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## \$360 Billion Dollars in Customer Overcharging From Broadband -- and Counting

Posted: 10/11/2012 4:13 pm

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### Telecom Riot Act of 2012: Investigate the Broadband Scandal.

Literally 20 years ago, during the 1992 presidential campaign, vice president Al Gore laid out a wondrous new fiber optic broadband future for America. Called the Information Superhighway, the plan was simple -- everyone with a copper wire in their home or office would have it replaced with a new shiny fiber optic one, capable of at least 45 Mbps in both directions, then the standard speed for broadband -- and almost 100% of the US would be done around the year 2010.

While there was talk of this being done by the government, literally every local phone company in America said -- *Wait, we'll do it. We'll wire every state's business and residential customers, every school, library and even every hospital and government agency.*

But there was a catch. Verizon, AT&T and Centurylink went to every state and convinced regulators that in order to build these networks, the state would have to change the existing laws to give the companies billions of dollars for new construction. Known as 'alternative regulations', the state legislatures and Public Utility Commissions 'deregulated' the companies, which allowed the companies to charge customers extra pennies, nickels, dimes, and quarters on most services. For example, call waiting or call forwarding cost less than a penny to offer, but the company could charge \$3.00-5.00 per service extra. The companies were also allowed to take massive write-offs, with the claims that these old wires would be replaced with shiny new wires -- fiber optic wires.

By the end of 2012, we estimate that America was overcharged \$360 billion dollars -- over \$3000 per household for upgrades to the utilities, the public switched telephone networks, (PSTN) -- upgrades to critical, essential infrastructure that never happened. (As noted previously, audits would be required to get a precise accounting because of the massive manipulation of the data and cross-subsidization of the phone company affiliates.)

For details see our free ebook or report.

This failure to properly upgrade the PSTN or collecting monies for phantom networks is not historical but ongoing. In New York, Verizon went back to the state to get rate increases in 2009 for fiber optic investments while in New Jersey, in March 2012, the Board of Public Utilities, issued a show cause order, asking why the Verizon failed to honor their commitments to upgrade 100% of the state by 2010 -- with 45 mbps in both directions.

And America is 17th, or 29th, or 33rd in the world in broadband, depending on which research organization you subscribe to. Countries, such as Hong Kong, are offering speeds of 1 Gbps (1000 Mbps) for 24 dollars, while other countries from South Korea or Japan are making 100 Mbps services standard.

Adding insult to injury, the FCC's National Broadband Plan has allowed the phone companies to get even more subsidies -- read new taxes and fees --- placed on phone bills. There's been no investigation of the monies already being collected in state after state from the various deregulations and rate increases.

And this failure to build out the networks has had and will continue to harm the economy. Former New York Times and Reuters reporter, David Cay Johnston, expounded on our findings in his new book, *The Fine Print*, pointing out that our statistics may in fact be underestimating the monies collected. More importantly, he concluded that since America has only a "two lane highway instead of the information superhighway, America's economy will lack momentum". He added,

"The hard truth about the digital age is that the future of American jobs, and how well they pay, will be determined in good part by whether America climbs back from twenty-ninth place in Internet speed or continues to slip further behind countries like South Korea, with their lower wage scales and superior Internet."

Of course there are those who will tell everyone that 'wireless' is really the next step to America's broadband and Internet future. This arguments gets squashed quickly when one asks the following question -- where's the cable competition?

Wireless can't deliver the high speeds and has 'bandwidth caps' and therefore can't be used for cable competition much less being competitive with the rest of the world's broadband countries' current speeds. As noted previously, it would cost \$780.00 a month just to watch cable using Verizon's wireless 'Cantenna', the device they are pushing in areas that they are abandoning.

And in this election cycle, while jobs and economic growth are supposed to be the key triggers for this election, the Internet and broadband get nothing more than a passing mention, a footnote more than a headline.

It's time for readers to ask their politicians a few questions.

1) How much money was collected and given to the phone companies in state after state, as well as through the National Broadband plan, for broadband upgrades -- that didn't happen?

NOTE: AT&T and Verizon combined have only 8.6 million households (at the 2nd Quarter, 2012) with U-Verse and FiOS, respectively -- out of 120 million -- about 7%. Verizon and AT&T both announced that they are not expanding their deployments, leaving at least 50% of their territories without at least another option for wired broadband-Internet or cable competition. Worse, AT&T's U-verse travels over the old copper wiring so it can never compete with other broadband nations -- and is harming 22 states.

2) Why haven't you, dear politician, called for returning competition on these wires so that customers can have lower prices for America's communications services?

NOTE: As outlined in our previous article, there is no serious competition to lower prices of wired services. AT&T-California's phone service is up 100%, and every service, from cable to wireless has caveats that cost America's customers billions more annually. If there was actual competition, the prices would be going down, not up.

3) Infrastructure without Real Internet Freedom? While both the Democrats and Republicans call for "Internet freedom", how can we have Internet freedom if there's no choice of Internet or broadband providers? Doesn't VOIP require broadband and if 50% of the US isn't upgraded, how does that help Internet freedom?

AT&T and Verizon have been able to pull the wool over the eyes of the politicians and media. Internet freedom should mean a customer should have a choice of Internet providers and broadband providers. But today, that doesn't exist, as the cable and phone companies have tied both products and customers are forced to buy their bundled service.

If 50% of the US can't get a wired broadband connection, then they can't use VOIP. Moreover, since the companies are selling bundles, then buying a stand alone VOIP service like Skype or Vonage is extra money because bundles usually include phone service, which is the only way the customer gets the discounts on the other services.

4) Did Verizon and AT&T Confiscate Publicly Funded Assets, as is charging customers for wireless and other services?

Finally, as we wrote in our first Huffington post article, AT&T and Verizon have been dismantling of the Public Switched Telephone Networks, the utilities. The companies have not only manipulated the data presented to the public on everything from access lines to profits, but have been able to use funds that were supposed to be used to upgrade the PSTN to create other products and services that they then claim are private property. Even Verizon's FiOS has been moving the construction budgets to fund their cable service, even though they did not properly upgrade the Public networks.

It also appears that the companies have been able to cross-subsidize their wireless companies' development. AT&T stated it has been goosing the revenues and profits of the wireless divisions, at the expense of the wireline division. Verizon, it appears, is paying 1/2 of what the wireless competitors are paying for access to the networks and are even getting the wireline company to divert construction budgets for wireless towers.

All of this means that customers may have been funding products and services, diverting billions that should have been used to upgrade the public utility, but instead are being used to help the incumbents' other products -- products that customers may never want, use, or even get.

In short, the Republican and Democratic parties should be investigating the caretakers of America's essential infrastructure, not kowtow to their whims. America should start thinking of how to either compel these companies to live up to their commitments or America should take steps to remove their controls over the wireline networks.

We are not asking for anything that we didn't already pay for.

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**tanyta**  
0 Fans

1

I am moving to other place, and only company available is Time Warner with with slowest internet speed known to mankind, with which I already sick at my present place. System, where is no competition and no choice, and politician don't give any attention to this outrageous problem should be colled in Soviet Union definition - rotten capitalism.

11 OCT 2012 3:21 PM

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**Balthasar**

58 Fans · Wise Man

1

I hope that this issue gains traction. For business reasons I have to have a land line, while my internet is bundled with my cable (the only way I could get broadband). I pay an outrageous price for these services, and pay every bill resentfully, knowing full well that these services actually cost the cable and phone companies a fraction of what they're charging me, even after they pay their workers and costs. Any politician who can force these guys to set their rates in the real world will get a boost in reputation & a big wet kiss from the voters. As the article points out, broadband access is a matter of national interest, and the fiber optic network is an essential part of our nation's ability to compete in the world. Any company that thwarts, games, stalls or misrepresents progress in this area is guilty of treason, pure and simple.

11 OCT 2012 8:49 PM

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**fortressfountain**

769 Fans

I get unlimited. They hate it and switch me to their page, or a page to make a payment.

11 OCT 2012 3:05 PM

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**MSROADKILL612**

320 Fans · love auto biographys. any appS to write mine?

Well america

this is the illusion you fell for

competition - yeah right

a natural monopoly is a natural monopoly & should be a sovereign asset used for the benefit of the country

ma bell should have been nationalized rather than broken up, or never allowed in the first place

worse, most countries have followed your system recently

12 OCT 2012 5:45 AM

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**MSROADKILL612**

320 Fans · love auto biographys. any appS to write mine?

Am here in OZ

my cable bill just got bumped \$5 to \$75

how does that happen?

the expensive infrastructure is paid for

shouldn't it go down?

14 OCT 2012 6:11 AM

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**rastai1**

70 Fans

Corporations are people

When people steal or commit fraud and the authorities know about it... there should be penalties like fines, or jail, or something.....

Where are the Republicans on this???  
Where are the Democrats on this???

Reminds me of a statement... We have the best congress that money can buy.

Oh yes,, Money is speech....

The people are Silenced by Speech!!!!

11 OCT 2012 4:00 PM

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### **Americanandproudoft**

**209 Fans** · Independent waiting for sanity to return to the GO

When the phone and cable companies throw \$\$ at politicians at re-election time, do you really think anything is going to change? They will continue to take the money (mandated fees and charges that we all pay) originally slated for updating the system to pad their bottom lines! Verizon stopped the FIOS expansion since their "stockholders" complained.

12 OCT 2012 7:10 AM

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