

# IRREGULATORS

---



## The New York City Council Legislation Details

City Hall  
New York, NY 10007

---

<b>File #:</b>	T2023-3577	<b>Name:</b>	Oversight - LinkNYC: Deployment of 5G Infrastructure and Wi-Fi Connectivity across the City.
<b>Type:</b>	Oversight	<b>Status:</b>	Committee
<b>On agenda:</b>	6/7/2023	<b>In control:</b>	Committee on Technology

**RE: Testimony (written) in front of the New York City Council**

**The IRREGULATORS Demand an Immediate Investigation of Verizon's Participation in One of the Largest Accounting Scandals in American History.**

**We Don't Need the LinkNYC Wireless Kludge; We Need to Solve the Digital Divide--- and Not another Wireless Bait and Switch.**

Presented by:

Bruce Kushnick  
Managing Director  
IRREGULATORS  
[bruce@newnetworks.com](mailto:bruce@newnetworks.com)

**IRREGULATORS:**  
[Who We Are](#)  
[Our Work in New York](#)

June 7<sup>th</sup>, 2023

# IRREGULATORS

---

What we are Submitting:

- Part 1: We supply the Verizon NY 2022 Annual Report, published May 26, 2023
- In this document:
- Part 2 We discuss how LinkNYC has been a disaster on so many levels that it is hard to count them all.
  - Part 3 Supplies a basic Timeline of the major attempts by former Mayor Bloomberg and de Blasio to have wireless and Wifi helped to solve the Digital Divide, and they all mostly tanked or did not do the job.
  - Part 4: The Fiber Optic Future We Never Got.
  - Part 5: Supplies our letter to former Mayor de Blasio discussing that Verizon NY had not fulfilled its obligations to properly upgrade NYC to FiOS.
  - Part 6: Supplies our Letter to former Mayor de Blasio: New York City Must Call for a Halt to the Billion + Dollars of Cross-Subsidies and Overcharging by Verizon NY, the Public Telco Utility
  - Part 7: Four Snapshots -- America's prices are out of control compared to overseas;. a short summary of the Verizon NY 2022 Annual Report.
    - Verizon's Wireless Overcharging per GB, vs Overseas Prices.
    - America's 'Triple Play' Prices== Overcharged up to \$175.00 Per Month or More — Over \$2,000.00 Per Year
    - Verizon NY 2022 Annual Report; Massive, Corrupt, Financial Accounting Scheme.
    - Where did the Verizon NY construction money, charged to local phone customers, go?

# IRREGULATORS

---

Let Us Start:

*“Solving the Digital Divide”* has been the well meaning battle-cry of municipalities and politicians since the 1990s, and at every turn, more recently, from Mayor Bloomberg or de Blasio, or Adams, wireless is always hyped up as the substitute for a fiber optic future-- regardless of whether there were commitments to upgrade the city or state by replacing the existing copper wires with a fiber optic one--which can supply a great deal more capacity. But, wireless or Wifi is also a kludge, not only because wireless requires a fiber optic wire to work, but because wireless has lots of issues, from the fact that 5G can't handle large distances from the antennas, or worse, it also requires a 'line of sight' -- i.e., the signal can have problems; even from shrubs or when there is another building in-between.

In Part 2 we discuss how LinkNYC has been a disaster on so many levels that it is hard to count them all. First, the original plan was to replace the existing payphones with these monolith kiosks, but there was only a partial deployment -- about 25-30%. This left 60-80% of the payphones not replaced and millions of callers were left without basic public phone service. Next, when done, there will only be Swiss-cheese coverage, because the range of Wifi is so limited using 5G. The maps provided clearly show that 70-80% of the supposed coverage areas with the upgraded WiFi will still not be able to get the service.

But the real subplot is worse. The story told is only the Wifi-public face, and it leaves out that these cantennas were designed to have wireless carriers rent space for retail 5G and other services and moreover, this plan is being renewed with the claim that the City will lose advertising revenues and franchise fees--It is not solve the Digital Divide. And, on top of all of this, there has been a failure to pay over \$70 million in fees to the City, and some penalties have been applied.

And how does the Verizon FiOS deployment requirements for NY City relate to the wireless cantennas? Verizon was supposed to have 100% coverage of NY City's residential locations -- and thus, there are no 'underserved' customers-- as everyone in the 5 boroughs should have been able to at least get a high speed service. And while they may not be able to afford this connection, then the real question should be -- why are prices so outrageously priced? This is especially a critical question because prices are supposed to be 'fair and reasonable', because the construction was being subsidized by rate increases on wired services, and most importantly, if there were fiber optic wires in these underserved areas, where are they? Why weren't they put into use? And why were New Yorkers charged for services that they never received?

But, it is much larger and important series of questions that must be asked, because the outcomes could help to upgrade all of New York State, and impact NY City-- Over the last decade, with our experts, we uncovered that the financial books have been manipulated and have made the entire public utility appear unprofitable-- when in fact, the investigations and actions could helped to generate billions in funds to upgrade the

# IRREGULATORS

---

entire state -- not through government subsidies but through halting cross-subsidies and other financial machinations that have been left to continue and overcharge New Yorkers, as well as America.

**Part 3 Supplies a basic Timeline of the major attempts by former Mayor Bloomberg and de Blasio to have wireless and Wifi helped to solve the Digital Divide, and they all mostly tanked or did not do the job.**

Truth is, wireless has been a bait and switch for the last 3 decades as we have documented over and over. In fact, as we point out, Verizon's current FiOS Broadband Internet Home Service is currently a [ploy where the fixed wireless \(FWA\) service is being 'mushed' to blur the line of a fiber optic wired service and this inferior wireless service.](#)

**Part 4: The Fiber Optic Future We Never Got.**

In Part 4 we lay out that Verizon failed over and over to deliver on fiber optic deployments that were to take place since the 1990's, including FiOS, the FTTP, Fiber to the Home service, in 2005, but it is important for the City to realize that there is both a NYC FiOS franchise, as well as issues and commitments made to the rest of NY State, -- impacting the prices of all services, from wireline to wireless, as well as the expenses and construction budgets, or the charging of customers for the construction.

New York Telephone, then NYNEX, Bell Atlantic and now Verizon New York had started in 1992 to claim that it was going to replace the existing copper wires with fiber optics and was able to get deregulation at every turn.

In 2005, Verizon claimed it would be deploying FiOS fiber optic broadband to the home and NY State granted massive rate increases on wired customers to fund this "massive deployment of fiber optics" -- i.e.; low income families, seniors, rural customers, and everyone else who had service, have all had a continuous series of rate increases, known as 'harvesting'.

By 2011, Verizon announced it was no longer going to continue to roll out FiOS, and it appears that it would illegally transfer the utility construction budgets to wireless.

Truth be told, (and documented) Verizon had no plans to upgrade the rural areas post the year 2011 -- or the low income areas, -- as this was told to the investor community, but not the public. This has meant that wired customers have been illegally charged for the build out of the wireless networks, for over a decade. and Verizon diverted the utility construction budgets to fund their wireless build out. -- because it made them more profits.

# IRREGULATORS

---

How did Verizon get away with this? Verizon's FiOS FTTP, fiber the premises, has put in based on using "Title II", Common Carrier network and therefore is part of the state telecommunications public utility. This directly contradicts Verizon's statements that 'Title II' harmed investments. As we show -- it was the investment mechanism to charge local phone customers thousands of dollars extra per line.

Thus, on one level, Verizon scammed the State, on another Verizon also was harming New York City.

**Part 5: Supplies our letter to former Mayor de Blasio discussing the fact that Verizon NY had not fulfilled its obligations to properly upgrade NYC to FiOS.**

**The Massive Financial Accounting Scandal Must be Dealt with.**

**Part 6: Supplies our Letter to former Mayor de Blasio: New York City Must Call for a Halt to the Billion + Dollars of Cross-Subsidies and Overcharging by Verizon NY, the Public Telco Utility**

All of these actions were done through the manipulation of the accounting rules where the entire state public utility is being dismantled -- and using these cooked formulas, has turned the state's critical infrastructure into a cash machine for the use of Verizon's other subsidiaries, including wireless.

We have attached the Verizon NY 2022 Annual Report, (spreadsheet) published on May 26<sup>th</sup>, 2023 by the NY Public Service Commission -- and it shows massive financial manipulations and cross-subsidies that has been going on for decades.

And with decades of analysis and documented -- We demand an immediate investigation by the NY City Council, the NY Attorney General's Office, and the NY State Public Service Commission of over a billion dollars in questionable and potentially illegal cross-subsidies in just Verizon NY, and just for the year 2022.

When halted, this could supply enough funds to build out a fiber optic network throughout the State-- as these monies were diverted to illegally fund the company's wireless mobile and now fixed wireless networks. And it would dramatically lower rates, as the subsidiaries that got a free ride will have to pay market prices.

And all of this is visible in this Verizon NY 2022 Annual Report, and it is also relevant to this City Council inquiry for multiple reasons.

**There are many consequences dealing with the Digital Divide,**

First, this has allowed Verizon to seriously inflate all prices in New York but it also impacts America, because the underlying parts of the networks, known as backhaul, (the

# IRREGULATORS

---

data lines that go to the cell sites or the banks, have excessive profits, and thus all wireline and wireless prices in the US are 5-20 times more expensive than overseas.

Worse, because Verizon never fully upgrades the networks to fiber and thus let the networks deteriorate, there was no competition to lower prices-- and because of this, the cable companies can add made up fees to inflate prices. On top of all this, there is a defacto agreement with the cable companies that gave them the wired-broadband and cable networks -- and not have direct competition, and Verizon kept wireless. In fact, Spectrum wireless service is reselling Verizon Wireless. -- Collusion and not competition, as Spectrum is bundling this with their other services, giving it monopoly advantages for wireline- high-speed broadband, and Verizon for wireless.

On top of all of this , there have been campaigns to rewrite history and ‘common wisdom’ -- which over time became the history.

And with **institutional amnesia**, we now find that no one understands what happened in their state with broadband, and Verizon (or the other state public utilities in the other states) is never even mentioned in the state broadband agencies’ reports.

Verizon has been able to hide in plain sight and, like diabolical character in a Harry Potter movie, Voldemort, Verizon is ‘the person you do not name’.

## **Part 7: Four Snapshots -- America’s prices being out of control compared to overseas countries; we also include a a short summary of the Verizon NY 2022 Annual Report.**

- Verizon’s Wireless Overcharging per GB, 7,400%-to-65,000% vs Overseas Prices.
- America’s ‘Triple Play’ Prices Overcharged up to \$175.00 Per Month or More — Over \$2,000.00 Per Year
- Just Released for Public Review: The Verizon NY 2022 Annual Report Shows a Massive, Corrupt, Financial Accounting Scheme.
- Where Did the Verizon NY construction money, charged to local phone customers, go?

[The IRREGULATORS](#) is an independent, consortium of senior telecom experts, analysts, forensic auditors, and lawyers who are former senior staffers from the FCC, state advocate and Attorneys General Office experts and lawyers, as well as former telco consultants. Members of the group have been working together, in different configurations, [since 1999](#).

**New Networks Institute, Teletruth and the IRREGULATORS, 1999-2022**  
[Reports, Complaints, Proposals, Filings and Testimony in NYC and NY State.](#)

# IRREGULATORS

---

## **PART 2: Another NYC Wireless WiFi Bait and Switch, and then some.**

[Wikipedia](#) summarized some basic facts and LinkNYC (and we paraphrase).

- The total cost for installation is estimated at more than \$200 million.
- The Redlining and Digital Inequity in low-income neighborhoods was to be corrected by LinkNYC kiosks that were supposed to be installed across the city; however, the LinkNYC kiosks were largely concentrated in wealthy neighborhoods in Manhattan,
- This number of kiosks was supposed to reach 7500, and yet there were only 1,869 kiosks by May 2020.
- New York state comptroller [Thomas DiNapoli](#) released a report in 2021, finding that 86 of the City's 185 ZIP Codes had kiosks; Manhattan was the only borough that had LinkNYC kiosks in the vast majority of its ZIP Codes.
- The advertising has been estimated to bring in over \$1 billion in revenue over twelve years, with the City of New York receiving over \$500 million, or about half of that amount.
- However, in four of the first five years the Links have been active, actual revenue fell short of goals. This is partially due to the fact that some local small businesses and non-profits were given advertisement space for free.

**We have put together a series of questionable items we documented.**

**Chart 1: Thousands of Payphones were not replaced, harming millions of people who relied on them for basics, like 911.** The LinkNYC plan was supposed to be a substitute for working payphones that were being decommissioned.

**Chart 2 and Chart 3: There is Swiss Cheese Coverage for free WiFi even after the Kiosks are put in.** The plan gives a map of a section in Brooklyn with the initial current deployment, and then what would happen when completed. But, since the antenna range is only 450 feet, these charts show the majority of residential customers will never get service.

**These Cantennas are a Con. -- Selling Advertising and Selling Cell Site Space on Streets for 4G and 5G**

While these services are being claimed to be based on 'solving the Digital Divide', NYC has not been told that there are 2 other subplots -- selling advertising and allowing multiple wireless carriers offering retail 4G and 5G services -- and increasing the power multiple times.

# IRREGULATORS

---

**Chart 4: Sell Advertising on Kiosks** This is really about selling advertising and NOT serving the low income families who are the underserved and the pitch is so that the City's franchise and ad revenues are not harmed.

**Chart 5: Help Verizon et al sell retail cell service.** The plan is to load up these wireless antennas with wireless carriers' services'; the WiFi for low income families is just a ploy to push over a plan that will help the wireless companies, such as Verizon, avoid having to deal with their own pole attachments and siting issues.

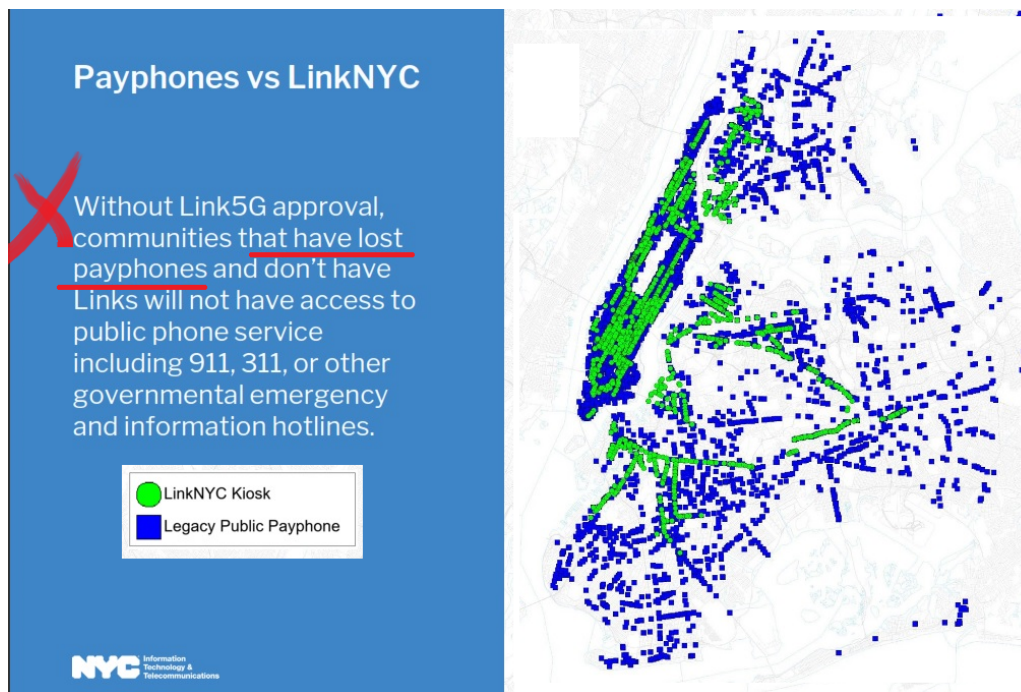
**Chart 6: A New Hubris: Low income families can't get "Mobile Broadband"?** This is a kludge because it REQUIRES A FIBER OPTIC WIRE, EVERY 450 FEET; And even though the wires are going down a street, they will not be turning them on to offer fiber optic wireline connectivity service anytime soon.



## PART 2:

### Chart 1: The Payphone Clusterfork

This is a map of the payphones that were removed to make way for the LinkNYC, which never showed up.



In 2014, CityBridge signed a [franchise agreement](#) that said it would install 7,500 operational kiosks within a decade. The Links replace the city's network of 9,000 to 13,000 [payphones](#), a contract for which expired in October 2014.

In 2011, the last available data showed that there were 27,000,000 calls in NYC's payphones, and while some pay phones were not being used, others had heavy usage, but were not kept active.

As of July 2017, there are 920 Links citywide; eventually, there will be 7,500 Links installed in the [New York metropolitan area](#); the company has installed just 1,816 by July 2019,

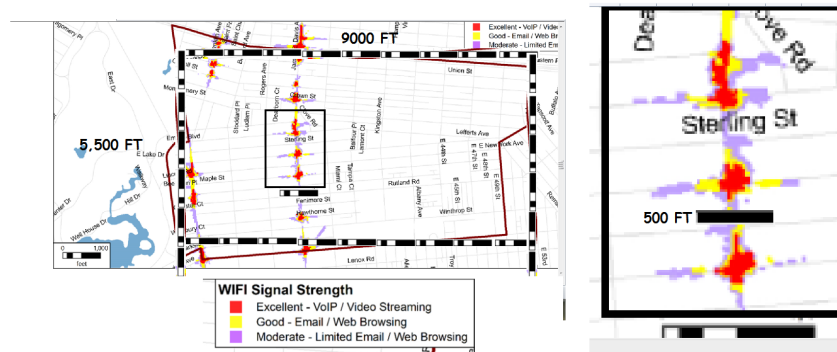
# IRREGULATORS

**Chart 2 and Chart 3: There is Swiss Cheese Coverage for free WiFi even after the Kiosks are put in.**

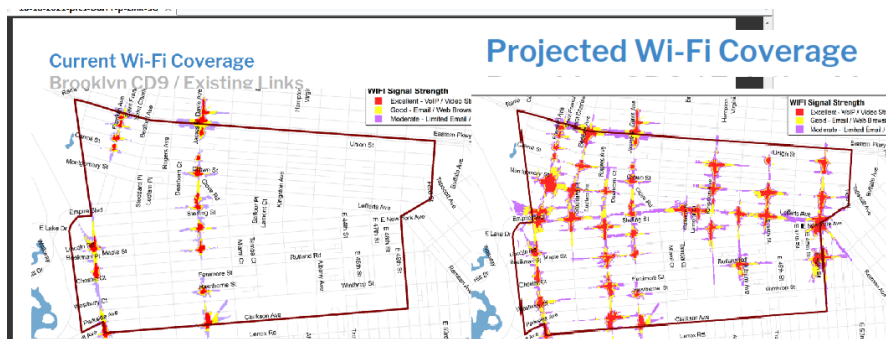
**There is no Broadband WiFi Internet for ALL.**

Even after this next round of build outs, because the wireless technology being used only covers a radius of about 450 feet, there will be gaping holes in the roll out.

This first picture is a snap-shot used by NYC to show the current trial deployment of these WiFi sites, and notice the detail on the right gives a blow up view.



And this shows the first trial area, on the left, and on the right we have the projected roll out. Notice that it is still a Swiss cheese roll out because the range of these cell sites doesn't even cover a few blocks -- 450 feet is about the length of 1 block.



And yet, LinkNYC claims it will leave 'underserved' communities with critical access to broadband connectivity. This from a company that only rolled out a fraction of their

# IRREGULATORS

---

required kiosks -- and the ones that did show up on the maps were in wealthy NYC neighborhoods.

- No further expansion of LinkNYC program beyond Manhattan and limited outer borough neighborhoods —leaving most unserved New Yorkers without critical access to broadband connectivity.
- Link5G will expand the free LinkNYC Wi-Fi network and bring mobile broadband and fiber infrastructure directly to underserved communities.

## **Chart 4: Selling Advertising and Selling Cell Site Space on Streets for 4G and 5G.**

All of this ‘hype’ and puffery doesn’t really address 2 underlying things.

**This is really about selling advertising and NOT serving the low income families who are the underserved.**

“**Without Link5G there will be...**

- A loss of street furniture advertising used by local small businesses and communities.
- No publicly accessible option for 911/311.
- A loss of revenue stream from a marquee franchise program.
- A loss of 25% advertising space for City to promote its initiatives and public service announcements.
- The Risk of Link kiosks going dark across the five boroughs.

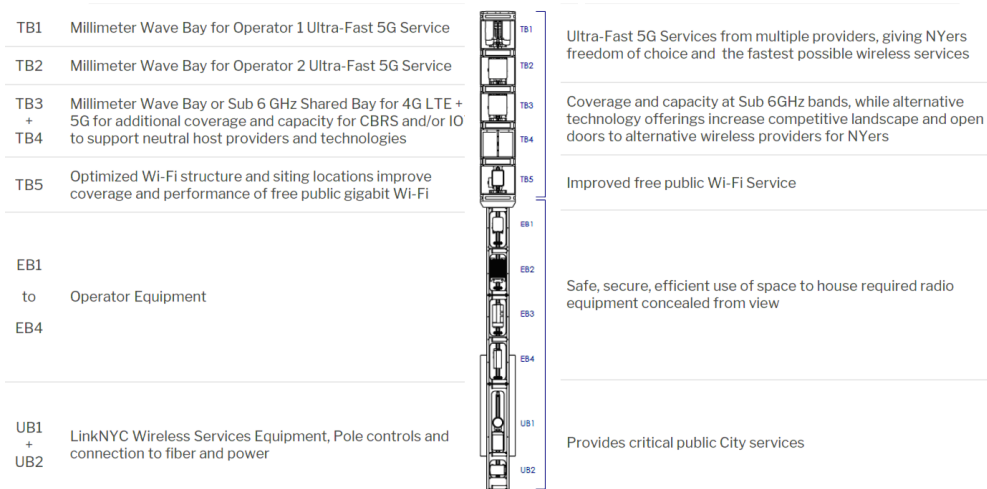
And the other play here is NOT free Wifi, but having these massive antennas so that the company can sell to other competing cellphone companies to offer their 4G and 5G services -- And, worse, these cantennas will have multiple companies all active at once.

# IRREGULATORS

## Chart 5: Help Verizon et al sell retail cell service.

This is the innards of these Cantenna devices. Notice that they have been designed, not for Wifi, but for space to put other wireless services to be sold as retail services.

### Link5G Design Expands Broadband Accessibility



# IRREGULATORS

---

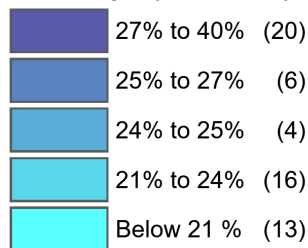
## Chart 6: A New Hubris: Low Income Families Can't Get "Mobile Broadband"?

So desperate is the City that have created a new category of the Digital Divide, "Mobile broadband internet"

"Link5G will expand the free LinkNYC Wi-Fi network and bring mobile broadband and fiber infrastructure directly to underserved communities."

### Digital Divide: Mobile Broadband Desert

Households with No Mobile Broadband Access  
Percentage by Community District



Not being able to get "Mobile Broadband Internet" is just like living in the desert and someone offers you more sand. The question has never been about this inferior broadband product -- it was always and should always be about not being able to get high-speed wired, fiber optic service, not some kludge.

This is a kludge because it **REQUIRES A FIBER OPTIC WIRE, EVERY 450 FEET**; And even though the wires are going down a street, they will not be turning them on to offer fiber optic wireline connectivity service anytime soon.

Which brings us to the next part - How Verizon hid the fact that it created the Digital Divide, continuously raised rates, and fooled everyone as no one knows that Verizon was supposed to upgrade ALL of New York City, thus hiding the fact that there are un-upgraded areas in NYC...

# IRREGULATORS

---

## **PART 3: The NYC Wifi & Fiber Optic Broadband Disaster Timeline**

### **Partial Timeline of the Wifi Boondoggle and the Damaged Broadband Plans.**

This is a short list of highlights to supply a timeline of WiFi deployments to solve the Digital Divide.

**June 9, 2011**, Huff Post

[‘Free Wi-Fi Service In NYC Parks Announced By Mayor Bloomberg, AT&T CEO Randall Stephenson](#)

“Mayor Michael Bloomberg and AT&T Chairman and CEO Randall Stephenson today announced a five-year initiative to provide free Wi-Fi service at 26 locations in 20 New York City parks across the five boroughs, AT&T will install and maintain the service this summer at no cost to taxpayers.

“Assembly Member Rodriguez said, "AT&T's launching of free of charge internet service to Jefferson Park is a remarkable step in bridging the digital divide in low-income communities....Council Member Cabrera agreed, adding, "Internet access is a critical developmental tool for children, families, and community groups—all of whom use our city parks on a regular basis. I'm excited to see AT&T investing in an effort to bring the Internet to many who need it, and I look forward to a day of expanded Wi-Fi coverage for park goers in our City."

“The initiative comes as part of [Road Map for the Digital City](#), the City's strategy to make New York the nation's leading digital city.

**December 10, 2013**

[Mayor Bloomberg Announces Country's Largest Continuous Free Public WiFi Network](#)  
[WiFi Network](#) Covering 95 City Blocks in Harlem Providing nearly 80,000 Residents with Connectivity On-the-Go

“Mayor Michael R. Bloomberg today announced the launch of a new outdoor public WiFi network in Harlem accessible to all users at no cost. The Harlem WiFi network will extend 95 city blocks, from 110th to 138th Streets between Frederick Douglass Boulevard and Madison Avenue

# IRREGULATORS

---

making it the largest continuous free outdoor public wireless network in the nation.”

## [Wikipedia](#)

“Phase 1, from 110th to 120th Streets, finished in 2013; Phase 2, from 121st to 126th Street, was expected to be complete in February 2014; and Phase 3, the remaining area, was supposed to be finished by May 2014. The network was estimated to serve 80,000 Harlemites, including 13,000 in public housing projects who may have otherwise not had broadband internet access at home. At the time, it was dubbed the United States' most expansive "continuous free public Wi-Fi network."

## **November 17, 2014, [Wikipedia](#)**

“The office of [New York City Mayor Bill de Blasio](#) announced the plan on November 17, 2014, and the installation of the first kiosks, or "Links," started in late 2015. The Links replace the city's network of 9,000 to 13,000 [payphones](#), a contract for which expired in October 2014.

“As of July 2017, there are 920 Links citywide; eventually, there will be 7,500 Links installed in the [New York metropolitan area](#),”

## **September 15, 2016**

### [LinkNYC Turns Off Internet on Wi-Fi Kiosks After ‘Inappropriate’ Use](#)

## **August 14, 2016**

### [Are LinkNYC Wi-Fi Kiosks Bridging The Digital Divide As Promised?](#)

“The five kiosks in my area [67th and Broadway] are in front of higher-end buildings,” one woman wrote to WSR. “There are none in front of [NYCHA’s Amsterdam Houses] just a few blocks away. Seems like something is off about this.”

“The big goal is addressing digital inequality,” said project visionary Daniel Doctoroff, CEO of Sidewalk Labs, in an [interview](#), estimating that three million New Yorkers do not have access to broadband. “Without fast access to the Internet, you cannot have equal opportunity.”

## **January 2020, [NextCity.org](#)**

### [The de Blasio Master Universal Broadband Plan](#)

# IRREGULATORS

---

“In January 2020, under former Mayor Bill de Blasio, the city [released an ambitious \\$2.1 billion plan](#) for universal broadband across the city — the first effort of any large U.S. city to strategize delivery of equitable internet access to all its residents. The proposal was to build “neutral host” infrastructure that could be shared by multiple internet operators rather than a single company, increasing competition to the entrenched private companies that had failed to address New York’s digital divide. In forging this infrastructure, the city would provide opportunities for community-based providers to use city-owned property for expanded, affordable service.”

**March, 3 2020**

[City Hall May Pull Plug on LinkNYC Owner Over Missing Kiosks — and \\$75M Owed](#)

“Promises Not Kept

“In 2014, CityBridge signed a [franchise agreement](#) that said it would install 7,500 operational kiosks within a decade...But the company has installed just 1,816 of the 2,353 kiosks that were supposed to be up and running by July 2019, according to the city’s [Preliminary Mayor’s Management Report](#).

“DoITT Commissioner Jessica Tisch testifies at City Council on March 3, 2020.

“New Yorkers who would benefit most from this service are not getting it ... because CityBridge is delinquent,” she said.

“In 2016, LinkNYC’s then-general manager, Jen Hensley, told the Committee on Technology that restrictions imposed by Verizon, which controls access to the underground conduit of fiber optic cables the kiosks connect to, impeded kiosk installations in parts of the city.”

**February 8<sup>th</sup>, 2021, Bloomberg**

[Struggling New Yorkers Tasted Free Wi-Fi — Until the Bills Came](#)

Some families were unaware service was just a short-term promo NYC officials pleaded unsuccessfully with providers for more

“New York City broadband providers won praise last year for giving students free internet service after the pandemic hit and schools went remote. Then came the bills.



# IRREGULATORS

---

The “free internet” deals were mostly limited-time promotions that brought new subscribers to companies like Optimum parent [Altice USA Inc.](#) and Spectrum parent [Charter Communications Inc.](#)”

**October 28, 2021**

[New York City to Close Digital Divide for 1.6 Million Residents, Advance Racial Equity](#)

“Mayor de Blasio announces landmark advancements in digital equity across New York City, building critical broadband infrastructure for up to 1.6 million New Yorkers, while partnering on immediate-term affordable internet connectivity for more than 250,000 residents

“Mayor Bill de Blasio today announced the largest step of any city in American history toward providing affordable broadband for all. Through its [Internet Master Plan](#), New York City will be the first city in the nation to reverse the digital redlining that has left communities of color disconnected, ensure that M/WBEs share in the economic growth of the broadband industry, and incentivize at scale high-quality affordable internet service options for New Yorkers.

“Broadband isn’t a luxury, it’s a necessity,” said Mayor Bill de Blasio. “We are closing the digital divide and bringing our city into the 21st century by reaching communities most in need.”

**Nov 8, 2022, Next City**

[What Happened To New York City’s Internet Master Plan?](#)

“As the first effort by a large U.S. city to strategize equitable internet access is tabled, the community-based providers that New York City had tapped to build infrastructure have been left high and dry.

“Mayor Adams announced [Big Apple Connect](#), a partnership with Altice and Charter to bring affordable service to the 300,000 New Yorkers living in public housing.”

“While Next City’s reporting underscores that the new administration did not consult with the original Internet Master Plan team, it also points to a larger issue. The community-based providers that the city had tapped to help build “neutral host” infrastructure have been left high and dry — in favor of

# IRREGULATORS

---

a partnership with two major companies the master plan would have challenged.”

## **Part 4: Some Basic Facts About Verizon New York’s FiOS FTTP failure to properly upgrade NY State, or New York City, the accounting manipulations and the wireless bait and switch.**

- 1) The fiber build outs were part of the state telecommunications public utility and supposed to be used for Title II common carrier services.

When discussions occur pertaining to the FiOS fiber to the premises, “FTTP”, service, no one ever claims that the wires are part of the existing state utility for the provision of Title II common carrier services. Here’s the actual language from a Verizon NY FiOS franchise from 2005.

### **Verizon New York FiOS Franchise, 2005**

**On June 15, 2005, the New York Public Service Commission (“NY PSC”) “declared that Verizon NY’s FTTP upgrade is authorized under its existing state telephone rights because the upgrade furthers the deployment of telecommunications and broadband services, and is consistent with state and federal law and in the public interest.” The NY PSC determined that, unlike a company seeking to build an unfranchised cable television system, Verizon NY already has the necessary authority to use the rights-of-way to provide telecommunications service over its existing network. See Declaratory Ruling on Verizon Communication, Inc.’s Built-Out of its Fiber to the Premises Network, NY Public Service Commission, Case 05-M-0520/05-M-0247, June 15, 2005 at 4.**

**As more fully described in Exhibit 1, Verizon NY maintains that it is constructing its FTTP network pursuant to its authority as a common carrier under Title II of the Communications Act of 1934, as amended, and Section 27 of the New York Transportation Corporations Law. For this reason and others, certain terms and conditions may differ between the incumbent cable provider’s franchise and Verizon NY’s franchise.**

But, this is just one state. Click for a [collection of quotes detailing that Title II](#) was used as the investment mechanism to build out the FTTP fiber optic networks that was supposed to be used for FiOS — in MA, NY, NJ, PA, MD, DC, and other states. This excerpt below is part of the Verizon DC FiOS franchise.

# IRREGULATORS

---

**The proposed cable service will be provided over VZ DC's FTTP network, an extension and enhancement of the existing telecommunications network. A general description of the construction of the FTTP network is provided in Attachment 4.**

**VZ DC will install its FTTP network as a common carrier pursuant to Title II of the Communications Act of 1934, as amended, in accordance with its authority under DC and Federal law. Accordingly, VZ DC is not seeking authority through this Application to construct the FTTP network, but rather is seeking a franchise to use the FTTP network, once installed, to provide cable services in the District.**

- 2) Verizon et al. claimed Title II harmed investment and that broadband is "Title I", which directly contradicts what they told the states.

We need to be very clear here. Verizon told its investors and the FCC and anyone else who listened that broadband was an "information" service, "Title I", and that Title II harmed investment; They did not tell the truth.

This second excerpt is from [Verizon's Open Internet Comments](#), July 15, 2014

"Imposing a Title II common carriage regime on broadband providers would be a radical change in course that would only chill, not spur innovation. Title II is a regulatory dinosaur, crafted eighty years ago — and based on 19th-Century laws regulating railroads — to address the one-wire world of rotary telephones."

We filed multiple complaints and comments about this Janus-faced story telling. From these documents, filings and press statements we see that Verizon's claims that Title II harms investment is patently not true. (Click to read [comments](#) filed in the Net Neutrality proceedings.)

Why did Verizon do this? By classifying the fiber optic wires as "Title II", they could have the budget for FiOS be subsidized by the local phone customers and rate increases. If it was classified as Title I, then it would be an "information" service and it is not legal to put the expenses into the 'telecommunications' state utility.

- 3) Telcos continually increased the rates charged to local phone customers on the false promise of a massive deployment of fiber optic infrastructure.

[Verizon's entire series of rate increases](#) were based on 'losses' and the "massive deployment of fiber optics". Unfortunately, as we uncovered, the losses were artificial, and the massive deployment was charged to local phone customers. But here's the rub;

# IRREGULATORS

---

by 2011, the construction budgets were diverted to wireless. This is from the NY State Public Service Commission pertaining to rate increases on basic local phone service.

This price increase will generate needed additional short-term revenues for Verizon, as the company faces the dual financial pressures created by competitive access line losses and the costs of building out an advanced voice/video/data network in the State. As the Commission has noted, Verizon's financial condition is "relevant" when the Commission considers pricing changes because "the state has an interest in a viable company. This is especially important given the magnitude of the company's capital investment program, including its massive deployment of fiber." "There seems to be little question that the company is in need of financial relief; Verizon [New York] reported an overall intrastate return of a negative 4.89% in 2006 and its reported intrastate return on common equity was a negative 73.6%.<sup>3</sup> For 2007, Verizon reported an overall intrastate return of negative 6.24% and an intrastate return on common equity of negative 46.0%.

Moreover, this price change will encourage the migration of customers towards higher-value service bundles, consistent with the trend toward bundled service offerings in the market as a whole.

- 4) Telcos unlawfully diverted the construction budgets for Local Service from fiber to the home to wireless buildouts post 2011.

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."

In 2012, the [NY Attorney General confirmed that wireless and FiOS cable were funded](#) via the state 'intrastate' telephone utility construction budgets. In 2011, Verizon NY stated that the company spent over \$1 billion on the utility capital investment. The NY Attorney General claimed that 75% of this construction budget did not go to upgrade and maintain the telephone utility but for the company's other lines of business, including wireless and for FiOS, which is a 'cable TV service', as stated in the franchises granted in NY.

"Verizon NY's claim of making over a 'billion dollars' in 2011 capital investments to its landline network is misleading. In fact, roughly three-quarters of the money was invested in providing transport facilities to serve wireless cell sites and its FiOS offering. Wireless carriers, including Verizon's affiliate Verizon Wireless, directly compete with landline telephone service and the company's FiOS is primarily a video and Internet broadband offering."

- 5) Telcos manipulated the accounting rules in every state over the last two decades in order to charge the majority of all construction to local service.

# IRREGULATORS

This is the “money” chart. The opening chart is based on this excerpt of the Verizon NY 2020 Annual Report dealing with network and construction expenses, including the underlying financials. We will get back to it in a moment. (Note: The Verizon NY 2021 Annual Report is due out on May 26th, 2022.)

Verizon NY Wired Telecommunications Public Utility Networks, 2020					
Line No.	Item (a)	Total (b)	Nonregulated FIOS, VOIP	Local Service Copper wires	Special Access Backhaul
1	Telephone Network in Service	\$32,218,641,592	\$1,073,995,451	\$19,880,745,992	\$11,263,900,149
2	Telephone Network under Construction	\$ 871,896,854	\$ 93,947,758	\$ 640,356,850	\$137,592,246
SOURCE: Annual Report of VERIZON NEW YORK, INC. For the period ending DECEMBER 31, 2020					
Percent of Network Construction			3%	62%	35%
Percent of Network Under Construction			11%	73%	16%
<b>IRREGULATORS</b>					

The [Verizon New York 2020 Annual Report](#) is the state-based financial report that is required by NY State. It is the only publicly available state annual report that we know of that supplies all of the information in one place, though other states have some annual reporting requirements, their financial reports are not made public or do not present all of the information.

NOTE: This is NOT the Verizon Communications, Inc., Annual Report, which is for the holding company, and the link we provide supplies the Verizon NY Annual Report as well as a ‘walkthrough’ we created to understand some of the significant areas. This state-based financial report is for the primary state public telecommunications utility, which most reading this article do not know that they still exist.

## The Majority of ALL Network Expenses have been put into Local Service.

Line 1 of this chart supplies the ‘telephone network in service’, — (which is referred to in the industry as “plant”) and it shows Verizon NY’s networks at \$32 billion dollars, and Local Service has paid almost \$20 billion, 62% of the total, while Business Data Services, was only 35%, and Nonregulated was only 3% of the total.

How can this be possible if there are no upgrades and maintenance of the copper wired networks?

These numbers show that 2/3rds of the networks’ expenses have been built over the last 4 decades were charged to the copper-based local service line of business, while the ‘nonregulated’ services have paid a fraction of these expense.

Line 2 on the chart shows the “network under construction” i.e., the money being spent in 2020 for networks that are in progress of being built — had 73% of the total...\$600 million, charged to Local Service while FiOS and VOIP only paid 11%, only \$94 million.

# IRREGULATORS

There was no buildout of the copper-based networks nor are they even being properly maintained, and in 2020, Verizon NY only spent \$42 million dollars. Over the last decade, the amount spent ranged from \$18–57 million dollars per year, and the 10-year average was around \$35 million.

And to say that this has been a long-time issue would be stating the obvious. The Verizon NY annual report from 2020 is not ‘unique’; this entire scheme has been going on for decades.

This is from the Verizon NY 2003 Annual Report and what is clearly seen is that the Local Service category (here called NY State), has \$19 billion out of the \$29 billion in networks (here called “plant”).

Annual Report of VERIZON NEW YORK INC. For the period ending DECEMBER 31, 2003					
Line No.	Item (a)	Total (b)	Nonregulated (c)	New York State (f)	Other (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

Nonregulated	Local Service	Backhaul
2%	66%	31%

It would take too long to explain why these 2 charts, separated by 18 years, should be almost identical, but the simplest answer is — the books are cooked in multiple ways so the formulas for expenses have been frozen since 2000, putting the same amount of expenses into each of these business areas, regardless of the revenues.

- 6) Telcos failed to make good on their promises and legal obligations to build fiber optic networks to homes and businesses in each state, starting in the 1990s.

## A National Problem Due to the Use of Corrupted Accounting.

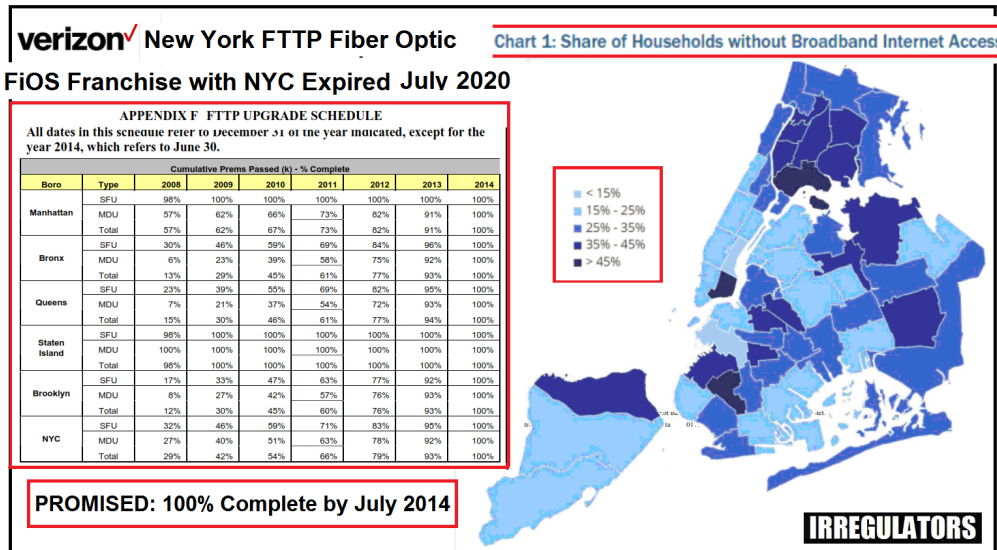
Every state has a state telecommunications public utility and every state’s accounting, controlled by AT&T, Verizon and CenturyLink, is virtually identical to Verizon New York. Period.



# IRREGULATORS

## PART 5:

**Dear Mayor DeBlasio, Do not renew Verizon NYC FiOS franchise until 100% has been upgraded to fiber optics and customers are made whole—Solving NYC’s Digital Divide.**



(This chart excerpts the Verizon NYC franchise showing 100% completion by July 2014. The chart on the right shows households without Broadband Internet Access; 26% can not get FiOS.)

- We are asking the City of New York to not renew the Verizon FiOS cable franchise, which expired in July 2020, until Verizon has finished 100% of residences with an FTTP Fiber to the Premises connection.
- We are asking for maximum penalties and fines that can be applied and require Verizon to make whole those who were never able to get the service in their neighborhood.
- We are asking the City to join in our call for investigate whether Verizon failed to balance the deployments so that low income areas were served equally for the deployment of these networks—a social injustice.
- Also, there is supposedly a settlement with Verizon that has been whispered about to have wireless as a substitute. We request all settlement discussions must stop now.

In a second letter, we ask the City to call for investigation of a massive financial cross-subsidy scheme underway where \$1.1-\$1.6 billion has been overcharged in just 2019 based on the Verizon New York 2019 Annual Report, published June 2020. As discussed,

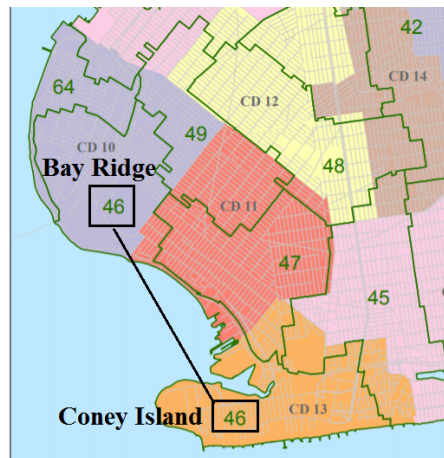
# IRREGULATORS

---

the construction budgets that should have been used to build out New York City and the rest of the NY state with fiber optics were diverted to build out Verizon's Wireless networks.

**The Pandemic and the need for Online-Learning has exposed the gaps in America's communications infrastructure and locally the failure of Verizon to deliver on their franchise contract.** The Digital have and have not issue is not new, but it has been given lip service for the last decade. Unfortunately, the current pandemic has exposed a long-standing failure of the large telecommunications companies to meet their obligations to deploy fiber-based broadband to large parts of America, particularly in rural areas and inner cities, creating the Digital Divide.

But, imagine my surprise when I saw a map of the assembly districts in Brooklyn and that Bay Ridge and Coney Island were connected, not by just a bicycle path.



On a Zoom call hosted by Assemblyman Mathilde Frontus and the Southern Brooklyn Community Roundtable, about the opening of the schools, I also learned that Coney Island is not that connected; according to Census, 23% of the households don't have high speed broadband. And while schools will most likely open up, they will be going virtual and we should all be really annoyed. (And we note that the Census information is known to inflate the number of those with a broadband connection.)

The opening chart compares the Verizon FiOS NYC timeline with a picture of the Households without Broadband Internet Access.

[The recent New York City Master Plan](#) details specific holes in the City's broadband:

“Current broadband subscription costs can be a burden on the budgets of low-income families. For example, 46% of New York City households living in poverty do not have broadband in the home.”



# IRREGULATORS

---

“18 percent of residents — more than 1.5 million New Yorkers — have neither a mobile/wireless connection nor a wireline home broadband connection.”

And according to the plan, Verizon FiOS is only available to 74% of the public – and these are residences only; the original deal left out small business requirements.

## **Verizon had an obligation to upgrade all of NY City and guaranteed it.**

The New York City Verizon FiOS cable franchise made is abundantly clear that Verizon would not sleep until New York City was a fiber optic paradise:

### **“FORM OF GUARANTY**

“In consideration of the award of the Cable Franchise Agreement by and between the City of New York and Verizon New York Inc., dated 2008, we, Verizon Communications Inc., hereby unconditionally and irrevocably agree to provide all the financial resources necessary for the satisfactory performance of the obligations of the Franchisee under the Cable Franchise Agreement and also to be legally liable for performance of the obligations of the Franchisee in case of default or revocation of the Cable Franchise Agreement.

## **The Social Justice Violations are Clear based on the Cable Franchise Contract**

Mayor DeBlasio, when you served as the NYC Public Advocate, you detailed that there was a ‘social justice’ clause in the Franchise where Verizon was responsible to making sure that the deployment was being done in low income areas as well as high income areas. Equally and second 5.14 leveled the deployment to cover all households>

“Pursuant to the authority granted to my office by Section 24 of the Charter of the City of NY, I hereby request the following information:

“Beginning in February 2009, Verizon New York Inc. was required to maintain records of the number of units and service areas passed by the FiOS network in each borough, with accurate maps [§11.3]. Please provide copies of any and all such records and maps.

“§5.1.4 of the franchise agreement requires that the median income of units that have been wired to not exceed the average household income of all households in New York City. Please provide any and all records or documentation related to income levels in the areas in which the FiOS network has been installed to verify that this clause has been followed.”

Moreover there were ‘checkpoints’ in the agreement to make sure that the work was being done to meet the completion deadlines of the Verizon buildout of the network.

# IRREGULATORS

---

“There have been three required “checkpoints” to date, according to §5.1.2 of the franchise agreement, June 30, 2010, June 30, 2011, and June 30, 2012. Please provide copies of any documentation and/or progress reports submitted by Verizon New York Inc. at these checkpoints.”

**Penalties and Fines** The City has a number of options to deal with a failure to finish the infrastructure commitments.

15.6.3. if the Franchisee intentionally makes a material false entry, or repeated false entries that are material in the aggregate, in the books of account of the Franchisee applicable to this Agreement, or a material false statement (or repeated false statements that are material in the aggregate) in reports or other filings submitted to the City (materiality for purposes of this clause being defined as material with respect to accurately documenting the Franchisee’s compliance with its obligations under this Agreement);

15.6.5. if the Franchisee engages in a course of conduct intentionally designed to practice fraud or deceit upon the City;

15.6.6. if the Franchisee, intentionally engages or has engaged in any material misrepresentation in any representation or warranty contained herein;

Simply put, we believe Verizon should be liable for all monies listed below because they never fulfilled their obligations at the check points. This would be compounded by other monies to make those who could not get the service whole.

If Franchisee does not attain the “NYC Total” percentage of households passed required as of the date as set forth in Appendix F due to the triggering of one or more of the Checkpoint Extensions provided for in Section 5.1.2 or otherwise, then the required amount of the Performance Bond shall be reduced only when the “NYC Total” percentage of households passed thereafter is attained.

2008: Thirty-Five Million Dollars (\$35,000,000)  
2009: Thirty Million Dollars (\$30,000,000)  
2010: Twenty-Five Million Dollars (\$25,000,000)  
2011: Fifteen Million Dollars (\$15,000,000)  
2012: Ten Million Dollars (\$10,000,000)  
2013: Five Million Dollars (\$5,000,000)  
2014: One Million Dollars (\$1,000,000)

## Conclusion

The opening chart comparing the commitments made by Verizon to upgrade New York City’s residential locations left gaping holes where 25% can’t even get the service. But, it appears that the majority were in low income areas, where the percentage is even higher. This has meant no serious high speed broadband internet or cable competition, and prices that have proven to be prohibitive for many families.

**There is another part of the problem however** problem to fix the Digital divide and making services affordable, finally... America must come to grips the fact [the prices for](#)

# IRREGULATORS

---

[communications are 3-14 times more expensive than countries](#), worldwide, and this is on broadband, internet, wireless, phone and even cable services.

Part II: In a separate letter: Verizon New York is the primary telecommunications public utility in New York state and it covers New York City. We have called for an investigation of a massive financial cross-subsidy scheme underway where \$1.1-\$1.6 billion has been overcharged in just 2019 based on the Verizon New York 2019 Annual Report, which was published in June 8<sup>th</sup>, 2020. As discussed, there is a clear bright line detailing that utility construction budgets that should have been used to build out New York City and the rest of the NY state with fiber optics were diverted to build out Verizon's Wireless networks. At the same time, Verizon Communications was able to move billions in Corporate Operations expenses into Local Service, creating tax benefits for Verizon, but higher prices for New Yorkers.

Solving the Digital Divide at this critical time must start now. . The City should back our call for a state-wide investigation and halting of the cross-subsidies of Verizon NY and the other Verizon lines of business, including wireless. This would provide enough funding (without government subsidies) to upgrade the state with fiber optics – halting the subsidies can also lower rates by removing the excess charges on local phone customers and on the networks critical infrastructure.

# IRREGULATORS

---

## Part 6

### LETTER 2: New York City Must Call for a Halt to the Billion + Dollars of Cross-Subsidies and Overcharging by Verizon NY, the Public Telco Utility

The [New York City Internet Master plan](#) claims:

“Every New Yorker deserves easy, affordable access to the internet. With the Internet Master Plan, we are giving notice to corporations that the days of creating a digital divide in our city are over. Providing equitable broadband service to all New Yorkers regardless of where they live or how much they make is vital to ensuring everyone has the basic tools they need to succeed.”

If this is really the position of the City, then we request that the City join our call for an investigation to halt a massive financial cross-subsidy scheme that has been going on for years. We estimate that Verizon has overcharged its [NY customers by \\$1.1-\\$1.6 billion](#) in just 2019. And this is only a partial amount of the total. This analysis is based on a 10 year examination of Verizon New York’s financial reports.

**Most Important:** On June 8<sup>th</sup>, 2020, the [Verizon New York 2019 Annual Report](#) was published. The Internet Master Plan doesn’t mention or examine that Verizon NY is New York State’s primary telecommunications public utility and it includes New York City.

**LETTER 1**, We requested the following of the City of New York:

- Do not renew the Verizon FiOS cable franchise, which expired in July 2020, until Verizon provides access to FTTP, Fiber to the Premises, to 100% of NYC residences, as required by the expired franchise agreement.
- Apply maximum penalties and fines against Verizon, as specified in the agreement, for its failure to offer FTTP broadband to all households in the City.
- Hold Verizon accountable for not balancing its FTTP deployments as required, depriving low-income areas of parity with other parts of the City—a social injustice.
- Discontinue any renewal and dispute settlement negotiations with Verizon and establish a transparent process that invites public participation.
- No bait-and-switch should be allowed. Embrace the principle that wireless is not a suitable substitute for FTTP, which Verizon is pushing in NY and other jurisdictions.

The City’s Internet Master Plan showed that Verizon has [massive FTTP deployment holes](#), mainly in low-income areas. Moreover, in Upstate New York, Verizon has left whole cities without proper upgrades.

# IRREGULATORS

---

**To summarize:** Verizon intentionally violated its agreements because it envisions an all-wireless future with a dramatically reduced work force, lower overhead and increased profits. It has manipulated its reports and narratives to portray landline or wired service as unprofitable. And Verizon grossly inflates the promise of 5G and operates a shell game to pretend that 5G can be economically feasible.

In truth, Verizon diverted billions of dollars in construction budgets to fund its wireless network. However, local phone customers, including low-income families and rural areas, have paid rate increases multiple times—thousands of dollars per family-- for a fiber optic future. [Communications prices](#) in the US are 3-14 times more than overseas and have been inflated artificially by these financial machinations. The lack of accountability is astounding. In NY, responsible authorities have conducted no audits or investigations of Verizon's gaming the system.

Thus, halting the billions that were diverted to Verizon's wireless and the other lines of business, will not only right a collection of wrongs, but will supply billions that should have been used to upgrade the entire state with fiber optics, as well as lower rates on all communications services.

## **We Will Address:**

- 1) Verizon NY is a state-based telecommunication utility that covers NYS and NYC. And Verizon NY is the entity that has the contract with NYC for FiOS.
- 2) The "FTTP", "Fiber to the Premises" wires used for FiOS, are part of this state utility and are "Title II", providing common carrier services.
- 3) Verizon NY was allowed to increase rates on local service and other wired services multiple times in order to fund FTTP.
- 4) Verizon New York diverted billions of dollars of the utility construction budgets to build out their wireless business. It left whole cities in Upstate NY with legacy services and ignored parts of NYC, mainly the low-income areas.
- 5) Verizon Management told investors that Verizon's wireless networks were being built via the wireline construction budgets.
- 6) Verizon has no intention of finishing New York FTTP deployments, and will seek to substitute wireless service, devoting its construction budget to the fiber optic wires it needs for its wireless network to connect antennae and stations.
- 7) The [Verizon NY 2019 Annual Report](#) shows that billions in Verizon-wide, Corporate Operations expenses are over-allocated to local service; that the majority of construction budgets are being put into 'local service' but are being used by wireless; and that Verizon Wireless is underpaying Verizon NY when it uses these networks for "backhaul" (the data networks connecting cell sites and switching centers.)
- 8) IRREGULATORS v FCC: Blame it on FCC accounting rules, that are deformed and put the majority of all expenses into the wired utility to make it unprofitable.

# IRREGULATORS

---

## Putting the Facts on the Table.

- 1) **Verizon NY is a state-based telecommunication utility, covering NYS and NYC.**

From NY Telephone to NYNEX to Bell Atlantic and now Verizon NY, the primary state-based public telecommunications utility has a very long history of claiming it would upgrade the state's copper-based infrastructure with fiber optics and charging consumers to fund the projects over the last three decades.

- 2) **The FTTP, fiber to the premises, wires, used for FiOS, are part of the state utility, [providing Title II, common carrier](#) services.**
- 3)

On June 15, 2005, the New York Public Service Commission ("NY PSC") "declared that Verizon NY's FTTP upgrade is authorized under its existing state telephone rights because the upgrade furthers the deployment of telecommunications and broadband services, and is consistent with state and federal law and in the public interest." The NY PSC determined that, unlike a company seeking to build an unfranchised cable television system, Verizon NY already has the necessary authority to use the rights-of-way to provide telecommunications service over its existing network. See [Declaratory Ruling on Verizon Communication, Inc.'s Built-Out of its Fiber to the Premises Network, NY Public Service Commission](#), Case 05-M-0520/05-M-0247, June 15, 2005 at 4.

As more fully described in [Exhibit 1](#), Verizon NY maintains that it is constructing its FTTP network pursuant to its authority as a common carrier under Title II of the Communications Act of 1934, as amended, and Section 27 of the New York Transportation Corporations Law. For this reason and others, certain terms and conditions may differ between the incumbent cable provider's franchise and Verizon NY's franchise.

The reason Verizon classified FTTP as Title II was to allow it to charge the state local phone customers and the wired networks for the construction of these networks. (NOTE: Verizon misrepresented this to the Federal Communications Commission, claiming that the FTTP was for "Title I", information services, and that the "Title II" classification actually impeded investment. Title II services, ironically, have been the investment mechanism for FTTP.)

- 4) **Verizon New York was allowed multiple rate increases on local service and other wired services in order to fund fiber optic networks.**

June 2009: [Statement by NY Public Service Commission](#).

"We are always concerned about the impacts on ratepayers of any rate increase, especially in times of economic stress...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."

# IRREGULATORS

---

## **5) Verizon New York diverted billions of dollars of the utility construction budgets to build out their wireless business.**

In 2012, the NY State [Attorney General claimed](#) that 75% of the capital expenditures in New York State went to fund the building of the fiber optic wires to cell sites and to FiOS, not to the maintain the state's copper networks

“Verizon New York’s claim of making over a ‘billion dollars’ in 2011 capital investments to its landline network is misleading. In fact, roughly three- quarters of the money was invested in providing transport facilities to serve wireless cell sites and its FiOS. Wireless carriers, including Verizon's affiliate Verizon offering wireless, directly compete with landline telephone service and the company's FiOS is primarily a video and Internet broadband offering....Therefore, only a fraction of the company's capital program is dedicated to supporting and upgrading its landline telephone service.”

But, unknown to the Attorney General, by 2012, Verizon was no longer building out FiOS, and had focused almost exclusively on the illegal use of the utility construction budgets for wireless.

## **6) Verizon Management told investors that Verizon’s wireless networks were being built via the wireline construction budgets.**

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.”

This is now called “One Fiber” and it is done to hide the transfer from wireline to wireless.

## **7) It appears Verizon has no intention of finishing New York fiber optic deployments.**

Verizon Communications, Inc, the holding company’s 2019 Annual Report (as opposed to the Verizon NY, state-based annual report) did not even mention any obligations pertaining to wired fiber optic wired services, or that there are state utilities.

# IRREGULATORS

---

“We are focusing our capital spending on adding capacity and density to our 4G LTE network, while also building our next generation 5G network. We are densifying our network by utilizing small cell technology, in-building solutions and distributed antenna systems. Network densification enables us to add capacity to address increasing mobile video consumption and the growing demand for IoT products and services on our 4G LTE and 5G networks.”

8) **Investigate the Billion + in Overcharging and Cross Subsidies** We estimate that Verizon NY Local Service was [overcharged an estimated \\$1.1-\\$1.6 billion](#), in just 2019, in just New York , including NYC. (This is the low number.)

- Verizon New York has shown losses of over \$2 billion for most years over the last decade, almost all created by “Local Service”,
- Local Service was charged over \$1/2 billion in “Corporate Operations” expense, 61% of the total Verizon assigned to NYS.
- In 2017, Local Service was charged \$1.8 billion, 61% of the total for this line item.
- Local Service was charged \$205 million, 54% of the total, for “Marketing”. When was the last time you saw an advertisement or video commercial for basic copper-based phone service?
- “Local Service” is the basic, wireline, voice-only, copper-wired based business. It was charged \$1.2 billion in “Construction & Maintenance” and has historically actually spent only \$75–\$125 million.
- Verizon New York’s Backhaul had \$1.9 billion in revenues but paid ½ of what Local Service paid for construction or corporate operations expenses and had a 55% profit margin.

Here’s the problem. Local service should not have been paying billions in corporate operations expenses, nor \$1.2 billion in construction or \$205 million in marketing, which means all of this is subsidizing other lines of Verizon’s business instead of having upgraded and maintained the NYS’ infrastructure or finishing Verizon’s FiOS New York City franchise.

9) **IRREGULATORS v FCC: Blame it on FCC accounting rules, that are deformed and put the majority of all expenses into the wired utility to make it unprofitable.**

It is impossible to explain all of the intricacies of how the FCC accounting formulas became deformed. The [IRREGULATORS took the FCC to court](#) to expose how the rules created this massive financial cross-subsidy scheme. We got the decision we wanted: NY State is now independent of the FCC and can halt all of these cross-subsidies.



# IRREGULATORS

---

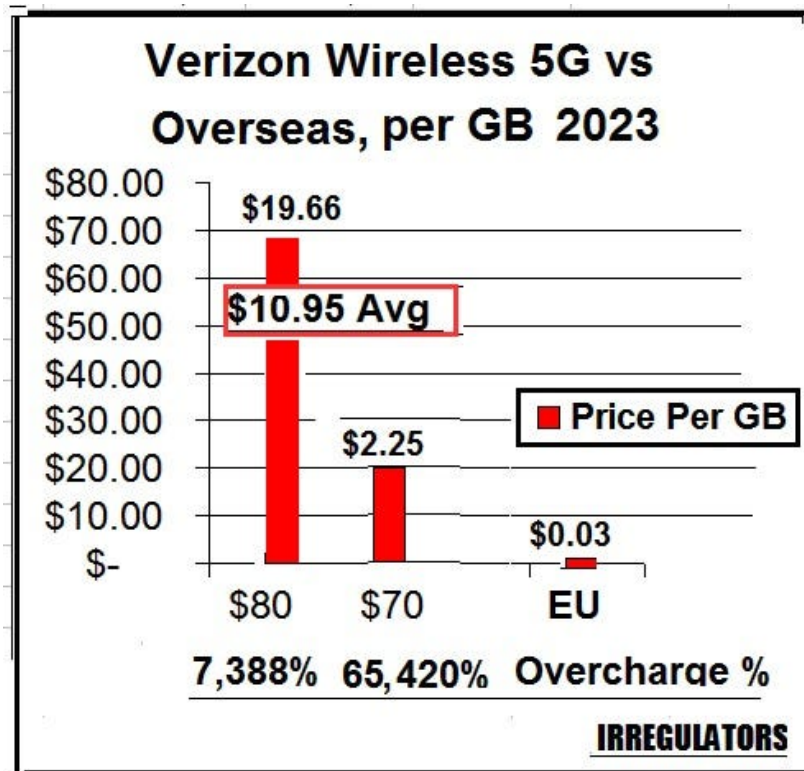
If New York is to have an affordable high speed broadband, internet, fiber optic future, the City and State must stop Verizon's unchecked ability to continue this shell game.

[Click for links](#) to our bios, filings, etc.

# IRREGULATORS

Part 7: Four Snapshots -- From America's prices being out of control compared to overseas countries, we also include a short summary of the Verizon NY 2022 Annual Report.

[Verizon's Wireless Overcharging per GB, 7,400%-to-65,000% vs Overseas Prices.](#)

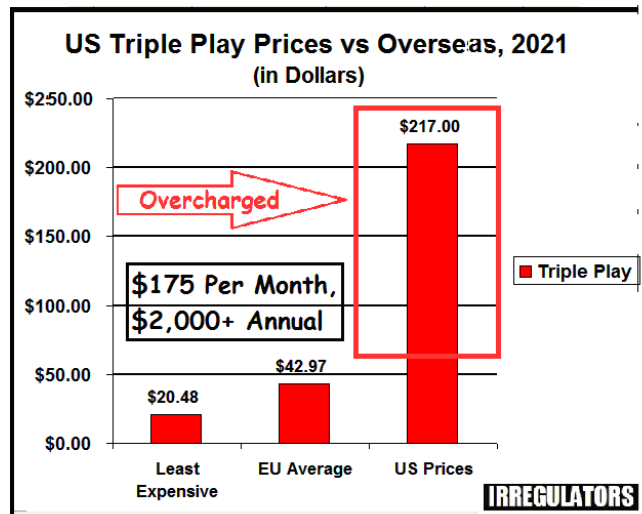


The above chart shows that overseas, the median 5G mobile broadband service cost per GB is .03 Euros — (one Euro is now \$1.08 dollars) — less than 3 cents. Meanwhile, the Verizon 5G mobile broadband services we focused on in [Part 1](#) costs \$70 and comes with 5GB, and when taxes are added, it comes to \$19.66 per gig. The \$80 dollar service price per GB is \$2.25, with the average of the two at \$10.95 per GB, taxes and made-up hidden fees added.

Compare less than 3 cents per GB and \$10.95 per GB, for the average of the Verizon 5G Wireless service — — and this means that the cost differential for these services is really, really huge. It is a whopping 7,400%-65,000% difference (rounded). (Verizon's average of \$10.95 is 36,400% above the median price per GB overseas.)

# IRREGULATORS

## [America's 'Triple Play' Prices Overcharged up to \\$175.00 Per Month or More — Over \\$2,000.00 Per Year.](#)



Click for this [Cable Triple Play Master Summary PDF](#)

How can America's prices for the cable triple play — (phone, cable TV and ISP-broadband) be almost 10 times more when comparing Consumer Reports' 2019 findings with the data from other countries, highlighted in the [European Union Commission](#) recent 2021 report? And, as the report details, even basic stand alone high speed broadband prices overseas are a fraction of what we're paying in the US.

We've even been beaten out by Bulgaria, Romania and even Slovakia:

“Overall, Lithuania, Latvia, and Romania have the most attractive prices for broadband internet in the EU....Bulgaria, Poland, Hungary and Slovakia follow; France, Czechia and Italy have low prices especially for Triple Play offers.”

The first step of fixing the Digital Divide is to make prices affordable and there is nothing in any of the government's plans that is going to fix this.

How is it possible that America's Triple Play is \$150-\$200 a month over what is being charged overseas — that's over \$2,000.00 a year being charged to families — including low-income families and seniors? This is on top of the fact that there could be only one or no providers of high-speed services in the rural regions or parts of cities.

# IRREGULATORS

## Just Released for Public Review: The Verizon NY 2022 Annual Report Shows a Massive, Corrupt, Financial Accounting Scheme.

Annual Report of VERIZON NEW YORK INC. For the period ending DECEMBER 31, 2022					
Line No.	Item (a)	Total (b)	FIOS Video Nonregulated (c)	Local Service New York State (f)	BACKHAUL Other (g)
9	Total Operating Revenues	3,571,708,161	1,177,041,947	825,629,346	1,569,036,868
	Operating Expenses				
11	Total Plant	\$ 2,521,823,844	\$ 983,045,913	\$ 1,040,132,092	\$ 498,645,838
12	Marketing	273,689,619	83,670,154	147,868,792	42,150,673
13	Customer Operations Services	125,581,489	8,646,169	83,046,135	33,889,185
14	Access	105,119,145	0	50,442,893	54,676,252
15	Corporate Operations	1,212,629,201	123,247,994	736,141,775	353,239,432
16	Subtotal	4,238,843,298	1,198,610,231	2,057,631,688	982,601,379
17	Depreciation & Amortization	1,210,960,566	52,803,602	755,012,644	403,144,320
18	Total Operating Expenses	5,449,803,865	1,251,413,833	2,812,644,332	1,385,745,700
19	Net Operating Revenues	(1,878,095,703)	(74,371,886)	(1,987,014,986)	183,291,169

### Answer This

- This excerpt was taken directly from the [Verizon NY 2022 Annual Report](#), (spreadsheet) released May 26th, 2023. How is it possible that “Local Service”, the basic copper-based voice phone service, which is no longer being sold, and had revenues of \$826 million, is being charged the majority of corporate expenses (Column F, Line 15)? (Keep in mind that these expenses are mostly for Verizon Communications, Inc, the holding company, that owns the state telecom utilities in their service areas as well as many other affiliated corporations, which includes cellphone services.)
- We will go through this in detail, but Local Service was charged: \*(Estimates for overcharging are based on other information in the financial reports and filings.)
- Construction — Over a billion dollars which is not being used by Local Service. This should be \$20–40 million; \$1 billion in overcharging.
- Marketing — Charged almost \$148 million, the majority, for a service that is not being marketed — Overcharged \$148 million.
- Corporate Operations expenses — Paid \$738 million, 60+% of the total (which includes the executive pay, lobbying, lawyers and even the corporate jets). Overcharged \$725 million (or more).
- CONCLUSION: Over \$2 billion, in just 2022, in just Verizon NY. The other expense categories are equally egregious.

# IRREGULATORS

## Where Did the Construction Money Go?

Local Service is paying 73% of the construction that is underway; known as “Work in Progress”, the other lines of business pay chump change.

Annual Report of VERIZON NEW YORK INC. For the period ending DECEMBER 31, 2022					
Line No.	Plant under Construction (a)	Total (b)	Nonregulated (c)	New York State (f)	Other (g)
			FiOS video	local service	Backhaul
	Telephone Plant in Service	\$35,106,397,766	\$1,255,669,358	\$21,684,947,090	\$12,165,781,318
19	Plant under Construction	857,811,157	92,430,010	629,644,120	135,737,027
	Cash Working Capital *	172,429,535	0	172,429,535	0
	Telephone Plant in Service		4%	62%	35%
	Plant under Construction		11%	73%	16%
	Cash Working Capital *		0%	100%	0%

This chart shows that Local Service (Column F, Line 19) paid \$629.6 million dollars in “plant under construction”, which is 73%, while the other lines of business, like the Nonregulated FiOS video, paid only 11%, only \$92 million

Local Service Utility Functions as the Bank:

- Moreover, the state utility appears to be acting as the bank by paying for the ‘working capital’ of \$172 million.
- If there is no construction of the state utility’s intrastate networks, then how is it that the Local Service category is picking up the majority of the expenses?
- And where is the (Line 19) \$630 million dollars going?