

FINAL TRANSCRIPT

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VZ - Verizon at Goldman Sachs Communacopia Conference New York

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PRESENTATION

Jason Armstrong - *Goldman Sachs - Analyst*

(audio in progress) -- Chairman and Chief Executive Officer of Verizon. First named co-CEO in 2000, assumed sole responsibilities in 2002. Was named Chairman of the Board in 2004, previously was Chairman and CEO of both Bell Atlantic and NYNEX. So Ivan, welcome.

Ivan Seidenberg - *Verizon Communications Inc. - Chairman & CEO*

Good morning, Jason. How are you?

Jason Armstrong - *Goldman Sachs - Analyst*

Good, thank you. Maybe first question, just in terms of state of the business for Verizon and sort of the migration we have seen over time. You guys have had a very progressive evolution of the business I think relative to peers. Aggressive actions around acquiring the right wireless assets, spinning some underperforming access lines, a directory business. Can you talk about high-level positioning of the Company at this point relative to the evolution? So where are we?

Ivan Seidenberg - *Verizon Communications Inc. - Chairman & CEO*

Okay, so with respect to looking at the way you just asked the question, the way we look at it, we are trying to create the right framework for our business model. So the issue obviously is, if you look at wireless, heavy investment in wireless, make sure we have the spectrum we need and the right frequencies and make sure that we have a focus on getting to LTE, which I'd be happy to talk about later on.

So the important thing in wireless is to take our current business model, which arguably is probably as successful as any model is out there, recognizing that we have to pivot and make a shift from the voice business to the data business and eventually to the video business. So to position wireless to really take advantage of the inherent capabilities of new network expansion.

I think you have seen us do a lot of restructuring in wireless to get some scale by buying Rural and Alltel, drive synergies and generate cash and to move forward in the whole notion of data, bigger data and then eventually integrated solutions. So the whole idea for us is no good deed goes unpunished. So if you are producing high revenue growth and EBITDA margins in the mid-40s, you have to take actions to create a new business model to sustain that kind of performance. So we can talk more about that.

On the wireline side, our view there is it goes something like this. We wanted to take a lot of steps to shed the Company of good assets, but they weren't strategic to our long-term vision of the business. So you have seen us do that over the last five years, including directory and all these Rural lines and now the most recent one, Frontier, assuming you will ask a question on that. It is going well. Justice has passed on it. Maggie and Shassian are doing a very good job at moving through the states. They have



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a good plan. We are all ready to integrate. So our view that is it will close in the middle of 2010 and that is the plan that we are on. And we see nothing that would get in the way of that.

Once we finish with that, we will be in a position where a vast majority of the lines will be covered by what we consider to be the preferred platform, which is FiOS and what that enables us to do is develop a business model that has high penetration of video, with video being the anchor product in the bundle, and then it gives us a chance to take a very different view of the cost structure. So this is a key point I think that separates the way we think about the wireline business and probably any other incumbent anywhere on the planet.

When you look at the FiOS architecture, our network doesn't look much different than any over-the-top player that would come into our footprint. So we can begin thinking about eliminating central offices, eliminating call centers, eliminating garages and doing all sorts of things that begin to change the entire topography of the Company. And so I guess if there is any statement today I would make that I would -- if there is anything that we have done in response to your question in the last 12 months where I could have done a better job, it would have been to accelerate the idea that the fiber platform creates productivity opportunities that I probably didn't push as hard as I should.

So I think as I look out into 2010 and '11 and '12, as we gain scale in FiOS, we can significantly change the architecture of our core wireline business and really position that business to be an extremely potent video-centric asset. So those are the two things. So I think we're well along the way of creating the positioning for the Company that we think makes a lot of sense. And like everybody else, it takes a lot of work every day. I think Randall said the same thing. You have just got to execute against it all the time.

Jason Armstrong - Goldman Sachs - Analyst

That's great. It's really helpful. Maybe if we could switch gears and talk about the macro environment. Obviously, that has been a focus topic at this conference with sort of various views on inflection points. Can you step us through the different operating segments -- maybe consumer, small business and enterprise -- and talk about more sort of real-time trends, what you are seeing?

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Well we are not any different than anybody else. I think early in the cycle, we felt we weathered the hysteria around the recession better because generally we lagged on the downside. We are seeing what everybody else is seeing. At this point in the, quote, cycle here, very little job creation is occurring. And most of you probably -- some of you may know this, I am Chair of the Business Roundtable. We just met yesterday and we had all these companies in talking about these things and no one is seeing job formation. So this thing of being less bad is a very interesting phenomenon. I expect accountants like to think like that, things being less bad. But the fact is the economy is still contracting.

And so as we look at our business, jobs are not being created and the economy is not growing. So that has an effect but maybe, a direct effect on enterprise customers and it is a significant effect, not as direct as you can see in the small business market and in the consumers. Just causes everybody to be careful. So I think what you're finding is there is a lot more conservatism in spending as you go forward. So like everybody else, we are seeing significant effect on this, quote, jobless recovery.

Jason Armstrong - Goldman Sachs - Analyst

As we look at maybe SMB in the context of those comments, specifically enterprise makes a ton of sense to me. Its largely tied to employment trends. SMB, I guess there were a couple of different things going on. A, employment trends, but B, access to capital and loan availability. That seems to have improved a little bit recently. Would you expect that to be a driver in your business?



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Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Well, if you look at all the numbers -- I mean, look, I can give you the theoretical answer and say yes. But I think when you look at -- in practice and you look at all the economic indicators, you are not seeing small-business formation occurring across the country as fast as you'd like.

So I don't know what the economists are saying about this, but in theory we are not seeing that. Now the compounding issue in our business is -- Randall said this at the end of his comments, which is right on the money. Particularly in the small-business market, you are seeing Wireless mobility substitution. So it is hard to measure what the real underlying growth rates in the small and medium business are.

So we are working at this, but we are feeling we are getting our fair share of the spend, but it is hard to really figure out how that particular segment is restructuring itself around this new phenomenon. But one thing I would say, the addressable market is not as big as we would've thought it would have been a year ago. We are just not seeing small-business formations.

Jason Armstrong - Goldman Sachs - Analyst

If we can take a segment level view, start out with wireless. If we think about sort of the structural segmentation of the industry, you used to have fairly clear tiers. Now it seems like certain tiers, at least in the middle, are getting squeezed out. That is what we have seen from some of your peers. As you think about the future here, is this really sort of segmentation where you have got the high end, the data plans moving to unlimited and then you have got a lower end maybe dominated by pre-paid? Would that be your view as well?

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

No, I don't think we see it that way. The way we tend to look at this is the segmentation has followed a little bit the pattern of innovation. So I think what has happened is we have innovated very well at the network level and so we capitalized a lot on strong reliability, high quality, family plans and we did a lot of segmentation around pricing, around network services. So now we are in a cycle of improvements in smart phones and all sorts of capabilities in terms of consumer electronics. So we are seeing a lot of innovation in that regard.

So it looks like the middle is being left out, but I don't think so. I think the middle is where everybody is texting. The middle is where you get all the family plans. What I think is the next round of innovation will come from better ability to segment in the market, better ability to place advertising, better ability to provide distribution of a range of handsets. And I think what you'll see probably in the next six, seven months is a proliferation of new and exciting handsets that will sort of attract the middle and the middle will figure out what it likes and it will start to grow. So I don't think it is a matter of the middle being trapped.

Now I guess your real question about the pre-paid and the low end, every market always has that. You have people that focus on that, but in the longer term, people, at whatever tier they want, they want the stuff that the people at the higher levels are getting and I think that is what we have to figure out. We have to figure out how to deal with lower handset pricing and reducing our costs and providing a scalable product that touches more of the market.

Jason Armstrong - Goldman Sachs - Analyst

If we look at shorter-term impact and maybe focus on the post-paid side to begin with, around the end of the second quarter, a number of new handset launches in the market -- iPhone, Pre, Tour. Historically, this has had very, very short-term impact on porting activity for Verizon and then you sort of rebound two to three weeks later. I am wondering is that sort of what you would imagine playing out this year as well.



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Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Well, I think it should be pretty clear the iPhone has had an impact on us. They have done a good job. AT&T has done a good job. Apple has done a good job with the iPhone. But I think our view of that is that we have to double down and introduce new products, new services, continue to do that. I think the value proposition for our Company is a little different, so you are correct. Overall porting we still do very well. Besides T at this point, there are other carriers out there that are feeling the effects of our strategy. So net net, our business model has always been one in which we are a net winner on switching.

Okay, now, here is another point about this. You may ask this, so let me address it before you do. This whole issue of the way you think about pre-paid and post-paid, we are a post-paid carrier and a pre-paid carrier. I think the more important way to look at that is to look at the characteristics of those customers and the profitability of our business is highly dependent on having the lowest churn or lower churn. So the issue is to focus on not so much the form of the contract, but to make sure that we have a relationship with customers that drives lower churn. And so the carriers that have 50, 60 basis points higher churn spreads with us have enormous gaps to close in terms of their ability to generate cash. Okay?

So I think that is -- so I think getting to your question. T introduces the iPhone, Sprint introduces the Pre, stimulates the market, causes a little bit of switching. We focus on what we need to do to keep our churn rates as low as possible, recognizing we have to compete, but we don't go overboard to cause ourselves the position of worrying about the port rate as the primary issue. It is the acquisition of customers and the churn rate.

Jason Armstrong - Goldman Sachs - Analyst

Following up on pre-paid, there is sort of a range of strategies obviously and that is pre-paid in-house with your own branding versus sort of facilitating other pre-paid operators on your network. The path more recently seems to be the latter. Can you just walk us through the decision process there?

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

It is not a hard one. I know this is sort of like a -- everybody is on fire about this question about us and pre-paid and us and wholesale. The bottom line is that the wholesale market for us is a very small piece of our total and the prepaid piece for us is a smaller piece than probably any of the other larger carriers. So our strategy on those two things is to sort of experiment and annoy everybody. We have no major focus on making that the primary driver of success in the market. So we try to experiment and we try to see what works, what doesn't work, what changes the dynamic model and update the pricing here and there. But we basically haven't made any decision to try to move the needle and create a large percentage of our business in wholesale or in pre-paid.

Jason Armstrong - Goldman Sachs - Analyst

If we think about the longer-term competitive environment, back on the post-paid side, handset exclusives have obviously played a big role in the competitive activity recently. One could argue it is sort of less relevant for Verizon given you have real brand differentiation around the network. I am wondering what your view is on the future of exclusive arrangements?

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Look, I think exclusives were a very good way of incenting the consumer electronics guys to make bigger investments in their innovation with some guarantees that they have a carrier that would actually distribute the product. So I think it was an excellent commercial bilateral business arrangement that stimulated innovation and drove growth in the wireless business.



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I think we will ride that horse as long as it works. We have attracted a lot of attention for it. The government has been looking at it and everybody feels it is a big problem. We will just move to whatever other arrangement makes some sense and now we are into machine-to-machine. So we are talking to the OEMs, which is not -- really it is not different than exclusive arrangements when you talk to the OEMs.

So here is what I think, I think we will do it as long as we can. We have already agreed that we would, towards certain things, limit the exclusives to six months. But I don't think there is any big loss here. I think what we will continue to do is exploit the right ways to incent people to innovate on our networks and responsibly share the cost of how to do that where they put the money into R&D and into development and we can put it into distribution. So I mean I don't think it is a big deal.

Jason Armstrong - Goldman Sachs - Analyst

So maybe to hit the iPhone specifically. If hypothetically it comes off of exclusivity next year, is it enough to have it sort of cross technology lines available to a lot more players or is that something where it is worth potentially exploring exclusivity?

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

So the way I look at this is along these lines. Look, if we take a realistic look at it, you have to give Apple and AT&T a lot of credit for creating a phenomenon that has created growth for everyone. So I think they have sort of shown the world that the capability of wireless data is much better than it has ever been.

I think our issue, when we go forward, was that -- so we have two things. In the short term, we always want to have a balanced portfolio of activity and have a lot of handsets, a lot of carriers incent Apple and Google and Microsoft and a lot of other people to use our networks because we think, in the long term, that balance will produce better innovation.

The decision about the exclusivity with T and Apple was Apple's decision and had nothing to do with us and Apple. T has a GSM standard globally; that is what they wanted to do. So we are moving now into a future environment and I think it is a question of time before Apple makes a decision about how it wants to think about broadening its distribution. But it is not something that we get up every day and feel we have to deal with because this is not under our control. And I think those of you who have seen Lowell and Denny lately, you know we have a whole series of things that people are talking about in terms of launching new devices.

But the important thing on the new devices, they have new platforms, new applications, integrated services. So the model will get better. So there is a message to the broader investor community about this. This is not a zero-sum game between the Pre and the Apple or the BlackBerry. What we are seeing here is a phenomenon that will significantly expand the addressable market for data. And that is our firm belief and that is exactly what we think will happen.

Jason Armstrong - Goldman Sachs - Analyst

You made multiple references to LTE, so let's spend a little bit of time on that. Maybe, first, just sort of lay out the path for us in terms of timeframe and what you see as potential targeting for LTE in terms of the end user.

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

So I struggle with this a little bit because, Jason, we have laid out this schedule, but we keep getting asked what the schedule is. So I am not sure what it is people need to know besides what we have said.



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Jason Armstrong - Goldman Sachs - Analyst

So, no changes?

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Yes. We haven't made any changes in two years. Everyone else is telling us what our schedule is I guess. We have two trials going on. We monthly meet with the two manufacturers so they can report on their technical results, make sure that they are getting all of the benefits of what they say. They are on target with their infrastructure formation. They are on target with building the equipment and they are on target with producing the kind of specifications that are necessary for the consumer electronics that will get attached to it. All of that is on schedule.

I think what you might do is you ought to talk to Ericsson and to Alcatel Lucent and I think you'll find over the next two, three, four months, each of them will start to disclose more about the results of the trials they are on because they have every incentive to do that. We are going to be in the market by middle of next year with plus 30 markets, 100 million POPs by the end of next year. And I would just make one other point. We have chose two equipment guys to do it. We didn't agree to give it to them 50/50. So one of them is going to get there and we will be in the market where we need to be by the end of -- by the middle of next year.

Now, for those of you who like to sort of nibble on this stuff, the other part of this that is interesting is what is probably an undiscussed or not well understood aspect of this is we will have the network out there, we will have some elementary devices out there, we will have some excitement about it. The proliferation of consumer electronics probably will lag that by a few months, probably six months or so, until you have 20 or 30 or 40 of these devices. But you need to start someplace.

So I think when you are in a competitive landscape, and I look at some of my peers when they talk about the lack of scalability of it, it really comes to what will be the consumer electronics that attach to LTE. So on that score here's what we have done. We've worked really aggressively on machine to machine, we're working really aggressively on application development. We are working aggressively on enterprise service integration. So I think what you will find is we will hit the ground with a lot of interesting things. And last point, but not everybody knows this, but the 700 megahertz spectrum is very attractive, it is a very good spectrum. All the developers and the engineers love this spectrum. So the whole idea here is for us to not take our foot off the gas here. And we will not take our foot off the gas here.

Jason Armstrong - Goldman Sachs - Analyst

And how do we think about your confidence level in the rest of the network keeping up? And I guess specifically, one of the things Randall talked about this morning was...

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

The competence level?

Jason Armstrong - Goldman Sachs - Analyst

Confidence level.

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Oh, confidence. Okay.



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Jason Armstrong - Goldman Sachs - Analyst

In the rest of the network. I think your network competence is obviously fine.

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

You can accuse me of a lot of things, but you should ask that question of somebody else. I didn't say who by the way.

Jason Armstrong - Goldman Sachs - Analyst

Fair enough. So backhaul was the topic in the previous session with Randall pointing to that as the big bottleneck. How confident are you that, at the edge of the network, you drag the vendors along, get them on your timeline on LTE? And the very edge of the network is fine, but you still have these access points into the network where there is a little bit of a problem?

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Yes, so okay. Maybe this is -- I have been in the business too long, so maybe I'm going to sound like an engineer as I have been in the network groups my whole life. I agree with what Randall said, but I think there are a couple of points I would just like to make here. Sure there is a backhaul issue and the one thing that is very good -- we do this with T and Sprint and they do this with us -- we have very aggressive wholesale programs to sell fiber to the cell sites. So we are doing extremely well for ourselves obviously where we can and we are also selling that kind of backhaul to the other carriers as they are doing for us in selected locations.

So I think the industry is doing a responsible job in allocating capital to create the capacity links that go with that kind of backhaul. So if that is the backhaul that Randall was talking about, that is a fair point. But I don't view this issue as being a backbone issue because dropped calls are not a function of the backhaul. Ineffective attempts are not a function of the backhaul. So I think there is a combination of some infrastructure build and then there is a huge limitation in the actual spectrum characteristics of GSM as it comes to handling this large volume of data.

This has been an issue that we have always focused on. And those of you who study this stuff will know that the CDMA guys like us always took a penalty on the handset and always had a stronger network. LTE now reverses this process where we no longer have a penalty on the handset and we will always have an advantage for a long period of time as we migrate to 3G and EV-DO to LTE.

So our view is when it comes to sort of being the network nerd, we spend a lot of time with this stuff and we've have got all these migration paths, but I think the proof has been the performance of the network. So I think what we are excited about is the 700 megahertz coupled with moving to LTE and the foundation that we have built over the last 10 years in our network will give us a first-mover advantage and that is kind of where we are.

Jason Armstrong - Goldman Sachs - Analyst

If we could talk about the wireline side of the business, you are focused on consumer and specifically FiOS. A lot of investors seem to increasingly gravitate to broadband as the core element of the bundle and potentially where you have got pricing leverage over time. I am wondering how you think through the size of your pipe relative to others where you are in a premium position. Do you think this translates into premium pricing?



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Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Well, it has. So if you look at -- you guys follow the numbers. If you look at our ARPU's related to our FiOS customers, they have been steadily increasing. So the issue to us is it's perfectly clear to us that the FiOS platform creates enormous opportunity for consumers to purchase a lot of goods and services. And again, I listened to Randall on this and he has got this right. I think from where he sits, I think the whole notion of broadening T's space along this line is good.

The difference for us is this, and it has nothing to do with whether it is a better platform or not, it has to do with where we see the growth of the business. I don't know if any of you have FiOS, I don't know if any of you happened to just catch -- we introduced the NFL RedZone ticket this weekend on FiOS. But here is what is happening in our view. The Internet, the PC and the TV are integrating at the fastest rate you can possibly imagine. So this is not a matter of only putting video on mobile; that will happen.

We are also talking about turning the TV into an interactive device. And the experience we have had with that is just off the charts. So we have this Widget Bazaar on FiOS, which is kind of like our apps store. And so in addition to getting the weather and the news and that kind of stuff, traffic, now you can do your Twitter, your Facebook, your YouTube, you've got a Kodak Gallery, you have got fantasy football, you have got the RedZone ticket and there probably are 50 other things we have in negotiations right now to take the interactive capability of the TV and turn it into a hilarious issue.

Now the other thing that is really cool is you have got a remote control; it is an \$8.00 device. Sooner or later, you're going to be able to use your mobile device to do some interactive capability with your TV and that is coming really fast.

So our view, to answer your question, is the capability of turning the experience of launching television into an interactive capability in addition to all the high-definition channels we offer is a huge opportunity. That is the reason why our focus has been fewer lines on a much higher potency platform to take to the customer.

So I think, Jason, to answer your question, we are really excited about this. It is happening and if you don't live where you can get FiOS, you should move. No question about it.

Jason Armstrong - Goldman Sachs - Analyst

My apartment is on the market. If we think through the non-FiOS territory, you guys have obviously made a lot of divestitures that have shrunk that sort of footprint that is non-FiOS. Given your comments and just how strategic this is, how big of a differentiator it is, you have still got about 20% of lines that will eventually sort of fit into this category post the Frontier deal. I am wondering how should we think about those lines.

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

You shouldn't think about it. I know you and a couple of others just sort of overdose on this question. Like it is the biggest issue on the planet. When it is all said and done, it is going to be 15% or 20% of all our lines. Those customers are going to get served by combinations of data and satellite, over-the-top providers. There will be all sorts of issues. If we listened to all these overbuilders in Washington about rural broadband, some of those markets will get covered by that. So to me, technology will help us extend our FiOS footprint from 68% to 70%. Reasonably over a period of time, it will creep up a little bit. But the last 20%, don't worry about it. It is not a material issue and those customers will get served. We will have shed our Company of all the primary places where rural is sort of nonstrategic to us.

Jason Armstrong - Goldman Sachs - Analyst

We are going to jump ahead a little bit to just sort of wrap up wireline and wireless together and then help us think about. Obviously what is going to be very topical is the earnings trajectory of this Company. Historically, you have talked about returns



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to shareholders, sort of a combination of earnings growth and dividend growth over time. Obviously, you had John at a conference last week. He filed an 8-K behind that, which talks about more of a near-term reset. As we think about the trajectory into 2010, I think that is where the debate is starting to form, and I guess there is the optics of it, which means you have got divestitures, which potentially hurt the earnings number, but that's -- you technically adjust that year-over-year. I'm wondering more about the underlying business. If you can just talk about the key drivers here.

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Well, I think it should be pretty simple. It is just a question that the numbers haven't come together yet and I guess -- I don't know why I let Killian out last week, but I guess -- but he did what he did so I guess -- no, in all fairness to him, he did what he was supposed to do. He just reflected the trends he was seeing. But here is the way to look at it. Our wireless business is still strong. It is going to generate a lot of cash. It is going to continue to grow. We are struggling with the level of growth that we have. And I think we have hit a little patch here where the combination of the economy and frankly the combination with the iPhone have created some impact on it.

So we have a lot of things that we are working on that will I think regain that momentum. We have got a lot of devices coming out. We have got a lot of application development coming out. We have got machine to machine coming out. LTE and broadband are continuing to develop. So I think the addressable market in wireless is good and I don't think there is any big worry about momentum in the wireless business. And we always have opportunities as we move to data to begin to shift what was mostly or a lot depending on labor intensity in the wireless industry, moving to much more productive platforms that were taking costs out even in the wireless business.

Now in the wireline business, my own thinking has sort of matured a little bit and we owe our investors a little more on this, so I can start today and we can sort of gravitate and discuss this over the course of the next six months, but here is what is happening. My own people would say to me, just like you do, well, we are doing okay on FiOS, we can show you the numbers where we are gaining scale. Our capital intensity on that will start to drop significantly over the next two or three years. We are very excited about that, but we haven't been able to turn the corner and as you say, we keep looking for this inflection point for line loss.

So the issue there is perhaps it is like the dog chasing the bus a little bit. So what I need to do is get ourselves focused around the following idea, that video is going to be the core product in the fixed line business. We are going to bundle it with wireless, we are going to integrate software over all the screens. We will do everything that Randall said because I think he is exactly right and we are going to sort of make that a much more exciting premise for the customers.

But the thing we need to do now is remind ourselves that the inherent platform that fiber-to-the-home creates is not anywhere near what a switched digital architecture looks like or what a prior infrastructure would look like for a telecom company. We don't look any different than the way Google is going over the top and the way other companies are going over the top.

So I think what we can now do is place all of our fixed costs in the middle of the table and say they are not shrinking anymore. We need to find ways of driving our fixed costs out the same way we do everything else. It is going to take a little bit of time to work that through, but it is a mindset change. I need to sort of move the pieces around in the Company a little bit to get a focus on that and we are going to start doing that over the course of the next few months because my view of that is -- so that gets back to your earnings question.

Clearly on the wireline business, we need to do a much better job for shareholders at bridging the gap between the big investments we made, ramping up and the fact that we have not done well at offsetting the secular shifts in technology on that and we have got to drive it out with cost reductions. So I think you're going to see much more focus on my part and you'll see ourselves organized to make that happening in a lot more clear way.



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So given that that is the case, I think that -- I don't know how many quarters it takes to sort of ramp up, so I will let Killian figure out how to manage that, but I think as we move from 2010 and into 2011, our business model for the wireline -- I have never been more confident that I can see the end of the tunnel on this because once I shed myself of the burden of chasing the inflection point in access lines and say I don't care about that anymore, I am going to focus on driving FiOS penetration and taking costs out. I feel liberated, Jason. I am actually liberated. Okay, so you can ask me about inflection points all you want. I don't know the answer to it and I'm not going to focus on it anymore.

Jason Armstrong - Goldman Sachs - Analyst

Talk about recent management changes, Denny announcing his retirement. How confident are you or how do you look at the depths of Verizon management team?

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Well, since you asked me about Denny, I mean I think I have been very blessed to have a partner who... he is legendary. He is one of the most extraordinary executives we have had and his track record speaks for itself. He gave me plenty of notice about what his plans were, so I have had plenty of time to work this through. Denny and I have sort of plotted this over the course of the last couple of years. So we have some things we will continue to do over the next couple of months before he finally retires and we will put that in place.

I am sure you get this from everybody, but we have as strong a bench as there could be. We have always managed to fill it with capable people and I think the most important issue though is when you look at the success of our wireless business and look at the training that we have created in terms of how to build the right culture and the right focus on a disciplined business of running both operationally and financially, we have got great executives. So my view is we have got people two and three deep in all of the positions and you won't see any miss in that.

Jason Armstrong - Goldman Sachs - Analyst

Maybe we will wrap up with two last questions focused on international strategies/relationships. Maybe the first is can you talk to us about international operations at this point?

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Well, in the short term, I think what we have always been saying is that we are very interested in exploiting our international global IP network with MCI that we purchased and we are doing a lot on that and I think doing well. As a matter of fact, just as an example, it is just happening today, but we just won a bid with JetBlue, which I think will be announced or is announced right now and that is an example of us being able to serve the communications and the IT requirements of the customer, do all their security services and some of their managed and professional services. That is an example. So our global aspiration is mostly organic, small bolt-on products and services that we can buy and penetrate global cities.

So we are not thinking about international in terms of countries; we are thinking about it in terms of global cities, getting coverage in global cities. And that is kind of where we are. And on the consumer side, not a lot of interest at this point. The global markets haven't restructured enough yet to where it makes some sense for -- at least we don't see anything that would excite us into that area.



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Jason Armstrong - Goldman Sachs - Analyst

And maybe finally, five out of seven audience questions are on Vodafone in sort of various forms of questioning. But maybe I guess just what is common in these questions is how do you think about the next couple years as you are deleveraging right now. Inside of Verizon Wireless, there comes a point in time when you have taken out all the debt inside of there. What happens at that point?

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Well, I think the way you look at that is the way we have looked at it for the last 11 years. So I think every year, we look at uses of cash and I think what we do is we look at where we can deploy it in the business to grow organically, where we can make acquisitions and create a better balance sheet. So I think every year we do the same thing. So I guess everybody is sitting -- or not everybody. I guess my partner is sitting there trying to count the days until all of a sudden we are flush with cash and we don't know what to do with it and the answer is, well, if that happens, it happens. At this point, we are looking out. The last time I looked, Verizon Wireless had almost \$30 billion of debt. So we need to keep paying that down because I think that, in effect, returns value to our shareholders. And over the course of the next couple years, we will watch the uses of cash and if we have no better uses of it and we have a build-up of cash, we will do the responsible thing. But I think at this point, there is plenty of time to look at innovative ways to think about how we continue to grow the Company.

Jason Armstrong - Goldman Sachs - Analyst

Great, Ivan, thanks so much for joining us today.

Ivan Seidenberg - Verizon Communications Inc. - Chairman & CEO

Thank you.

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