

FACT SHEET: REPORT 1 **Fixing Telecommunications: The Impacts on Customers and Cities**

The FCC's Big Freeze manipulates the expenses that helps to make the wired networks look 'unprofitable'. Verizon, AT&T and Centurylink have been able to use this to manipulate public policy and regulatory decisions in their favor.

Focusing on Verizon New York: Multiple Phone Rate Increases:

- Verizon NY local phone rates went up 84% since 2006, based on 'losses'.
- Customers paid about \$996 extra (counting taxes, fees and surcharges), since 2006 for the changes in state regulation.
- For just basic service, by 2015, this adds an extra \$141 a year.
- If the customer had inside wire maintenance, they paid an additional \$61.
- If the customer had just basic service and inside wire maintenance (or any other add on featured), they would have been charged about \$1,600 extra since 2006.

On Revenue Side, Since 2006:

- Verizon brought in over \$4.3 billion on just basic local service. Add one added charge and the total is around \$5.6 billion (counting taxes). This is a low estimate.

Massive Losses:

- Verizon NY lost \$2.6 billion in 2014 with an "income tax benefit" of \$1.3 billion.
- Starting in 2009, Verizon NY showed losses with an average of \$2.3 billion a year and a resulting 'income tax benefit' of \$1.1 billion annually.
- For this 6 year period, Verizon NY lost \$13.63 billion and had an income tax benefit of \$6.34 billion.
- **Paid No Income Taxes:** Verizon NY did not pay state or federal income taxes for over a decade.

Fiber Optic Build Outs: multiple rate increases were granted based on losses as well as "massive deployment of fiber optics":

- **No Upgrades:** Verizon stopped building the fiber optic networks in 2011/2012 leaving 900+ upstate NY towns lacking and others incomplete, including NYC.
- **Estimated Coverage for Fiber Optics:** Based on Verizon's own announcements, cross-referenced with US Census and FCC information, Verizon has 45-65% coverage of NY State (or even NYC) depending on which metric is used.

Massive Cross-Subsidies:

- Verizon NY's Local Service was charged 60% of the corporate operations expenses, paying \$1.6 billion —109% above the total revenues of Local Service.
- Verizon NY local phone customers paid the majority of the construction expenses, where were diverted to fund other lines of business, such as wireless.

Access Line Accounting Manipulated:

- Verizon's access line accounting leaves out the majority of copper and fiber optic lines, especially special access business lines- the losses just in local phone service.

How Much Money Are We Talking About? Billions Per Year, Per State:

- In NY, Verizon's Local Service was over-expensed by \$2.1 billion for 2014.

Nationwide: The Freeze Impacts All AT&T, Verizon and Centurylink States:

- On a national basis, this would be around \$24 billion annually. This doesn't account for rate increases paid or inflated pricing or the economic harms incurred.