

Testimony of:



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Gale Y. Given

President

Verizon Pennsylvania Inc.

1717 Arch Street 3NE

Philadelphia, PA 19103

(215) 466-8700

gale.y.given@verizon.com

Good morning, Chairman Godshall, Chairman Preston, and members of the House Consumer Affairs Committee. My name is Gale Given and I am the President of Verizon Pennsylvania. I appreciate having the opportunity, along with my colleagues Frank Buzydlowski and Marissa Mitrovich on the other panels, to share with you our perspective on the state of the competitive communications, information and video services industry in Pennsylvania, and to describe our efforts to deploy the most advanced products and services that enhance consumers' lives and empower individuals for success in today's challenging economy.

Verizon is investing \$23 billion to build our FiOS fiber-to-the-home network, including parts of Pennsylvania. This is a massive investment in a totally new, state-of-the-art fiber network employing thousands of Verizon workers across the Commonwealth.

The roll-out of the FiOS network in Pennsylvania and other states has been driven by intense competition in the industry by many different players – wireless, competitive local telephone carriers, internet voice providers (like Vonage), and, especially, cable TV providers. The cable companies are now our main competitors in the voice and internet markets. These companies have for some time offered internet access in addition to their cable TV service. Cable companies now also provide voice service on their networks as well. In fact, Comcast alone provides its digital voice service to more than 8.6 million customers nationwide as of year-end 2010, and is now the third largest wireline residential telephone service provider in the country. This fierce competition across a range of services is bringing more innovation, better prices and more robust offerings to consumers.

Meanwhile, voice service is fast becoming just another application riding on a multi-purpose communications network. To compete in this world, it is necessary for us to provide video service, and we are now doing that primarily by deploying an end-to-end all-fiber network, the only company to do so on a large scale. The tagline that I am sure many of you have seen in our recent advertising — “FIOS. A NETWORK AHEAD.” — is not just a catchy slogan to Verizon’s employees. It reflects the pride and excitement we feel in offering customers superior communications, broadband and video products delivered over the finest network in the world.

As Mr. Buzydlowski explained, the use of fiber all the way to the home in our FiOS network provides a very “big pipe” with virtually unlimited bandwidth that can readily support internet access service at speeds up to 150 Mbps downstream, and 50 Mbps upstream, and beyond. This new infrastructure provided on such a large scale can be a major factor in the development and growth of small business in Pennsylvania.

On the video side, we are currently offering FiOS TV to over 300 communities in eastern, central and western Pennsylvania with which we have negotiated local franchise agreements, and we have been very successful in getting customers to sign up for our service. That’s because our fiber-to-the-home network enables us to provide a superior video experience. Our high-definition quality is especially vivid because the capacity of an all-fiber connection allows us to deliver high-definition signals to the consumer just as we receive them. In addition, one FiOS installation can support up to seven high-definition televisions simultaneously, which should meet the needs of those video devotees who want a TV in virtually every room of their house.

We provide more than 130 high-definition TV channels, and we expect that number to grow as new programming becomes available. We offer over 50 all-digital music and radio channels and over 19,000 on-demand TV titles, including approximately 2,500 HD titles.

The FiOS Home Media DVR performs all the usual DVR functions — like recording favorite programs, pausing live TV and watching instant replays, but also has several other groundbreaking features. Multi-room functionality permits customers to watch different recorded shows on up to three TV's at the same time. Customers can pause a recorded show in one room and continue watching it in another. An interactive Media Manager permits customers to view from their television photographs or music that is stored on their home computer. Customers can program the DVR remotely using their computers or Verizon smart phones, and can even switch channels using these smart phones, should they misplace their remote controls.

We also have a functionality we call widgets that permits you to view such things as traffic or weather reports on the screen without interrupting or interfering with your program and to access social media like Facebook and Twitter on the TV screen to comment on the on-screen programming. We even have a widget that allows you to track your NFL fantasy football team at the top of the screen without turning away from watching the Steelers or the Eagles.

Finally, our latest FiOS TV innovation, called Flex View, permits customers to watch approximately 2,000 of Verizon's Video on Demand programs on their TVs or their computers or their Smartphone screens, or any combination thereof – that is, if you wish, you can start watching a program at home on your TV, then continue watching it on your laptop computer in a train station, and finish watching it on a train on your Verizon iPhone 4 screen. Flex View thus

allows you to watch what you want, where you want, and enjoy the freedom and convenience of our new go-everywhere, watch-anywhere, mobile entertainment technology.

In communities where they are provided under the terms of the franchise agreement, we carry local public, education and government (PEG) channels. The programming on these channels can be an important part of the fabric of the community, providing access to the public, schools and government and the exchange of local information.

You don't have to just take my word for the fantastic quality of FiOS TV. It scored highest, for the third consecutive year, in J.D. Power's 2010 Residential Television Service Satisfaction Study for the East Region. A leading consumer magazine gave FiOS TV a top rating among major providers in its most recent survey of television service, with top marks in all five categories in which it measured Verizon: channel selection, picture quality, sound quality, reliability and value.

Beyond all the exciting capabilities and features of FiOS TV, the biggest advantage it offers Pennsylvanians is something most of them have never known, a choice of local TV providers. Competition between Verizon and the cable companies greatly benefits Pennsylvania consumers, as does the voice and data competition that my colleagues on this panel have brought to the marketplace.

The focus of competition between Verizon and the cable companies now is "the bundle," a package of communications, internet and satellite or cable TV services offered together for a discounted price – the so-called "triple play," or, when wireless service is added to the bundle, the "quadruple play." Consumers like paying one price to one provider on one bill for such a

bundle, and, in fact, nearly half of our consumer customers in Pennsylvania subscribe to one. These bundles compete head-to-head with those offered by cable companies.

This competition works best when all providers are operating on a level playing field. It does not work well when there are restrictions or requirements placed on one provider that do not apply to other players. While there has been great progress on leveling this playing field through work done by this legislature, there are still inequities that need to be addressed. And my colleagues on the panel I think will agree that this is best done by removing unnecessary restrictions and requirements from our operations, not by adding those burdens to the cable and wireless providers. As you will hear in the wireless panel testimony, one need only look at the amazing developments and innovation in the wireless industry to see the benefits of competition on a level playing field with only a light touch from government.

In closing, Verizon is very excited and energized about bringing voice, internet and TV services on its cutting edge FiOS network to millions of customers across Pennsylvania. We understand that every aspect of our business is being contested in the current competitive arena. In using our new all-fiber network to meet substantial pent-up demand for FiOS services, we will continue to be a fierce competitor to the cable companies and expect them to defend their long-held turf with equal vigor. Consumers can only win.

Thank you for this opportunity to appear before you. I will be happy to answer any questions you may have.