well as harm the local phone customer.

In New York state, New York Telephone became NYNEX, which became Bell Atlantic, which became Verizon, which bought MCI. Before the Bell Atlantic-NYNEX merger, Bell Atlantic New Jersey had plans to enter the local service markets, it was revealed by the NY AG's office, but, because of the merger, they never competed. MCI is now part of Verizon, so its customers have been merged, and AT&T is harvesting its local and long distance remaining customers, stranding them from meaningful competition and forcing them onto other, non-competitive options. AT&T's current 'basic long distance day rate' is now $.42 a minute for long distance.

Here is a report on the topic, as well as an FCC complaint because the FCC's data on phone charges covered over the increases. It is clear that those who have stand alone local service might also be gouged by their long distance carrier as well--- a double whammy.
http://www.newnetworks.com/attmciharvesting.htm

To add to the deregulation, they are also creative in accounting, being able to move assets out of the ‘regulated’ side to the deregulated or non-regulated side with the regulators not examining how this ‘transference’ of monies and assets would harm the public utility networks.

7) Verizon has Created a Competitor to Verizon the Utility – Verizon.

If prices continue to rise, where’s all the money going? Verizon is cross-subsidizing the other businesses.

There is a significant slimy thing going on under all of this. It seems that Verizon and the other companies are using rate increases to fund other non-local service products. Verizon is ‘cross-subsidizing’ all of their other businesses by raising local rates – I.e., the money for FIOS, which is also a cable service, the money for DSL, for long distance and even wireless are all getting free rides on these rate increases, which is illegal as local service is not supposed to be subsidizing non-local services (DSL, FIOS and Long distance are ‘interstate services’ not local service.)

Don’t believe me? Just check out the previous phone bill insert, which advertised a ‘package’. The advertisement mailed in a utility phone bill is for everything except saving money on local service. Did Verizon charge local phone customers to have the insert printed and sent? Pay for postage? Pay for the TV advertising of these other products? Pay to advertise a ‘cable product’ from DISH network, not even related to Verizon local service?
http://www.newnetworks.com/verizoninsert.htm

In fact, the State Commission acknowledges that it is raising rates to pay for FiOS.

> “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.”

http://www3.dps.state.ny.us/pscweb/WebFileRoom.nsf/Web/B849A020314983A3852575D900530827/$File/pr09054.pdf

What is the significance? Well, if Verizon’s FiOS, cable, long distance, and DSL use the networks, they, like all other competitors, should have to pay for the networks’ expenses, which, in turn lowers rates. Instead, the company can just raise rates and dump the other expenses into the mix; the utility customer is overcharged to fund non-regulated services; services that are NOT regulated by the state commission. It is even being charged to help build a cable network.

This cost shifting also impacts the actual construction budgets of the utility business. Overall, Verizon has taken the money to upgrade the public utility networks to fund all of these other projects. Since 2004, we estimate that Verizon nationwide has underspent on utility networks by $15.2 billion dollars; i.e. money that should have been used to upgrade the network was cost-shifted to these other products. Before deregulation, if the expenses were cut, then the companies would have had to lower rates.

We've written about the extent of the lack of construction budgets to the 'utility' product, using data from the Communications Workers of America among other sources. http://www.cwa1180.org/solidarity/verizonstrike.shtml

8) The New York Public Service Commission Should be Investigated.

The Public Utility Commissions of the US are in charge of regulating local service; the utility service, among other 'essential' services like electric, gas and water.

> "The primary mission of the New York State Department of Public Service is to ensure safe, secure, and reliable access to electric, gas, steam, telecommunications, and water services for New York State's residential and business consumers, at just and reasonable rates."

http://www.dps.state.ny.us/mission.html

Did they miss the memo? How can continuous increases equal 'just and reasonable' prices? An entire book could be written on just how corrupt the entire regulation of local service has become.

First, in 2006, the state claimed that since 90% of New Yorkers had the choice of "at least two facilities-based alternatives"; there must be competition.

> "In April 2006 the Commission issued its Comp III Order. This Order acknowledged the state of competition in New York's telecommunications markets…. The Commission found that 90% of New Yorkers have the choice of at least two facilities-based alternatives to the incumbents' wireline network for telephone service."

Since when does having potential choice equal actual competition for a product?

If you go to the Commission's site you find that there are hundreds of local phone competitors.
http://www3.dps.state.ny.us/T/Telco.nsf/ActiveWeb?OpenView&Count=100

Yet, the PSC put on a disclaimer that the information may or may not be accurate as

> "It is the responsibility of each company to submit new information whenever changes occur in company information so that updates to these web pages can be processed in a timely manner."

The list doesn't give who is actually offering local service, if any service, or is a 'wholesale' provider, or wireless provider or… There is no information on 'actual competition'; i.e., services that are in use, offerings that are presented to customers --- nothing that actually supplies information about the current marketplace. This is because the 'free market' based economics of '90% of customers have competition', is enough to supplant actual competition. And it failed to lower rates. There is no 'free market' for local service. Prices couldn't continue to increase if it existed.

But it gets much worse. We have the entire manipulation of data. The Commission's press release and report claim that local service loses money.
http://www3.dps.state.ny.us/pscweb/WebFileRoom.nsf/Web/B849A020314983A3852575D900530827/$File/pr09054.pdf

> "For 2008, Verizon reported an overall intrastate return of negative 6.7 percent and a return on common equity of negative 48.66 percent."

What is not mentioned is that this is pure data manipulation -- FIOS is not paying its fair share nor is DSL or long distance, or even the calling features. Other revenue streams are HIDDEN --- and being shifted. Neither the state nor Verizon, playing their games, include basic services in either the costs or the revenues. For example, the current Order does not include the FCC Line Charge, on every local bill and it is direct revenue back to Verizon, at $6.42 a month. It also seems that the revenues do not include 'deregulated' services, including inside wiring or calling features revenues, or even directory assistance. The state has also allowed Verizon to dump expenses from non-regulated services into this calculation as well as not require FiOS, DSL, long distance, etc. to pay their fare share for using the networks as they are 'competitive services'.

How do we know this? One just has to go to Verizon's Annual Report for 2008. Wireline services were very profitable. At the end of 2008, Verizon had $48.2 billion for Wireline service, and only $35.3 billion in expenses (not counting depreciation). The EBITDA (Earnings Before Income Taxes, Depreciation and Amortization) for end of 2008 was 27%. That's $13 billion in CASH.

In short, by creating artificial expenses to be dumped onto the local phone customer, and cost shifting, i.e., not including many revenues that are being carried over the network, Verizon can not only show losses but hoodwink (or work in coercion) with the New York State Commission.

Manipulating the monies for the utility to show the massive losses obviously is a shell game; the state commission even helped to make their case.

9) The Punchline Is Also Outrageous -- The Commission Knows That Verizon Is Raising Rates, Which Is Forcing Customers Onto More Expensive Packages.

> "The current trend in the market is toward bundled service offerings, and Verizon believes the proposed price changes to its message rate residential service will encourage the migration of customers towards higher-value service bundles. These amounts have not been audited by staff."

As discussed, the New York state commission is allowing Verizon to Harvest customers, and it has not collected enough accurate data about user groups, especially seniors, to understand that the trend toward bundled services is harmful to most low volume users.

One last comment on the Commission --- We all talk about government transparency and data. The recent increase was done in April 2009 with only AT&T and Verizon filing. It was clear that the Commission made no effort to get input from customers or advocates about this -- none filed. We only found out that it was 'under consideration' in the insert data from June 20th, over a month since the decision to increase rates was made.

10) Access Line Manipulation

There is one other claim Verizon keeps making about competition --- “Whoa is me. Whoa is me. We’re losing so many phone lines that, of course there is competition.” It is almost plausible until you actually examine the number of lines and realize Verizon has been manipulating the data multiple ways. For example, Verizon doesn’t include “special access lines” in their count, which would shows massive increases of lines, and Verizon treats FIOS, its own fiber optic broadband service, as a competitor to --- Verizon local service. In fact, when FIOS is put in, the phone company either rips out the old copper wiring or abandons it – thus a loss of an access line.

Read our summary.
http://www.newnetworks.com/Accesslines.htm

Even the basic line counts are being played with. How many are using local service? The document that increased the cost of service says "Although declining, Verizon has a not insignificant number of customers that subscribe to basic message rate (1MR) service."

Besides the awkward sentence structure, the actual data they quote can't be seen by the public. "The actual number of 1MR customers and the statewide average local usage revenue of those customers have been filed confidentially."

11) Cutting Out the Utility

Let us be clear -- Verizon is removing or disconnecting the utility wiring when they install FIOS, so it drops the regulated line count and monies being collected by the utility continue to drop and are going from one Verizon pot into the non-regulated pot -- As Verizon is competing with Verizon.

Taking this to a logical conclusion, we need to ask --- Is Verizon FIOS destroying utility property when the copper wire is removed? Should Verizon be charged for this act and the use of the public utility network? This would obviously lower basic local service, as the new revenue would be profits that would then lower costs.

12) America Is 15th In Broadband Because AT&T And Verizon Didn't Properly Upgrade The Networks.

Verizon's original deregulation in the 1990's was based on the agreement that the company would be upgrading the utility product with fiber optic services. New York State's alternative plan, and even subsequent proceedings pertaining to the pricing of competitive services, was based on Verizon, New York claiming it would have 100% upgrades of the basic infrastructure. New York Public Service Commission, 1997 (Opinion 97-14, page 10)

> "We adopted New York Telephone's position and used, as an input, 100% fiber (optic) feeder. In doing so, we …acknowledged the "incontrovertible evidence" that New York Telephone contemplated installing a broadband system and that fiber and associated equipment were needed for that system. (A feeder is the endpoint of the network that connects multiple homes, offices, etc.)."

It was to be ubiquitous, throughout the state in rural, urban and suburban areas equally, and it was to be 45mbps in both directions and handle 800-1000 channels. It was open to all competitors, meaning 'common carriage' was to be the standard. FiOS is not open to competitors and it is not being deployed throughout the state (only 70% at best) and it now the 'private property' of the company for personal use.

In our testimony in front of the New York Broadband Advisory Board we outlined just how the company was able to pocket billions of dollars in higher rates and tax perks by making the promise to upgrade the public utility networks, not a 'competitive network without obligations.

http://www.teletruth.org/brooklynbroadband.htm

In 2002, we discussed outlined the same case in front of the New York City Council's broadband meeting.
http://www.newnetworks.com/NYCspeechfin.htm

And while Verizon claims it will be offering FiOS in New York City, the outskirts of New York City, not to mention the entire upstate New York area is being harmed. Remember, under the utility, all customers pay to keep prices in all areas 'affordable' through averaging of rural and urban areas. All construction, then, is averaged. Wiring the upstate utility is supposed to be part of the social compact of the state.

Conclusion

Ironically, we sit here in 2009 trying to figure out how to pay for new, universal broadband networks, only to find that no one is minding the store and so every 'new plan' calls for either giving these companies more money through raising the Universal Service Fund or taxes (such as the stimulus package) or both.

May be it's time to take a different approach --- get the money back from customer overcharging. How did the utility local service become the 'high-priced' service? Local service is supposed to be an essential service, a utility. It is supposed to be priced 'fair and reasonably'; it is supposed to be decreasing on price, but without competition, it continues to goes up.

No wonder the state phone customer motto should be "Please Sir. May I have another? – This is Big… This is a big scam. And it should be investigated immediately and major refunds to customers for the deregulatory flaws that allow for rate increases and allowing for transferring of what was supposed to be utility upgrades, to now fund a competitive cable company.

Bruce Kushnick, New Networks Institute.