

Verizon and AT&T have declared war on PSTN. While couched as a technology play, it is a play to close down all regulations.

38) The closing of the PSTN is also the way the companies close down the unions, those who can actually fix the lines when broken.

39) Verizon and AT&T are **acting as a cartel**; they are now coordinating state and federal campaigns to close down the PSTN with hundreds of groups they finance, including ALEC, American Legislative Exchange Council.

40) AT&T and Verizon captured the FCC's Technical Advisory Council, (TAC) which has also proclaimed the need for 'sunsetting' of the PSTN. We filed a separate complaint as the majority of the members have direct financial ties to the companies, not to mention AT&T and Verizon are also on the Committee.

The Deal With the Cable Companies Exasperates All of these Situations.

41) Widening Digital Divide: Screwing Seniors, Low Income Families. Increased prices on all services is one of the primary reasons low-income families, seniors can not be part of the digital revolution. Without competition at all levels, there is nothing to stop continued rate increases.

42) Verizon will control the wireless markets because there will be no competition for 'special access' in their territories from the cablecos, which harms all wireless competitors -- and will keep 'bandwidth' caps and expensive wireless in place.

43) The wireless markets are not competing with the wireline markets, they are colluding so that the wireline companies won't upgrade the plant - thus eliminating all forms of cable competition in 50% of the US or more, which includes many rural areas.

44) **Wireless is not** a direct substitute for cable or even DSL or broadband and yet, Verizon is now pushing customers onto very expensive wireless options -- or nothing in rural areas.

45) Because of no cable competition, the cable companies can raise rates and create 'bandwidth caps' to block outside video. Netflix customers for

example, are a target -- bandwidth caps curtails their use.

46) Wireless prices and bandwidth caps. If the incumbent controls access fees, they also can block video by making it too expensive... Currently with the \$10.00 a gig pricing.

47) There is also no local phone competition. The **prices** of services has gone up over 100% in AT&T California, 84% in New York.

48) AT&T and Verizon are 'harvesting' the entire utility customer base -- either bundle or leave or get overcharged.

49) Time Warner Cable in NYC does not advertise a stand-alone local service option, so it does not provide direct local competition without bundling.

50) Because of 'vertical integration' and the collusion of various affiliates, Verizon or the cable companies can block competitors of VOIP, for example, as the customer has to buy multiple products.

51) Major issues of costs for all services, which might be stopped if there was competition. These include:

52) The gimme, which is when the advertised is 20-50% less than the first bill because items, such as the \$10.00 cable box (which has to be rented for service) or the FCC Subscriber Line Charge (a fee on phone bills that is direct revenue to the telco but not included in the advertised price).

53) Promotional price scam, where the costs of the package increase 20-50% once the first (or second) year is over.

54) Mistakes on bills -- without competition, phone bills have been allowed to go feral and an estimated 80% of bills have mistakes costing hundreds, if not thousands of dollars. Competitors would help to 'point' out these abuses.

Insult to Injury: Government Subsidies by 'Crying Poverty' and "Broadband"

55) **The National Broadband Plan created multiple new fees and charges**, such as the Access Recovery Charge, on bills in July 2012, increases to the Universal Service Fund (now adding 15%) and other new charges, like the Connect America Fund, among others.

56) These new charges mean that the phone companies are **collecting \$50-75 billion** from U.S. customers over the next 5-6 years. We estimate that residential customers will be spending \$40-75 a year more and small businesses \$150-300 a year, and this amount increases with the number of phone and wireless services they have.

57) The FCC has also initiated Connect2Compete, (C2C) dedicated to helping low income families get online except neither the FCC nor the C2C members ever bothered to discuss these new increases are on ALL customers, or even question the fact that the state's rate increases also harmed the same 'low income' families the FCC purports to be helping.

Harms To Business Innovation Are On Multiple Levels:

58) VOIP services are harmed as it requires broadband and if Verizon closes down the PSTN, then VOIP can't be used while customers use VOIP on cable will be harmed as the stand alone VOIP service is redundant to a package, which customers buy for the price advantages over stand alone.

59) Cloud Computing becomes a joke: A cloud service requires upload speeds. AT&T's U-Verse doesn't have great upload speed nor do most wireless services. And rural customers with no broadband can't use it.

Questions and Issues:

60) Are customers' de facto investors in the wireless spectrum being purchased?

61) Does 1 wire in the US constitute a robust market that will help America -- or anti-trust violations?

62) Market forces are missing for infrastructure building. Wireless can never get to 1 Gbps speed (1000 Mbps), and without serious infrastructure building the entire economic growth will be moving overseas to countries who are building next generation networks.

63) Market forces are missing for competition to create next generation networks or lower prices.

64) Is wireless going to be a competitor to the wired service or a collaborator?

65) If the DOJ is going to allow one wire to win -- the cable wire -- and the

phone companies' wireline-and wireless collude, here's the future -- slow broadband, higher prices, less choice and the creation of a new digital wasteland for most of America, controlled by the telecom-cable-cartel.

66) It ain't a fair fight. The bottom line is that this is all a very well coordinated attack on the American public with the goal being -- how much money can we squeeze out of customers and how little can we actually deliver. Its like a chess game where one side owns the board and even has secret passageways, while the American public sits blindfolded with own pawn.

Discussion: Taking a Ride on a Superhighway.

Let's first go through the wireless-wireline market failure landscape slowly as there are a number of moving parts. I will use a loosely fitting analogy of a highway and air travel to explain the lay of the land for the layman.

In the 1990's a state pays a contractor to upgrade the State's highway system from an old road to one as 'smooth as glass', which will allow cars to go at higher speeds. The state creates a series of new fees to pay for this, charged to everyone in the state for this new highway. The company decides to not build for the first decade but puts in some new shrubs, as the state has allowed other contractors to do some of the work. After they get 'exclusive rights' they start building the new highway -- but whatever they build they now claim it is private property. And then, suddenly, they stop building and decide to abandon any plans -- even though they are still getting paid through rates.

Instead they put the allotted construction budgets into a new airport for planes that they and few others own. Like all planes, they have to take off and land using a runway, and the company controls those runways.

But there's a secret -- along the way the company figured out that if it controls the gas price and quality, it also controls the air planes as well as the auto traffic over their highway -- they control the distance a car can go and how fast it will burn fuel.

- Is it legal for a company to privatize public-funded assets?
- Is it legal if the taxes are still being collected on drivers who will never get

the upgraded highway?

- Is it legal for collusion if the owners of this highway also own the gas the cars use while traveling on the highway?
- Is it legal for collusion between those who control the runways and the airport as well as are the suppliers of the fuel for the planes?

Before we delve into the cable-telco comparisons, first let's tie-in the wireline-wireless issues.

Information Superhighway: The History of Wireline and Wireless in the US

In the 1990's Verizon and AT&T went state-to-state to get rate increases to fund the construction of the information superhighway -- replacing the old copper wiring with fiber optic services. After the deals were cut, the companies pulled a bait and switch and rolled out DSL -- which is a slow broadband service that goes over the old copper wiring. Then in 2004, AT&T announced U-Verse and Verizon announced FiOS -- which were their cable services, and wherever they did this construction, (which was paid for out of the budgets to upgrade the PSTN), they now claim it is private property -- even though it has mostly, if not all been publicly funded.

However, as of 2011, both companies have a) stopped deploying these new networks and moreover b) have been claiming that the remaining un-upgraded sections are the 'PSTN' and that they are abandoning these 'older' networks.

Also, around 2004, Verizon and AT&T were able to get the FCC to close down competition on the wires. In fact, then-AT&T was an independent company as was MCI. However, the two largest competitors were shut out from using the networks -- then sold to SBC (now AT&T) and Verizon bought MCI.

The stupidity of blocking wired competition in America can best be seen by the rampant price increases that occurred since 2004 where Verizon New York's price of local service went up 84% while [AT&T California's local service went up over 100%](#) -- because there is no competition to lower the

price. It also put 7500 small Internet Service Providers (ISPs) out of business -- the same small companies that had brought America to the web. It was not the current Verizon or AT&T but companies like AOL or small companies like Bway.net in New York City or BrandX in California or STIC in Texas.

In short, AT&T and Verizon were able to consolidate through mergers (even though at every merger they claimed they would be competing out of region), as well as vertically integrate the wired local phone, broadband, Internet and even the long distance markets, then cable and wireless.

Wireless and Airplanes and Gas

Like an airplane that has to take off and land at an airport, most don't know that wireless services are in actually wired services -- and Verizon in their territories are the incumbents doing this wiring.

More importantly however is the gas -- which are the special access and other fees that all wireless competitors pay back to Verizon to handle your calls and downloads for service. And the control of the price of gas also controls the price of wired and wireless broadband service.

The Competitive Highway and Services.

Returning to our model, in the same state there was another highway system, which was originally funded via investors and given a franchise for all buses, not to mention all the advertising and even billboards. And it too owns the gasoline rights for these services. However, over the years the company got the government to give them more 'subsidies' so they could expand the business with the intent to compete with the other highway system.

After a decade the company decides it wants to enter the 'airplane business' and starts buying up routes to airlines, but stops and decides to approach the other company and divide up the state. It will keep the buses and if the other company doesn't encroach too much on their business, they will let the company keep the airports and gas rights, and even sell them their airplane routes and advertise on their buses.

Cable franchises started in the 1980's and by 1996 the companies wanted to enter the broadband and Internet businesses and got the FCC to grant a **new hidden fee** called the "Social Contract", adding up to \$5 a month to cable bills for upgrades. The cable companies also purchased wireless spectrum but are now in the process of selling it to the Verizon. As Verizon has stopped deploying FiOS and is abandoning the rest of the networks they did not 'privatize,' it now appears that they will not compete and create cable competition.

While the analogy has many moving parts, the bottom line is that if Verizon is allowed to close down the PSTN, stop building FiOS and takes over the wireless spectrum from the cable companies -- not to mention owning the 'gas -- the harms we have laid out will be the reality.