

# WIRE CALIFORNIA

Universal Access to Middle-Mile Fiber for Wired Broadband

## Trillion Dollar Broadband Scandal

Adapted from telecom analyst Bruce Kushnick's [latest book from 2022](#) is which is entitled **The Book of Violations & Egregious Acts: Trillion Dollar Broadband Scandal.**

### Over the Past 30 Years, Instead of Competition, Telecom Monopolies Formed Again

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The telecom infrastructure in California, and across the U.S. is that of a second-tier nation. Americans pay more for their inferior telecommunications and information services than people in any other advanced, first-world country. Many still cannot get reliable, high-speed internet access services due to overt redlining practices of the incumbent Telecom companies, which caused the Digital Divide.

The 1996 Telecommunications Act opened the Nation's wires to foster telecommunication competition. A flood of small entrepreneurial companies started up to offer voice services, dial-up internet services or even faster speed DSL. By 2001, there were 9,335 small Independent Service Providers (ISPs) in the U.S. who were handling most internet subscriptions.

However, the seven Baby Bell companies, who controlled the wires, attacked these independent ISPs from the very beginning. Over the last two decades, the Baby Bell companies decided that instead of competing they would consolidate. In 2004-2005, they convinced the FCC to shut down competition on the wired networks. Together, they helped to put 7,000 small ISPs out of business and, with the help of the cable companies, essentially stole their customers.

Verizon claimed it would be offering fiber-to-the-home (FTTH) through "FiOS" and AT&T announced "U-Verse." Looking back, these announcements were just another "bait-and-switch." AT&T misled the FCC because the U-Verse was a copper-to-the-home network and while FiOS was fiber, the commitments to upgrade legacy copper to fiber optics were ignored. By 2006, the holding companies known as AT&T, Verizon and CenturyLink congealed into three non-competing monopolies that controlled specific state public telecommunications utilities and territories.

Then in 2009, the FCC stopped publishing "Statistics on Common Carriers" which had been an annual summary of the state utilities' financials since 1939. The New consolidated Bell monopolies filed for "forbearance" so that they no longer had to provide the FCC with financial information. This essentially was cover-up of the financial audit trail.

The New Bell companies also manipulated the accounting formulas used in the states so that the state public telecommunications utilities were forced to pay major costs of the Bell companies' other lines of business, thus making the wired networks "appear" unprofitable while making their new wireless networks look more profitable than they actually were or are today.

## AT&T, Verizon and CenturyLink Created the Digital Divide on Purpose

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Big Telecom companies continue to overserve higher-income communities while redlining lower-income communities, ignoring their commitments to serve everyone. In addition, they have gamed the regulatory system so well that there is institutional amnesia on the part of most Americans, who do not know the basic facts about the history of broadband in their state. You may think that there are no state public telecommunications utilities, that the networks are private investments (meaning they can prevent access to much of the fiber-optic backbone), or that wireless is part of state public telecommunications utilities. **Sadly, none of these common assumptions are correct.**

In this book, we document the commitments that were made to upgrade America with fiber-optic services and reported that **over 80 percent should have been completed.** More importantly, we track all the monies collected by what is now AT&T, Verizon and CenturyLink, their excess profits, rate increases and tax breaks garnered by promising, state-by-state, that they would replace legacy copper wires with fiber optics. Sadly, no state has ever held these companies accountable for their failure to make good on their universal fiber-optic obligations. **California can now do so in AB-965 and finally fix the decades-old Digital Divide scandal.**

## A Trillion Dollars of Overcharges is a Lot of Money – an Egregious Act

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And this is a low estimate. Since 1992, these companies got paid about \$500 billion by their local service customers to upgrade the aging copper wires of the state public telecommunications networks and have not done so. Where that money went is a true broadband scandal.

Through a series of bait-and-switch tactics used repeatedly, the Big Telecom companies were able to overcharge customers in many ways that comprised one of the largest accounting scandals in American history at an estimated cost of \$1.3 trillion and counting. This book analyzes the grift, overcharging, and diversion of funds that the companies have perpetrated on the American public for several decades.

Over the last 30 years, the New Bell companies repeatedly claimed that they would roll-out a new technology that would transform telecommunications, if they got more government money and/or less regulation. These technologies ranged from video-dialtone to ISDN, to fiber optics and now to 4G/5G wireless. And every time they were helped by an army of paid-off politicians, co-opted non-profits, coin-operated research firms and a massive underground skunkworks network that includes the American Legislative Exchange Council ([ALEC](#)).

The Big Telecom companies created the Digital Divide and did so on purpose. It took the COVID-19 so-called pandemic event for Americans to realize that they are not a fiber-optic nation with ultra-fast, affordable broadband-internet access service. Sadly, Americans unwittingly are throwing more money to the same Big Telecom companies, unaware that they have paid repeatedly for network improvements and services that they never received.

## What California Can Do in 2023 to Finally Fix the Digital Divide

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- Fully address the violations and egregious acts of the incumbent Telecom companies by reversing the cross-subsidies of wireless and the dumping of corporate operations expenses onto the state public telecommunications utilities's books.
- Stop giving the Big Telecom companies that failed to upgrade legacy copper to fiber optics any more state and federal broadband grant money.
- Take back control of California's networks by opening up access of fiber-optic lines to all companies willing to complete last-mile fiber-optics to the premises connections; fiber optic lines in public rights-of-way must remain open to all competitors at a fixed, reasonable regulated price.

The Digital Divide can be fixed by recovering billions of dollars collected from state public telecommunications utility customers for fiber-optic upgrades that they never received. Instead, these billions were misappropriated by the Big Telecom holding companies and used to cross-subsidize their wireless and other lines of business. The Big Telecom holding companies must be held accountable for their misappropriations and made to restore the funds to the state public telecommunications utilities which can then complete the fiber upgrade.

This would solve the Digital Divide without additional government subsidies and would finally achieve the unfulfilled promise of the 1996 Telecommunications Act to force open access to networks and foster real competition. This proposal does not rely on government funding but on accountability, enforcement of laws, accurate data and going after the improper financial cross-subsidies.