

Testimony of:



before the

Senate Committees on

**Consumer Protection & Professional Licensure
and
Communications & Technology**

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Good morning, Chairmen Folmer, Tomlinson, Farnese and Boscola, and members of the committees. 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 both an industry and a company that have been dramatically transformed in just a few short years, with particular emphasis on the continued deployment of Verizon's modern broadband network throughout our Pennsylvania service territory.

Today, customers are no longer looking just 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. Our commitment to deliver the benefits of advanced communications technologies to the competitive telecommunications marketplace has positioned our company as the Commonwealth's trusted guide to the new world of communications, information and entertainment.

Today's Evolving Marketplace



"The Phone Company"

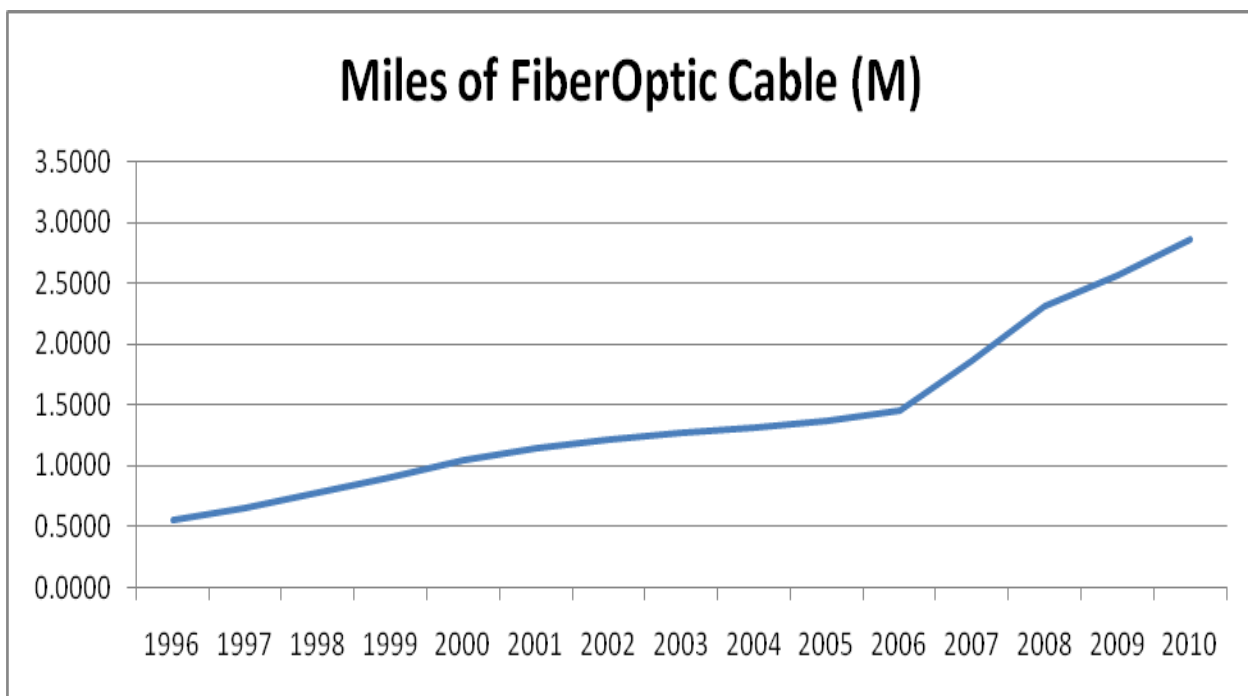
"The Network Company"



The sea changes caused by technological break-throughs, the rise of the Internet, fierce wireline, wireless and VoIP (Voice over Internet Protocol) competition and resultant ever-increasing customer demand drove Verizon to modernize its network and offer advanced service offerings. Your committees and this General Assembly have encouraged competition and technological advances in the communications industry by taking steps years ago to begin to reduce regulation and allow a competitive marketplace to flourish. 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 broadband-based network. In 2004, you passed HB 30, which became Act 183 of 2004, further recognizing the diminished need for regulation in a competitive 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 VoIP service development. But with the explosion in competitive alternatives, available services and new technologies,

outdated regulatory requirements that are still in effect are holding back development and harming consumer interests. But more about that later.

Allow me first to talk about our broadband network build-out in Pennsylvania, which has been progressing for the past two decades both to meet competition and customer demands and to fulfill Chapter 30 requirements. As part of that build-out, we have deployed 2.9 Million miles of fiber-optic cable.

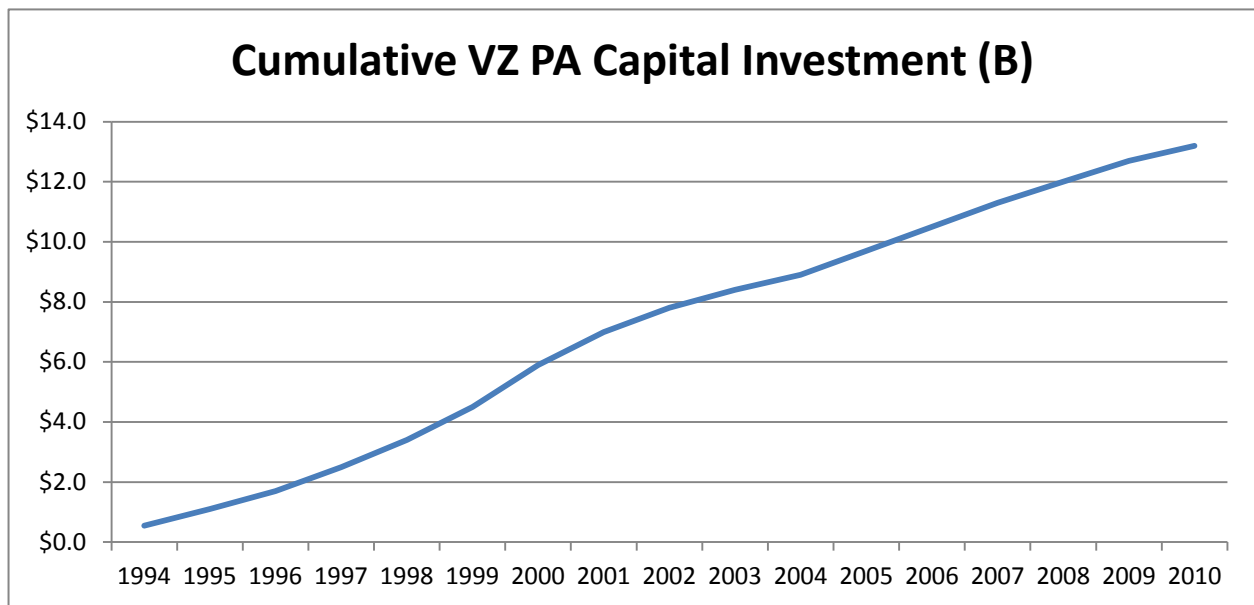


One hundred (100%) percent of our interoffice facilities are fiber-optics, and we are continually extending the reach of our fiber network, connecting our central offices to *remote terminals in the field. Today, all 504 of our central offices and 2,181 remote

*Remote terminals are small buildings or cabinets, distant from the central office, that provide services in the respective central office areas that have been deployed to provide DSL high speed Internet service, extending availability of this service beyond existing distance limitations of central office deployment.

terminals extending from central offices are equipped to provide DSL service. (See Exhibit “A” to my testimony.)

This extensive network modernization has required Verizon to make huge investments in Pennsylvania’s communications infrastructure. Our network capital investments on the wireline network have now exceeded \$13.3 billion since 1993 – including over \$642 million last year alone.



Our capital investment includes deploying fiber-optic links to Verizon Wireless's and other wireless providers' cell sites throughout Pennsylvania, as those carriers expand their infrastructure to meet the ever-growing demand for wireless broadband and advanced 4G services.

But even with all of this deployment and associated capital investment, the question that Dutch Wurzbach and I are most frequently asked is, when will a particular constituent or community be able to order high speed internet service? While we have already deployed to

over 80% of our lines and are on track to reach 90% by the end of 2012, in order to accelerate high speed internet service availability for the people who want it sooner than they would otherwise get it, there is a provision in Act 183 that allows groups of customers to move to the front of the deployment line. The Bona Fide Retail Request (BFRR) program allows customers to expedite broadband deployment in their neighborhood. If either 50 customer lines or 25% of our working lines in an area (whichever is less) commit to purchase DSL high speed internet service for at least one year, deployment in that area is immediately accelerated.

Since the BFRR program's inception, 318 communities have fulfilled its requirements and already have DSL high speed internet service up and running in their areas. (See Exhibit "B" to my testimony.)

Of course, provisioning broadband to often distant BFRR locations, as well as building out remote terminals to deal with physical distance limitations on the provisioning of high speed internet service - limitations which are most challenging in rural Pennsylvania - is both extremely expensive and time-consuming. As a result, as we plan for providing universal broadband availability by 2015, we are exploring possible technological alternatives such as wireless broadband that we may be able to provision to some of our most rural customers sooner and with faster speeds than with our wireline DSL service.

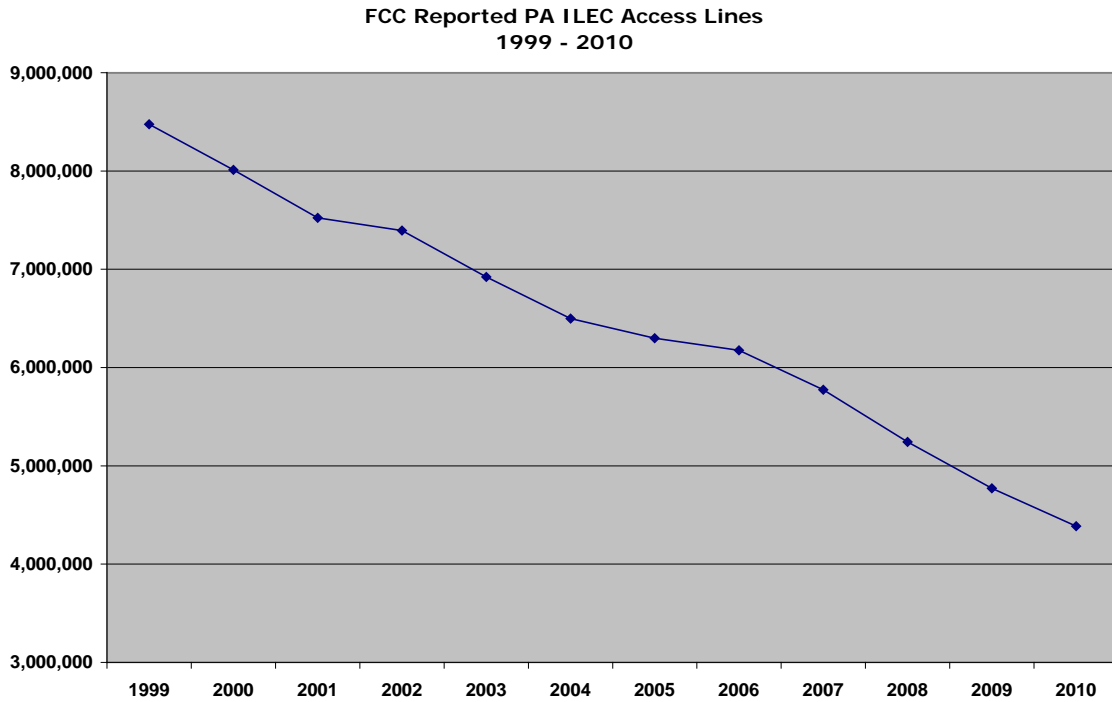
And there's more to our Pennsylvania story than the engineering and construction of our modern broadband network. In addition to our continuing Verizon Foundation philanthropy, our commitment to this Commonwealth's economic development and educational goals is second to none, and is reflected in part by our substantial contributions to two funds established by Act 183: the Broadband Outreach and Aggregation Fund and the Education Technology Fund.

The Broadband Outreach and Aggregation Fund provides funding to the Department of Community and Economic Development for outreach programs to residential and business customers, health care facilities, economic development entities, schools and political subdivisions concerning the benefits, use and procurement of broadband services, and for seed grants to aggregate customer demand for broadband services in areas with limited access to such services. To-date, Verizon has contributed \$7.5 million to that fund, which will run until July 1, 2016.

Act 183 also created an Education Technology Fund (E-Fund) that provided financial and technical support for the creation of school broadband networks and distance learning initiatives using such networks. Under this provision of the Act, K-12 schools and other educational entities applied for grants to acquire communications services and related hardware, as well as technical assistance, to deliver high-speed internet services to schools. Verizon paid \$59 million into the E-Fund before our required contributions to the fund ended on June 30, 2011.

I am proud to report to this committee that Verizon has met or exceeded every one of its Chapter 30 broadband deployment benchmarks as well as its various Act 183 funding obligations. And we have accomplished this in the face of fierce competition and a weakening economy. But the future success of our industry depends on continued legislative and regulatory policies that will 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 budgets. The result is robust competition that has been financially beneficial to consumers and allows them to vote with their feet.

As of the end of 2010, nearly 30% of households in the United States were wireless-only, eliminating landline service entirely, while another fifteen (15%) percent consider a cell phone to be their primary line. In other words, for about forty-five (45%) 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 2010, CLECs and interconnected VoIP providers served 36% of the landlines in Pennsylvania, including 45% of business landlines. The FCC also reported that at year-end 2010, there were 11.4 million wireless lines in Pennsylvania – as compared to only 4.4 million traditional ILEC lines! And FCC statistics also demonstrate that Pennsylvanians are increasingly relying on the internet to communicate, moving away from broadband access through traditional landline technologies to other options, including nearly 2 million cable modem internet connections and more than 3 million mobile wireless internet connections! This trend away from communicating only through landline service is reflected in Verizon's business as well. In just 12 years Verizon has lost over half of our Pennsylvania access lines, as residence and business customers switched to cable, wireless, VoIP and CLEC competitors, disconnected second lines, and in many cases dropped wireline service all together in favor of making their wireless phone their only phone.



Now, looking forward, we ask that you take the next steps to provide regulatory parity among competitors in the marketplace by adopting policies that let competition flourish to the benefit of customers and continue to remove unneeded governmental regulation. Regulatory reform legislation 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. Dutch and I look forward to working together with you to continue to address these important issues, and I will be happy to answer any questions you may have when this panel concludes its testimony.