

New Networks Institute

Manipulation of the Utility Construction Budgets — “\$200 Million” or \$8.4 Billion?

Verizon claims to have spent \$200 million for copper maintenance, but Verizon New York’s Local Service was charged \$8.4 billion in network expenses, from 2009-2014.

Verizon’s own filing at the FCC claimed that:¹

“Verizon since 2008 has spent more than \$200 million on its copper network.”

And, \$200 million is for all of the Verizon states. Later, this statement was picked up by the Communications Workers of America, (CWA) and the cities who aren’t being properly upgraded and they challenged Verizon.

Members of the New York State Assembly and Senate wrote:²

“We ask that you address a particular matter that has come to our attention this month. In an ex parte letter filed by Verizon for the Federal Communications Commission’s (FCC) recent proceeding regarding the retirement of copper facilities, Verizon attempts to rebut labor and consumer group evidence that Verizon is de facto abandoning its traditional landline copper telephone network through lack of proper maintenance and repair. In its defense, Verizon wrote: ‘[S]ince 2008, Verizon has spent more than \$200 million on its copper network.’ This shockingly small level of investment in the copper network confirms what we hear regularly from businesses and consumers: Verizon’s traditional landline service is unreliable, repairs are never permanent, deteriorated cable is not replaced, and new installations are delayed...Verizon’s statement to the FCC amounts to an admission, on the record in a formal regulatory proceeding, that it has spent virtually nothing over the past seven years on its traditional copper network...Verizon has been systematically misleading the Commission about its commitment to ensuring high quality service to customers who remain on the traditional landline network.”³

Verizon’s mea culpa, as stated in their letter to the FCC on September 18th, 2015, claims that this was an incomplete picture of all expenses for the copper wire maintenance, etc.⁴

But this is only a small part of a massive financial shell game and one has only to compare this statement with actual data. This next exhibit, taken from Verizon New York annual reports, shows that Verizon NY’s Local Service paid \$8.4 billion in “Plant” and “Non-Specific Plant” expenses from 2009-2014.

¹ <http://apps.fcc.gov/ecfs/document/view?id=60001324779>

² <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={4D9BCE15-D2BE-4ABF-B878-231325D26CF7}>

³ Ibid.

⁴ Ibid.

Verizon New York, Local Service “Plant Expenses”, 2009-2014

Year	Local Service
2009	\$ 1,742,225,114
2010	\$ 2,146,564,484
2011	\$ 1,509,735,152
2012	\$ 1,502,196,441
2013	\$ 1,382,194,463
2014	\$ 1,526,422,738
Total "Plant"	\$ 8,427,143,928

Sources: Verizon NY, New Networks Institute

If Verizon New York is adding over a \$1.4-\$2.1 billion in network costs annually to the Local Service category, where is all of this money going? Verizon stopped upgrading the networks around 2010-2012, and it slowed down maintaining the state copper-based utility networks over the last decade.

And even if Verizon spent \$200 million in just New York, and in just one year, it would still be a fraction of the network costs that have been allocated against the copper-based local phone service revenues.

Massive Cross-Subsidies

In 2011, the NY State Attorney General’s Office detailed that 75% of the capital expenditures in New York State went to fund the building of the fiber optic wires to cell sites and to FiOS, not to the maintain the state’s copper networks.

“Verizon New York’s claim of making over a ‘billion dollars’ in 2011 capital investments to its landline network is misleading. In fact, roughly three-quarters of the money was invested in providing transport facilities to serve wireless cell sites and its FiOS. Wireless carriers, including Verizon's affiliate Verizon offering wireless, directly compete with landline telephone service and the company's FiOS is primarily a video and Internet broadband offering....Therefore, only a fraction of the company's capital program is dedicated to supporting and upgrading its landline telephone service.”⁵

In short, the money to maintain and upgrade the networks as part of the state utility was diverted to fund other lines of business, even though customers were charged for “massive deployment of fiber optics” and ‘losses’.

⁵ <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={E46EDB40-99B2-4664-8BE4-A9646D09BBBF}>