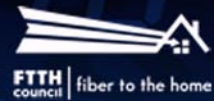


2009 FTTH CONFERENCE & EXPO

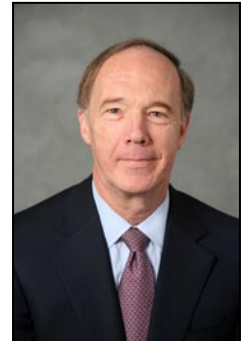
BUILDING THE BUSINESS OF FTTH

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Verizon CTO and Senior Vice President, Dick Lynch, talks to the FTTH Council about current trends and what is in store for America's largest deployer of fiber optic networks.

FTTH Council - Verizon has pioneered the deployment of fiber to the home and has been among the first to adopt new FTTH technologies like GPON. What new technologies or developments is Verizon following closely as you contemplate ongoing deployment of FiOS?



One of the most exciting aspects of PON technology is its potential. There's a lot of headroom, technologically speaking, that can be leveraged in the future. One day advanced PON architectures with 10 Gbps down and 2.5 Gbps upstream might enable a multi-gigabit feed to each and every customer. That would create an explosion of service opportunities via an unimaginable capacity leap. So the sky's the limit and we have our eye ways to leverage the full potential of fiber.

FTTH Council - If you accept the premise that consumers of telecommunications services want their services to work well when they turn them on, can you explain some of the key technology differentiations between FiOS and other services that are presently available? In other words, what has all-fiber access enabled you to do that you feel gives FiOS its key competitive edge?

Ultimately, our services are simply better than what the competition offers. Our TV service, which offers more than 115 high def channels in every market and that offers more than 15,000 video-on-demand features, 1,400 of them in high def, is consistently rated the best in the industry by consumers and pundits. And our Internet service, running at up to 50 Mbps downstream and an industry-leading 20 Mbps upstream meets the needs of the most demanding consumer and small business customers. And beyond the pipe itself, our home networks cross-connect routers, TVs and computers to enable smart new features like on-screen Widgets that enhance the customer's entertainment experience. With fiber and vision, we've done it right.

FTTH Council - Tell us about your view of bandwidth and the marketplace, and how Verizon decides what to offer in terms of Internet connection speeds via the FiOS network.

For starters, you're absolutely right that the speeds we decide to offer reflect market analysis, not broadband capacities. Power users will always want all you can give them, but slavishly satisfying them skews the service and the market unrealistically. We could go to 75 or 100 Mbps and beyond tomorrow, but the larger market doesn't require that capacity at the moment. We're watching and planning, though. And we're ready.

FTTH Council - Do you see DOCSIS 3.0 as a competitive threat currently? Are you concerned that cable providers will continue to boost their connection speeds over the longer term?

Our cable competitors have been aggressive in maximizing the delivery systems they manage. But I don't have to be the one to point out that even channel bonding and IPTV formats may not get them where they need to be. Many others have concluded that FTTP is the best if not the only way to pump up the volume on service capacity. It's been nearly two years now since the Fiber to the Home Council's own white paper on the subject came to that conclusion.

FTTH Council - Some commentators believe that upstream speeds are just not that important to consumers. How have FiOS customers responded to Verizon's higher upload speeds? Do you think upstream capabilities will continue to grow in their importance to consumers?

The past is prologue here. Studies show total bandwidth demand expands by 10x every six years. In the past few months, we increased the upload speeds of all our FiOS Internet offerings and we are differentiating ourselves in the market by promoting our 20 Mbps top upload speed because we know consumers are trading bigger and bigger files more and more. The trend in fat file sharing and user-generated content is clearly upward, so good upstream capacity is very important.

FTTH Council - As you grow your FiOS customer base, what new applications and services are becoming possible? What kinds of services do you envision providing over FiOS in the near term? What about the long term – five or ten years down the road?

As our rollout of FiOS TV Widgets demonstrates, I think a more robust cross-connection between TV and Internet services holds a lot of promise. Also, home network applications like security monitoring and environmental controls that engage the Web are just around the corner, along with HD home video conferencing and other enhancements to existing services. As we've seen, if you can imagine it, it can and probably will happen.

FTTH Council - How is FiOS deployment into MDU's going? What have been some of the technical challenges you have faced in serving MDU's and how have you been resolving them?

I'm very excited about the progress we've made in serving the homes of fully a quarter of our potential customer base. We keep breaking new ground with smaller and smaller optical terminals that now can sit on or under a desktop and with developments like bendable fiber inside a tape-based conduit that simplifies installation. In the last quarter, we reported more than 1.2 million MDU units open for sale, and that number continues to grow to support property owners who've come to understand the value that having FiOS in their buildings brings.

FTTH Council - How has the conversion to FTTH reduced operations expenses, allowed Verizon to modernize processes, and allowed more competitive market practices?

The simplicity of design, with fewer network elements out on the poles or in the pedestals threatening to malfunction really helps with construction and maintenance issues. And when it comes to modernized processes, imagine the impact of connecting every home router to our ops systems as a managed device, and how that facilitates customer care and the associated costs. Just last month, we took that a step further; we automated many of the system-related repair tools that used to require a call to our Fiber Solutions Centers. With our new In-Home Agent, the smart router can trigger configuration and authorization

updates that do everything from setting up WiFi on a new computer to restoring Internet access, all with the click of a mouse. That saves a call and saves us expenses.

FTTH Council - Does Verizon see energy savings or otherwise view the deployment of FTTH as an environmental sustainability initiative?

Absolutely. FiOS draws 38 percent less power than copper-based service. Factor in the reliability of the fiber plant, cutting down the number of truck rolls and manpower and you're talking big savings. Then, factor in human behavior changes like teleworking over reliable, high capacity services, and you are suddenly generating significant efficiencies and carbon reductions. I think fiber represents an heroic achievement of technology and Verizon relishes its pioneering role in its deployment.