

\$200 Billion Broadband Scandal



Bruce Kushnick

CISCO SYSTEMS, INC. v. FOCAL IP, LLC

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By

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Dear Juror,

Thanks for purchasing this book. A bit of a roadmap might be useful.

This micro-history of the Bells' fiber optic plans is designed to let the reader decide if the case we present is correct. The Bells currently are SBC (renamed AT&T), Verizon, BellSouth and Qwest. It is also designed to serve multiple purposes, such as providing case studies for various states including New Jersey, Massachusetts and California, as well as data to back Teletruth's Federal Trade Commission (FTC) complaint against SBC and Verizon.

The Roadmap

NOTE: The book officially starts at Part One, Chapter I. However, we've added other items to the front and the back of the book for the reader.

- **The Players: Who Are the Bell Companies?** — This section is designed to give a thumbnail sketch of the Bell phone companies, the territories they served, as well as their old and new relationships with AT&T and MCI.
- **How I Came to Write this Book** — This is the Preface.
- **Introduction and Summary** — **This was designed as the 'Cliff Notes' version** of the entire story — Volume I and II. If you don't want to read the punchline, but want to read the material as an expose, skip this section.

NOTE: Some of the materials in the extra sections are repetitive because they are being used in various filings.

The Book

Part One: The Diss-Information Superhighway — Driven by the Clinton-Gore Administrations' desire to fiberize America, the entire country in the early 1990's went into a techno-frenzy for the "Information Superhighway", commonly known as the "National Information Infrastructure", (NII). The Bells claimed they would deliver a fiber optic future.

TELE-TV and Americast, the Bells' billion-dollar lobbying effort, was designed to pass the Telecom Act of 1996 and allow the Bells to enter long distance more than upgrade America's networks.

Part Two: What Was Promised? — Using the Bells own words and filings, by 2000, approximately 50 million homes should have been rewired with a fiber optic wiring to the home, capable of 45 Mbps in two directions, which could handle over 500 channels of video and was totally open to competition. About 86 million households should be wired by 2006.

Part Three: Splat — Detailing how the Information Highway was pitched state by state, we discuss the dark secret — the networks couldn't be built at the time of the commitments. In fact, after the ink was dry, these companies essentially closed down all of the fiber deployments, even though the state commitments were never even close to being fulfilled.

Part Four: The Bell Mergers Killed Broadband and Competition — This series of chapters examines the real story — that the mergers of SBC-Ameritech-SNET-Pacific Telesis-Southwestern Bell, and the mergers of Verizon-Bell Atlantic-GTE-NYNEX essentially closed the fiber optic deployments in 26 states. We also demonstrate that the Bells' commitments to compete with each other, which was the paramount reason to merge, went unfulfilled.

Part Five: Follow the Money — In order to understand how customers were overcharged for networks they never received, we explain the principles of state “rate of return” regulation and the switch to “alternative regulations”, which were changes in state laws that gave the phone companies billions per state in higher phone rates and tax incentives. We estimate that \$200 billion was subsidized for networks that customers never received — about \$2000 per household.

The book officially ends here.

More Stuff: Additions to the Book

Part Six: The States Get Hosed — We have done extensive case studies, some based on previous state filings. Case studies include: New Jersey, (the New Jersey case study is expanded because it as part of the franchise battles), California, Texas, Pennsylvania and Massachusetts.

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Special 20th Anniversary Data and Analysis Summary Report — This book's core is a 20-year analysis (1984-2004) of Bell revenues, profits, construction, employees, depreciation, and other business indicators and is based on previously published data from New Networks Institute --- Revenues are up 128%, employees are down 65% based on revenue, construction is down 60%, and only 11% of new construction hasn't been written off. During our 'fiber-optic' years, 1993-2000, the profits (return on equity) were 188% higher than other utilities.

CODA 1: ISDN — The Advanced Network Posterchild: "It Still Does Nothing" — Taken from the “Unauthorized Bio of the Baby Bells”, this section demonstrates that the fiber optic failure was not the first time the Bells failed to deploy a new technology. ISDN, in the 1980’s, was never fully deployed even though they received financial incentives.

CODA 2: The Verizon FIOS FIASCO and SBC's Dim-Lightspeed: The Rise of the Crippled Networks: Enemies of Openness. The World Is Laughing at Us. — Verizon’s new fiber optic product, FIOS, and SBC’s Lightspeed are the wrong plans for America. Korea and Japan have 100 Mbps services for \$40, while FIOS's top speed is 1/3 that at \$199. FIOS will not be ubiquitous, is not open to competition, and does not fulfill state obligations even though each household paid \$2000. We cover the harm to net neutrality, municipality plans for wiring and Wifing, the Bells’ current cable franchise requests, increasing the digital divide, the current regulatory environment, and America’s ability to be competitive in a global economy.

CODA 3: Fake Consumer Groups, Biased Research, Lots of Lobbyists, Paid-Off Politicians: Behind the Broadband Curtain — There is an underground network of political deceit in the telecom and broadband industry. It is made up of very well funded fake or co-opted consumer groups, research firms, think-tanks, lobbying groups, politicians and PR firms throughout the United States that are out to fool reporters, state legislatures, Congress, the public and the FCC that they represent the public interest. We out Consumer for Cable Choice, TRAC, APT, New Millennium Research, Issue Dynamics and other fake or co-opted groups.

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