

Testimony of:



Before the

**House Consumer Affairs Committee  
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**Frank P. Buzydlowski**

Director, State Government Relations

Verizon Communications

Strawberry Square, 12<sup>th</sup> floor

303 Walnut Street

Harrisburg, PA 17101

717.777.5858

[f.p.buzydlowski@verizon.com](mailto:f.p.buzydlowski@verizon.com)

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Good morning, Chairman Godshall, Chairman Preston, and members of the House Consumer Affairs Committee. My name is Frank Buzydlowski, and I serve as Director of State Government Relations for Verizon in Pennsylvania. On behalf of Verizon, which has over 32,000 employees and retirees who reside in our great commonwealth, I welcome the opportunity to share with you our perspective on an industry that has been dramatically transformed in just a few short years. Today, customers are no longer looking for plain old landline telephone service, and Verizon certainly is not their only communications option. Customers now demand 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 a telephone company to a sophisticated communications provider capable of delivering these cutting-edge services. And we have invested billions of dollars in this state's 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



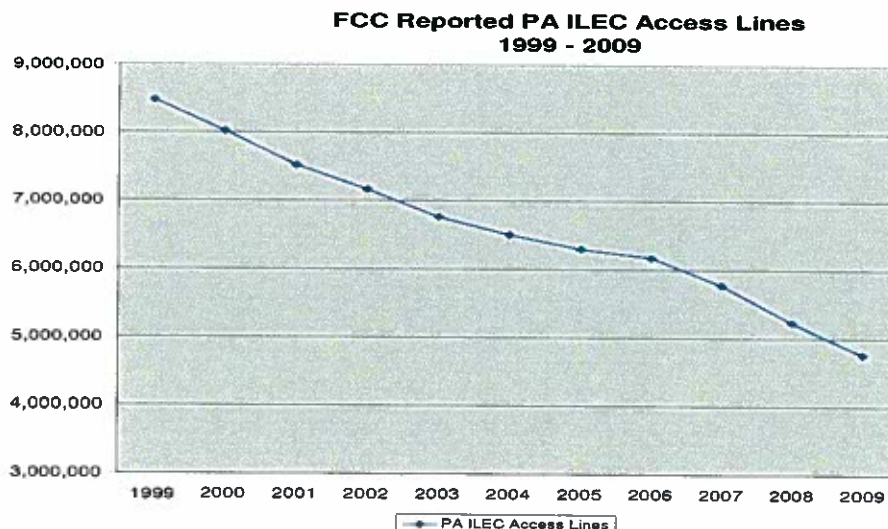
*"The Phone Company"*

*"The Network Company"*





To understand the state of the industry today, it is important to appreciate the expanding competitive alternatives that consumers are turning to for their communication needs. As of the end of 2010, one in four households in the United States was wireless-only, eliminating landline service entirely, while another 15 percent consider a cell phone to be their primary line. In other words, for 40 percent of the country, landline service is, at best, an afterthought. And those customers who continue to use landlines also have plenty of choices besides Verizon. The FCC reports that as of year-end 2009, CLECs and interconnected VoIP providers served 32% of the landlines in Pennsylvania, a percentage that is surely higher today. And the FCC also reports that Pennsylvanians are increasingly relying on the internet to communicate: as of year-end 2009 Pennsylvanians had 1.2 million DSL (also known as High-Speed Internet or HSI) internet connections, nearly 2 million cable modem internet connections and nearly 2 million mobile wireless internet connections.

This trend away from communicating only through landline service is reflected in Verizon's business as well. In just 10 years Verizon has lost almost half of our Pennsylvania access 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 phone their only phone.



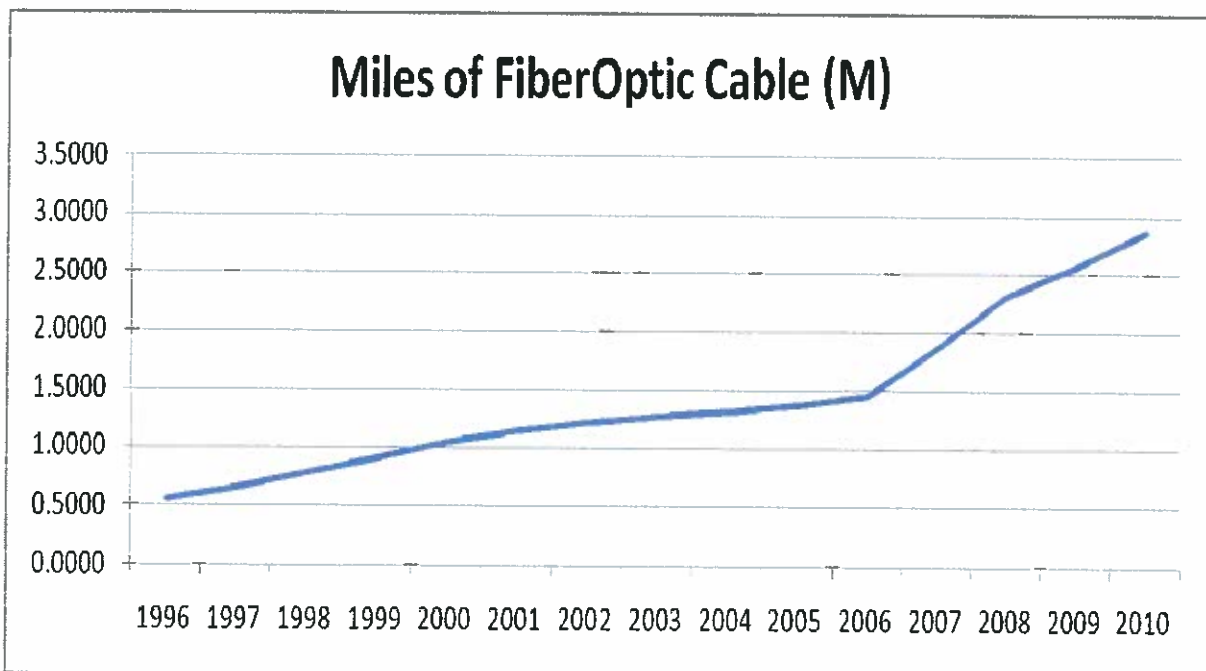
Today, broadband, wireless and global Internet Protocol ("IP") technologies are a major engine of Pennsylvania's economy. Verizon is a leader in its Pennsylvania service territory, delivering these communications innovations to residents, businesses and government. Our skilled and dedicated employees build and operate the most reliable and advanced network, serving more than 3.5 million landlines statewide. We also provide broadband services through our FiOS, HSI and wireless products, we are a leading provider of Global Information Technology, security and communications solutions, and we deploy the nation's most advanced fiber-optic network.

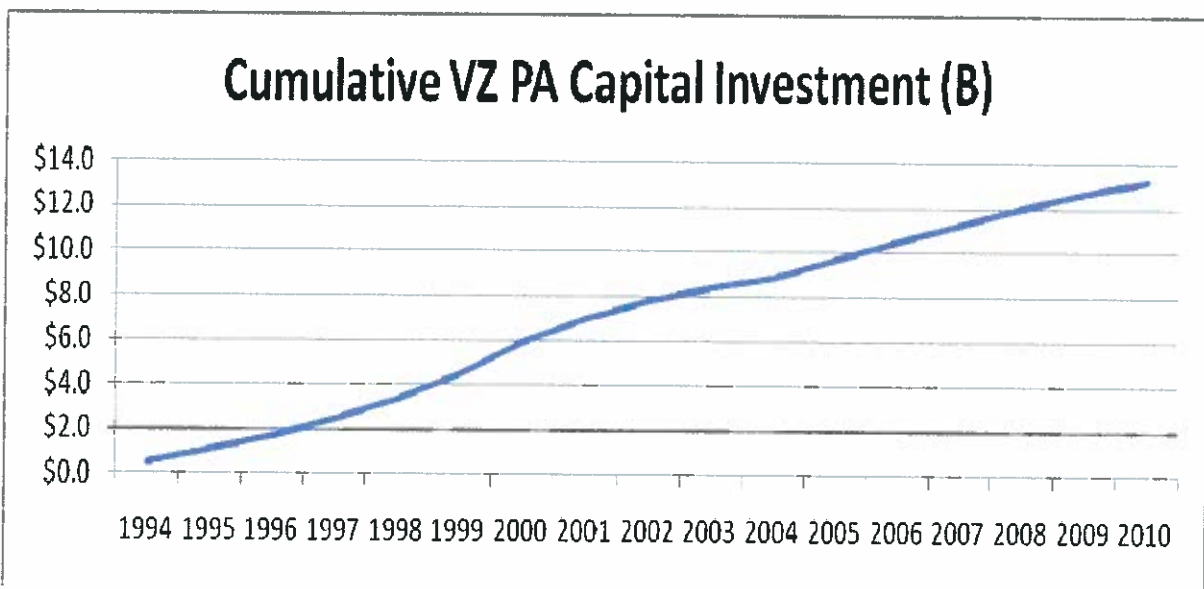
<b>Verizon FiOS</b>	<b>Verizon High Speed Internet</b>	<b>Verizon Wireless</b>	<b>Verizon Business</b>
<ul style="list-style-type: none"> <li>▪ FiOS TV</li> <li>▪ FiOS Internet</li> <li>▪ Downloads up to 150 Mbps</li> <li>▪ Worry Free Guarantee</li> </ul>	<ul style="list-style-type: none"> <li>▪ Broadband via HSI</li> <li>▪ 87% of access lines</li> <li>▪ Downloads up to 15 Mbps</li> </ul>	<ul style="list-style-type: none"> <li>▪ Industry low churn</li> <li>▪ Top customer care</li> <li>▪ 3G reaches 298 M POPs</li> <li>▪ 4G launched in 38 markets in 2010</li> </ul>	<ul style="list-style-type: none"> <li>▪ Manages 4,200 + customer networks</li> <li>▪ 96% of Fortune 500</li> <li>▪ Speeds up to 40 Gbps</li> </ul>

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In Pennsylvania, we have deployed nearly 2.9 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 by using it to connect our Central Offices to their Remote Terminals. This approach has brought High Speed Internet technology to rural communities in Pennsylvania, providing residents and businesses in those areas another – and in many cases the first – choice for their broadband service. Verizon has also made available to many Pennsylvania customers higher speeds of broadband service, with download speeds at 10 to 15 megabits per second. Fiber optic cable is also being used to run fiber-to-the-premises (FTTP), which allows the deployment of FiOS, or “Fiber Optic Service”, which can bring video as well as high speed Internet services and telecommunications to our customers. You will hear more about our FiOS video service from our state president, Gale Given, on the cable TV panel, and more about the exciting developments in the wireless industry from my Verizon colleague Marissa Mitrovich.



Our network capital investments for these and other upgrades have now exceeded \$13.3 billion on the wireline network since 1993 – including over \$642 million last year alone! This investment includes deploying fiber-optic links to wireless providers' cell sites throughout Pennsylvania, as those carriers expand their infrastructure to meet ever-growing demand for wireless broadband and advanced 4G services. Verizon's investment in Pennsylvania positions us to meet the next wave of growth in communications, as we meet customers growing demand for broadband speeds, mobility and high-quality networks and services.



Looking to the future, we see the further utilization of our broadband network to facilitate the development of Information Communications Technology ("ICT") to provide new and enhanced 'cloud' services, e.g., remote sharing of medical records, which helps to control costs and reduce errors. In addition, ICT and broadband technologies provide the ability to reduce energy consumption via 'Smart Grid' home monitoring and control applications.



"Smart Grid"  
Home Monitoring and Control

Wireless 4G LTE

"The Cloud"  
Goes Mainstream

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Not only is Verizon a leader in the industry, but it is also a leader in its commitment to this Commonwealth's economic development and community service. The Verizon Foundation, the philanthropic arm of Verizon, uses its technology, financial resources and partnerships to address critical social issues, with a focus on education, domestic violence prevention and internet safety. In 2010, the foundation contributed more than \$3.3 million to nonprofit groups in Pennsylvania.

**Verizon Every Day** 

Over \$3 Million Invested Annually in Our Communities



The collage features several Verizon Foundation initiatives:
 

- Hopeline**: A red box with a white telephone handset icon.
- HOPE from the HOLIDAYS**: A snowman holding a red gift box.
- CHECK THE LITERACY**: A graphic with a checkmark and the text 'CHECK THE LITERACY'.
- digital nation**: A woman looking at a smartphone.
- Verizon Corporate Responsibility Report**: A vertical graphic with an American flag and a man's portrait.
- TELLING**: A woman holding a child, with the text 'TELLING' and 'PLAY TRAILER'.
- Thinkfinity**: A woman looking at a smartphone, with the text 'Thinkfinity'.
- Verizon Makes its Philadelphia Fleet GREENER**: A white car with a green leaf icon.
- Shower Shelter**: A blue house icon with a smiley face and the text 'SHOWER SHELTER'.
- Verizon Velocity**: A woman holding a child, with the text 'Verizon Velocity' and 'Learn How to Receive Extra Dollars for Your School or Nonprofit'.

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We are proud of our accomplishments in network enhancements, High Speed Internet expansion and community support, especially since we have made this progress during a time of incredible transformation in our business – resulting from fierce competition, a weakening economy and changing customer needs.

Your committee and this General Assembly have been instrumental over the years in encouraging competition and technological advances in the communications industry and modernizing legislation from time to time to keep pace with those changes. In 1993 you passed 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. In 2004, you passed HB 30, which became Act 183 of 2004, further recognizing the diminished need for regulation once competition has gained a foothold in the market. And in 2008, you recognized the additional changes that had occurred in the industry and passed SB 1000 to assure that the Internet remains free from unnecessary regulation, and to incent Voice over Internet (VoIP) service development. 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 will foster an even more innovative and competitive marketplace – to the benefit of consumers. 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 has been financially beneficial to consumers and allows dissatisfied customers to vote with their feet. Thus, in looking forward, we encourage the members of this committee to continue the work the Legislature has started to provide regulatory parity among competitors in the marketplace by adopting policies that continue to remove unneeded regulation. That will in turn increase business investment and economic development in Pennsylvania. Continuing the work that you started with Chapter 30, Act 183 and the VoIP Freedom Act will allow Pennsylvania to remain a national leader in encouraging growth and innovation in our industry.

Thank you for this opportunity to appear before you. I look forward to working together with you to address these important issues and I will be happy to answer any questions you may have when this panel concludes its testimony.

## Today's Evolving Marketplace



People are using technology to erase the boundaries between home and work, here and there, virtual and real. They imagine access to everything at their fingertips and they want it now, no matter where they are or what screen they have at hand. They are challenging us to deliver better products, faster networks, more simplicity and more creativity.

— Ivan Seidenberg  
Verizon Chairman and CEO



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