FACT SHEET 3: Verizon NY Local Service Overcharging Estimated at $3,100.00, from 2006-2018, Caused by the FCC Accounting Rules.

What Happened in Your State?

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Verizon New York Basic Phone Service Pricing, 1980-2017

	1980	1987	1992	1998	2004	2006	2008	2012	2013	2014	2015	2016	2017	Increase	Since 2004
Untimed Message	$6.04	$7.44	$6.60	$6.60	$8.61	$9.85	$13.85	$15.80	$15.80	$15.80	$15.80	$15.80	$15.80	162%	84%
Wire Maintenance	$1.24	$0.95	$1.51	$1.49	$3.45	$4.48	$5.99	$7.99	$9.99	$9.99	$10.99	$11.99	$11.99	867%	248%
FCC Line Charge	0	$2.00	$3.50	$3.50	$6.38	$6.40	$6.42	$6.87	$6.87	$6.87	$6.87	$6.87	$6.87	244%	8%
E911	0		$0.35	$0.35	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	186%	0%
DA @ 3 calls (6 free)	($0.30)	$0.92	$1.58	$1.58	$2.81	$4.39	$4.42	$5.97	$5.97	$6.75	$7.35	$7.35	$7.35	2550%	162%
Call Allowance	($4.00)	$0.90	$5.09	$5.09	$5.47	$7.20	$7.90	$7.90	$7.90	$7.90	$7.90	$7.90	$7.90	298%	44%
Universal Service	0				$0.62	$0.74	$0.73	$1.11	$1.15	$1.20	$1.21	$1.19	$1.25	102%	79%
Surcharges				$1.56	$1.67	$1.86	$2.46	$3.02	$3.02	$3.02	$4.36	$4.45	$4.45	185%	81%
Total Before State-	$6.98	$12.21	$18.63	$20.17	$30.24	$35.92	$42.77	$46.84	$48.55	$52.72	$55.48	$56.55	$56.61	711%	54%
State, Local, Federal	$0.65	$1.37	$2.10	$2.27	$3.40	$4.18	$4.81	$6.61	$5.75	$6.25	$6.57	$6.70	$6.71	932%	94%
Total	**$7.63**	**$13.58**	**$20.73**	**$22.44**	**$33.64**	**$40.10**	**$47.58**	**$53.26**	**$54.30**	**$58.97**	**$62.06**	**$63.25**	**$63.32**	730%	94%
Increases:		60%	144%	165%	297%	426%	524%	598%	612%	673%	713%	729%	730%		94%

- Verizon NY is the state-based telecommunications utility with revenues of close to $5 billion. There are 3 primary lines of business 1) “Local Service”, basic POTS (Plain Old Telephone Services),) 2) “Access”, (including ‘backhaul’ and “Business Data Services”) fees to use the networks and 3) “Unregulated” services, (which include FiOS video and VOIP).
- Basic local phone service went up 730% since 1980. There was never any major rate decreases for the total bill for 39 years.
- From 2006-2009, Verizon New York was granted multiple rate increases, adding 84% for just basic service, while other items went up 50%-250%.
- These rate increases were based on “losses” and charging local phone customers for the “massive deployment of fiber optics”.
- In 2017, Local Service revenues per line, per month were approximately $63.00, (including the “FCC Federal Subscriber Line Charge” which is classified as a federal “access” charge). This is not all of the revenues from local service; inside wire maintenance’ revenues are classified as “nonregulated” service.
- Overcharging: We estimate Verizon NY local phone customers were overcharged $3,116.00 per line from 2006-2018.
- We estimate that the overcharging from this these rate increases comes to about $6.4 billion in New York from 2006-2017. And this revenue is for basic service and inside wire only, with the taxes, fees and surcharges applied.
- Nationwide, multiple states we examined had increases of over 100% to basic rates since 2006. No state has done an ‘audit’ of these increases or the use of the FCC accounting rules. We expect the same overcharging is occurring nationwide.
- AT&T California had increases of 143% for flat rate local service and 273% for measured local service, from 2004-2017.
- Nationwide, this would come to an estimated $91 billion in overcharging from rate increases since 2006.

Artificial Losses and Massive Deployment of Fiber Optics

- In 2005, the NY Public Service Commission granted a series of rate increases based on the “massive deployment of fiber optics” and “losses”.
- In 2017, Verizon NY had $2.6 billion in losses, and has been losing over $2 billion annually for a decade.

- These losses are attributed to Local Service, yet they are artificial and were created by the FCC cost accounting rules.
- Verizon NY Local Service was charged $1.8 billion in "Corporate Operations" expenses, about 62% of the total for Verizon NY in 2017; it should have been about $100 million.
- Verizon NY Local Service was charged $1.2 billion in construction and maintenance yet it actually used less than $100 million annually for the last decade.
- The Corporate Operations expense and construction was set using the FCC accounting rules, which are frozen to the year 2000. Starting in 2010, the construction was diverted to heavily cross-subsidize the wireless networks.
- Customers paid for this construction and the corporate operations expenses via rate increases. Public policies are all based on manipulated accounting. State rural areas were not upgraded based on claiming it was not profitable.

The exact same financial cross-subsidy scheme is most likely happening in every state. The FCC rules are federal and all state utilities matched in 2007, the last time the FCC published state-based financial reports. Verizon Pennsylvania, Centurylink Colorado, and AT&T California are all telecommunications utilities.

The Accounting of Wired Phone Lines, "Landlines", in Use Are Manipulated. While common wisdom and the FCC continue to claim that everyone has 'dropped' their landline', according to the FCC there were 55 million customers who had a basic phone line from mostly AT&T, Verizon and CenturyLink. However, there are a total of 119 million customers with a 'wired' service, which can be VOIP/digital voice from the cable companies or AT&T's U-Verse, which uses the existing copper-to the home.[1]

And yet, the FCC quotes AT&T, discussing the 'loss' of lines. Notice it is only counting "households", "switched-access" "voice", and "POTS", plain old telephone service.

> "Retail POTS subscriptions have declined to the point that less than 17%of households purchase switched-access voice service from an ILEC, and these services will only continue to decline."

80% of the Access Lines Are Missing in the Accounting Verizon NY had about $5 billion in revenues in 2017; $1.1 billion from Local Service. Verizon NY's other lines of business, "Access", (including "Business Data Services"), and "Nonregulated", (which includes FiOS video and VOIP), account for the rest of the revenues—$3.9 billion. However they showed ZERO lines in service. The FCC's last data was published in 2007, and it included ALL lines, showing over 80% of other lines no longer included or documented.

Prices should have been in steep decline. The punchline—the wired networks were made to appear unprofitable by design or happenstance, and this was done by the manipulation of the FCC cost accounting rules.

The rate increases were created with expenses that should never have been charged to local phone customers, and the "massive deployment of fiber optics" was diverted to illegally subsidize wireless.

[1] https://www.fcc.gov/document/fcc-adopts-first-consolidated-communications-marketplace-report-0