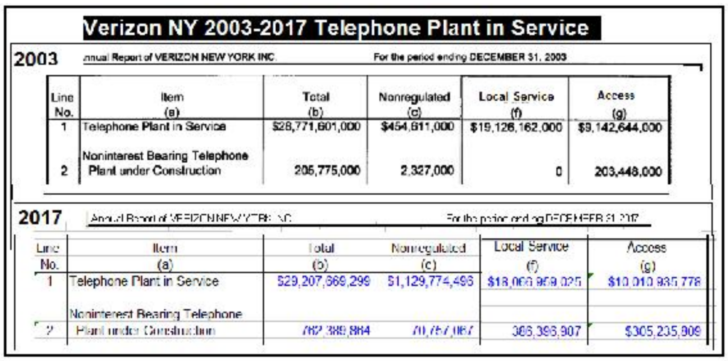
FACT SHEET 4: Local Phone Customers Are Paying Billions Per State in Cross Subsidies of Network Infrastructure.

IRREGULATORS v FCC is targeted at the massive financial cross subsidies created by the deformities of FCC's cost accounting rules being applied to the state telecommunications utility network infrastructure. **The FCC cost accounting rules are federal and this is happening in every state.**

These excerpts are from the original Verizon NY 2003 and 2017 Annual Reports. They detail the "Telephone Plant (Network) in Service". Local Service has been paying over 66% and 62% of ALL new network infrastructure, respectively, while the other lines of business, "Access" services (which include "Business Data Services", sometimes called "backhaul", or "Special Access") paid only 32% and 35% for these years. Worse, the services classified as "Nonregulated" services, which include FiOS video and VOIP services, only paid 2% and 3%, respectively.



Verizon NY 2003-2017 Telephone Plant in Service

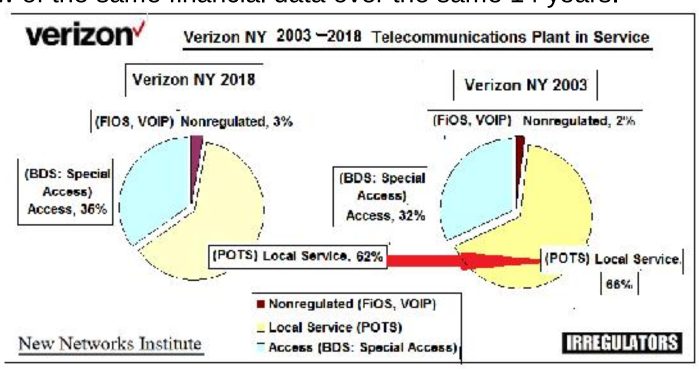
2003 Annual Report of VERIZON NEW YORK INC. For the period ending DECEMBER 31, 2003

Line No.	Item (a)	Total (b)	Nonregulated (c)	Local Service (f)	Access (g)
1	Telephone Plant in Service	$28,771,601,000	$454,611,000	$19,126,162,000	$9,142,644,000
2	Noninterest Bearing Telephone Plant under Construction	205,775,000	2,327,000	0	203,448,000

2017 Annual Report of VERIZON NEW YORK INC. For the period ending DECEMBER 31, 2017

Line No.	Item (a)	Total (b)	Nonregulated (c)	Local Service (f)	Access (g)
1	Telephone Plant in Service	$29,207,669,299	$1,129,774,496	$18,066,959,025	$10,010,935,778
2	Noninterest Bearing Telephone Plant under Construction	762,389,864	70,757,067	386,396,907	$305,235,909

This is another view of the same financial data over the same 14 years.



This is impossible: In just 2017, (detailed in the annual reports) Verizon NY Local Service paid $1.2 billion in network infrastructure, but these are the wired basic copper phonelines, which only used about $100 million for construction and repairs. Local Service only had revenues of $1.1 billion, causing an artificial loss. Special Access revenues were almost $2 billion but it is paying ½ of what Local Service pays while "Nonregulated" is paying virtually nothing – 3% of the total, but has revenues of over $1.5 billion. This means that it has been cross-subsidized by local phone customers and that the profit margins of VoIP have been manipulated. Special Access now has a profit margin, EBIDTA, of 55% while Local Service has had losses of over $2 billion annually for over a decade.

According to filings by the NY Attorney General's Office in 2012, 75% of all construction has been diverted to FiOS or to Verizon Wireless, and yet this shows it is Local phone customers who are paying for this.

See: FACT SHEET 3: Local phone rates and increases caused by these cross-subsidies.