

**Testimony of:**



**Before the:**

**Senate Communications and  
High Technology Committee  
Wednesday, April 1, 2009**

**Gale Y. Given**  
President & CEO  
Verizon Pennsylvania Inc.  
1717 Arch Street 17N  
Philadelphia, PA 19103  
(215) 466-8700  
[gale.y.given@verizon.com](mailto:gale.y.given@verizon.com)

Good morning, Chairman Folmer, Chairman Wozniak and members of the Senate Communications and High Technology Committee. My name is Gale Given and I am the President of Verizon Pennsylvania. On behalf of the over 36,000 Verizon employees and retirees who reside in Pennsylvania, I appreciate having the opportunity to provide you with an update on Verizon's efforts to deploy the most advanced products and services that enhance consumers' lives and empower individuals to succeed in today's challenging economy. I would be remiss if I did not take this opportunity to acknowledge the General Assembly's desire to bring ubiquitous broadband deployment to all Pennsylvanians -- urban, suburban, and rural -- through Act 183 of 2004 and its earlier version of Chapter 30 of the Public Utility Code.

During the current national debate about broadband deployment in connection with the federal American Recovery and Reinvestment Act of 2009, it is important to recognize that Pennsylvania legislators, some of whom have retired and some of whom I am appearing before today, were pioneers in adopting universal broadband policies long before any national debate ensued. You mandated that Verizon deploy broadband in or adjacent to public rights-of-way abutting all public schools, healthcare facilities and industrial parks throughout its service territory. Furthermore, your broadband policies encouraged investment in, and the rapid deployment of, broadband services and infrastructure by stimulating both the supply of and demand for broadband services by providing up to \$100 million in consumer, education and economic development benefits to Pennsylvanians.

Verizon is meeting and exceeding our annual broadband deployment benchmarks. Our commitment to enhance the Commonwealth's economic, societal and educational climate through the deployment of high-speed broadband is underscored by our participation in the Pennsylvania Education Technology, Bona Fide Retail Request, Broadband Outreach and

Aggregation, and Business Attraction and Retention programs that the Legislature created in Act 183.

In fact, Verizon has contributed over \$38 million to the Pennsylvania Education Technology Fund, or E-Fund, which permits K-12 schools and other education entities to obtain grants for the acquisition of communications services, related hardware and technical assistance to deliver high-speed Internet services to schools that make distance learning and other technological innovations possible. We have also contributed close to \$5 million to the Broadband Outreach and Aggregation Fund, which provides educational outreach to residential consumers, health care facilities, political subdivisions, economic development entities, schools and businesses concerning the procurement, use and benefits of broadband. These funds are also used to aggregate demand under the Bona Fide Retail Request Program, otherwise known as the BFRR program, which provides communities in Verizon's service territory with the opportunity to move up on Verizon's broadband deployment schedule. To date, 129 BFRR builds have been completed in mostly rural communities. We currently have another 100 communities in various stages of the deployment process. Finally, Verizon participates in the Business Attraction and Retention Program program, which allows the Department of Community and Economic Development (DCED) to assist with the deployment of broadband to qualifying businesses that are considering locating to or within Pennsylvania. Our continued participation in these programs and our untiring commitment to deliver the benefits of advanced technologies to the competitive telecommunications marketplace have positioned our company as the Commonwealth's most trusted guide to the new world of communications, information and entertainment.

---

In Pennsylvania, we have deployed 1.7 Million miles of fiber-optic cable. One hundred (100%) percent of our interoffice facilities are fiber, and we are continually expanding the reach of our

fiber network, extending fiber into the feeder and distribution network. This fiber network is the backbone of our network capital investments in Pennsylvania that have now exceeded \$12 Billion since 1993 – including over \$700 Million last year alone. (See Attachment A)

Moreover, 497 of our 504 central offices have been equipped to provide high-speed broadband service, with the remaining four central offices scheduled to be deployed by the end of this year. Additionally, we have deployed over 1,668 remote terminals, which provide service to more sparsely populated areas of our service territories and allow us to overcome the distance limitations associated with the provisioning of broadband service. This equates to nearly 3.7 million access lines that are capable of providing high-speed broadband services. (See attachment B)

As many of you might be aware, Verizon is also spending \$18 billion to build out the FIOS network in Pennsylvania and other areas of its national service territory by the end of 2010. This is a massive investment in a totally new, cutting edge fiber-to-the-home network employing thousands of Verizon union workers across the country.

The roll-out of the FIOS network in Pennsylvania and other states is 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. For some time, these companies have offered Internet access in addition to their cable TV service. They now also provide voice service over their networks as well. This fierce competition across a range of services is bringing more innovation, better prices and more robust offerings to consumers. Comcast recently announced that it is now the 3<sup>rd</sup> largest provider of residential telephone service in the country with nearly 6.5 million subscribers.

Increasingly, voice service is just another application riding on a multi-purpose communications network. To compete in this world, Verizon is deploying an end-to-end all-fiber network. We are the only company to do so on a large scale. 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 100 Mbps downstream and 50 Mbps upstream. This new infrastructure provided on such a large scale can be a major factor in the development and growth of small business in Pennsylvania.

To date, VZ has passed more than 2.1 million PA households and has deployed three video head ends (VHO) within the state, which represent a multi-million dollar investment of their own. And while Verizon already has the authority to build and operate the FiOS network to provide telephone and Internet service, Verizon must negotiate a second authorization, in the form of a franchise agreement, from every municipality before it can offer its TV service in that municipality. To that end, Verizon has secured 321 franchise agreements from municipalities located all over the state. Recently, we secured a franchise agreement with the City of Philadelphia; we are currently in the process of negotiating a franchise agreement with the City of Pittsburgh; negotiations in the City of Allentown have progressed with approval projected in the second quarter this year; and preliminary franchise discussions are underway in the City of Harrisburg, among other cities and towns, large and small, so that we may offer even more competitive, diverse and affordable cable television programming over our 100% fiber-optic network that delivers an all digital experience with superior picture and sound quality, more choices and more control.

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 the new kid on the block, Verizon, and the cable companies which have enjoyed a regulation-free monopoly for six decades greatly benefits Pennsylvania consumers, as does the telephone competition that my colleagues here 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 telecommunications, Internet and satellite or cable TV services offered together for a discounted price – the so-called “triple play.” Consumers like paying one price to one provider on one bill for such a bundle and in fact, more than half of our 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 the 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. Our competitors should take comfort in knowing that Verizon thinks that this is best done by removing unnecessary restrictions and requirements from our operations, not by adding those burdens to theirs. 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.

You will hear the same “light regulatory” philosophy when discussing the \$7 billion broadband stimulus funds provided for by the American Recovery and Reinvestment Act of 2009. While we have not made a decision about applying for federal stimulus grants in Pennsylvania or elsewhere, we believe that NTIA, RUS, and the FCC should refrain from imposing unnecessary

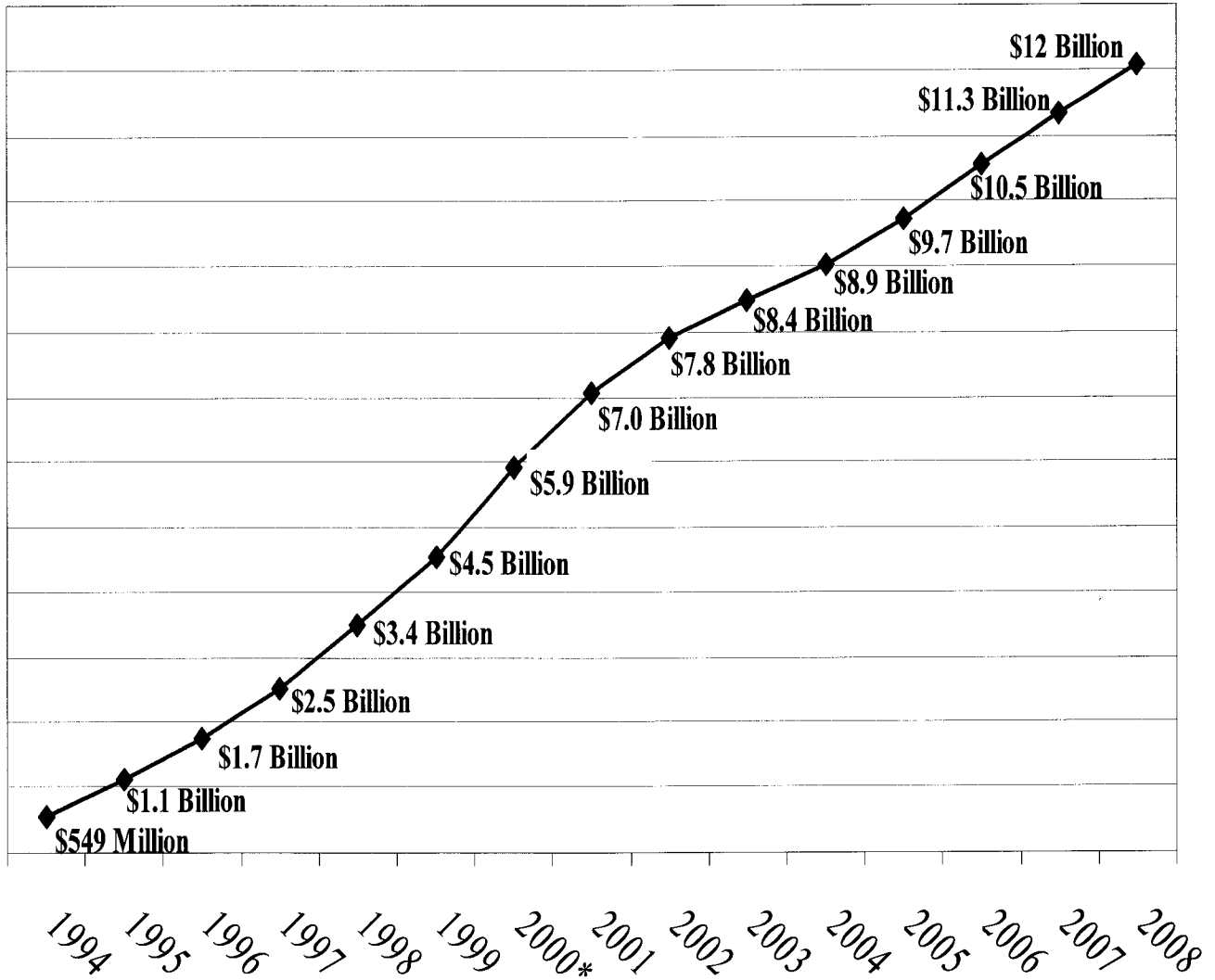
and anti-competitive rules or regulations on the disbursement of these much-needed funds. Right now, there is an unprecedented opportunity to extend broadband services to unserved and underserved Americans. The delivery of broadband access to the Internet spurs innovation and economic growth, and broadband networks also provide solutions to critical social challenges like healthcare, education and energy efficiency. Weighing down stimulus grants with onerous conditions will inevitably slow down the stimulus process by adding uncertainty, discouraging grant applicants, and fueling concern over capital commitments. Verizon believes NTIA, RUS and the FCC should instead take steps to ensure existing broadband providers, those who have already invested billions into broadband networks, are not harmed or disadvantaged by the broadband stimulus package by: 1) relying on state expertise and input in administering the broadband stimulus grants; 2) prioritizing funding to unserved areas first; 3) ensuring accountability of grant recipients; and 4) coordinating efforts between NTIS & RUS.

In closing, the Pennsylvania General Assembly has unlocked tremendous telecommunications investment, innovation and competition in this Commonwealth. Our ability to harness technology to provide next-generation products, managed services and a global IP networks is dependent on statutory and regulatory parity amongst all providers of broadband services. Consumer choice and freedom – not more regulation – have spurred the deployment of advanced broadband services, including our state-of-the-art FiOS network and continuing innovation and evolution of our wireless network. Thus, in looking forward, we encourage the members of this Committee to continue to facilitate investment and innovation in the Commonwealth's telecommunications and broadband industry by adopting policies that capitalize on existing infrastructure, further free market competition and reduce unnecessary regulatory and tax barriers.

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

# ATTACHMENT A

## Verizon Capital Additions in Pennsylvania



# Verizon High Speed Internet Deployment in Pennsylvania



HIGH SPEED INTERNET DEPLOYMENT AS OF OCTOBER 1, 2008

ACTIVE
  FUTURE
  NON VERIZON TERRITORY
  COUNTY