

March 17th, 2022

CONTACT: Bruce Kushnick, Managing Director
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TO: STATE OF NEW YORK, DEPARTMENT OF PUBLIC SERVICE

RE: MATTER NO. 21-02182 - In the Matter of the Commission's
 Broadband Study and Mapping Pursuant to the Broadband Connectivity Act.

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IRREGULATORS to NY STATE: Halt the Wireless Subsidies: Get Back the Billions that have been overcharged by Verizon, Now.

Use the money to deliver on the promise of a fiber optic future -- with no government subsidies.

		Total	Nonregulated	Local Service	Backhaul & BDS
		(b)	(c)	(f)	(g)
1)	Total Operating Revenues	\$ 3,920,536,065	\$ 1,103,831,282	\$ 1,034,529,443	\$ 1,782,175,341
	Operating Expenses				
2)	Construct & Maintenance	\$ 2,292,823,022	\$ 681,510,905	\$ 1,068,343,137	\$ 542,968,980
3)	Marketing	\$ 268,473,617	\$ 40,051,393	\$ 144,924,731	\$ 83,497,493
4)	Customer Operations	\$ 218,760,557	\$ 15,791,442	\$ 146,298,266	\$ 56,670,849
5)	Corporate Operations	\$ 1,373,212,407	\$ 139,569,189	\$ 832,918,318	\$ 400,724,899
6)	Total Operating Expenses	\$ 5,319,671,559	\$ 916,302,836	\$ 2,908,134,380	\$ 1,495,234,343
7)	Net Operating Revenues	\$ (1,399,135,494)	\$ 187,528,447	\$ (1,873,604,938)	\$ 286,940,997

CLICK FOR PART 1

This is PART 2

Verizon, with the help of AT&T, and CenturyLink (Lumen Technologies), created the Digital Divide on purpose. And we will prove it, using the Verizon NY 2020 Annual Report which details billions that can be used to solve the Digital Divide in NY, with no government subsidies.

You want to see illegal, egregious acts hiding in plain sight? In just NY, in just 2020

- Verizon Local phone service was charged \$833 million in Corporate Operations expense, over 61%, (Line 5, Column f) From corporate jets to executive pay, virtually none of these expenses are to offer wired phone service; these expenses are probably NOT even generated in NY State.
- Verizon Local Service was charged \$1.1 billion in construction expenses and maintenance. There are virtually no construction for the copper wires? (Line 2, Column F.)
- Why has NY State allowed overcharging of almost \$2 billion dollars? (See our previous [analysis of Verizon NY Corporate Operations](#) for 2017. Moreover, it is clear

that [billions of dollars of the utility construction budget](#) have been primarily charged to the Local Service line of business.)

- **LEARN THE DETAILS: [DOWNLOAD](#)** the Verizon NY 2020 Annual Report (Spreadsheet), and the IRREGULATORS Analysis and “How to Read the Report — Walk-through”.

PS: The Challenge: We call your bluff. All those who claim that they want to get government subsidies for broadband needs to understand the true financials-- How much money are wired customers paying today and the flows of money that have been illegally diverted and are charged to the state utility billions extra to fund wireless and NOT build out rural areas, as well as keep prices inflated due to no competition. They created the Digital Divide on purpose.-- **Prove us wrong.**

But I use wireless? No, you don't. First, as you will read, the fiber optic wires are required to deliver wireless, which are attached to the cell sites, and that wire should have gone to residential and business in all parts of NY state. Second, we are addressing ‘fixed wireless’ -- instead of fiber optic upgrades Verizon et al pulled a bait and switch, claiming wireless was a substitute.

What is the Verizon New York 2020 Annual Report? (Hidden in Plain Sight). In June 2021, the Verizon NY 2020 Annual Report was published. Verizon NY is the primary state telecommunications public utility and New York is the only state we know of that requires and makes public a financial annual report for the state-based public utility.

Moreover, every Verizon, AT&T, and CenturyLink state has been Punked. This financial report is based on manipulated accounting and every state is using identical financial that created “Cooked Books”

Read the Bibliography and see our 30+ filings and testimony in front the NY State Public Service Commission and other NY agencies. They were informed every year since we uncovered the fraudulent accounting, using a team of experts, telecom auditors, and lawyers. The state has been negligent in examining our claims, but also the financial books that the Agency has been receiving for the last 3 decades.

MASSIVE FINANCIAL CHICANERY-- BY THE NUMBERS

The manipulation of the accounting created the Digital Divide

The State public telecommunications utility network infrastructure is not just the aging copper wires but are also all of the fiber optic wires for FiOS and even for wireless. And there are 3 primary lines of business; ‘backhaul’, the data services for wireless and banks, etc; nonregulated, which is FiOS and VoIP, and Local phone service, based on the copper wires.

But, over the last 2 decades, Local Service has been used by Verizon to illegally fund the company's other lines of business -- instead of replacing the existing copper wires with fiber optics of the utility --

Thus, they took billions of dollars of expenses and charged the utility, especially local service. This made the entire infrastructure appear unprofitable; it was used to raise rates, it was used to cut staff and it was used to avoid taxes, Why is it paying?

- **Local Service was charged \$833 million, 61%, in Corporate Operations expense, which is 81% of the Local Service revenues.** -- These include the \$1,200 an hour lawyers, the corporate jets and executive pay -- and is NOT part of Local Service or even an expense generated in NY State.
- **Local Service was charged \$144 million in Marketing expenses, 54% of the total** — Verizon no longer markets basic phone service.
- **Local Service was charged \$1.3 billion in Construction & Maintenance, yet it spent only an estimated \$18-\$47 million for maintaining and upgrading the copper networks.** Where did the \$1+ billion in overcharging go?

Overcharging: A Partial List:

- **Local Service was Overcharged an Estimated \$925 Million in Corporate Operations and Marketing Expenses, in Just New York, in Just 2020.** These 2 expenses were 95% as compared to Local Service revenues. We estimate only \$50 million of the \$977 million (\$833 million + \$144 million) could be considered legitimate.
- **Verizon NY Local Service was Overcharged an Estimated \$1.02 Billion due to the Construction and Maintenance Expenses Put into Local Service.**
- **[Tax Avoidance and Rate Increases](#)** based on artificial losses, underpayments from all of the Verizon affiliates and lines of business — needs to be investigated and halted.
- **Verizon NY shows losses of over \$2 billion a year for the last decade, saving hundreds of millions of dollars in taxes.** All of these were caused by the dumping of the corporate expenses, the failure of the wireless company to pay for use of the construction budgets and rights-of-way.
- **Verizon wireless “Cellco Partners” owes over \$1 billion in construction and payments for the right-of-way** it has been using illegally for the last decade. Verizon illegally transference meant that entire parts of NY state were not upgraded -- causing the Digital Divide.
- **30 Years of Rate Increases and Harvesting:** How is it possible that basic local phone service had increases for 30 years when there has been claims of competition? -- and the harvesting of customers when prices were supposed to be ‘just and reasonable.
- **SUMMARY:** In short, for just these few basic expense areas, Verizon NY Local Service was overcharged almost \$1.9 billion dollars in 2020, and this does not include the other areas we identified. **[DOWNLOAD](#)** the Verizon NY 2020 Annual Report (Spreadsheet), IRREGULATORS “How to Read the Report — Walk-through”.

verizon Verizon New York 2020 Financial Annual Report
Excerpt: Revenues, Expenses and Profits

	Total (b)	Nonregulated (c)	Local Service (f)	Backhaul & BDS (g)
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**VERIZON NY 2020 ANNUAL REPORT
“WALK THROUGH”:
New Funding to Fix the Digital Divide**

Verizon New York’s Financial Buckets of Money & Verizon Subsidiaries

