

FINAL TRANSCRIPT

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VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

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May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

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PRESENTATION

Michael McCormack - *JPMorgan Chase & Co. - Analyst*

Great. Thanks, everybody, for joining us. We have the pleasure of having John Killian, CFO of Verizon, with us and we're going to kick it off, I believe, straight to Q&A. Or did you want to make a couple of (multiple speakers)?

John Killian - *Verizon Communications Inc. - EVP & CFO*

No, no, Q&A is good, Mike. I think that is what you asked us to do. We're ready to go for Q&A.

Michael McCormack - *JPMorgan Chase & Co. - Analyst*

Excellent. So we will go straight to Q&A. And again, if anybody in the audience has questions, please raise your hands high so we can see you.

But, in the meantime, I guess we'll start off with I think a topic that's been top of mind for many, which is in the wireless business. Whether we're seeing a secular issue within postpaid, whether we saw just seasonal issues during Q1 and what your thought prospects are and the prospects for 2010 growth.

John Killian - *Verizon Communications Inc. - EVP & CFO*

Mike, thank you. And we feel very good about where Verizon Wireless is, how the wireless business is positioned. A lot of focus on the ability to accelerate top-line growth. So if you look at the first quarter, service revenue grew 5.9% year on year. That was up from a 5% growth rate that we had in the fourth quarter.

A lot of focus within Verizon Wireless on data and getting more and more of the customer base to have either smartphones that carry a \$30 data plan with them, or the multimedia phone with a \$10 data plan. And a lot of opportunity and a lot of upside there.

If you look at our base today, about 17% of the customers have smartphones. 13% have multimedia phones. So, we see a great opportunity to continue to grow revenue really fueled by data.

Now, specifically on the postpaid issue, Mike, as you know in the first quarter, we gained 423,000 postpaid subscribers. That was coming off of a fourth quarter that was a very strong. We had had the Droid introduction, first Motorola Droid. So, in the fourth quarter I think we gained over 1.1 million, in that range. So a little bit of a slowdown in the first quarter.

As you know, on the call, I said that we still felt from Verizon's perspective very positive about the ability to continue to grow postpaid subscribers. We are seeing pretty good traffic in the second quarter. Good volume in the stores. We have had some

May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

new product introductions. We just rolled out the HTC Incredible, and we've done very little advertising on that because of the viral marketing effect that that phone has had. It's doing extremely well.

So on the first-quarter call, we suggested to people that we thought we could do better than the 423,000 we did in the first quarter. There's nothing we are seeing midway through this quarter that makes us think differently about that. So we think the positioning of our network, the strength of our network, the strength of the brand.

And the other thing I would suggest to you, as the year goes on, we will have more and more very strong product introductions. So think about the Droid; as we like to call it the Droid franchise, so we had the HTC Incredible, highly reviewed. There's a couple of new Motorola devices coming in the July timeframe. In addition to that, RIM will have some new devices, so I think we feel we're in a very good position there, Mike, to continue to grow and grow well.

Michael McCormack - JPMorgan Chase & Co. - Analyst

Can you maybe talk a little bit more about the plan changes that you made in January? I know AT&T followed pretty quickly on that, but feedback on moving the unlimited pricing down a little bit; if it's had an impact on the ad environment.

And then secondly, as part of that announcement, you put some data plans that were required to be attached to some phones, and what impact that might have had on churn.

John Killian - Verizon Communications Inc. - EVP & CFO

Mike, I think all of the pricing changes that we announced in January have really worked exactly how we thought they would. We did see some down migration, but we knew that was limited in terms of how many customers we had on the unlimited plan we had in place at the higher price point. So most of that migration is over. It's happened. We've seen quite a bit of upward migration. So people that were buying at a lower price point are now buying the \$69 plan.

We've seen very good take-up of the data offerings, the smartphone lineup. The \$10 multimedia plan is doing well. So all of the assumptions we had when we put that price change out in the marketplace has worked out and worked out quite nicely.

Now by the way, you saw our postpaid churn numbers in the first quarter, very strong, down year on year, down sequentially. Second quarter early on is starting very well from a postpaid churn perspective. So our customers are loyal to us. We're retaining the customers. And the price plan changes accomplished what we want. We got more people buying at the very high end of the tier structure.

Michael McCormack - JPMorgan Chase & Co. - Analyst

Can we talk about one of the issues we've seen in this industry, and it's been more and more of an issue I think over the past couple of years, is the subscriber acquisition costs, sales and marketing subsidy. How do you guys see that trending over the next year or two? And is that the differentiator against some other competitors that may not be able to get that aggressive in that area?

John Killian - Verizon Communications Inc. - EVP & CFO

I don't know if I think about it as a differentiator, Mike, to be honest. The issue we've had is we have decided to be fairly aggressive on the handset subsidy side. Not as aggressive on tariff pricing, right? So tariff pricing, we want to hold the line on. We think that makes a lot of sense. We did some tweaks earlier in this year. Subsidy levels have gone up, but part of that's gone up because your mix of devices, that's a much higher cost device that you are out there selling.

May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

But, by the way, we think it's a pretty good trade-off when you are raising your subsidy a little bit and you're getting out there a smartphone that brings with it at least \$100 a month plan on a couple year contract; we will take all of that we can get, to be honest about it. So, we think the strategy we've got in place has been working pretty well.

Michael McCormack - JPMorgan Chase & Co. - Analyst

I'm just thinking about -- and I will leave the iPhone question for the audience. I'm sure there's several out there for you.

But thinking about opportunities for ARPU going forward. You guys have done a reasonably good job of keeping stable even in the face of voice pressures. What do you think, looking out, you've got 4G coming; what are the drivers of growth and what's a realistic outcome?

John Killian - Verizon Communications Inc. - EVP & CFO

Yes, I think if you look at us this past quarter, we had accretion on our postpaid ARPU. If you look at total ARPU, total ARPU is down slightly. Part of that is with the mix of a heavier mix of reseller activity and our gross ad activity.

But on the postpaid base, which we continue to grow, have very high retention, we are very optimistic about the ability to grow ARPU. We were up 0.6% in the first quarter. We, I think, will be up in the second quarter. I think there will be a positive trend there from an ARPU perspective.

If you think about it and think about only 17% of your base was smartphones. And I think -- I don't know where it's going to go, but is it going to go far north of 17%. I think ultimately it goes far north of 50% in terms of your base with a smartphone device. So we think we can continue to grow postpaid ARPU.

I know there's always the big concern that you are experiencing voice dilution. And yes, we're experiencing voice dilution; slower in the first quarter than it was in the fourth quarter. But the growth in data is outstripping that.

We think the price changes we made will actually help that because more people will buy the \$69 plan. We'll move some people up as part of that process. So we feel -- I can't tell you how positive we are about the Wireless business.

Now, do we think we're in the days of 2 million postpaid net adds a quarter? We don't think we are in those days. But we think we're in the days where we continue to very nicely grow postpaid. We can have very strong revenue growth, fueled by ARPU accretion.

Data opportunities in this business, we believe, are unlimited. With LTE rolling out in the fourth quarter of this year, where the speeds will be about 10X, which you can get today, we think -- we don't even know what all the opportunities are for data revenue and data revenue opportunity. And we think it positions us extremely well for 2011. We think in the Wireless business we will have a very good 2010. But then there will be a whole other level of growth as we go through 2011, 2012 fueled by LTE, fueled by data.

Michael McCormack - JPMorgan Chase & Co. - Analyst

What do you think about -- we've been hearing some pay in advance carriers talking about the ability to take share in some respects from the postpaid marketplace. What are you seeing I guess in your subscriber base? Is it a concern of yours and do you have to react to that?

May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

John Killian - Verizon Communications Inc. - EVP & CFO

I missed the front end.

Michael McCormack - JPMorgan Chase & Co. - Analyst

The pay in advance, all-you-can-eat (multiple speakers) carriers?

John Killian - Verizon Communications Inc. - EVP & CFO

The pay in advance. It's something we monitor, something we're watching. I wouldn't say it's a big concern right now. It's the lower end of the market. We do not see -- we see a little bit of move from our postpaid base, not much. And we still see the ability for others to take postpaid customers away from other carriers. So we're participating in that, as everybody knows, through the reseller arrangements we have. The one that gets the most attention is through Wal-Mart with Straight Talk. And I think we added in the first quarter 1.2 million wholesale customers. But it's the very low end of the market. It's our prepaid customers or others prepaid moving over.

It's one, Mike, we continue to look at, but again, when you come back to us because of the lineup of devices we have, because of the network quality, because of the brand, we feel pretty confident we can continue to grow the retail postpaid base. We can grow ARPU.

We're probably participating more in the lower end of the market than we were in the past. We've made the choice to do that through the reseller partners. We think it's a very low-cost form of acquisition. Much more attractive to us than the historical wholesale or reseller base. We had much higher ARPUs, much higher margins on the business. We do not offer unlimited pricing. So --

Michael McCormack - JPMorgan Chase & Co. - Analyst

Is there anything you are thinking about on your own retail prepaid product to try to segment the market?

John Killian - Verizon Communications Inc. - EVP & CFO

Lowell is looking at that right now in terms of -- and there could be a little bit of modification in some of our prepaid offerings. But it's not a broad-based assault on the prepaid market. It will be some tweaks to some of the pricing, some of the offerings, probably making sure the marketing of it is more prominent in terms of the Verizon network and the network quality behind that. But, I don't think you will see us from a retail prepaid perspective trying to be the leader in the prepaid market.

Michael McCormack - JPMorgan Chase & Co. - Analyst

We've seen I guess some initial pricing from Sprint and what they plan to do with their 4G product. What is your thought on maybe that type of pricing plan or maybe more generally thinking about the industry wanting to move to metered billing? Is that a realistic thing?

John Killian - Verizon Communications Inc. - EVP & CFO

Look, I think it's very early days, Mike. And our wireless team is looking intently at how to maximize revenue and profitability as we roll out LTE. We are not ready to make any announcements on that. I think Lowell, last week, was interviewed by the Wall Street Journal; Lowell McAdam, who is our CEO of the Wireless business, was interviewed by the Wall Street Journal.

May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

He did talk about directionally moving with the concept of not having unlimited data pricing with LTE, having more of an immediate kind of design. But we're not ready to speak in any great detail about how we're thinking about that, Mike, or how that will look in the marketplace.

But what we would say is we think there will be a huge -- the same thing I just said -- but a huge opportunity for new revenue streams, new applications. We need to be smart about how we price it. But, there's going to be a -- we've already seen an explosion in data through wireless devices. I think the best is yet to come, right? I think the next several years there will be a lot more opportunity there to drive revenue and value.

Michael McCormack - JPMorgan Chase & Co. - Analyst

So [when] you guys sort of put this all in a bundle I guess and you've got very strong, probably the best margins in the industry for as long as I can remember. What should we be thinking about from a margin profile perspective as we're layering on some new revenue streams, potentially fighting some more aggressive battles on the competitor front?

John Killian - Verizon Communications Inc. - EVP & CFO

We will continue to have the best margins in the industry. Okay, so look, we're very confident in our ability to drive profitability in the Wireless business.

We don't provide point estimates, but we've consistently run in the mid-40's. We probably have averaged the last five or six quarters, 46, somewhere in that range. We think the ability to continue to drive very strong margins is there.

One quarter it might be north of that. One quarter it might be slightly less than that, depending on what's going on from an activity perspective. But, the wireless team is -- does a very good job at focusing both on growing the business, growing top line, growing customers, but also driving profitability. And we think over time, there's probably more and more opportunity to make the cost structure of the wireless business more efficient.

So if you think about today, 60%, 70% of our distribution is through people coming into our stores. And, I was in one of our stores on Sunday and -- but I think over time, you're going to see more and more of that online.

And you will also see others pushing some of the activity to online. We will have some product introductions where initially the only way to get the device is online. Most of the Incredible sales right now are being fulfilled online. And we introduced that a little earlier than we thought we would. So we had some limitations on how much supply we had, which is going to improve as we go through the next month or two. But we have driven much more of the activity to the Internet and to online ordering. So we think there's a lot of opportunity for efficiency.

Michael McCormack - JPMorgan Chase & Co. - Analyst

Great. We're going to move into the Wireline business a bit and I also want to make sure we leave some time for the audience. But thinking about FiOS, there's been a lot of discussion recently about a slowdown, and I think there's some confusion in the marketplace about what that means. Maybe you could just address that.

John Killian - Verizon Communications Inc. - EVP & CFO

Yes, sure. You see, my idea here is and our view of this is we have not slowed down FiOS. Okay? So our business plan all along was to pass about 18 million premises. That's what we are continuing to do. At the end of 2009, we had passed [15.4] (corrected by company after the call), something like that, in the high 15 million range.



May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

Originally we thought we would get to the 18 by the end of '10. It's probably going to be more like the end of '11 that we will get there. So it's taking us a little longer to get to the 18 million, but the build plan is still intact.

By the way, we are very satisfied with FiOS. It's living up to the expectations of the business plan. Somewhere I think where people got probably confused is the wrong word, but maybe had a different impression, Mike, was in the exuberance of our teams out in the field, they had started some discussions to get some franchises that would have passed us past the 18 million limit. And we pulled back on that, right?

So, now, that was never the intent. The issue is as you get a franchise with that you get build requirements. You get capital requirements. In a couple of communities as you pulled back, that got attention.

So, post -- our strategy in the Wireline business is really three or fourfold. One was to make it smaller. So that's why we've gone through some of the divestitures. We originally did the divestiture in the northern states of New England. We're about to have the divestiture of the 14 states to Frontier. So make particularly the consumer mass-market Wireline side of the business smaller because in a lot of those areas it was a capital allocation issue. We did not want to fully modernize the network there because of the cost it was going to have.

So then if you look at the rest of the business, we will serve about 27 million homes. We will bring fiber to about 18 of those. As we get done with the 18, we will continue to look at markets here or there that make sense economically. I'm not going to put a stake and say we will never do more than 18 there, but we will take a look at that. But that's the plan right there.

So continue on the path of getting FiOS out. That's going to help lower the cost structure. Multiple revenue sources. Customer retention, all of those things.

Second area is a lot of focus on the enterprise business. Now, as we went through '09, late '08, the economy gave us a big setback on the enterprise business as the jobs were lost left and right, effectively. A lot of traffic came off the network. We think that's getting better.

And then lastly, the big strategy is pull as much cost out as you can. So the last couple years we've reduced the Wireline workforce by about 13,000 people. We would expect to reduce the Wireline workforce by about 13,000 again this year.

Michael McCormack - JPMorgan Chase & Co. - Analyst

Just thinking about -- I'm not sure that you have numbers you've shared recently, but your thoughts on cost to deploy FiOS. We used to get I think decent numbers on the sort of homes passed and success based basis. Absent or maybe [you're] willing to share some numbers around that. But absent that, maybe some discussion around interval for installation, how it's been tracking.

John Killian - Verizon Communications Inc. - EVP & CFO

Look, operationally, everything with FiOS is going exactly where we expect it. Cost to pass, I don't think we've been putting out the numbers publicly, Ron? Yes, but we're running about 600 to 700. Cost to connect is running just where we thought it would be. Productivity has improved. All of the efficiency metrics that we would have expected to get from FiOS we're realizing.

The maintenance costs, once you got FiOS into a community, are a fraction of the copper costs. So, report rates, trouble rates -- you think about all of the -- we hate to talk about weather, but obviously there were water problems in the Northeast and the late first quarter, early second quarter of the flooding -- all of that. A copper network does not hold up well to -- it's electrical signal. So water and electricity, as we all know, doesn't go together very well, right? So copper network, the fiber network held up very well. Light signals and all of that from a reliability perspective is doing very well.

May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

The bandwidth capability is doing very well. Our customer experience is very positive with FiOS. I hope a lot of you in the room have FiOS. If not you'll be getting and experiencing it, but it's doing very well.

Michael McCormack - JPMorgan Chase & Co. - Analyst

Can you just maybe talk a little bit about the competitive landscape there? The cable companies obviously are rolling out DOCSIS 3.0 in many areas and I think they've, in many cases, targeted your network there as well with higher-speed offerings.

But it seems like from our perspective we always see these gyrations of who's doing better on net adds in any given quarter. Is that just a function of marketing, trying to manage margin? How should we be thinking about that?

John Killian - Verizon Communications Inc. - EVP & CFO

Yes, look, as you know, it's very competitive. Depending on which market you are serving from quarter to quarter, there's different offers in the marketplace. Our challenge on the FiOS side is typically we need to incent somebody who's got service in their home today. So they've got video today. They've got high-speed data today to move away from the current offering.

So, that can become a little bit of a challenge from a marketing perspective. We are continuing to do well. We're pretty confident we can do well. Our video experience is a differentiated experience in terms of some of the tools and the widgets and some of the additional information that we bring to -- on the set; the picture quality with all fiber is outstanding.

So, we don't think we're at any product disadvantage. We're at a speed advantage. It's just going to continue to take us time to get out there and market it. So penetration, video penetration, north of 25%.

That's going to continue to grow, grow well. Data penetration, north of 28%. We think that will grow well. But every quarter there is some new issue that you are dealing with that's going on.

Michael McCormack - JPMorgan Chase & Co. - Analyst

What are you seeing in the marketplace just from a consumer demand standpoint? I guess I'm a lucky FiOS data subscriber that I guess to experience Netflix at super high speeds. But what do you view the average consumers really needing or wanting in the marketplace?

John Killian - Verizon Communications Inc. - EVP & CFO

You know, Mike, I don't know whether I could give you the best answer on that. I think we'd be better having the marketing team talk to that particular issue. We do see an enormous appetite and an increasing appetite for bandwidth. So more and more people buying higher-speed levels, more and more connected devices in the home. So a full range of different applications. More multiscreen. So not just watching the video in front of the HDTV, but more and more watching on the laptop or a different medium. So a lot of different. But the appetite for bandwidth into the home is growing, and we think we will continue to grow. And we think an all fiber network in positions us very well. I think some of our competitors will probably have to do additional investment over time, but we think we're in a very good position.

Michael McCormack - JPMorgan Chase & Co. - Analyst

A definitely want to come back to some of the enterprise comments, but I want to give the audience a shot as well. If anybody's got any questions you can -- should be a roaming mic. here somewhere. Here in the middle.

May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

QUESTIONS AND ANSWERS

Unidentified Audience Member

Can you maybe talk about the impact of the Title II reclassification on both your Wireline and wireless business? And maybe specifically with FiOS, in your mind, does that change the economics of the project and perhaps --

John Killian - Verizon Communications Inc. - EVP & CFO

The Title II reclassification?

Unidentified Audience Member

Yes.

John Killian - Verizon Communications Inc. - EVP & CFO

Look, it's early days for us to fully understand that. The words that the Commission has is they're going to forbear a lot of the regulatory issues related to that. We're not happy about it, okay? So we don't think legally it will pass muster in terms of -- so, our legal regulatory team is very focused on this.

We think the regulator needs to think long and hard in terms of what the implications are to investment in broadband on account of some of those actions. So we haven't fully worked through that. We're actually, I would say, we are hopeful that in the end here, more logic will prevail, and the policies will be kind of incentivized investment, not put disincentives in there in terms of our thinking.

Unidentified Audience Member

They try to draw a distinction between Wireline and wireless. Do you have any sense for what that might be and how wireless could be carved out of that potentially?

John Killian - Verizon Communications Inc. - EVP & CFO

I really don't at this point.

Michael McCormack - JPMorgan Chase & Co. - Analyst

John, maybe while we're waiting we can talk a little bit more about your commentary on enterprise. I know it's been an area where we had some trouble with the economy and saw growth rate slow down and turn negative. But recently it sounds like you've been making a little bit more positive commentary about demand trends. And we've seen some revenue trends getting better as well. Just trying to figure how much of that is sort of just better year-over-year comps versus really seeing demand at the ground level.

May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

John Killian - Verizon Communications Inc. - EVP & CFO

I think it's early days in the recovery. But if you look at us, Mike, through '07, through '08, we had been on a good trend on enterprise. We were growing revenue. We were winning a lot of contracts. By the way, we continue on our win rate to do very well. We have not lost customer relationships. And by the way I never say there isn't one little one here or there that someone can ask me about. But we've had a number of RFP wins on bringing new business into the business.

You are right, the revenue trends have gotten better. So we are cautiously optimistic. The issue we had there was when really the globe, right, because our enterprise business is an international business, a global business, not just US. US lost 4 million jobs non-farm. When you look at what was lost through Europe and Asia, it compounds that issue.

You lost workers who were connected to laptops, pumping data over the network, voice calls. So traffic went off the network. So our revenue went from where we were growing 2% per year to where we were negative 5, somewhere in that range. So we think that will continue to improve as we go through 2010.

First quarter was better. We're hopeful the second quarter will be better. We were only through one month so far in terms of close. If the salesforce was here, they would say there's a lot of opportunity out there; that we continue to be very well positioned having the network that we have that reaches into Europe, reaches into Asia, will be a real plus.

The other thing I would say to you, Mike, is we are also -- one of the areas that's helping the Wireless business is the business segment in Wireless is doing very well.

We made a organization change earlier this year where the enterprise group within Wireless was really split into four different regions. The way we run Wireless for the most part is we have four regions in the country, and we had the enterprise teams reporting into the regional head. We stripped that out and made it really a one national organization. It's much better coordinated now. The attack on the customer -- I don't want to say what customer. We just had a major win-back in the last week, which was from one of the Dow 30's that we had lost probably -- I think I was still running the enterprise business when we lost it, so it was about 18 months ago. And the party that won it didn't deliver, had network quality issues. And this Dow 30 is moving the business back to us. And it's not an insignificant number of devices. It's a big number.

Michael McCormack - JPMorgan Chase & Co. - Analyst

Okay; I'll keep firing away. If somebody has a question you can just raise your hand. Here's one right here. Jeff?

Unidentified Audience Member

Can you talk a little bit about your experience with the Droid devices and how much data consumption they are pulling through the network and how you are able to scale the capacity for that?

John Killian - Verizon Communications Inc. - EVP & CFO

Yes. Droid devices are doing extremely well. The Motorola Droid device that we introduced in the fourth quarter has continued to do well. The Incredible is doing very well. Usage is up pretty significantly from our other data devices, we think very similar by the way to kind of the usage characteristics that iPhone has.

Network is scaling very well. We are building the network kind of on where we think we need to be out X months or even year, a year or two. The one thing that we do not want to run into is network quality issues because that's -- we have a brand -- so we're going to spend a little more capital on the Wireless business this year. We publicly have said that before. Part of that will be LTE, but part of that will also be data capacity.



May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

We're also in our planning assumption -- our planning assumption assumes that ultimately with the improvement in the Droid lineup that's going to come and the Droid franchise because you got two new ones coming from Motorola, we're going to do as well as if we had the iPhone. So we need to make sure the network is capable of standing up to that.

So I know Tony Melone was just out speaking last week, and I think probably talked about this, Ron? Tony Melone runs the Wireless network organization. And so.

Unidentified Audience Member

And will there be a big difference? I know the BlackBerry is coming out with a new browser and some of that traffic is going to go through their network. Will that be a big difference for BlackBerries compared to the Droid and the iPhone? And then finally was the idea of leaking the CDMA iPhone -- did that come from your marketing department?

John Killian - Verizon Communications Inc. - EVP & CFO

Say that again -- I didn't follow that. I didn't hear anything about a leak about a CDMA iPhone. I know by the way -- I think the same speculation is in the market that's been there. When was the iPhone initially introduced? How long ago? When, '07? So I think the same leaks that were out there in '07 are out there now. So and it's not anyone from Verizon.

But I can't really speak to the BlackBerry issue to be honest with you. I have not -- I think it's the first time, Ron, we've gotten that question or did Tony get that --? Yes, so, okay.

Unidentified Audience Member

My question is somewhat related to his too. What areas of investment are going to increase significantly? Is it backhaul or cell-site coverage? What are the areas of focus for you guys?

John Killian - Verizon Communications Inc. - EVP & CFO

Well, look, I mean what we've said is we're going to spend about the same level of capital that we spent a year ago. So last year we spent \$17 billion. The guidance range we've given this year is 16.8 to 17.2. It's going to be a heavier mix towards Wireless this year than Wireline. And the Wireless mix will be much more towards LTE, data capacity. On the Wireline side, it's pretty simple; it's FiOS. We are spending money on the fiber to the cell site. Because we provide -- our Wireline business really provides that service to Verizon Wireless. Also provides to AT&T and other wireless carriers in the Northeast. So there's some money going there too.

Unidentified Audience Member

(inaudible) that fiber line?

John Killian - Verizon Communications Inc. - EVP & CFO

Oftentimes when you deploy fiber to a cell site, there's multiple circuit capability out of that fiber. So you sell different offerings to different people. So it depends on the arrangement.

May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

Michael McCormack - JPMorgan Chase & Co. - Analyst

And you've been asked a question at different times, but can you update us on sort of where Vodafone is with their ownership in Verizon Wireless and your thinking about where you want to be?

John Killian - Verizon Communications Inc. - EVP & CFO

Sure, sure. And I think isn't Vitorio here at some point today or --?

Michael McCormack - JPMorgan Chase & Co. - Analyst

I don't think so.

John Killian - Verizon Communications Inc. - EVP & CFO

Oh, he's not? Okay, I thought he was. For some reason I thought Vitorio was coming in. It's kind of a situation we've said.

Again, this is one of those issues that over the 10 years we've had the partnership with Vodafone, I think every year there's a flurry of activity of what are you going to do? Are you going to buy them -- their interest out in Verizon Wireless?

So, it's really status quo right now. Partnership is working very well. I think they've been very satisfied with how the value has grown with their interest. Ivan has never made any bones about the fact that he would be willing to buy the 45% out under the right conditions. Read that to be from our perspective it's very much a financial transaction. We manage, control, run the business. So to the extent they wanted to sell we would take a -- obviously we would be interested in that. But it would all depend on what the price level was and could we drive value for our shareholders from that? So --

Michael McCormack - JPMorgan Chase & Co. - Analyst

John, could you just -- we've got time for just one more. But could you wrap up today's presentation by just sort of thinking about 2010; Wireline margin is a big focus for a lot of people. And it seems like given some divestitures, you might actually hit a point sometime this year where you are sort of bottoming out in EPS reduction, bottoming out in Wireline margin. How comfortable should investors be with that occurrence this year?

John Killian - Verizon Communications Inc. - EVP & CFO

Look, I think the Wireline team is very focused on stabilizing and then growing the Wireline margin. You are right, Mike. We're going to complete the Frontier transaction probably right around June 30, July 1. We have one regulatory approval left. All of the capital has been raised to pay us our \$3.3 billion.

When we do that, we will rebase the Wireline because we are losing some higher-margin properties when we do that. So we will come out and give you pro formas and all of that. But we think we have the ability to stabilize and then grow from the efforts I talked about earlier, which is a big focus on cost, again, at least 13,000 out this year. Might even do more. Might be able to do more because we just reached an agreement with the unions on an enhanced incentive offer. So, fiber continuing to do well. Enterprise getting better. So we think we're in a good position.

Michael McCormack - JPMorgan Chase & Co. - Analyst

Terrific. Thank you, John.

May. 18. 2010 / 12:40PM, VZ - Verizon at JPMorgan Technology, Media and Telecom Conference

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