

Testimony of:



before the
Pennsylvania State Senate
Communications & Technology Committee
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Good morning, Chairman Vulakovich, Chairman Farnese, and members of the Communications and Technology Committee. My name is Frank Buzydowski and I am the Director of State Government Relations for Verizon. It is my honor to work with Robert “Dutch” Wurzbach to represent our companies to the Commonwealth of Pennsylvania. And on behalf of Verizon’s 31,000 employees and retirees who reside in our great state, I welcome the opportunity to share with you our perspective on today’s telecommunications industry, an industry that has undergone dramatic change over the past few years.

Over the course of our careers with Verizon, Dutch and I have personally witnessed the choices available to the “average” residential customer transformed from yesterday’s plain old telephone service delivered over copper wire by one provider, to today’s myriad of landline and wireless voice, broadband and other fixed and mobile communications technologies available from an unlimited number of competitors.

Today’s customer demands an integrated array of voice, internet and video services -- and the competitors ready to deliver those services are abundant. Amid this intense competition, Verizon has transformed itself from “the phone company” to a sophisticated communications provider delivering cutting-edge services that people demand. And we have invested Billions of dollars in this state’s wireline and wireless network infrastructure to provide Pennsylvanians with a first-class network designed to handle the next-generation products and services that are at the heart of Pennsylvania’s competitiveness.

Today's Evolving Marketplace



"The Phone Company"



"The Network Company"

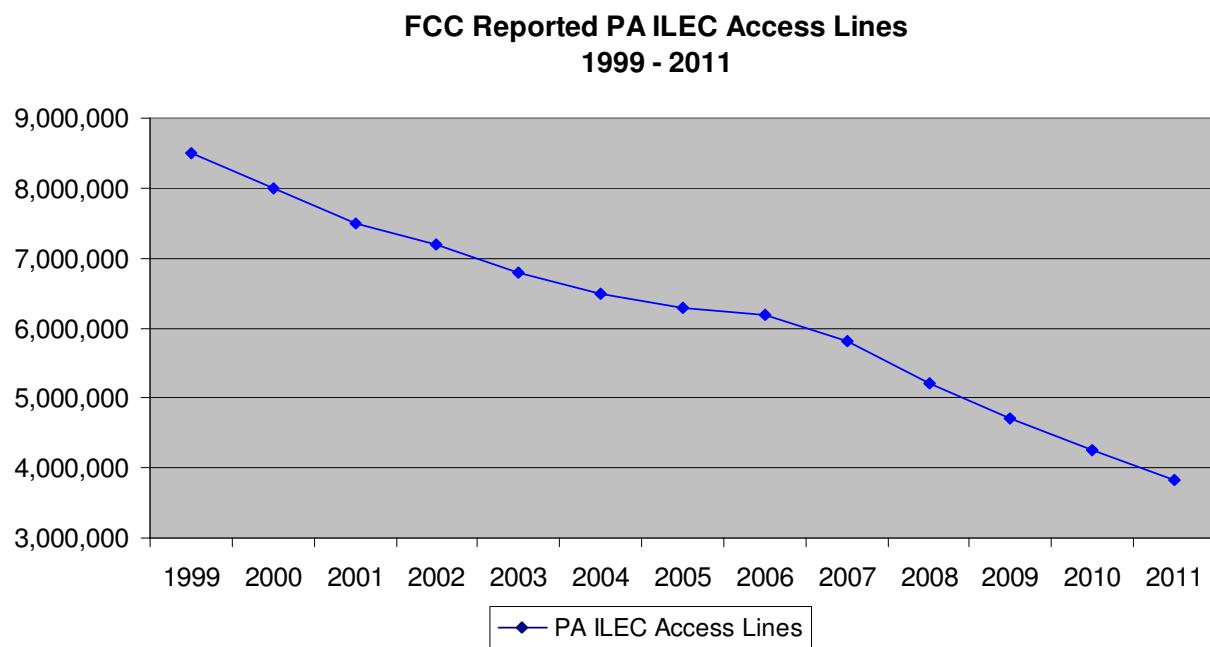


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To understand the nature of our industry today, it is important to appreciate the ever-expanding competitive alternatives that consumers have for their communication needs. As of the end of 2011, one in three households in the United States was wireless-only, eliminating landline service entirely, while another 16% consider a cell phone to be their primary line. And those customers who continue to use landlines have plenty of choices besides Verizon. The FCC reports that as of year-end 2011, CLECs and interconnected VoIP providers served 41% of the landlines in Pennsylvania, a percentage that continues to grow. And the FCC also reports that Pennsylvanians are increasingly relying on the internet to communicate: As of June, 2011, Pennsylvanians had over 2 million cable modem internet connections, close to 4.5 million mobile wireless internet connections, and nearly 1.2 million High-Speed DSL Internet connections.

This trend away from traditional landline service is reflected in Verizon's business as well. In less than a decade, we have lost over half of our Pennsylvania land lines, as residence and business customers have switched to cable, wireless, VoIP and CLEC competitors, dropped second lines, and in many cases stopped wireline service all together in favor of making their wireless phones their only phones.



Today, broadband, wireless and global Internet Protocol ("IP") technologies are a major engine of Pennsylvania's economy, and Verizon is a leader in delivering those communications innovations to residents, businesses and government. Our skilled and dedicated employees build and operate the most reliable and advanced network, serving more than 2.5 million landlines statewide. We also provide broadband services through our FiOS, DSL and wireless products; and we are a leading provider of Global Information Technology, security and communications solutions.



Verizon FiOS

- FiOS TV
- FiOS Internet
- Downloads up to 300 Mbps
- Worry Free Guarantee

Verizon High Speed Internet

- Broadband via DSL
- 88% of access lines
- Downloads up to 15 Mbps

Verizon Wireless

- Industry low churn
- Top customer care
- 4G LTE reaches 476 markets and 273.5 M people

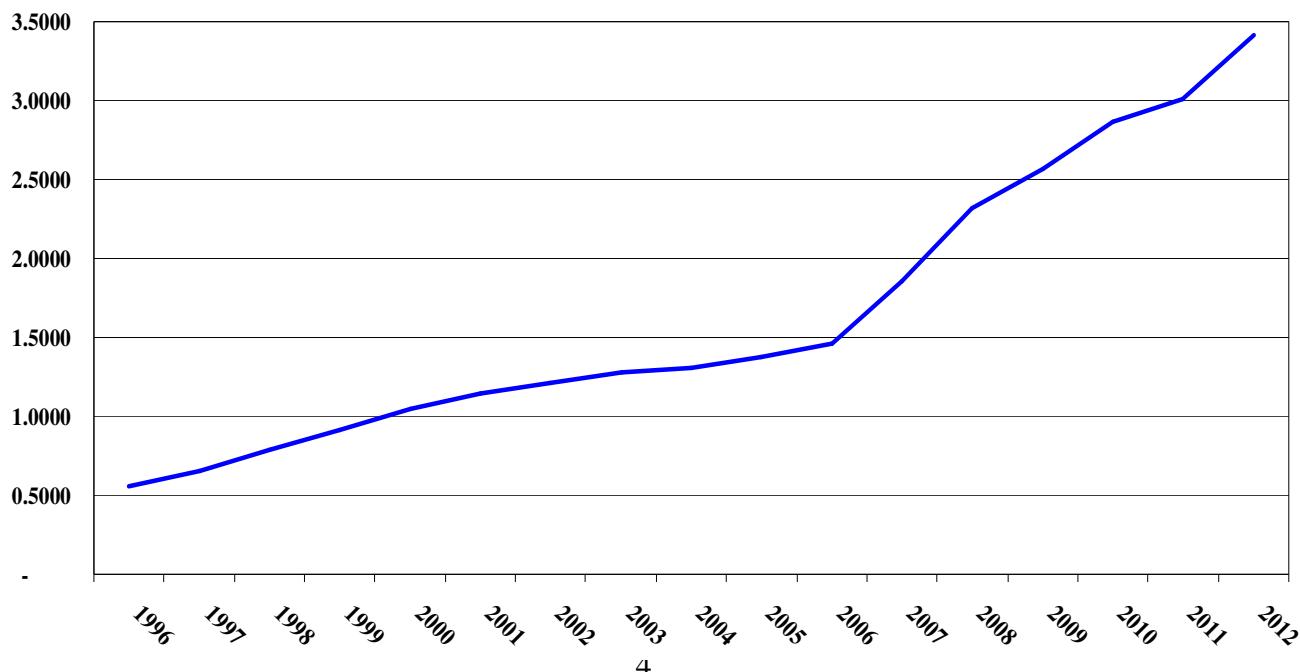
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In Pennsylvania, we have deployed over 3.4 million miles of fiber-optic cable.

Our interoffice facilities are 100% fiber-optic and we are extending our fiber farther and farther into the network, connecting Central Offices to Remote Terminals that bring High Speed Internet technology to rural communities, providing residents and businesses modern broadband service.

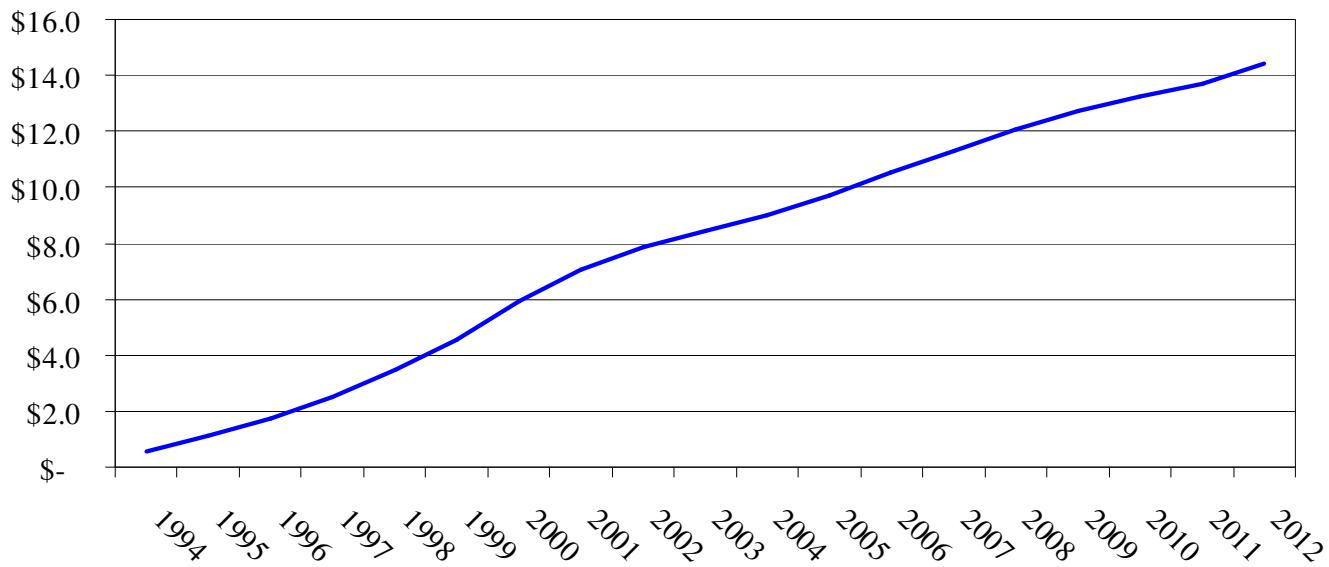
Miles of Fiber Optic Cable (M)



And Verizon Wireless 4G LTE broadband provides a new technology for high speed Internet service, especially in rural Pennsylvania. Verizon Wireless customers use their 4G LTE-enabled devices to surf the Web, post status updates and photos, share music, and download files at speeds up to 10 times faster than customers on 3G networks. Verizon Wireless customers can also take advantage of HomeFusion™ Broadband to deliver high-speed, in-home Internet access, particularly in areas where land-based Internet options are limited or are not currently available.

Verizon is making the investment to bring this cutting-edge 4G LTE wireless network to parts of rural Pennsylvania to fulfill Chapter 30 broadband deployment commitments. Since 1993, our network capital investments for these and other upgrades exceed \$15 Billion, including more than \$683 Million last year alone!

Cumulative VZ Capital Investment in Pennsylvania (B)



And the latest, most advanced utilization of our broadband network is the development of Information Communications Technology ("ICT") to provide "cloud" services, which provide the ability to reduce energy consumption via 'Smart Grid' home monitoring and control applications. In addition, ICT and broadband technologies allow the remote sharing of medical records, which helps to control costs without cutting quality.



The slide features the Verizon logo in the top left corner and the title "Market Overview – eHealth" in the top right corner. Below the title, there are four rectangular boxes, each containing an icon of people and a title followed by a bulleted list of benefits:

- Control Costs**:
 - Reduce costs of poor compliance: \$300B
 - Reduce fraud: \$260B
 - Reduce administrative inefficiency and redundant paperwork: \$120B
- Improve Quality**:
 - Better control chronic diseases: \$1.3T direct and indirect costs
 - Reduce medical errors
- Increase Access**:
 - Prevention: Reduce preventable hospitalizations: 4.4M, \$31B costs
- Compliance**:
 - HIPAA, FDA & other Regulation and HITECH Act forcing healthcare companies to focus on security & compliance

At the bottom of the slide, a red bar contains the text "Healthcare spending in the USA: \$2.6T in 2011 (17.7% of GDP)".

Trying to balance the delivery of high-quality services with keeping clinical costs down is an ongoing challenge for today's health-care providers. It's about finding new ways to empower staff and patients, while streamlining operations. Verizon Wireless offers mobility solutions that address the unique challenges facing health-care

organizations. This includes increasing access to patient information and back-office systems and sharing patient information securely across organizations. Verizon enables advanced communications solutions, including Digital Care Management, to advance the exchange of data between patients at home and clinicians.

In 2012, Verizon Wireless joined with Health Evolution Partners to bring Verizon data-management technology to health organizations. This collaboration helps support clinical workflow, data management and mobile patient care coordination.



Verizon is also unwavering in its commitment to community service. The Verizon Foundation is focused on using technology to solve critical social issues in the areas of sustainability, education and healthcare. Last year alone, the foundation contributed more than \$1.1 million to nonprofit groups in Pennsylvania. In addition to many other initiatives, Verizon is a proud participant in the EITC Program. Last year we contributed \$200,000 to 30 nonprofits.

Verizon Every Day



Over \$1.1 Million Invested Annually in Our Communities



Verizon's Credo & Commitment & Values
Define Who We Are & How We Work



EDUCATION: Increasing student interest and achievement in Science, Technology, Engineering & Math



Thinkfinity |

FREE DIGITAL CONTENT -- Lesson plans aligned to State and Common Core standards.



GREENER
in Philadelphia!

HEALTHCARE: Use technology to increase access to care and chronic disease management for underserved women



A TRUER CONNECTION



EMPLOYEE VOICE IN GLOBAL CAUSES: U.S. Fund for Unicef; Save the Children; World Wildlife Fund
YOU CHOOSE.
WE DONATE.

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Your committee and this Senate have been instrumental over the years in encouraging competition and technological advances in the communications industry by passing legislation to keep pace with those changes. In 2008, this committee reported out SB 1000 to assure that the Internet remains free from unnecessary regulation and to incent Voice over Internet (VoIP) service development. That bill went on to become Act 52 of 2008. Prior to that, this Senate amended and passed HB 84, the original Chapter 30, which first recognized the importance of lightening regulation for some competitive telephone services and encouraging deployment of a more advanced network. And in 2004, you amended and passed HB 30 (Act 183 of 2004), taking another step toward recognizing the diminished need for regulation once competition has gained a foothold in the market.

But with the recent explosion in competitive alternatives, available services and new technologies, it is time once again for the law in Pennsylvania to keep pace with the industry. Outdated regulatory requirements in a competitive environment hold back development and harm consumer interests.

The future success of our industry depends on continued legislative and regulatory policies that foster an even more innovative and competitive marketplace. Now, more than ever before, consumers are in the driver's seat to select the products, services and technologies that meet their needs and their budget. The result is robust competition that is beneficial to consumers.

Dutch Wurzbach and I will soon be encouraging members of the Senate and the House to consider new legislation to provide regulatory parity in the marketplace by adopting policies that remove unneeded and outdated regulation so that Pennsylvania can remain a national leader in encouraging growth and innovation in our industry.

Thank you for this opportunity to appear before you. I will be happy to answer any questions you may have when this panel concludes its testimony.