

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

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

TELECOMMUNICATIONS  
) ORDER TO SHOW CAUSE  
)  
) DOCKET NO. TO12020155

**DISSOLVE THE STIPULATION AGREEMENT IMMEDIATELY.**

- 1) OPRA (OPEN PUBLIC RECORDS ACT) REQUESTS**
- 2) REQUEST FOR A FULL INVESTIGATION OF VERIZON NEW JERSEY FOR FAILURE TO PROPERLY UPGRADE THE STATE-BASED UTILITY PLANT**
- 3) REQUEST FOR A FULL INVESTIGATION OF VERIZON NEW JERSEY'S MASS CROSS-SUBSIDIZATION WITH VERIZON'S AFFILIATES, INCLUDING VERIZON INTERNET, VERIZON BUSINESS, VERIZON LONG DISTANCE, AMONG OTHERS**
- 4) REQUEST FOR A FULL INVESTIGATION OF THE FINANCIAL AND OTHER TIES BETWEEN VERIZON NEW JERSEY AND VERIZON WIRELESS**
- 5) REQUEST FOR A FULL INVESTIGATION: CHARGING CUSTOMERS FOR THE DEVELOPMENT OF ALL VERIZON'S AFFILIATE COMPANIES' PRODUCTS AND SERVICES, INCLUDING FIOS CABLE TV, INTERNET, BROADBAND, WIRELESS, AND OTHER LINES OF BUSINESS**

**Submitted by:**

Bruce Kushnick,  
New Networks Institute  
Tom Allibone  
Director of Audits, Teletruth  
President, LTC Consulting, a New Jersey firm  
Alexander Goldman,  
Law Student, Brooklyn Law School  
Contacts: [bruce@newnetworks.com](mailto:bruce@newnetworks.com), [tallibone@comcast.net](mailto:tallibone@comcast.net),

# New Networks

---

## **Statement:**

New Networks & Teletruth requests that the proposed Stipulation Agreement between Verizon New Jersey and the New Jersey Board of Public Utilities (NJBP) be dissolved immediately, our OPRA requests be upheld, and an investigation start immediately. The State should then require Verizon New Jersey to either wire 100% of their state territory, as required by law, with a fiber optic service capable 45 Mbps in both directions; or start a proceeding to give back the billions collected, including damages to every Verizon customer.

## **Part 1: OPRA REQUESTS AND A CALL FOR INVESTIGATIONS**

These OPRA requests and this call for an investigation of the affiliates are the first part of our comments. Our research has uncovered massive cross-subsidization of Verizon New Jersey and Verizon's affiliate companies which include Verizon Internet, Verizon Business, Verizon Services, Verizon Wireless, Verizon Long Distance and others — the regulated entities are paying the costs of the unregulated entities, in violation of New Jersey Board of Public Utilities (BPU) orders and New Jersey law.

Our data and analysis is the centerpiece of an ongoing investigation and FOIL request by Common Cause, Consumer Union, and Communications Workers of America in a New York Public Service Commission proceeding.<sup>1</sup> The investigation concerns Verizon's accounting and business practices in New York, which are identical to those in New Jersey.

Opportunity New Jersey, which was implemented in 1993, is a plan to upgrade the utility networks, the Public Switched Telephone Networks, replacing the aging copper wires with a fiber optic telecommunications, common carriage network. Verizon has manipulated its financial reporting to the BPU to disguise the fact that the monies that were charged to customers for network upgrades were diverted to pay for other affiliate businesses, and for lobbying, bonuses, and dividends. Moreover, these other affiliate businesses have been privatizing publicly funded assets, property, and services that were paid for by Verizon New Jersey phone customers – in violation of the agreement with the BPU.

We demand that the entire stipulation agreement be dissolved immediately, that our OPRA requests be resolved, and that the public gets to see the secret, financials of a company using public rights of way, among other utility perks.. We expect the State to initiate investigations, as the State has the obligation to protect the public from issues of malfeasance and possibly engaging in fraud.

More importantly, in 2010, Verizon New Jersey should have replaced every wire in the state with fiber optics and failed to do so. Verizon's cable networks, which ride on the

---

<sup>1</sup> <http://newnetworks.com/verizon-wireless-affiliates-harming-verizon-wireline-customers/>

# New Networks

---

fiber optic telecommunications wires that are the core of the Opportunity New Jersey agreement between Verizon and the BPU, now only cover about 70 of the state's 526 municipalities. Absent immediate action by the BPU, at least 1/3 of all municipalities will never get wired.

But it is worse because Verizon's plan is to close down the copper wires in the areas that were not upgraded and force customers onto Verizon Wireless products – which is NOT part of Verizon New Jersey, which is NOT an upgrade of the utility plant and it can be argued is an illegal transfer of utility customers to a non-regulated separate company called Cellco, which through 2013 was a joint venture with Vodafone, a UK-based company.

Let us be very clear. Verizon Corporate has decided that instead of fixing the copper, it would force customers in "more rural areas" to be put onto wireless services. [McAdam<sup>2</sup> 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.”<sup>3</sup>

This stipulation agreement also violates the rights of the utility customers to have the upgraded fiber optic networks they paid for. If these networks are not built, the monies should be refunded, which we estimate to be over \$4000-\$5000.00 a household.

## OPRA REQUESTS & A DEMAND FOR IMMEDIATE INVESTIGATIONS

- 1) New Networks submits an OPRA request and a call for an investigation of all financials for Verizon New Jersey for the years 2005 through 2013, including data that was or should have been filed with the SEC, and including all affiliate transactions.
- 2) New Networks submits an OPRA request and a call for an investigation of all financials for Verizon New Jersey for the years 2005 through 2013 for ALL data that was or should have been filed with the FCC for its ARMIS information, which uses the Uniformed System of Accounts USOA.

---

<sup>2</sup> <http://www.newnetworks.com/VerizonKillCopperjune2121012.pdf>

<sup>3</sup> <http://www.newnetworks.com/Verizonjpmorgansept72012.pdf>

## New Networks

---

- 3) New Networks submits an OPRA request for all information, financials and a call for an investigation into the differences between Verizon New Jersey's reports to the BPU and the financial results that should have been in SEC annual reports (10-K filings) for all years from 2005 through 2013, regardless of whether Verizon supplied this information to the SEC.

### **The Networks and Affiliates**

- 4) New Networks submits an OPRA request for all information, financials and a call for an investigation of all wireline capital expenditures, including cable expenditures, FiOS broadband expenditures, fiber optic wires to the cell towers, or any other use of the construction financials from 1991 through 2013.
- 5) New Networks submits a OPRA request for all information, financials and a call for an investigation to determine whether or not Verizon New Jersey spent \$2 billion dollars on Verizon's' FiOS cable development and deployment, as Verizon claimed to the BPU and the public.
- 6) New Networks submits a OPRA request for all information, financials and a call for an investigation to determine whether or not Verizon New Jersey spent \$4 billion dollars on Verizon's' FiOS program and landline business, as Verizon claimed to the BPU and the public.
- 7) New Networks submits an OPRA request for all information, financials and a call for an investigation of the "Verizon Internet Service" payments made to Verizon New Jersey as well as the expenses that were charged to Verizon New Jersey from 2001 through 2013.
- 8) New Networks submits an OPRA request for all information, financials and a call for an investigation of the "Verizon Services" expenses that were charged to Verizon New Jersey from 2001 through 2013.

### **Wireline and Wireless Financial Ties:**

- 9) New Networks submits an OPRA request and a call for an investigation for all payments from Verizon Wireless (doing business as "Cellco", a joint venture of Verizon and Vodafone) to Verizon New Jersey, including all payments and financial transactions related to the deployment of fiber optic wires and upgrades from 2001 through 2013. This includes the IP backbone, the data transmission, fiber to the cell towers, and all other cell phone infrastructure that was paid for by New Jersey's wireline ratepayers by Verizon entities that are regulated by the BPU.
- 10) New Networks submits a OPRA request and a call for an investigation for all timesheets, and any work done by Verizon employees, including all IBEW and CWA members, that was for Verizon Wireless (doing business as "Cellco", a joint venture of Verizon and Vodafone) but was charged to Verizon New Jersey from 2001 through 2013.
- 11) New Networks submits an OPRA request and a call for an investigation for all payments to Verizon New Jersey and its affiliate for special access fees, billing and collections and interconnection fees that are paid to Verizon New Jersey from Verizon Wireless, AT&T and Sprint including any of the companies' affiliates from 2001 through 2013.

# New Networks

---

**1) Request for an Investigation into the Influence of Verizon Wireless over the Wireline Verizon New Jersey.**

This request for an investigation is based on an ongoing investigation and FOIL request currently underway by the New York State Public Service Commission.<sup>4</sup>

On September 13<sup>th</sup>, 2013, Common Cause-NY, Communications Workers of America (District 1), Consumer Union and the Fire Island Association [filed comments](#)<sup>5</sup> calling for an investigation into the influence of the wireless company over the wireline state-based networks provided Verizon New York.

We assert that there is evidence that the reported losses are substantially the result of misallocation of revenues and expenses as between the landline and wireless systems. The evidence is strong enough to require the Commission to consider it, and seek such additional information as will prove or disprove the existence of systematic and intentional misallocation by the Company, with consequences for customers/ratepayers of both systems, the tax payments due to federal, state and local jurisdictions, and policy decisions made by the Commission.

The proceeding is still open and on December 2, 2013, Verizon lost the appeal to block the FOIL request to turn over information about these financial issues.

**2) Request for Commission Action to Determine Systematic Misallocation of Revenues and Expenses by the Company as Between Wireline and Wireless Entities.**

In 2011, Dennis Bone, then president of Verizon, New Jersey, gave a speech on the future of telecommunications in New Jersey. He said that landlines are now relics and that Verizon is investing in its broadband networks, including wireless.

Landlines are also becoming relics, Bone said, noting Verizon has lost 60 percent of its traditional landline business in the past decade. Meanwhile, Verizon is heavily investing in its broadband network, pumping \$3.5 billion in New Jersey into the network over the past five years. The future also includes the full roll-out of the 4G wireless

---

<sup>4</sup> <http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterSeq=42688>

<sup>5</sup> <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7b637AEC91-C05A-45BD-8CEC-0F63F3C388DC%7d>

# New Networks

---

network by 2013, offering up to 10 times faster connectivity and less latency than current 3G networks.<sup>6</sup>

Why did the Verizon, New Jersey president talk about wireless, which was supposed to be a different company, one that Verizon, New Jersey did not control?

Because Verizon New Jersey may be violating BPU rules and state law by charging New Jersey ratepayers for the expense of deploying new, unregulated services. The article states:

Deployment of fiber-optic links to wireless providers' cell sites throughout New Jersey as these carriers expand their infrastructure to meet ever-growing demand for wireless broadband and advanced 4G services. In 2010, Verizon deployed fiber optics to connect more than 1,660 of these sites.<sup>7</sup>

[Fran Shammo, Verizon's EVP and CFO](#)<sup>8</sup> stated that the wireline construction budgets have been diverted to charge wireline customers for the Verizon Wireless company's construction needs.

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.

Simply put — Wireline POTS customer may have been charged to develop and build the Verizon Wireless's networks — saving the company potentially billions in wireless costs, thus goosing the wireless profits while harming the infrastructure building and commitments.

And Verizon is now ramming down the State's throat a plan to have wireless replace the wireline networks.

In 2012, Verizon New Jersey's response to the show cause order proved that the company was using wireless spending to fulfill Opportunity New Jersey commitments to the BPU.

Verizon Wireless has deployed its 3G networks to almost all of New Jersey... the Verizon wireless 54G LTE network provides broadband at average data rates of 5 to 12 Mbps per second on the downlink and 2 to 5

---

<sup>6</sup> Local Talk News, Thursday, 05 May 2011

<sup>7</sup> Ibid.

<sup>8</sup> [http://www22.verizon.com/investor/DocServlet?doc=goldman\\_vz\\_transcript\\_092012.pdf](http://www22.verizon.com/investor/DocServlet?doc=goldman_vz_transcript_092012.pdf)

# New Networks

---

Mbps on the uplink. Over the last decade, Verizon Wireless has invested billions in New Jersey to bring wireless services."

As a result of this investment, Verizon has deployed broadband to customers in more than 99 percent of the census blocks in New Jersey

The rest of this document outlines the ties between Verizon New Jersey and the affiliate companies.

### 3) Request for an Investigation into the Financial Losses of Verizon New Jersey for the Years 2009 through 2013.

**Fact: In 2009-2010, Verizon New Jersey paid no taxes to the State, based on SEC filings.**

**Fact: In the 2009-2010 year, Verizon New Jersey showed \$786 million in losses, with an income tax benefit of \$321 million, which was used by the corporate parent to lower their tax base.**

**OPRA REQUEST:** New Networks submits an OPRA request for all financials for Verizon New Jersey for the years 2006 through 2013, including data that would have been filed with the SEC, including all affiliate transactions, as well as ALL data that would have been filed with the FCC for its ARMIS information).<sup>9</sup>

We assert that Verizon has systematically misallocated costs in order to reduce the profitability of the wireline division and overstate the profitability of Verizon Wireless.

The Company has publicly stated that it has lost billions on the landline system. For the most recent period for which there are published figures the numbers are as follows:

#### **Verizon New Jersey Income Tax Loss and Benefit, 2009-2010 (In the millions)**

		<b>2009</b>	<b>2010</b>
Loss Before Benefit for Income Taxes		(\$355)	(\$431)
Benefit for income taxes		\$161	\$160
Net Loss		(\$194)	(\$271)

---

<sup>9</sup> NOTE: Verizon stopped publishing this information in 2010, and claims it was not required to file with the SEC post 2003. And the FCC stopped requiring ARMIS data in 2007.

## New Networks

---

### 4) **Request for an Investigation: Verizon Wireless has been Underpaying to Verizon New Jersey for Use the use of the Networks as Compared to Other Wireless Providers.**

Verizon Wireless appears to be paying lower access fees Verizon New Jersey, even when they were supposed to be separate companies.

This chart gives the actual payments made by the carrier to Verizon New Jersey based entirely on 4<sup>th</sup> quarter reports to the SEC.

#### **Verizon Wireless, AT&T and Sprint Access Payments to Verizon New Jersey 2007-2010 (In the millions)**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>4 Years</b>	
AT&T	\$187	\$175	\$130	\$112	\$604	47%
Sprint	\$78	\$72	\$67	\$56	\$273	21%
Verizon	\$108	\$109	\$112	\$67	\$396	31%
Total	\$373	\$356	\$309	\$235	\$1273	100%

Verizon Wireless has more subscribers than AT&T and is at least double the size of Sprint.

#### **Wireless Providers by Subscribers (Second quarter, 2013) (In the millions)**

<b>Companies</b>	<b>subs</b>	
Verizon Wireless	118	42%
AT&T	108	39%
Sprint	53	19%

The Company has stated that these numbers are an aggregate of payments for a variety of services.

Our operating revenues include transactions with Verizon Wireless Inc. (Verizon Wireless) associated with the provision of local and network access services, billing and collection services and from interconnection agreements. These revenues are earned from Verizon Wireless who provides wireless voice and data services, paging services and equipment sales to their customers. Our operating expenses also include transactions with Verizon Wireless. We recognize costs associated with wireless voice and data services and for interconnection agreements.



# New Networks

---

We estimate that Verizon paid about \$240 million less than they should have over the course of four years.

But, only the data that we demand in this OPRA request can prove it.

**5) Request for an Investigation: Verizon Undercharged Verizon Wireless for Services and Costs Associated With Advertising and Marketing.**

We assert that Verizon New Jersey and other affiliates undercharged Verizon Wireless for advertising and marketing in order to ensure that Verizon reports losses and Verizon Wireless reports profits.

But we need the information that we have requested in order to prove it. The information that we request may also help the State of New Jersey collect hundreds of millions of dollars in fraudulently underpaid taxes. It may also reveal breaches of commitments to the BPU.

**7) Request for an Investigation: All of the Flows of Money Between the Verizon Affiliates for the FiOS Cable, Broadband, and Internet services and Verizon New Jersey.**

**§ OPRA REQUEST and a call for an investigation for all of monies displayed in Verizon New Jersey's State-based SEC filed 4<sup>th</sup> Quarter results for all years from 2006 through 2013, regardless of they are supplied to the SEC.**

The following excerpt is taken directly, from the 2010, SEC filed 4<sup>th</sup> quarter results of Verizon New Jersey and there are major issues that appear.

# New Networks

## Verizon New Jersey Inc.

### 7. TRANSACTIONS WITH AFFILIATES

Our financial statements include transactions with the following affiliates:

Years Ended December 31,	(dollars in millions)	
	2010	2009
Operating revenues:		
Verizon Business	\$ 181	\$ 192
Verizon Internet Services Inc.	82	—
Verizon Wireless Inc.	67	112
Verizon Services	44	48
Verizon Long Distance	34	37
Verizon Operating Telephone Companies	22	4
Other	—	1
	<u>\$ 430</u>	<u>\$ 394</u>
Operating expenses:		
Verizon Services	\$ 838	\$ 1,073
Verizon Internet Services Inc.	148	251
Verizon Data Services Inc.	107	105
Verizon Connected Solutions Inc.	35	78
Verizon Wireless Inc.	3	10
Verizon Business	1	2
	<u>\$ 1,132</u>	<u>\$ 1,519</u>

### 8) OPRA Request and a Call for an Investigation of the “Verizon Internet Service” Payments Made to Verizon New Jersey as well as the Expenses that are Charged to Verizon New Jersey.

#### Verizon Internet Services Payment and Expense to Verizon New Jersey, 2009-2010 (In the millions)

	2009	2010
<b>Revenues</b>		
Verizon Internet Services Inc.	--	\$ 82
<b>Expenses</b>		
Verizon Internet Services Inc.	\$ 251	\$ 148

There is no payment from the Verizon Internet business for use of the networks in 2009 and there is only \$82 million in 2010.

If that wasn't enough, the Internet business is charging Verizon New Jersey more than Verizon New Jersey is receiving, even though the Internet business rides over the Opportunity New Jersey wires.

# New Networks

---

## 9) OPRA Request And A Call For An Investigation Of The “Verizon Services” Expenses That Are Charged To Verizon New Jersey.

One of the main reasons Verizon New Jersey is not profitable is because Verizon Services, the corporate parent, is dumping hundred of millions and sometime over a billion dollars in one year into Verizon New Jersey.

### Who is Verizon Services?

Verizon Services includes “corporate finance, external affairs, legal, media relations, employee communications, and corporate advertising”.

Expenses without reciprocal revenues have been a pattern over the last decade. The changes over time, increasing expenses and decreasing revenues, can best be seen by this chart for Verizon, New Jersey affiliate transactions, 2001-2010. Expenses are always more than revenues. In 2009 revenues were only 26% of expenses.

### Verizon, New Jersey Affiliate Revenues and Expenses, 2001-2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenue	\$197	\$194	\$267	\$259	\$318	\$505	\$506	\$487	\$394	\$430
Expenses	\$717	\$731	\$995	\$970	\$990	\$1,038	\$1,127	\$1,119	\$1,519	\$1,132
Revenues vs expenses	27%	27%	27%	27%	32%	49%	45%	44%	26%	38%

### Who Are the Affiliates?

It is hard to even figure out what is going on based on the information supplied to the average customer. The Verizon, small business bills can have 2-4 different Verizon companies offering services on one bill and the information doesn't match the names of the affiliates mentioned in the SEC filings. Is “Verizon Online”, the same as “Verizon Internet”? Is “Verizon Enterprise Solutions” the same as “Verizon Business”?

## 10) Did Verizon New Jersey Customers Pay for the Development and Deployment of FiOS as Well as the Cable Company?

OPRA REQUEST AND CALL FOR AN INVESTIGATION:

- **New Networks submits a OPRA request for all information, financials and a call for an investigation of all wireline capital expenditures, including cable expenditures, FiOS broadband expenditures, fiber optic wires to the cell towers, or any other use of the construction financials from 1991 through 2013.**

## New Networks

---

- **New Networks submits a OPRA request for all information, financials and a call for an investigation to determine whether or not Verizon New Jersey spent \$2 billion dollars on Verizon’s’ FiOS cable development and deployment, as Verizon claimed to the BPU and the public.**
- **New Networks submits a OPRA request for all information, financials and a call for an investigation to determine whether or not Verizon New Jersey spent \$4 billion dollars on Verizon’s’ FiOS program and landline business, as Verizon claimed to the BPU and the public**

VNJ claims in its filings that the company spent \$2 billion from 2007 through 2011 for the FiOS cable deployment.

“In the five plus years since the Board granted Verizon a system-wide franchise, Verizon has invested more than \$2 billion to deploy cable television service”<sup>10</sup>

Elsewhere Verizon claims it spent \$4 billion for FiOS and the wireline networks, According to NJ Spotlight:

“In New Jersey, its investment in laying new fiber optic lines to deliver cable and Internet service and conventional copper-line capabilities has totaled more than \$4 billion, according to company executives...”

“In New Jersey, Verizon has spent more than \$4 billion in investing in its traditional landline program and FiOS program, he said. “Seven years ago, they didn’t have that choice.”

Yet these figures are all make believe — they don’t exist. There was no extra investment for the cable networks and FiOS is simply using the original wireline construction and maintenance budgets. Thus, phone customers most likely paid for the cable development out of the normal construction budgets as an extra hidden expense.

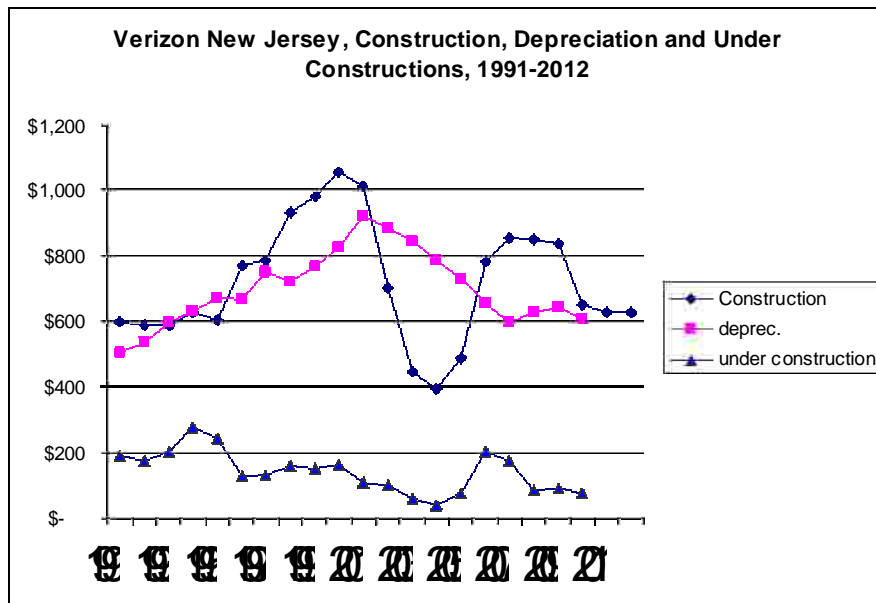
This first chart shows the “Capital Expenditures”, “Depreciation (write-offs)” and “Under Construction” from 1991-2012, taken directly from the company’s SEC reports, press releases and FCC ARMIS data.

Let’s go through the highlights.

---

<sup>10</sup> Initial Comments of Verizon New Jersey regarding its system-wide franchise renewal, April 16, 2011

# New Networks



Opportunity New Jersey is announced in 1993, and the company spends some money on the deployment of – Calling Features, DSL, Y2K and getting the networks opened to competition so that Verizon could go into long distance.

Then there is a major drop— around 2001. Verizon stops spending and holds the state and the FCC hostage to change the laws to get rid of competitors. At the same time, the company writes off much more than they put into the ground, saving on taxes.

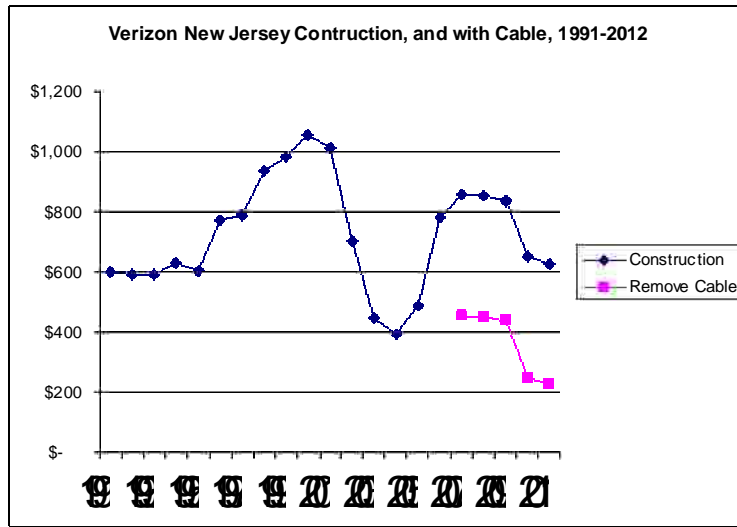
Around 2005-2006, the company announces FIOS and then there is a peak, only drop dramatically after they announce in 2010 that they were ‘done with upgrades’.

However, it is clear that Verizon stopped doing construction by 2010. (2011 and 2012 are not available.) Notice the massive drop of more than ½ by the year 2010 for ‘under construction’ meaning that they had dramatically slowed any building.

## The Company Claims that from 2007 to 2011 They Spent \$2 Billion on Cable.

This next chart shows that if you remove \$2 billion dollars from the normal construction budgets, there is nothing left for the ‘utility networks’. The red line would be the wireline construction budget with cable taken out.

# New Networks



**Verizon Construction if Cable is Included and Under Construction, 2007-2011**

	2007	2008	2009	2010	2011
Construction	\$ 856	\$ 852	\$ 837	\$ 650	\$ 627
Cable included	\$ 456	\$ 452	\$ 437	\$ 250	\$ 227
Under Construction	\$176	\$84	\$93	\$75	

## The \$4 Billion Dollar Amount Is Also Problematic.

If you count all of monies spent from 2007-2011, you find it comes to \$3.8 billion, or \$4.4 billion if you include 2012.

- First, it would appear that the company is simply restating what are essentially normal construction budgets.
- Second, it shows that the copper networks do not have a major budget to be maintained.
- Three, there is no cable budget left to be had when you examine these construction budgets.
- Four, this is simply a shell game of presentation, and it also shows that the cable deployment was cross-subsidized by utility customers who got the short end of the stick.
- Five, we have this next caveat — The wireless business is dumping parts of their construction budgets into this pot.

# New Networks

---

## **11) Construction Budgets and Other Monies Were Diverted to the Wireless Business.**

Fran Shammo<sup>11</sup>, Verizon's EVP and CFO stated that the wireline construction budgets have been diverted to charge customers for the wireless companies' construction needs.

“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.”

New Networks demands to see all constructions budgets spent in the State of New Jersey for the years 1991-2013. The State must audit these books to see if regular phone customers paid for the development and deployment of a cable network, which is not legal in the state of New Jersey.

Moreover, are the FIOS budgets for broadband and Internet also getting a free ride and funded via low income families, small businesses and anyone else who uses the phone networks?

---

<sup>11</sup> Thomson Reuters Edited Transcript, Verizon at Goldman Sachs Communacopia Conference, Sept. 20, 2012, [http://www22.verizon.com/investor/DocServlet?doc=goldman\\_vz\\_transcript\\_092012.pdf](http://www22.verizon.com/investor/DocServlet?doc=goldman_vz_transcript_092012.pdf)