

The Verizon NY Proposed Settlement with NY State Eliminates Investigations that Must Continue.

4 Facts:

- 1) **Verizon NY Didn't Pay Most Taxes: Verizon NY showed losses of \$15.7 billion dollars from 2010-2016, with a tax benefit of \$7.2 billion dollars.** Even though the State investigation called into question these massive losses, the State is now planning on eliminating any investigation in this current proposed settlement with Verizon New York.

Verizon New York Financial Losses, 2009-2016
(In the Millions)

	2010	2011	2012	2013	2014	2015	2016	Total
Losses	\$(2,257)	\$(2,367)	\$(2,618)	\$(2,696)	\$(2,578)	\$(2,087)	\$(1,080)	\$(15,683)
Tax Benefit	\$(974)	\$(1,062)	\$(1,161)	\$(1,196)	\$(1,278)	\$(827)	\$(678)	\$(7,176)

Source: Verizon New York Annual Reports

- 2) **Verizon Wireless has been Subsidized by the State Utility—Billions of Dollars in Just New York.** In 2012, Fran Shammo, former Verizon CFO [told investors](#) that the wireless company's construction expenses have been charged to the wireline business.

“The fact of the matter is Wireline capital—and I won't get the number but it's pretty substantial—is being spent on the Wireline side of the house to support the Wireless growth. So the IP backbone, the data transmission, fiber to the cell, that is all on the Wireline books but it's all being built for the Wireless Company.”

And in 2010, Verizon not only announced that it was halting the deployment of FiOS, the Fiber-to-the-Premises (FTTP) service, but that it was becoming a wireless-only company. Based on numerous sources, including Verizon, we know that the majority of the construction budgets and staff were shifted to wireless. From 2010-2012, Verizon shifted an estimated \$2.8 billion from the state utility to construction for Cellco Partners (Verizon Wireless is a D/B/A)

Verizon Wireless Expenses to Build Cell Sites, and VNY Wireline Capex, 2010-2012

	2010	2011	2012	3-Year Total
Cell Sites	2,800	1,848	867	5,515
Cell Construction Est.	\$1,439,200,000	\$949,872,000	\$445,638,000	\$2,834,710,000
Verizon NY Capex	\$1,203,000,000	\$1,137,000,000	\$1,141,000,000	\$3,481,000,000
Cell Const. as % of Verizon NY Capex	120%	84%	39%	81%

Source: Verizon New York, New Networks Institute

3) Local Phone Customers were Charged for “Massive Deployment of Fiber Optics” and “Losses”

Starting in 2006, Verizon NY had 3 rate increases, adding 84% to basic service and 50-250% for add-on services. NYPSC statement about [rate increase](#), June 2009:

“We are always concerned about the impacts on ratepayers of any rate increase, especially in times of economic stress,” said Commission Chairman Garry Brown. ‘Nevertheless, there are certain increases in Verizon’s costs that have to be recognized. This is especially important given the magnitude of the company’s capital investment program, including its **massive deployment of fiber optics in New York**. We encourage Verizon to make appropriate investments in New York, and these minor rate increases will allow those investments to continue.”

The “massive deployment” funded the construction cross-subsidies of wireless, which also helped to create the losses. Prices were never lowered or adjusted. These increases added over \$1000.00 per line for ALL customers, including low income families and rural customers.

4) At the Core Is a Massive Cross-Subsidy Scheme. This is an excerpt from the Verizon New York 2016 Annual Report and it shows that there are massive cross-subsidies between “Local Service” and the other lines of business.

	Total	Nonregulated	Local Service	Access
Total Operating Revenues	\$5,240,782,258	\$1,552,967,493	\$1,211,751,622	\$2,476,063,143
Major Operating Expenses				
Construction & Maintenance	\$3,256,244,373	\$1,113,045,276	\$1,445,636,286	\$697,562,811
Marketing	\$ 308,034,588	\$ 53,273,050	\$165,799,314	\$88,962,224
Customer Operations	\$ 402,504,360	\$ 28,387,919	\$268,038,623	\$106,077,818
Corporate Operations	\$1,199,635,597	\$ 122,758,995	\$722,877,073	\$353,999,528
Net Operating Revenues	\$(1,079,606,687)	\$183,548,944	\$(2,098,768,683)	\$835,613,052

Read the long version report: [“Verizon New York 2016 Annual Report: Follow the Money: Financial Analysis and Implications”](#) (which was filed with the State).

Simply Put: “Local Service”, the basic copper wired networks, are picking up the expenses for all of the other Verizon lines of business. Local Service, in red, shows a loss of about \$2.1 billion dollars. But, Local Service paid \$1.4 billion in construction, which was not used for these networks, and \$722 billion in “Corporate Operations”, which includes everything from executive pay to the lawyers defending Verizon—Why?

“Access”, which are the wires to businesses and cell sites, or the charges for the use of the networks, had double the revenue of Local Service but is paying a fraction of the expenses.