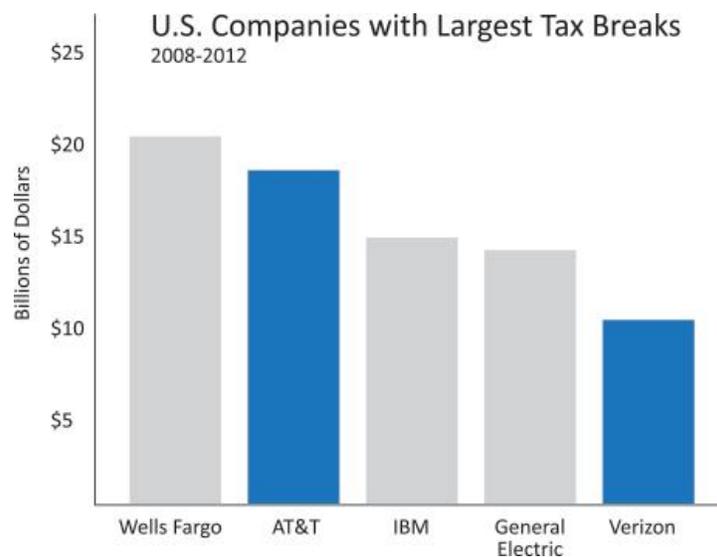


Big Telecom Companies Receive Billions in Tax Breaks and Government Subsidies

Since 2008 telecom companies have pocketed more than \$150 billion, despite claims that any open Internet rules would interfere with private markets

Tax Breaks:



Between 2008 and 2012, AT&T and Verizon alone received more than \$30 billion in Federal tax subsidies.¹ Comcast and Time Warner Cable received more than 7 billion.² These federal tax breaks and payouts are in addition to hundreds of millions of dollars in state and local subsidies that go to these same companies.³ In Philadelphia, Comcast received more than \$43 million in state and local tax subsidies for its 58 story skyscraper.⁴

1 Robert S. McIntyre, Matthew Gardner and Richard Phillips, "The Sorry State of Corporate Taxes," Citizens for Tax Justice and Institute on Taxation, February 2014, p. 6, available at <http://www.ctj.org/corporatetaxdodgers/sorrystateofcorptaxes.pdf>.

2 Citizens for Tax Justice, "Comcast," available at <http://ctj.org/corporatetaxdodgers/tax-dodgers.php?id=67>; Citizens for Tax Justice, "Time Warner Cable," available at <http://ctj.org/corporatetaxdodgers/tax-dodgers.php?id=256>.

3 See e.g. Good Jobs First, "Subsidy Tracker 2.0," 2014, available at <http://subsidytracker.goodjobsfirst.org/prog.php?parent=comcast>.

4 Daniel Denvir, "Welcome to Comcast Country," New York Times, April 23, 2014, available at <http://www.nytimes.com/2014/04/24/opinion/welcome-to-comcast-country.html>; "10-year tax abatements prove costly," Philadelphia Business Journal, Dec. 6, 2013, available at <http://www.bizjournals.com/philadelphia/blog/real-estate/2013/12/10-year-tax-abatements-prove-costly.html>.

Franchises:

Comcast and Time Warner Cable estimate that their cable franchise rights are worth more than \$85 billion despite “paying” localities less than \$20 billion for these franchise rights.⁵ And what cable companies pay comes straight out of consumers’ pockets, from a separate line item for franchise fees on every bill. In its 2006 Annual Report, Cox Communications noted that: “Cox believes that the franchises, although contractually non-exclusive, provide economic exclusivity for broadband video services to an incumbent cable operator.”⁶

Rights of Way:

One estimate values the rights of way for national wired telecommunications alone to be \$18 billion, about five times what cities collect in user fees.⁷ Many of these rights of way subsidies are only made available to companies offering services under Title II. As a result, phone companies have embraced Title II in name for the purpose of collecting these network deployment subsidies, but they have managed to keep the most lucrative broadband and Internet access services provided over these networks in an unregulated limbo.⁸ AT&T and Verizon still receive these benefits they inherited from their days as a government-sanctioned monopoly -- officially from from 1913 to the Bell breakup in 1984, but with the regional “Baby Bell” companies maintaining those monopolies long past the breakup.

Universal Service Fund:

Phone and cable companies receive more than \$8 billion per year from the congressionally created Universal Service Fund (USF), with those fees once again coming straight from customers thanks to a separate line item on monthly bills.⁹ Since 1995, more than \$100 billion in government handouts have

5 Assuming consistent annual payments over a 10 year franchise. Time Warner Cable, SEC Form 10-K, 2013, p. 76, available at <http://timewarnercable.q4cdn.com/4df09cbc-cdb1-44ad-b461-b192c7f32a61.pdf>; Comcast, SEC Form 10-K, 2013, p. 98, available at <http://files.shareholder.com/downloads/CMCSA/3400704425x0xS1193125-14-47522/1166691/filing.pdf>.

6 Supplemental Submission on behalf of DIRECTV, Inc. and DISH Network, House Judiciary Committee - Subcommittee on Commercial and Administrative Law, Hearing on H.R. 3679, the “State Video Tax Fairness Act of 2007,” Feb. 25, 2008, p. 3, available at <http://www.nysenate.gov/files/pdfs/DirectTVHouse.pdf>.

7 “Communities Clash with Emerging Wires Industry over the Public Rights of Way,” available at <http://www.local.org/wiresind.html>.

8 Ben Popper, “Game of Phones: How Verizon is playing the FCC and its customers,” The Verge, May 14, 2014, available at <http://www.theverge.com/2014/5/14/5716802/game-of-phones-how-verizon-is-playing-the-fcc-and-its-customers>.

9 See Todd Shields, “AT&T, Comcast Gain From Subsidy Paid for by Customers,” Bloomberg, Dec. 6, 2013, available at <http://www.bloomberg.com/news/2013-12-06/at-t-to-comcast-gain-from-subsidy-paid-for-by-customers.html>.



gone towards subsidizing telecommunications companies with these funds.¹⁰ AT&T and Verizon are two of the top recipients.¹¹

Pole Attachments:

Since 1978, the cable industry has received a government mandated subsidy when attaching their wires to telephone and electric company poles. At times, this gave cable operators a rate one quarter the cost paid by telecom companies and less than 20 percent the rate paid by electric utilities for using the same poles. The cable industry estimates this lower rate has saved it as much as \$672 million in business expenses annually.¹² Telecom companies subsequently got in on the better deal and received the same discounted rate, saving them as much \$1.2 billion annually.¹³ This longstanding system of subsidies is estimated to create as much as \$3 billion in lost revenues for pole owners each year.¹⁴

Spectrum:

By the early 1990's, the FCC had given away more than 50 Mhz of cellular and other mobile spectrum -- worth billions of dollars at present.¹⁵ Much went to the regional "baby bell" companies that were the predecessors of AT&T and Verizon, before massive consolidation merged all of these different regional companies. That spectrum continues to be held by AT&T and Verizon.¹⁶ According to the latest FCC figures, 11 percent of all mobile spectrum came from these FCC giveaways.¹⁷ This is also among the best

10 Scott Wallsten, "Can the AT&T-DirecTV merger end the Universal Service High-Cost Fund?," The Hill, Aug. 4, 2014, available at <http://thehill.com/blogs/pundits-blog/213937-can-the-att-directv-merger-end-the-universal-service-high-cost-fund> [In 2014 dollars]; Julie Wiener and Hella Winston, "E-rate Program Dogged By Concerns," The Jewish Week, Feb. 22, 2013, available at <http://www.thejewishweek.com/news/national-news/e-rate-program-dogged-concerns>.

11 Federal Communications Commission Response to United States House of Representatives Committee on Energy and Commerce Universal Service Fund Data Request, July 9, 2012, available at <http://democrats.energycommerce.house.gov/sites/default/files/documents/FCC-Response-Request-1-USF-Data-2012-7-9.pdf>.

12 Federal Communications Commission, In the Matter of Implementation of Section 224 of the Act, WC Docket No. 07-245 A National Broadband Plan for Our Future, GN Docket No. 09-51, Report and Order and Order on Reconsideration, April 7, 2011, para. 175, fn 545, available at https://apps.fcc.gov/edocs_public/attachmatch/FCC-11-50A1.pdf.

13 Greg Stohr, "Utilities Spurned by Top Court on Phone-Company Pole Fees," Bloomberg, Oct. 7 2013, available at <http://www.bloomberg.com/news/2013-10-07/utilities-spurned-by-top-court-on-phone-company-pole-fees.html>.

14 Ad Hoc Group of the 706 Federal/State Joint Conference on Advanced Services, "POLE ATTACHMENTS," July 2001, p. 32, available at http://www.naruc.org/Publications/poleattachment_summer01.pdf.

15 See Statement of Robert D. Reischauer, Director, Congressional Budget Office, Committee on the Budget, U.S. House of Representatives, Sept. 29, 1994, available at <https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/49xx/doc4910/doc78.pdf>; Federal Communications Commission, "Cellular Service," available at <https://www.fcc.gov/encyclopedia/cellular-service>.

16 Of the 30 B-Block licenses awarded to Southwestern Bell, the FCC currently lists AT&T Mobility as the contact for 28, while Verizon is listed as the current contact for all eight of the B-Block licenses awarded to Bell Atlantic. See Jeffrey A. Eisenach, "The Equities and Economics of Property Interests in TV Spectrum Licenses," Navigant Economics, January 2014, available at http://www.nab.org/documents/newsRoom/pdfs/011614_Navigant_spectrum_study.pdf.

17 Federal Communications Commission, WT Docket No. 11-186, Sixteen Report, March 21, 2013, Table 16, available at https://apps.fcc.gov/edocs_public/attachmatch/FCC-13-34A1.pdf.



spectrum available for mobile broadband, and their exclusive access to this prime real estate is one of the reasons that AT&T and Verizon have an advantage over competitors.

