

**1STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue,
Trenton, New Jersey 08625-0350**

TELECOMMUNICATIONS

IN THE MATTER OF VERIZON NEW JERSEY,
INC.'S ALLEGED FAILURE TO COMPLY WITH
OPPORTUNITY NEW JERSEY COMMITMENTS

) ORDER TO SHOW CAUSE
)
) DOCKET NO. TO12020155

DISSOLVE THE STIPULATION AGREEMENT IMMEDIATELY.

**PART 2: SUPPLEMENTAL INFORMATION AND
DOCUMENTATION TO OUR OPRA REQUESTS AND CALL FOR
AN INVESTIGATION**

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PART 2: SUPPLEMENTAL INFORMATION AND DOCUMENTATION TO OUR OPRA REQUESTS AND CALL FOR AN INVESTIGATION

Conclusion: Dissolve The Stipulation Agreement Immediately.

We refuse to sugar coat what happened in New Jersey and what will happen if the stipulation agreement between the State and Verizon is allowed.

FACT: By the end of the year 2010, 100% of Verizon New Jersey's was required to upgrade the state Public Switched Telephone Networks, replacing the aging copper wire with fiber optic services, capable of 45 Mbps.

In Part One of these comments we listed numerous, specific OPRA requests and called for an investigation as we provided data and analysis clearing showing that Verizon has been using a financial shell game — diverting funds, assets and using other financial tricks to help Verizon's other affiliates, from Verizon Internet or Verizon Wireless, etc, harming New Jersey's critical infrastructure.

Moreover, as we will show, Verizon had been submitting annual infrastructure reports that claim that they had completed deploying 45 Mbps services throughout 1996-2006, which is patently not true.

This failure to build out critical infrastructure as part of the state-based utility – as stated by law, has harmed education, the economy, and it cost customers about \$4000.00-\$5000.00 per household.

The State must hold Verizon accountable for its failure to deliver fiber optic services to 100% of Verizon New Jersey's territories, with a service of 45 Mbps in both directions. Anything less, such as laid out in the embarrassing stipulation agreement which uses a standard of speed that was considered inferior in 1992, will harm the State and the economy.

1) Education: Schools, Libraries and Kid's Education was Harmed.

From 1993 through 2006, Verizon failed to deliver any fiber optic services to homes and business, as well as schools.

This is the pricing from Access New Jersey in 2006. Access New Jersey was added to Opportunity New Jersey in 1997 to make sure schools were going to benefit from the fiber optic deployment plans. And yet, a 45 Mbps service cost \$3,800 per month for a 45 Mbps services, (discounted to \$1,825.00 a month). Because Verizon failed to deploy any fiber optic services under Opportunity New Jersey, schools, libraries and the kids at home were cheated out of services.

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This 45 Mbps service should have cost a few hundreds dollars retail at best, because according Verizon by 2005 they claimed that they had completed 83% of the state. — They lied.

Access New Jersey Pricing for Broadband, 2006¹

Services	Quantity	Current Monthly Tariff Rate (Ea.)	% off Current Tariff Rate	Monthly Education Rate (Ea.)	Non-Recurring Charges (Ea.)
Verizon's Access New Jersey Frame Relay Service:					
56 kbps Subscriber Network Access Line (SNAL)		\$175	43%	\$100	N/A
1.5 mbps Subscriber Network Access Line (SNAL)		\$435	31%	\$300	N/A
4 mbps Subscriber Network Access Line (SNAL)		\$2,300	42%	\$1,325	N/A
6 mbps Subscriber Network Access Line (SNAL)		\$2,600	45%	\$1,425	N/A
22 mbps Subscriber Network Access Line (SNAL)		\$3,000	46%	\$1,625	N/A
45 mbps Subscriber Network Access Line (SNAL)		\$3,800	52%	\$1,825	N/A

- 2) **Every Year, for 18 Years, Verizon Submitted Annual Infrastructure Reports Claiming That They Had Fulfilled Their Obligations. The May Have Committed Fraud.**

Source: Verizon New Jersey 2001 Annual Infrastructure Report.² (See Page 29)

APPENDIX B

Service Capability & Enabling Technology Deployment

1 Opportunity New Jersey's Service Capabilities	1997	1998	1999	2000	2001	Commitments
Advanced Intelligent Network:						
w/o acceleration (est)	80%	88%	94%	[Bar chart showing 100%]		100% 1998
with acceleration (act)	100%	[Bar chart showing 100%]		achieved		
Narrowband (up to 144 kbps)						
w/o acceleration (est)	74%	82%	87%	[Bar chart showing 100%]		none
with acceleration (act)	100%	[Bar chart showing 100%]		achieved		100% 1998
Wideband (144 kbps to 1.5 mbps)						
w/o acceleration (est)	50%	62%	71%	[Bar chart showing 95%]		none
with acceleration (act)	66%	78%	84%	95%	[Bar chart showing 95%]	95% 2000
Broadband (up to 45 mbps & higher)						
w/o acceleration (est)	1%	3%	9%	[Bar chart showing 52%]		none
with acceleration (act)	34%	35%	42%	52%	55%	100% 2010

This is an excerpt from Verizon New Jersey's Annual Infrastructure report for the year 2001. It was filed with the New Jersey of Board of Public Utilities (NJBP) and sent by mail to interested parties. And it claimed that in the year 2001, Verizon New Jersey had

¹ We note, that Access New Jersey disappeared and this PDF we believe to be from 2006, See: <http://www.jerseyconnect.net/Documents/ANJrates.pdf>

² <http://www.newnetworks.com/InfrastructureReport2001.pdf>

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completed 55% of their entire territory and could offer customers a residential service that could deliver 45 Mbps in both directions.

Problem is — Verizon didn't start any deployment of residential or small business fiber optic services until at least 2006 in New Jersey, according to even a recent article quoting Verizon³.

Reading the bottom row, it says:

- 1) Bottom left — “Broadband is defined as “up to 45 Mbps & higher”
- 2) Reading across — By 2001, VNJ had 55% covered.
- 3) Bottom right —100% (by 2010)
- 4) “With acceleration (actual speed)” — gives the year by year; 19% was supposed to have been completed by 1996, etc.
- 5) “w/o” — was what would have been delivered had the company not received the massive financial incentives – read rate increase and tax perks.

See Item 9 in this document for the timeline from the original law, “PAR1”, 1993.

3) In 2012, Verizon Attempted to Cover Up Their Failure to Deploy.

In 2012, Verizon submitted two responses to the show cause order, claiming that they had that fulfilled their obligations, year by year, and their report showed that in 2005, 83% had “broadband capability” and the final report showed that 99% had broadband capability. And they include lots of other data points.

From the Testimony of Paul Vassington, Director State Policy, Verizon.

³ http://www.philly.com/philly/business/Will_Verizon_be_allowed_to_break_its_FiOS_promise_to_New_Jersey.html

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Verizon NJ Infrastructure Timeline

2005 Infrastructure Report:

- 2.1 million miles of fiber
- 83% broadband availability
- 129 Fast Packet Switches
- 62 ATM Switches
- Mass market deployment of FTTP
- 100% of Verizon wire centers and 766 remote terminals equipped to provide DSL service

2010 (Final) Infrastructure Report¹⁴:

- 3.7 million miles of fiber
- Over 99% broadband availability
- 100% digital switching
- High speed switching available statewide via 146 Fast Packet and ATM switches deployed hub locations around the state
- DSL available in 100% of Verizon Central Offices and more than 750 remote terminals equipped for DSL
- 2.1 million premises passed with the fiber-to-the-home technology on the FiOS network

This is pure rubbish. While Verizon throws around numbers like a drunk throwing around beads at Marti Gras, this is window dressing. The company decided to change the requirement to DSL (which travels over the old copper wiring) at speeds that were considered inferior in 1992. The State had not changed the laws. Where are the words “45 Mbps in both directions” as stated in the original law? They removed it, thinking that the State would not notice.

4) Speed: 45 Mbps in Both Directions Was the Speed of Broadband in 1992.

The speed of “Broadband Digital Services” in 1993 was capable of 45 Mbps in both directions to residential and business customers.

"Broadband Digital Service — Switching capabilities matched with transmission capabilities supporting data rates up to **45,000,000 bits per second** (45mps) and higher, which enables services, for example, that will allow residential and business customers to receive high definition video and to send and receive interactive (i.e., two way) video signals."

And yet, in 2012, Verizon’s new definition of “Broadband Digital Service” in their response to the show cause order was DSL, which travels over the old copper wire. Twenty-one years later and the company wanted to supply – crap.

Broadband Digital Services	100% central offices equipped with DSL, with broadband available to customers in more than 99 percent of census blocks by 2010.
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5) Verizon Knew All Along It Had Not Fulfilled Its Obligations.

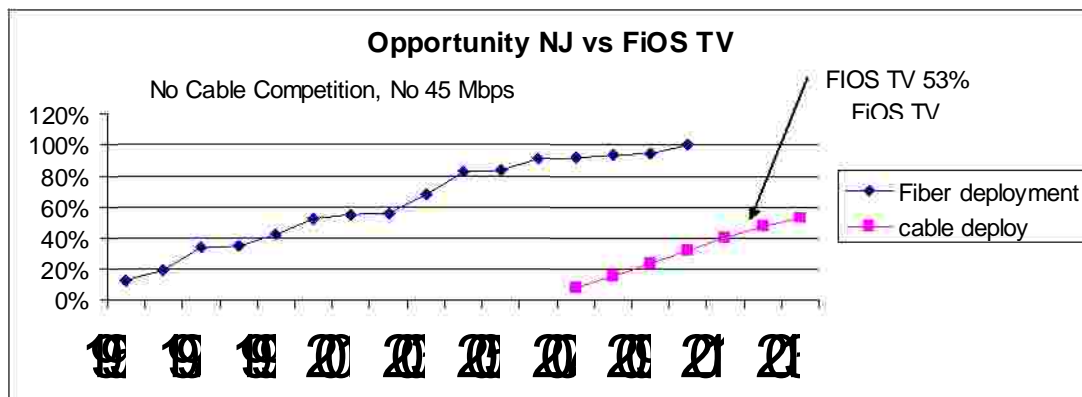
In 2004, Verizon's press release outlined that the company was "the first to connect homes" — which did not happen until 2006.

Verizon, in Historic First, Begins Large-Scale Rollout of Advanced Fiber-Optic Technology with Keller, Texas, Deployment; Announces Plans for Offering New Services

"Verizon, May 19, 2004 "Verizon has begun installing in Keller, Texas a new technology known as fiber to the premises (FTTP), which uses fiber optic cable and optical electronics to directly link homes and businesses to Verizon's network. The fiber-optic connections will replace traditional copper-wire links.... Although the use of fiber optic technology is common throughout the telecom industry, Verizon is the first company to begin using it to directly connect homes and businesses to the network on a widespread scale."⁴

6) Verizon Had 20+ Years Wire the State With Fiber Optics and Didn't Do It.

This chart shows clearly that Verizon failed to properly upgrade the State with fiber optics, based on original law. From 1993-2006, Verizon did not deploy fiber to the homes, schools, libraries and hospitals and only started deployment in 2006-2007, with their cable service, which rides over the a fiber optic 'telecommunication' service.



7) The Commitment: Upgrade the Utility Plant to a Fiber-Optic PSTN.

In 1991 Verizon New Jersey submitted a proposal called Opportunity New Jersey that was to replace the aging copper wire that was part of the Public Switched Network, the

⁴ <http://www.tmcnet.com/usubmit/2004/May/1041845.htm>

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state utility. Customers would have their old landline replaced with a fiber optic landline – everyone gets served and everyone gets upgraded because everyone paid for it.

"D. NJ BELL'S PLAN FOR AN ALTERNATIVE FORM OF REGULATION MAY 21, 1992 --- NJ Bell's plan declares that its approval by the Board would provide the foundation for NJ Bell's acceleration of an information age network in New Jersey and referred to by NJ Bell as 'Opportunity New Jersey'... Opportunity New Jersey would ...accelerate the transformation of NJ Bell's public switched network, which today transports voiceband services (voice, facsimile and low speed data), to a public switched network, which transports video and high speed data services in addition to voiceband services."⁵

8) **Broadband and the PSTN is the Same Network.**

Verizon's own words shows that the PSTN was ALL services as ALL services were being funded via customers' excess phone charges. FiOS is a 'brand', not a fiber optic network. The Verizon New Jersey 2001 infrastructure Report stated:

"By integrating a number of services on a single network, Verizon NJ will continue to make optimum use of our service delivery capabilities. The evolution to the full service ATM based switched broadband network will increase significantly the efficiency of serving New Jersey through automated provisioning and activation processes, increase capacity availability, and result in an even more flexible delivery platform. Verizon NJ's integrated network of switches, transmission facilities and operating systems provides New Jersey's residential and business communities with a technologically advanced telecommunications infrastructure that is ready, willing and able to act as the on-ramp to the Information Highway".⁶

9) **The Entire State should have been Completed by the Year 2010.**

The next exhibit is the timeline in the original agreement that outlines what would be deployed and in what year. The timeline went from 1992 through 2010 and at different milestones specific services were to be deployed and completed.

By 2010, 100% of Verizon New Jersey should have been completed with 'broadband digital service'. In fact, the chart shows the differences between what was supposed to happen under "ONJ" as opposed to "BAU" – "Business as Usual", i.e., if the state didn't

⁵ In the Matter of the Application of New Jersey Bell Telephone Company For Approval of its Plan for an Alternate Regulation, Decision Docket Number T092030358, 4/14/03

⁶ Verizon, New Jersey 2001 Annual Infrastructure Report

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grant the alternative regulation, "Broadband Digital Service" would not be completed until 2030.

Verizon New Jersey Time Line of Broadband Deployment, 1992-2010

BAU -- Business as Usual
ONJ -- Accelerated Deployment

	BAU	ONJ
<u>Advanced Intelligent Network (AIN):</u>		
Digital switching and signaling systems deployed to provide call routing and database access services, which enables "follow me" type services, for example, that allow customers to program the public switched network to forward their calls automatically to different locations depending on the time of day.	Initial: 1992 100%: 2001	1992 1998
<u>Narrowband Digital Service:</u>	Initial: 1992 100%: after 2001	1992 1998
Switching technologies matched with transmission capabilities to support data rates up to 144,000 bits per second which enables services, for example, that will meet the requirements of customers who use any combination of work stations, personal computers, FAX machines and telephones.		
<u>Wideband Digital Service:</u>	Initial: 1994 95%: undetermined but before 2030	1994 2000
Switching technologies matched with transmission capabilities to support data rates up to 1,500,000 bits per second, which enables services, for example, that will allow students to remotely access multimedia information, including video, from home or school.		
<u>Broadband Digital Service:</u>	Initial: 1996 100%: 2030	1996 2010
Switching technologies matched with transmission capabilities support data rates up to 45,000,000 bits per second and higher, which enables services, for example, that will allow residential and business customers to receive high definition video and to send and receive interactive (i.e., two way) video signals.		

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Docket No. T092030358

10) DSL Was Considered Inferior in 1991.

Let us be clear. The stipulation agreement is a step backwards 20 years. Throughout the original 1991 Deloitte Infrastructure Report, the research and analysis that was used by Verizon as the 'bible' for Opportunity New Jersey, the plan for fiber optic upgrades. It claimed that DSL was an interim product and if used would retard growth.⁷

⁷ Deloitte & Touche, IX-51

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“Interim approaches to increased network capacity may retard rather than expedite the movement to a higher bandwidth public networks.”⁸

“Asymmetric Digital Subscriber Loop (ADSL) could provide a low-cost one-way 1.5 Mbps circuit (plus an ordinary phone line over a single copper pair) to permit low-cost distribution of on-demand compressed video programming.

“The economics of this technology are not yet fully understood. Moreover, should it cost prove reasonable, HDSL and ADL may one provide an interim step in the process of network evolution. At some point continued instillation of interim solutions may retard rather than expedite the movement to a higher bandwidth public network.”

And the report was filled with hundreds of pages explaining why the entire state had to be upgraded to fiber optics for economic growth, education, healthcare, etc.

11) **The Real Verizon Plan: Don't Fix the Copper. Push the Customers onto Wireless because it Makes Verizon More Money.**

These next quotes are taken directly from Verizon's CEO about the company's next steps, as told during investment calls.

Verizon has decided that instead of fixing the copper it will force customers in "more rural areas" onto wireless services. McAdam⁹ stated in June 2012:

“And then in other areas that are more rural and more sparsely populated, we have got LTE built that will handle all of those services, and so we are going to cut the copper off there.”

At the September 2012 J.P. Morgan analyst conference, McAdam said moving the customers to wireless makes the company more profits:

“And in many areas we're also taking customers that aren't performing well on copper and we're moving them over to the wireless technology. So that improves our cost structure significantly and streamlines all those ongoing maintenance costs.”

⁸ Ibid. IX 51

⁹ <http://www.newnetworks.com/VerizonKillCopperjune2121012.pdf>

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Wireless LTE Is Not a Substitute for FiOS for Video

Verizon knows that wireless, even their LTE product, doesn't replace wireline broadband networks for video. McAdam¹⁰ stated in June 2012:

“I mean we want to shift as much onto FiOS or onto the fixed network where we can and then provide -- use that capacity to provide those higher-demand services like video. I don't expect anybody to sit in their home watching video over LTE. I want them to be able to watch it on their tablet anywhere in the house using the WiFi network.

And this admission means that Verizon's plan to halt their FiOS deployment will harm every customer outside the "footprint," which could be as much as 50 percent of their territories.”

Verizon EVP Fran Shammo¹¹ also made this same point in May 2013 and also noted that Verizon was making "headway" with regulators:

“[T]here is a different solution rather than building infrastructure to some of these what I would call more rural areas, and it's really with using the LTE technology, the Fusion technology from a broadband perspective. And we still have some work to do with regulators, but we are making headway here, and I think that's the route that we will take.”

And Verizon has no interest in having the wireless company compete with the wireline company. In September 2012 McAdam¹² said:

“You won't see Verizon trying to compete against FIOS with LTE. That's not in the cards here until you have an unlimited supply of spectrum. And I don't think that's coming anytime in my career.”

And, again, Verizon admitted that wireless simply will never get to the high speeds that FiOS offers. Mike Rollins, a Citigroup analyst,¹³ asked at the January 2013 event:

“The question that comes off of the ability to watch video in a quality way on a wireless device then gets to: What is the ability for LTE to displace the DSL or the low-end high-speed Internet offerings and your ability to have a true replacement product with LTE? How pervasive could that be?”

¹⁰ <http://www.newnetworks.com/VerizonKillCopperjune2121012.pdf>

¹¹ http://finance.yahoo.com/news/verizon-communications-management-presents-nomura-194203236.html;_ylt=AwrNUbKPEahRE2cANzn_wgt

¹² <http://www.newnetworks.com/Verizonjpmorgansept72012.pdf>

¹³ <http://newnetworks.com/verizoncitijan2013a.pdf>

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Lowell McAdam¹⁴, Verizon, responded — wireless won't be as fast as wired.

“Well, the low end stuff I think will always fall away, but I say this to our management team, I think as we leapfrog wireless sort of nibbles away at the lower end of the wireline side. But if you take a look at FiOS this year we went from -- well, two years ago we were at about 50 megabits of throughput into the home. We are at 100 broadly now and we have just introduced 300. So if you looked at that progression, will wireless do 300 megabits? Probably not in my career. At some point it surely will, but not in my career, and so I think this sort of leapfrogging is what we should expect going forward.”

PART 3: Show Me the Money.

New Networks has been tracking Opportunity New Jersey since its inception, including all financials, and we estimate that Verizon New Jersey overcharged customers over \$15 billion dollars in excess phone charge and tax perks – and counting.

PART 4: Case Study: Opportunity New Jersey: A Broadband Failure

¹⁴ <http://newnetworks.com/verizoncitijan2013a.pdf>