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VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
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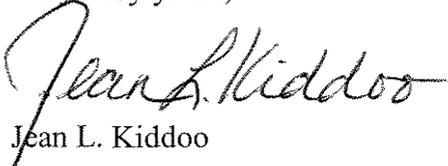
Re: *Ex Parte* Communication
MB Docket No. 05-311

Dear Ms. Dortch:

On behalf of RCN Corporation (“RCN”), and pursuant to Section 1.1206 of the Commission’s Rules, 47 C.F.R. § 1.1206, this is to submit for the Commission’s docket file a copy of a document provided on December 13, 2006 by Mr. Thomas K. Steel, on behalf of RCN, to Ms. Cristina Chou Pausé, Legal Advisor to Commissioner Robert M. McDowell, Mr. Rudy N. Brioché, Legal Advisor to Commissioner Jonathan S. Adelstein, and Mr. Chris Robbins, Legal Advisor to Commissioner Deborah Taylor Tate (“FCC Recipients”).

Should any additional information be required with respect to this *ex parte* notice, please do not hesitate to contact me.

Very truly yours,


Jean L. Kiddoo

Attachment
cc (by e-mail): FCC Recipients

FINAL TRANSCRIPT

Thomson StreetEvents™

VZ - Verizon at UBS 34th Annual Global Media Conference

Event Date/Time: Dec. 06. 2006 / 8:00AM ET

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CORPORATE PARTICIPANTS

John Hodulik

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Doreen Toben

Verizon - CFO

PRESENTATION

John Hodulik - *UBS - Telecom Analyst*

Okay. Good morning and thank you all for coming. My name is John Hodulik. I am the telecom analyst at UBS, and on behalf of the whole research team, I would like to welcome you to our telecom and media conference. I have got a great lineup of companies today, especially large-cap telecom companies, and I'm very pleased to announce that our first speaker today is Doreen Toben from Verizon. Doreen, as you know, is the CFO of the Company, and she will be speaking for approximately 20 minutes, and then we will have time for some Q&A.

And so with that, let me turn things over to Doreen.

Doreen Toben - *Verizon - CFO*

Thanks, John. It is nice to be here today. I have got a few prepared remarks, and then we will get to the Q&A.

Before I get started though, I need to call your attention to the Safe Harbor statement, which is a reminder that we may have some forward-looking statements that are subject to risks and uncertainties. You can find a discussion of these in our SEC filings which are also available on our website.

So with that, I will start. As you know, our strategy is based on three network platforms -- wireless, broadband and large enterprise business. All of these platforms are focused on delivering quality growth and creating long-term value, and we have made significant progress this year.

Wireless subscriber growth continues to be strong. We have added 5.4 million net new customers and revenues particularly from data and growing very impressively and driving ARPU accretion. We now have 6.6 million broadband data customers up 45% year-over-year. FiOS data has achieved 14% penetration, and we have achieved 10% penetration in our video service which is getting rave reviews from our customers.

In the business space, topline revenues are turning around as we gain market share and continue to win major new contracts. Customer demand and usage in our key strategic services are steadily increasing, and adoption of our new technologies is continuing to gain traction in the marketplace. The result is a growing interest and confidence among investors that I have talked to about both the sector and Verizon's long-term outlook.

So what is driving this confidence, and what is the foundation of this expectation for growth? We are going to start with wireless. In Verizon Wireless we have created the premiere industry franchise. It really starts with the power of our business model, which is also the foundation across all three of our network businesses. We invested early on in superior network capabilities. We have increased our scale and scope to become the most efficient carrier in the industry, and we deliver a superior customer experience. The result is an extraordinary growth engine that has produced across the board leadership in financial and operating metrics.

As the industry consolidates and we reach penetration levels of 75 to 80%, people keep asking me if we can continue this industry-leading performance. Well, while everyone else worries about whether we can sustain our lead, we just go ahead out and widen it. In fact, year-to-date we took about 35% of the incremental revenues generated by the top four national carriers.

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As you can see from the first graph on the chart, Verizon Wireless has succeeded in increasing service revenues over several years. Looking forward, a growing share of revenues will come from data, and we are well positioned to take share in this segment of the market as well. We are very focused on extending our leadership and maintaining our competitive differentiation.

Let's take a look at some of the key things that will produce sustainable growth to Verizon Wireless. We have a superb direct and indirect distribution model, which is a key factor in facilitating the high quality of our customer base. We have automated processes within our stores such as an automated check-in process to better manage customer traffic.

In addition, we are beginning to provide our sales reps with tablet PCs so they can work through the sales process where they are discussing our products and plans. All of these changes are focused on enhancing the customer experience.

As you know, we are very focused on the data market. About 57% of our retail base or 31 million customers are data users. Data ARPU of \$7.16 grew 69% year-over-year. At 14% we have the industry's highest ratio of data to total ARPU. Let me give you some examples of the growth potential of some of these data services.

5 billion text messages were sent and received by our customers in the month of September compared with 2 billion in September '05. There were 100 million picks and flicks multimedia messages in September, up 152% from a year ago. On the content side, which includes all consumer download services and distributions like ringtones, V CAST, Mobile Web, we are also posting great numbers. In the third quarter, customers completed more than 68 million downloads of games, ringtones, ringback tones and exclusive content nearly double the amount from a year ago.

In addition, we are expanding and enhancing our platforms. For example, we recently announced groundbreaking deals with YouTube and revver.com which should drive further growth, particularly in the usage of our advanced messaging services as customers increasing view user generated content. These two user generated content sites will further differentiate Verizon Wireless as an industry leader.

Our lineup of broadband devices for business is also expanding. For example, the Palm Treo 700p and w, the Motorola Q and a new BlackBerry device is just to name a few. You will also see increasing collaboration between wireless and wireline in the future. Where appropriate, we are working together to source content for both our platforms. For example, our FiOS customers will have the ability to view V CAST content on the V CAST Showcase channel. And in the future, customers will be able to use their Verizon Wireless device to program their DVR.

Now let's move to the broadband business. The model for our telecom business is similar to wireless – invest in superior network capabilities, increase efficiency through scale and scope and deliver a superior customer experience. Our goal is to transform the telecom franchise into a broadband business. Within the next three to four years, we will have covered up to 60% of our footprint with fiber to the premise. This will allow us to serve a very attractive market and large customer base with state-of-the-art products and services like FiOS data and FiOS video. Our strategy is lever our relationship with the customer to drive higher ARPU with more bundles, voice, data and video as we move up the value chain and realize more value from our customers. You will have all seen our FiOS results and heard our guidance for subscriber penetration growth, so I won't repeat the details on this chart.

What I would add is that FiOS is proving to be very popular with customers, particularly in the video service. When you think about the new and innovative features that are just around the corner, you begin to see the tremendous growth potential that FiOS has, and again it is all based on investments we are making in the network. The important thing here is that the strategic and product platform is unsurpassed and customers will absolutely want FiOS. It allows us to meet customer needs and keep ahead of the competition.

Moving next to Verizon business, which serves large business and customers worldwide. We have significant local to global network capability. We have the industry's most interconnected IP backbone with a reach that extends to 150 countries and more than 2700 cities on six continents. The combined network spans 633,000 fiber route miles with 4500 global points of

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presence, and we have more than 200 data centers. We are very well positioned in emerging growth areas like IP-centric products and services through the large global business market segment. This is evident in the growth of our strategic services which have grown 25% through the year on a pro forma basis.

As demand for IP-based applications, managed services and wireless grows, we see tremendous opportunities to offer a powerful value proposition to customers and to drive top and bottom line growth. So we have plenty of size and scale. As you know, this business is about much more than physical network assets. Our strategy in the marketplace is centered on the customer. We have a sophisticated demanding customer base that is looking for a service provider to provide a total range of solutions and is easy to do business with. We have lots of opportunities to grow market share, reduce costs and achieve profitable growth.

For example, one area of continued focus in 2007 will be reducing access cost as a way to improve profitability.

Now many people ask me about the outlook for wireline margins, and specifically they focus on two areas -- FiOS dilution in 2007 and are we on track to achieve our stated integration synergies.

First, my plans show the dilutive effects of the FiOS initiative peaking in the fourth quarter of this year and first quarter of 2007. After values you can see on the chart, we expect a steady improvement as we move through 2007. The FiOS EPS dilution includes cash costs, non-cash costs such as depreciation and imputed interest. It does not include cost savings related to moving a customer from copper to fiber, which we identified as about \$110 per line per year. So you could consider the FiOS dilution we have given as a gross dilution.

We believe we have ample opportunities to reduce cost over the next few quarters, such as Mocha, which requires no new wires and simplifies the installation process. We're reducing the unit costs for the broadband home router as we scale. We are automating PC installation, PC network configuration and router configuration.

Another important effect in field operations is the evolution toward remote service activation and maintenance. For example, we have been trialing something called CMS or CPE Management System. This new system will allow us to remotely perform significant analysis, troubleshooting and resolution of customer problems at installation time and for ongoing maintenance. These and other efforts we have underway will save time and costs. As FiOS increases in scale, the focus should really be on the overall profitability of the business and not on a gross dilution metric. Finally, all our FiOS metrics are moving in the right direction and closer to the long-term targets that we gave you at the September FiOS briefing session.

On the issue of MCI merger synergies, we have talked about the 550 million target for this year. We did about 350 million through the third quarter, and we are on track to achieve the \$550 million by year-end. We have achieved these synergies through headcount reductions, sourcing savings, network optimization and traffic migration. We are looking at achieving total synergies of \$1.1 billion by 2008, which we believe is very doable. We have a number of systems integrations projects currently underway that will result in additional cost savings in 2007 and beyond.

In addition to synergies and FiOS-related expense savings, we have several other cost reduction opportunities. For example, we continue to automate our processes in other areas of the business such as in our wholesale business, which has been very effective at automating their transaction processing.

We are completing more retail transactions via our website whether it is customer ordering, billing or payment for services, and our Verizon services organization has been very effective in finding these cost savings opportunities. Procurement, finance operations and real estate are examples of where we have consolidated functions across the three network platforms.

Before I wrap up, it is important that we spend a few minutes reviewing some of the corporate initiatives we have been working on this year, starting with the spinoff of our directories business. On November 17 we completed the Idearc transaction issuing a stock dividend to Verizon shareholders -- one Idearc share for every 20 shares held in Verizon. The market has reacted very positively to Idearc and the value we created with the spinoff. We will be issuing restated financials for 2004 through 2006 soon

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where we will show the directories business as income from discontinued ops. This will obviously help with comps going forward. These restated financials will provide historical quarterly details.

For the fourth quarter of this year, the impact will be about \$0.04 per share before any interest savings. This reflects the absence of directories from November 17 to the end of the year. Idearc will represent \$0.29 of EPS through November 17, so the full-year 2006 effect, excluding the interest offset, will be \$0.33 per share. The comparable amount for 2005 was \$0.39.

As a result of the spinoff, we reduced debt just over \$7 billion, a debt for debt exchange and received about \$2 billion in cash. This has helped strengthen our balance sheet and provide us with financial flexibility.

At the same time, shareowners received not only a stock dividend, they also have seen the Idearc shares grow more than 5% since the spinoff and can look forward to future dividends from Idearc.

Another value-adding activity is the international property sales. In early April we entered into definitive agreements to sell our remaining Latin American assets -- Dominicana, Puerto Rico and CANTV, which with estimated net proceeds of about -- cash proceeds of about \$3 billion. We issued pro forma financial statements in July, reclassifying Dominicana and Puerto Rico as income from discontinued operations. The CANTV investment is included in income from unconsolidated businesses.

On December 1 we contemplated the sale of Dominicana, resulting in net cash proceeds of \$1.7 billion. We will also recognize a pre-tax book gain of about \$50 million and incur book taxes on reinvested earnings, which must be recognized upon the sale of approximately \$500 million. The net effect will be treated as a special item in the quarter and will not be part of adjusted earnings. The fourth-quarter effect from Dominicana will be approximately \$0.01 per share, which represents the absence of Dominicana from December 1. Dominicana represents \$0.10 to \$0.11 of EPS through December 1, so the 2006 full-year impact is \$0.11 to \$0.12 per share. The full-year 2006 gross impact for all three international properties will be approximately \$0.22 before any interest savings effects, including \$0.05 to \$0.06 for Contay Ve, which, as I mentioned, is included above the line in the unconsolidated business.

On the share repurchase front, we have decided to further increase the 2006 amount to \$1.7 billion. We started the year thinking about \$1 billion, we increased the target to \$1.5 billion midyear, and now we expect to exceed the figure by about \$200 million.

In summary, investors looking at us should see a great customer base, great network assets and a focus on investing for future growth. Our management team is focused on meeting customer needs, keeping ahead of the competition and producing profitable growth. Our fundamentals will continue to get better, and we have ample opportunities to drive improvement.

Finally, we have taken several strategic steps that have created value for our shareowners. So that concludes our prepared remarks. We can open it up for questions.

QUESTIONS AND ANSWERS

John Hodulik - UBS - Telecom Analyst

Great. Thanks, Doreen. That was good. There is a lot of new tidbits in there that I'm going to ask some questions about, but first just a more general question. You have seen a lot of change in your asset mix, you have sold the international business, the directories, and you are investing heavily in some new growth areas. If you look out, say, two years or two or three years, what kind of growth rate do you think -- organic growth rate do you think Verizon can sustain given your evolving set of assets?

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Doreen Toben - Verizon - CFO

Well, I think if you look at the mix that we have it is very different two or three years from now. You are probably 50% wireless revenue. You probably are less than 15% of the traditional voices revenues and maybe 12 or 13%. So you have a very different mix. If you think about where we were and where we are going, so you have these three businesses, and you think about them you've got Verizon Wireless that we think will continue to grow at very close to the kinds of levels that we have today. We don't anticipate any kind of slowdowns. You have the telco piece of the business, which if we do believe in FiOS, you are going to see a real sea change with organic growth as you go out a few years certainly from where we are now. And then you have the Verizon business piece, which if you think about Verizon business, it came to us at a very low EBITDA margin. It came in about 8. AT&T traditionally ran at about 23% EBITDA margin. So we are very confident that we can move the Verizon business piece of the business towards industry-leading margins. So that also goes up.

So if you put the three pieces together, the growth rate that you are going to see from us over the next couple of years much improved from where it is. And I think the key is you are going to see significant organic revenue growth -- I'm not sure I will give you an exact number (multiple speakers). I'm not going to -- it is only higher than the revenue growth that we're doing now, which is like 2 or 3%. So significantly higher than that is what you are going to see.

John Hodulik - UBS - Telecom Analyst

Great. You mentioned and had one slide that went over some of the puts and takes in the financials. For '06 our earnings, UBS' earnings estimate is 256. But I'm interested in getting an idea of sort of what the earnings power of the Company is coming out of '06 as we look into '07. So is it possible to briefly summarize some of the puts and takes to get that 256 to a level where we can think -- we know we can use it to think about '07?

Doreen Toben - Verizon - CFO

So I think I went through some of it in the script. So if you think about the 256 and we said, okay, directory through November 16 is sort of \$0.29 but it is \$0.33 if you took the full year. So at the 256, you would have the \$0.33. Then you talk about the international properties, which all-in estimate to be at about \$0.22. Then I will let you do your own calculation on interest rate on the \$9 billion of debt reduction, so you have got that for '07 going the other way from that perspective. So you sort of take all those pieces, sort of take the '06 number down by those amounts. You add in the interest savings on the '07, and then whatever you think sort of the organic growth number is for '07 and you get to your '07 earnings level.

John Hodulik - UBS - Telecom Analyst

Perfect. You talked about some of the investment that you are making in the business segment and in FiOS. What kind of CapEx level do you think you need to sustain over the next couple of years to make those investments to generate that topline growth that you are talking about? And how do you see your CapEx budget trending over that -- (multiple speakers)

Doreen Toben - Verizon - CFO

I think if I step back and look -- if I start with the whole business and I start looking at it that way, we run about 18% as a CapEx to revenue metric. I think, as you go out short-term, that number stays relatively close. But then absolutely the percent goes down significantly as you go out. I think that if you think about shorter-term from a capital perspective, on the wireless front, we have had such an enormous growth that you will probably see it tick up a little bit because of coverage capacity and RevA, not much, but their growth has just been and continues to be phenomenal. And in the Verizon business area, I think to get some of those synergies and particularly you will see us perhaps tick up a little bit as far as trying to get access charges down out of region. So if you put that altogether, ultimately coming down as a percent of revenue.

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John Hodulik - UBS - Telecom Analyst

Great. Just a couple more for me. Wireline margins were an issue this quarter, and I certainly get a lot of questions on that. You gave us some good puts and takes with the chart and the FiOS dilution. If you look out to '07, what does the sort of final picture look like versus '06 in terms of all your wireline margins? And is there room to cut additional cost outside of what you're seeing in FiOS? You explained that they are going to come down in FiOS, but just in the telco in general.

Doreen Toben - Verizon - CFO

I think that if you separated out FiOS from telco, you would see vast margin improvement without the FiOS piece of it, so you would see that. I think that we certainly always have room for improvement. We are always striving to have improvement in the margin. I think there are lots of cost opportunities that continue in the business. I went through on the FiOS side some of it with the Mocha. Clearly I'm sure we will get lots of questions. I think the hours for installation that we're doing, there is just lots of locks of the FiOS metrics that we're very comfortable will improve next year, which is why the FiOS sort of starts to turn a curve. So I think all through the business you would see that. So I think our goal would be in '07 that you would see some improvement from where you saw the third and fourth quarter of this year.

John Hodulik - UBS - Telecom Analyst

So from third and fourth quarter improvement for the full year?

Doreen Toben - Verizon - CFO

For the full year. Yes, it is too -- we are not even into the quarterly budgets yet, so to spread it by Q, we can always go like this, but for the full year.

John Hodulik - UBS - Telecom Analyst

On the wireless side, you seem to be very bullish on the potential of wireless growth at a time when we are hitting some pretty high penetration rates in the US. What is going to be the -- do you expect the growth rate to remain similar to what it is now, and what is driving it? Do you expect it to continue to take share like you have been on the subscriber basis, or does it change more towards an ARPU type story?

Doreen Toben - Verizon - CFO

I think the answer is yes on both. We are continuing -- we are just incredibly bullish on wireless. The US is at 75% penetration. Maybe it gets to 80 by the end of the year. Clearly places like Italy have over 100. There are countless people with two and three devices. The EV-DO cards are incredibly popular. The PDAs are incredibly popular. So lots of opportunity over the next couple of years.

I would say that we have taken share every quarter from every carrier since local number portability started. We are absolutely confident that we will continue to take share going forward. So that is sort of on the share and opportunity side. Then when you move over to the product side of it, you know the data opportunity I think we have publicly said that I'm not going to go quarter by quarter necessarily, but we see data allowing us to have ARPU accretion. You saw some announcements with YouTube and what not and revver.com to get more V CAST usage. The data is just absolutely exploding with all the new services. We have not even touched on the fact that over the next couple of years we don't even have advertising in this model. But do you, for example, in Verizon Wireless whether you are on the Web piece of it, do you allow people to advertise on that? Lots of people

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want to pay us to do that. You just want to make sure it is not a bad customer experience. So no slowdown in wireless. We couldn't be more bullish.

John Hodulik - UBS - Telecom Analyst

Great. Last question for me. You guys have done a great job in getting video franchising in a number of your markets. You should get New Jersey in the next week or so I think.

Doreen Toben - Verizon - CFO

Yes, December 18th. We may actually move to the 15th.

John Hodulik - UBS - Telecom Analyst

Okay. So what is the plan in New Jersey? Are you guys built out, or you can just sort of turn the switch and light of most of the state, or how quickly will we see you begin marketing?

Doreen Toben - Verizon - CFO

You will see -- and I don't know if we have given out this number publicly --

John Hodulik - UBS - Telecom Analyst

That is fine.

Doreen Toben - Verizon - CFO

So, you will see us -- there will be a piece in New Jersey. We are very optimistic that December 18, maybe even the 15th, the PUC is going to same yes, although you can never predict exactly what the PUC is going to do. However, if they do that, we have a sizable chunk -- not the whole state of New Jersey -- but we have a number that we will go to immediately. We will probably put the number out soon. But on the franchising piece, coming from where we used to be, we have just in so many of the states you just go through the Virginia's, the Florida's, the Texas and New Jersey's, California from a franchising standpoint, and even in those states where we don't have the whole state, places like Pennsylvania we have become very successful now in getting franchising. So we don't see that as an issue certainly going forward.

John Hodulik - UBS - Telecom Analyst

Okay, great. So we have about 20 minutes to take some questions from the audience. There is a couple of microphones that are in the back of the room, so we will begin over here to my left.

Unidentified Audience Member

Thank you. Doreen, I have two brief questions. One on the wireless business -- over here. One on the wireless business. I understand and agree that the wireless business has performed very well. However, Vodafone has 45% of the participation in that asset. What has kept the Company from either -- Verizon from either agreeing a price and buying in that stake or spinning

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off to the shareholders of Verizon and Vodafone the stock so that I guess value can be more easily discerned when it is an independent I would believe either fully owned or an independent entity of the two parents?

Doreen Toben - Verizon - CFO

There has certainly been lots and lots in the press over the last many months, mostly this summer, on the Vodafone, Verizon and what might happen. I continue to say that they are good partners. The ball is really in their court. I don't anticipate any change near-term in the relationship from that perspective. As far as doing a spinoff or an IPO, that would not be something that we would look to do.

Part of why Verizon Wireless is very important is there is a lot of opportunities for the wireline and wireless to work together going forward. I did not really talk to the fact that Verizon business and Verizon Wireless have created some new products going forward. Certainly lots of opportunities. They are approaching accounts together. We see that as a big opportunity on the consumer side. We have just opened one, soon-to-be two sort of these new really high-tech stores that are wireline/wireless where you can feel and touch. So I think it is all the opportunities with the wireline piece of it that from experience once you would even spend something, you don't have that same kind of closeness.

Unidentified Audience Member

And then quickly on the wireline side, you have a plan to build fiber which is aggressive but relatively a slow process and thereby you can increase your ARPU. But then the cable companies have had a more rapid and an earlier start on telephony. What has -- to weigh those two factors -- in your territory what is your ARPU in areas where you have not yet faced significant cable telephone competition? What is your ARPU on a poor home basis where you have had early and relatively successful, from the cable company's standpoint, incursion?

Doreen Toben - Verizon - CFO

In general, if you look at ARPU state by state because there's not enough of FiOS, it is really not very different. So our average ARPU is about \$55. You have more of a difference in the old regulatory infrastructure based on cost. If you look across some of the territories, those with higher costs tend to have higher ARPU. I will give you anecdotally a state -- I won't tell you which one -- which saw ARPU accretion of actually like 13% last month -- now that is incredible for us -- driven out of FiOS. So that is certainly our hope, and it is not all states by any means. But that is a really what we're looking to see is if that kind of ARPU accretion will come from getting all the video and these new higher speed higher priced data services.

John Hodulik - UBS - Telecom Analyst

And that is a big number. I think the whole company was about 1 or 2%, so 13%. How quickly does that type of ARPU growth make its way into the base? I mean I think --

Doreen Toben - Verizon - CFO

I think you're going to see a combination of pricing and the impact of new products. We anticipate in '07 you are going to see a much different ARPU accretion from us, much different (multiple speakers) much higher than you have ever seen from us.

John Hodulik - UBS - Telecom Analyst

In next year?

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Doreen Toben - Verizon - CFO

In next year, a combination of both, right. It is pricing -- (multiple speakers).

Unidentified Audience Member

Good morning, Doreen. Despite what you have said today and at the September 27 analysts briefing on FiOS, the notion of peak FiOS dilution continues to be controversial for a lot of investors. You have to admit that given some of the takes that you have mentioned today, the outlook for Verizon '07 is much more geared toward the improvement in the wireline side.

So let me ask the question this way, what would have to go differently in order for fiscal '06 or early '07, calendar '07 not to be the peak for FiOS dilution? Would you have to, say, out index your gross add expectations by something like 20 or 30%, or would there have to be a bigger proportion of MDU installs or something else? Or should investors just not be concerned about this at all given what you have said?

Doreen Toben - Verizon - CFO

There's two different factors on why it is, and so you could do either one. On the cost side, clearly we have made some picks on some of the costs that impact the P&L, not so much the capital number, mostly having to do with how long it takes us in the house to install. So if we are absolutely wrong on that and it is much worse than we think, there could be some impact. Also, on the call centers and how many calls are coming in and whether we can get the ACDs in there in time. So you don't have to have a real person, and it can really, if you're just checking in an order, be done by an ACD. That is on the one piece of it.

The other piece, if we are wildly over what we expect in video and data, that -- I'm not going to tell you what the next year number is, but you see the '10 and you can start of do whatever line graph you want to do yourself. If we are wildly more successful in the net adds, that will put pressure clearly on the numbers as well. That one, to tell you the truth, I'm not nearly as bothered by. So if I'm seeing numbers that are just incredible for video and data, I'm okay with that, but that would put pressure on it, too.

Unidentified Audience Member

Maybe you could talk about some of the wireless opportunities on the enterprise side, especially given that one of your competitors has pretty much had the market to itself for a few years, and a maybe how MCI is going to help you make some inroads against that competitor?

Doreen Toben - Verizon - CFO

I'm not sure which competitor you mean, because if you would look at the most recent wireless data out of a company called Telephia that does sort of business penetration, you would actually see that Verizon Wireless is way on top. Now there are different sources, so you could go to a different and you might not see it. So I would sort of dispute that Verizon Wireless. Some one company has had it all to itself.

Having said that, the initial piece that they have done, which was early on like January, was all the normal stuff. The fact that they are going to do EV-DO cards access to accounts. There was about 5000 accounts in Verizon business that Verizon Wireless really did not have access to, certainly at a CIO level. So initially you saw EV-DO cards, PDAs, things like that. They have now come -- and I'm not the world's best -- they have like three or four different products having to do with security and an EV-DO card that they have put together. So they have some joint products that they are now pitching and have become incredibly successful. I think what you will find is that most RFPs today, the Verizon business people will tell you, always have a wireless

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component to it. I mean certainly all of the federal ones always have a wireless. Almost many, many of the regular large enterprise customers have a wireless piece. So to be able to bid it together.

Unidentified Audience Member

Could you talk a little bit about FiOS video, the new customers where they are coming from, the feedback you are getting and what your real expectations are for that business?

Doreen Toben - Verizon - CFO

We have one or two surveys that we have done that would be statistically relevant, and what we have seen is two-thirds of the customers are coming from cable, one-third are coming from satellite. That study is maybe two months old. Other ways we have is anecdotal, but that is what we sort of see as the mix.

What was the rest of your question? Well, probably some of you have it. So I have yet to hear anything bad about the product. From what you hear, I will talk to one state that is not too far away. What people will say is, first of all, if you look at the clicker or the remote, it is much faster. So if you compare it to the cable company that you are now using, you are going to see it much quicker. They will see that the picture is better, and you can see it yourself. We have letters upon letters.

The guide is also -- I think it is more colorful. As you go through the guide, I think it is easier to see. So from a -- you guys write it. I don't even have to do much with this one in that the feedback from the customers on the actual product is incredible.

Is it taking us too long in the house to get it installed? Yes. So if there is a negative, it is like you were great, but you were in my house a little bit longer than I wanted you to be. But when you left, everything was really good. So the feedback, I don't think I have seen anything negative on the video feedback.

Unidentified Audience Member

I wanted to ask about your capital structure, the way things are going after Idearc and free cash flow generation. Sometime next year you're going to get to one-time net debt to EBITDA, and there is a cost to shareholders in having an inefficient capital structure. So assuming that we have a status quo situation with Vodafone, what prevents you from having a much bigger buyback program than what you have announced so far?

Doreen Toben - Verizon - CFO

I think as we think of -- as I think of capital structure right now today, what you think about is we will probably do a share buyback about the level that we had this year, maybe a little bit more next year. The rest will be reduction in debt. I might reassess it at the end of next year, but what we really want is at this point is to keep financial flexibility. I'm not 100% convinced that a pick a number share buyback is going to do that much more for your stock. So we will take sometime and look at it at the end of maybe next year.

Unidentified Audience Member

Just to follow-up then, looking at Vodafone it has been in the press what you have offered a few months ago, what they have said no to. But clearly every year if you were to take the same multiple, let's eight to nine times EBITDA, on next year's numbers it's going to be a much bigger billion dollar figure, maybe it won't be 55, maybe it will be \$65 billion next year. So why not just get on with it?

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John Hodulik - UBS - Telecom Analyst

Yes, and how does that 8 to 9 times EBITDA number sound better after (indiscernible).

Doreen Toben - Verizon - CFO

Well, 9 sounds a little high. Because it is in a sense, it is like buying your own shares back, right? This is not an acquisition, right? You could look at it as buying your own shares back, so 9 would sound incredibly high. 7 would certainly sound closer or 7.5. But I think that, I said it before, you need two people to come to the party if they want to do something, and I think Vodafone's position stated by them is they are happy where they are in the partnership at the moment.

Unidentified Audience Member

Can you talk about the current state of your partnership with DirecTV to offer video, and how do you see that evolving as files becomes a bigger part of your video offering?

Doreen Toben - Verizon - CFO

DiracTV has been a great partner. Clearly we are not going to be able to get FiOS everywhere, and so from that perspective, I think it has been a win-win. They have worked with us on bundled pricing. They have been very helpful. So to the extent we want to do a bundle that does not have to do with FiOS because we don't have -- I think we said at the end of the quarter, we had 1.2 or 1.3 million homes open for sale. Clearly it does not cover that much of our region. So we have worked really well. We have been real pleased with the numbers from them. They continue to be great partners, and we will continue to go like that for I think sometime.

Unidentified Audience Member

I have got another question for you, if you will take another question. You talked about that one state where you had the 13% ARPU growth, and then I know I think on the call you guys mentioned that by the end of '07 you expected access line losses to sort of flatten out, the trend not to get worse.

So you have given us the ARPU side. Can you -- have you seen an inflection in that particular state where you're getting an improvement in the ARPU? Has that played out on the lines?

Doreen Toben - Verizon - CFO

There are states where we have seen improvements. There are states where we have not seen significant improvements. In that one in particular we have seen some improvement. So it is really -- to some extent, if you have a cable company that is on the immediate ramp, you have some offsetting as opposed if you're in a state where there is not a new ramp of cable. You can see that difference.

Unidentified Audience Member

I was hoping with regard to FiOS, if you could possibly talk about the cost savings and the nature of the cost savings you expect to get in 2010? Does that count on being able to shut down your copper network for your business and residential customers?

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Doreen Toben - Verizon - CFO

I think at this point we don't see any copper impairment, and even in 2010 we certainly don't have in the plan that you would be shutting down the copper. We have to do a DCF and really prove that there is no value. I'm not sure that that actually happens.

We will continue to look at it. I think it will be further out than that. It really will be at a time when you can get off all the operating support systems in the state before you do that. Whether we hit a state in 2010, unclear.

As far as cost savings -- I did this -- it is basically \$110 per line per year is what we are seeing. What we anecdotally are seeing now are incredible savings, and I think I said this at the 90% level in the outside plant. I mean we are just -- the outside plant troubles just go away to literally zero when we're doing this. So, therefore, you don't have to refurbish any of the existing copper. I'm trying to think what are the others. Yes, the number that we use for 2010, which we feel was potentially conservative, was \$1 billion.

Unidentified Audience Member

Any update on potential access line monetizations and how that maybe could be used as a lever to help improve organic growth?

Doreen Toben - Verizon - CFO

No, I think we give you the standard definition, standard answer, which is we continue to look at access lines. I don't think you would hear anything different from us until we actually consummate a deal. So continue to look at it.

Unidentified Audience Member

Price competition. Price competition has not reached the level of intensity that many investors feared. Could you talk about how you view price as a competitive weapon, how aggressive you propose to be on FiOS to sort of encourage the initial uptake, or is it more still about just content and technology?

Doreen Toben - Verizon - CFO

You are on FiOS as opposed to wireless or Verizon business with that question everything?

Unidentified Audience Member

The bundle.

Doreen Toben - Verizon - CFO

But on the consumer side?

Unidentified Audience Member

Yes.

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Doreen Toben - Verizon - CFO

Okay. No, I don't think -- we continue not to think that price is going to be the main driver here, certainly on the ARPU on video. It is at a very competitive level that we are getting now. We think we have priced it well, priced it sort of similar to satellite. But then you have all the add-ons, you have whether you want HBO and how many set-top boxes you have. So we don't see that that is going to go there. From a cable modem pricing, that pricing seems to have stabilized, even though some folks have dropped DSL pricing. So from that perspective, we don't envision going in at a pricing. As a matter of fact, you probably saw yesterday we actually raised prices on the DSL lower speed. So we think there is opportunity the other way really in pricing.

John Hodulik - UBS - Telecom Analyst

We have time for one question here in the back.

Unidentified Audience Member

Just to go back to the FiOS growth dilution, can you just clarify for us for fourth quarter and first quarter '07 of that larger dilution, how much of that is related to success based, i.e. above plan and how much is to cost impact?

Doreen Toben - Verizon - CFO

I probably cannot do that off the top of my head. I mean I would put success based in the cost per connect in set-top boxes for the most part. The set-top box is relatively -- I mean the set-top box you can do yourself, right. You saw how many customers we had and just multiply it whatever you think sort of a normal set-top box. And on the cost to connect, actually you can do that yourself too, right? We have told you what the cost to connect is, and multiply it times how many customers I got in the last quarter, bump it up for fourth quarter and you sort of can do the math yourself if that is okay.

Unidentified Audience Member

A different way, are you above plan right now as to why you saw some of that extra question --

Doreen Toben - Verizon - CFO

No, actually I said this at the end of the quarter. We are in great shape. We are in particularly great shape on homes passed. We're doing fine on homes connected, so no, from that perspective we are in good shape.

John Hodulik - UBS - Telecom Analyst

Thanks. Okay. Great. That is all we have time for. Thank you all for coming.

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