

FINAL TRANSCRIPT

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VZ - Verizon at UBS Global Media Conference

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PRESENTATION

John Hodulik - *UBS - Analyst*

My name is John Hodulik. I am the telecommunication services analyst here at UBS and I want to welcome you to the final keynote presentation of UBS' 2007 Media and Telecommunications Conference. This year, we have had over 1600 attendees over the last three days to see 90 companies that helped us facilitate over 1200 one-on-one and group meetings. We hope that this can allow you to make better informed decisions for your investors.

At this point, I want to thank a couple people who helped us put the show together here. First, Matt Coppet, our global media analyst and strategist who has done a lot of the heavy lifting, as well as people from our product management group and event marketing group at UBS. These are the people that have been helping you with the one-on-one meetings and facilitate getting around the conference, namely [Jennifer Grey], [Rachel Semel], [Anya Rob] and [Lauren Crawford]. Without them, we wouldn't have been able to put on such a large gathering today.

Now it is my pleasure to announce our keynote speaker for today Denny Strigl, the President and COO of Verizon. Denny has been in the telecommunications industry since 1968, which his official bio says has been more than 30 years, but actually [Botch] has run the numbers on this, it is actually closer to 40 years. I hate to tell you that. He is known for running the wireless business, but as of January 1, he has been in charge of not only wireless, but also the telco Verizon business and the service organization. So Denny is going to give about a 20 minute presentation and then we will leave the rest of the time open for Q&A.

Denny Strigl - *Verizon - President & COO*

Okay, so you really got into the details of that bio, huh? Thank you very much, John and I am very happy to have this opportunity to be with you this afternoon. As you know, our strategy has been to transform our Company for accelerated growth. By any number of key measures, I think you can see that our strategy is working.

My job as our Chief Operating Officer is to make sure that we continue to sustain the progress and expand the profitable growth that we have had. Today, I will discuss our key priorities and how we will measure success on a going-forward basis. So of course, before I can start, I need to point to our Safe Harbor statement. For details, you can refer to our SEC filings. Also, I would like to confirm for you that Verizon Wireless is an applicant in the 700 megahertz auction and I will also tell you that because of the FCC anti-collusion rules, I can't provide any commentary beyond what I have just told you relating to the auction in any way.

Okay, looking at our current revenue mix as you see it on this chart, we have a number of strategic moves that we have made that gives you this kind of breakdown and these moves have been made over the past several years and it really has allowed us to position our company to accelerate growth and so what am I referring to?

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We divested our directories business. We monetized most of our international equity holdings. We have sold some access lines and of course, we acquired MCI and we focused our investments on new products and growth markets. Collectively, these moves have diversified our revenue base, improved our growth opportunities and in the case of divesting nonstrategic assets, created some shareholder value.

This chart actually shows -- highlights several things. First, 90% of our revenue base has positive growth today and 70% of revenues are from wireless and also from our global business. Verizon Wireless represents 47% of total revenue and of course, year-to-date growth for Verizon Wireless exceeds 16%. You all know the story here and we are still actually in the early stages of the data growth cycle.

23% of our revenues are generated by Verizon business. These revenues are up 2.3% for this year, driven by the growing demand for IP and managed services. With our increased global reach and our enhanced IP capabilities, we definitely are the, let me say, the insurgent in aggressively pursuing these market opportunities.

In consumer retail, that is now about 16% of the total and here, our broadband and video investments are redefining this market as a growth business for us. These revenues are up 2.7% this year, driven by growth in broadband and in video.

And one more item of note, the data revenues, wireline and wireless combined, now comprise nearly 27% of our total revenue and have combined growth -- a combined growth rate of 24%. So we think lots of good momentum and that momentum exists across our businesses.

So let's take a look at our key priorities to not only sustain this performance, but also to expand and accelerate our growth and to drive these improvements actually to the bottom line. So the entire Company has the same set of marching orders. Our goal is to drive performance and continuous improvement in all of our areas.

The first priority that we have is to grow revenues and very significantly to take marketshare. Secondly, we are driving profitable growth by accelerating operating efficiency. We have significant productivity opportunities and we have a number of initiatives underway to achieve those savings. I will talk a little bit about those.

Next, we will continue to invest in our markets and in our networks to ensure reliability and provide a platform for service innovation. A very significant portion of capital spending is for growth capacity and also for productivity gains.

And last but certainly not least, we constantly strive to provide the best customer service, delivering a value proposition and we believe that that, for us, is a key differentiator. What I would like to do now is look at each of these in a bit more detail.

So looking first at our wireless business, which, as you know, has consistently delivered industry-leading growth and at the same time, profitability. We intend to sustain this performance and position ourselves to continue to lead as the wireless industry enters its next phase of growth.

It is well-known that our business model is based on differentiating ourselves around the superior network with superior service and solid products. Our focus continues to be the retail customer, the one who buys the Verizon brand and also takes advantage of the Verizon network.

So what are the keys here to sustaining growth? In a nutshell, it is about looking for ways to deliver more value to our customers. This value comes in many flavors. It comes in more devices, devices that are able to take advantage of our network capabilities and targets specific customer segments. More flexible price plans, new bundles with our wireline service, customer self-serve and the like.

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You will see us introduce a broader set of data features and applications. Innovation we have found typically expands the revenue pie and we have led the way in wireless data and you will see us continue to innovate in areas like data mobility, video, and music in the course of this next year.

Customer care and retention obviously are very key to our profitability. Historically, we have done a good job here with the highest customer loyalty that exists in the wireless business. I am pushing our team in this regard to do even better, not only to keep the customers we have, but to increase their loyalty and to drive ARPU through value proposition. Effectively managing our distribution mix and making it easy for customers to interact with us is very much a key element in our success here. So maintaining the nation's most reliable network underpins all of this and we will continue to invest in the quality and capacity of our nationwide network.

I know you are all well aware of the fact that last week we made two announcements. One on open access and our 4G initiative using LTE are all about taking advantage of the solid network that we have built. It is about expanding growth opportunities, reducing cost and yes, increasing our competitive edge.

Our decision to open the network to all devices that meet our technical standards and to all software and applications gives customers the option of bringing their own device and running their own applications.

Our way of thinking about this is that it presents huge opportunities for us to increase customers, to increase the number of devices that connect to our network, especially as our network evolves into a fourth generation network. The higher bandwidth and throughput of 4G will usher in a new era of customer electronics embedded with wireless, all of which can take advantage of the premier network that Verizon has built over many years. The result will be even more -- even a more differentiated value proposition and very frankly, much lower costs -- much lower costs of acquisition for us in this new piece of our business.

Our plans to develop and deploy 4G broadband using LTE technology we think provides a superior opportunity to migrate to a compatible access platform for what will be a true global scale for the next generation of wireless broadband services. The basis for success, again, will be our superior network, which we believe will become the preferred platform for delivering all the social networking interactive and multimedia applications that will make up the next phase of the wireless experience. So we are preparing for that.

Success in 4G in the 4G world may look different, just warn you of that and I think that it will be measured with different yardsticks than the way you all look at our business today. So I don't think -- to that end, I don't think it will be just about net adds, but really about revenue growth and profitability.

We believe the premier company will be the one that can deliver the most network capabilities to the most customers. That is what we intend to be and that is what we intend to do. So we continue to see double-digit growth for wireless in our plan over the planning period.

Okay. So next, turning our attention to Verizon business. As you know, we have just about completed our second year of operations following the MCI merger. Our growth strategy in this segment is also based on network capabilities and also on product mix. The industry consolidation and the resulting pricing rationalization that we have seen has clearly been beneficial to us this year.

Beyond that, our success is being driven by the strong growth of strategic services in Verizon business such as private IP, managed services, security and hosting. Today, these services make up more than one quarter of Verizon business' revenue and they are growing in the 25% range.

To maintain and accelerate our growth in strategic services, we are upgrading and expanding our network capabilities in key markets around the world. We already operate the world's most connected global IP network and we have an extensive infrastructure of more than 200 data centers in more than 22 countries and a number of network operation centers.

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To meet customer requirements and tap into global opportunities, we are rolling out the next generation Internet protocol and also expanding our VPN capabilities. We are increasing the speed of our backbone network from 10 to 40 gigabits in both the US and in Europe and in general, we are making upgrades in key markets that support our customers' global expansion plans.

We are also looking at ways to expand our portfolio of managed services as we did this last year with the Cybertrust acquisition. We are focused on delivering solutions, not just products. And we have the capabilities to serve international -- multinational customers and our strong position in the IP and managed services areas are driving growth for us on a global basis and we have competed quite successfully in the global marketplace. We believe we have a terrific opportunity to grow this \$21 billion revenue stream at GDP plus in the coming years.

Now looking at Verizon telecom, you are seeing investment in innovation driving growth in what is our traditional telecom business. You know about our FiOS strategy and while the telecom business may become somewhat smaller in terms of number of customers, I would argue that our customer base will become more valuable in terms of revenues and ultimately be more profitable over time.

We have already started to see this in our consumer retail results. Three consecutive quarters of consumer revenue growth. The last two in excess of 3%. Consumer ARPU growth in excess of 10% we have seen for the last two quarters. So the drivers of this growth are obviously broadband and also video. At the end of the third quarter, I think you know we had 1.3 million FiOS Internet customers, which actually is 20% penetration. We had over 700,000 FiOS video subscribers, which is at a 15% penetration level. We think in both of these products, we have tremendous upside given the capital investment that we have made over the last several years.

Customer acceptance has been great. Our capital costs to deploy and connect are coming down nicely and deployment is on schedule. Unit costs will improve further as we increase our MDU availability in the future and on the expense side, we continue to see improved productivity in both the service provisioning and also in installation as we scale with our FiOS service.

We are on track to become EBITDA positive next year and we'll become operating income positive in 2009 just as we had planned. As in wireless -- as in the wireless and global business, we continue to innovate in telecom also and I will mention just a very few examples.

Our new symmetrical 20/20 FiOS Internet service featuring upload and download speeds of up to 20 megabits per second. This upload speed is unmatched I think you know in all of the market today. Our HD channel expansion is another example, moving to 150 channels in the coming year and customers will see enhancements in our IPG or interactive program guide next year as we further differentiate interactive capabilities on FiOS.

Certainly, we have competitive and secular challenges in the telecom business, but we are demonstrating that with the superior network and strong portfolio of innovative products and bundles, that we can grow this business, take marketshare and capture new revenues.

Looking at the productivity initiatives, we continue to focus on driving growth in the top line, but we also are equally focused across the business on reducing our costs. Now I know that a lot of you would like me to size these opportunities, but I won't make predictions today about the timing of these cost savings, but I will mention a couple of things that I think are important for you to know.

First, here is how we think about productivity and operational efficiency. We have always focused on looking for ways to increase efficiency within each of our business groups and now we are driving more productivity across the entire business. Our approach in looking across the entire business is to identify the big categories of cost where we have the most significant opportunity for savings and to organize and attack these areas to achieve some cost-savings result. This was one of the drivers behind our new corporate structure, which centralizes accountability for common functions such as marketing, IT, network planning, purchasing and real estate to name a few.

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It is our goal to accelerate our ability to capture savings and take better advantage of the scale that we have, leverage common platforms, streamline processes and to aggressively eliminate duplication. So quite simply, we want to make sure that the improvements in the top line and increased efficiencies also lead to increased and improved profitability and margins.

So in that regard, let me give you a few examples. Our centralized services organization is focused on three primary areas -- supply chain, real estate and financial operations. In IT systems, consolidations are underway in Verizon business. The objective is straightforward -- streamline the systems landscape, reduce complexity and make it easier for customers to do business with us.

Another big focus in reducing our cost of service in business is looking for ways to reduce our access costs. In FiOS, it is looking for ways to reduce the time in the home and also increasing automation and customer self-service is a primary focus of our businesses. We are working to unify and simplify our customers' online experience through a consistent look, feel and navigation process for all of our e-commerce sites and this is across all of Verizon's businesses.

We are also introducing some common product in investment roadmaps, which eliminate a tremendous amount of duplication and costs across our business. Advertising and marketing is one good example. We are introducing a One Verizon approach that will present a common look and feel to the marketplace and simplify the way customers interact with us.

On the customer service side, one important thing that I have realized over my last, John, 40 years I guess is that when you are pushing growth and cutting costs, you need to strike an appropriate balance with providing excellent customer service. We do both. We work to cut costs and at the same time provide the highest quality customer service. It really is critical to any company's success, so I am very focused, as is our entire organization, on improving the value proposition that we deliver to customers. I believe that you must communicate effectively and listen to customers to understand exactly what their requirements are.

So this is about providing value to customers in ways that enhance their lives. Whether that means making it easier to do transactions online, being more effective in our communications, providing faster problem resolution or simply just keeping our commitments to name a few.

The trick is to reduce costs and at the same time delight customers and we are striving to introduce cost-effective processes that make it easier for our customers to interact with us. Examples include customer self-service, paperless billing, user-friendly web interfaces and what we call ONE-BILL. Ultimately, our objective is to enrich our customer relationships in ways that make their lives more manageable and productive and we believe that we have tremendous opportunity to accomplish just that.

So in summary and to wrap it up, it is my sense that we are making very good progress, but I will also be candid with you, I am far from satisfied. There is much more to do. We are in aggressive pursuit of a number of realistic revenue growth opportunities. Hopefully, I have been able to reinforce some of your understanding of our growth story and at the same time we have significant opportunities to achieve operating efficiencies and improve our productivity. Is it hard work? Of course it is.

By providing some examples of how we are attacking our cost structure, I hope you have increased confidence in our ability to capture these savings and also to drive margins. We are big believers in the strategy of investing in networks and new technologies to provide the platform for growth, innovation and productivity. We are proud of our highly skilled and committed management team and we are strengthening our culture to be even more focused on performance. We have significant opportunities ahead and we are excited about the future and I am highly confident that the Verizon leadership team will continue to deliver strong results for shareowners and for customers alike. And John, I guess we will take some questions.

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QUESTIONS AND ANSWERS

John Hodulik - UBS - Analyst

That's great. Thanks, Denny. We have got about 20, 25 minutes for Q&A. I will start out with a few. Maybe going in your order, first with wireless. You made a couple of announcements last week and also recently signed onto the -- or not signed onto it, but expressed support for the Android program that Google announced. Could you talk about your view on this open access strategy, what it means for the Company? I hear a lot of different things from the market. Some people think it is just sort of a way to play the regulators just to say we are open and they are not open or it is another potential real growth opportunity for you. So how would you characterize it and then how do you expect it to shape up over the next few years?

Denny Strigl - Verizon - President & COO

Well, first of all, I would like to be very clear that the regulators don't drive our growth. So having said that, a fair question. Android by the way is not something that we have formally signed onto as several others did a couple of weeks ago, but rather it is an operating system as we understand it and we are open to any and all operating systems. Will we support Android? Sure, just the way we would support any other through our open access model.

But let me comment more broadly, John, on what the open access concept is that we have. First of all, when you combine the two announcements that we have made and you think about, as I tried to point out in my comments, the global opportunity that we have, we think it is a phenomenal new source of revenue for us. So where is the wireless world going down the road, whether it's with us late next year or with other carriers who may choose to follow after analyzing the same way we analyze this?

Think of the data applications, the developers, the people who can get behind providing new applications that we can't think of on our own. So this was extending an open invitation to allowing others to grow revenue while allowing us significant revenue growth at the same time.

It is also, to be totally fair here, it is also a model that we look at, which helps us reduce costs on this new piece of the business. Customer service is not something that will be a heavy expenditure in this end of the business for us, but rather it will be done by those who bring applications or products to our open access model.

So I mean if you just think about it that way, this is not -- the open access model we have is not something customers will buy through a Verizon Wireless store. This is entirely a different distribution strategy, one that is low cost and one that we think will generate some significant revenues just because of the number of people that can create applications.

John Hodulik - UBS - Analyst

And how quickly do you expect this to affect the industry? Is this something we should start to see next year or is it something more longer term, five years out?

Denny Strigl - Verizon - President & COO

Well, I mean, first, I can't predict what the rest of the industry will do. My gut feel here is that sooner or later others will arrive at the same conclusions that we have. We have been looking at this, as Lowell McAdam would tell you, for a period of 18 months plus. So where does the rest of the industry go, John? I don't know. I would suggest they'd probably get to the same model.

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John Hodulik - UBS - Analyst

Now referring to the LTE announcement, can you talk to us a little bit about the capital intensity of the business, where you are now and how that changes with the LTE investment?

Denny Strigl - Verizon - President & COO

Sure. To ease concerns here, we don't see a big spike in our capital investment. Will there be some nominal amount in the '09, '10 timeframe? Yes, but I would ask people to look at this the same way we have looked at our EVDO roll-out. This is just the next logical step. By end of this year, we have pretty much completed our Rev A roll-out. So it is one more logical step and I don't see it as a significant spike in our capital budget.

John Hodulik - UBS - Analyst

Great. Now one last question on the wireless. How do you feel -- Verizon Wireless is positioned for the holiday selling season? You've entered a number of new products. We are still seeing some effect of the iPhone. How would you characterize your position going into this [year]?

Denny Strigl - Verizon - President & COO

I think we have the very strongest product lineup that we have ever had with the Pearl, the Juke, the Voyager. We are in very, very good shape. I will tell you our stores are busy and I guess that is probably all I will say at this point.

John Hodulik - UBS - Analyst

Okay. I was hoping for a little more, but that is fine. With Verizon business, that is obviously a \$22 billion, \$23 billion big part of the total revenues of the Company now and obviously, the market has improved there. Can you take us a little bit through some of the cost savings you hope to generate through the business there? I understand that part of the story is in terms of wireline margins is improving margins more on the business side. If you could frame the opportunity a little bit and also discuss whether or not you are well-positioned from an international standpoint. Is there any sort of acquisitions you need or building you need to do to get where you need to be?

Denny Strigl - Verizon - President & COO

Sure. From a margin point of view, I think we can get, two, three years out, to the 14%, 16% level. I don't see any major hurdle in getting there. I mean as I pointed out to many of you in the past, access costs are an area of our -- a primary area of our focus as is systems consolidation. When you think of the MCI history, the number of acquisitions that were made and frankly the opportunities that weren't realized in terms of just billing system consolidation, we have got very good upside in those two areas of the business in particular. The other part of your question, John?

John Hodulik - UBS - Analyst

I was talking about -- are you well-positioned to take advantage of the multinational --?

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Denny Strigl - Verizon - President & COO

Yes, I think we are better positioned than most with a very solid global IP, but we are also open to looking at vertical applications such as security and our Cybertrust acquisition earlier this year. So we will continue to look for those opportunities.

John Hodulik - UBS - Analyst

Great. Now quickly move over onto the residential side. Over the course of the last three days, we have heard a lot about FiOS, mainly from the cable providers.

Denny Strigl - Verizon - President & COO

What did you hear?

John Hodulik - UBS - Analyst

It's starting to have an impact it seems. I would just say a couple of things on that. First, in the past, you have talked about 20% to 25% target penetration. At this point, you are already at 15% out of the gate. Is it time that we start talking about 25% to 30% or 30% to 35% or --?

Denny Strigl - Verizon - President & COO

I am not changing the guidance that we have previously given you here, if that is where you are going with this.

John Hodulik - UBS - Analyst

That's a start. Could you just characterize the uptake?

Denny Strigl - Verizon - President & COO

We have been -- I was telling some folks at our table here, we have been very pleased particularly with our FiOS video uptake and where we have our Internet -- FiOS Internet first and don't have FiOS video at the same time because we don't have a franchise. It is slower, more difficult growth. Logic would tell you that.

Where we have the ability to offer voice, Internet and video, the uptake that we have seen is better than what we had originally anticipated. So we continue to grow out, build out FiOS just as quickly as we can and where we do light up a market, we are very pleased with the results we see.

John Hodulik - UBS - Analyst

There has been a lot of comments about the existing offer you have in the market giving away an LCD HDTV. Can you just talk about -- you don't have to be specific -- but the thought process behind the announcement or the promotion, how it is doing, what effect it is having on your markets, without giving us the exact numbers for the quarter?

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Denny Strigl - Verizon - President & COO

It is going well. It is still a bit early to really say that this was a smashing success, but it has worked well for us. It is a limited time offer, but one that in certain areas that, as you have seen particularly here in the Northeast, where we have opened some new markets that we thought this is the way to accelerate our growth even further. So it has worked well. It's an idea, by the way, that we stole from the cable companies.

John Hodulik - UBS - Analyst

And then lastly on FiOS, on the call, you talked a lot about a lot of new markets coming on board over the next 12 to 18 months, some of those being in major cities -- Boston, New York, Philly. Can you talk about what has to happen for you to be able to enter those markets, whether it relates to MDUs or the franchising process?

Denny Strigl - Verizon - President & COO

Sure. Let me be clear here that the question relative to major markets -- New York City, Philadelphia, Boston -- the issue isn't if we go there. We are convinced that the real question is when. And as I think everybody here knows, when you are raised in the telephone business, you have a lot of experience in negotiating with municipalities, regulators. We could go on and on and we don't lack for that kind of experience. So the gating factor for us is a lengthy process with each municipality, some longer than others and we will get through it. We will get through it.

Had you asked this same question a year ago, I would have added to it, the MDU "problem" is one that we need to solve. I can now say that we are very confident in our MDU strategy. However, every building that we enter, we can only do so with agreement from the landlord. So that is an additional hurdle, but I would ask you to look at the MDU situation we have as a tremendous opportunity of scale. When we finally do turn on an island of Manhattan, I think we have got some very good upside.

John Hodulik - UBS - Analyst

Okay. Now there should be some microphones working their way around the room. We will take a question here. If you could wait until a microphone reaches you. Actually there is a microphone here. We will start over here in the corner.

Barry Stewart - Principled Capital - Analyst

Thank you. Barry Stewart, Principled Capital. Denny, can you be more specific about the, from a practical standpoint, with open access to your wireless network, if for example today I had Sprint CDMA phone, could I walk into the Verizon store and say I don't want Sprint, I want Verizon, I want to use this phone and could I do that later? I mean I would like to understand if you are not going to sell the devices, you're not going to provide customer service from them, are you just hoping that there will be an independent retail market develop because today the phones are largely distributed either by the carriers directly or through independent retailers, but sold through them by the carriers?

Denny Strigl - Verizon - President & COO

Okay. First, on your question of the Sprint phone. There is a reason why you can't do that today and that is because the carrier locks the phone. Other than that, there is no other reason why you couldn't use a Sprint phone on our network. So I think that situations like that in the future will open up.

As we looked at this, and again coupling both the open access and the LTD announcement, if you could think of it as a very closely linked announcement, we are the carrier in the industry today that has the best local number portability ratios. We have

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a ratio of about two customers come to us for every customer that leaves us. We are very proud of that fact and as we looked at that and thought about how do we make this even better in the future, we thought, well, LTE gives us a global opportunity. Hopefully, we will see others relatively quickly move to the same kind of platform. This then, if we can maintain and I believe we can the high quality reputation we have for network, this gives us the opportunity to get more in the way of local number portability customers with their devices. So I think we have got good upside in that regard.

The second part of your question, there has been interest over the years that we heard expressed from some of the manufacturers. You see it to some degree with a Nokia that want to have the relationship with the end user. Under the open access model, that is okay with us and we think that there will be -- again, to be fair here, the way that you will see this in '08 as we open up toward the end of '08 and plans come together, I think we will see a slow ramp. But I think if you look two years, three years out that this is a big opportunity for us. It is also something though that others need to get behind whether it is for example a Google perhaps handset manufacturer or even others, I think you'll see that happen.

John Hodulik - UBS - Analyst

Any other questions? Back here.

Unidentified Audience Member

Thank you. Denny, we have seen some markets outside of the US where there has been a lot of success in offering a quad play -- bundling the wireless in with the triple play. Rogers in Canada notably, as well as some other European markets. Interested in your thoughts about offering that as a competitive alternative because we have been hearing from the cable operators that they are sort of fading away from that as being something that is meaningful.

Second, unrelated question has to do with push-to-talk and we understand that Sprint is going to be having a CDMA version of push-to-talk in the second quarter, maybe late first quarter next year. Is that a product that Verizon can replicate and if they were to come out with a push-to-talk CDMA product, about when would you expect that that would happen?

Denny Strigl - Verizon - President & COO

You want a product announcement today. Quad play, we think it is very important and when you think about it, they are, at least today in any meaningful way, there are only two providers in the United States that have the ability to do that quickly, easily and in one bundle. So we think that this will create significant market differentiation for us. We have begun to offer quad play in some of our markets. Too early to tell what the uptake will be, but we think that it is an important competitive advantage. On push-to-talk, I would just ask you to stay tuned.

John Hodulik - UBS - Analyst

Other questions from the audience? While we are waiting, I will ask just a quick question on cash flow. Verizon has been pretty aggressive in returning cash, increasingly so for the last few years. Dividend increase earlier this year. The buyback has gone up a couple of times. It seems like capital intensity is leveling out in the wireless space, maybe even coming down a little bit. What do you foresee in the future from that perspective? I realize this isn't exactly your bailiwick, but am I right with the piece parts in terms of increasing margins, maybe a little bit lower capital intensity and additional returns to shareholders over the next few years?

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Denny Strigl - Verizon - President & COO

Well, I mean directionally if you look at capital spending, I think we need to look at it as a percent of revenue and as we look at our capital spending as a percent of revenue, we continue to make some significant improvement and expect to be able to continue that trend. So I will leave that question there.

Unidentified Audience Member

(Inaudible question - microphone inaccessible).

Denny Strigl - Verizon - President & COO

How important is Corning bendable fiber to our installation costs? I don't have a size of it for you. As I talk to our technical people and our telecom people, they say it will be very helpful, particularly in the MDU environment.

John Hodulik - UBS - Analyst

Question in the back here.

Unidentified Audience Member

Is there a relationship between the open access and early LTE roll-out at all in your mind, especially uptake?

Denny Strigl - Verizon - President & COO

Sure. Again, why make the two announcements 48 hours apart. It is because we wanted to signal to the developer world in particular that we are a technology that will be worldwide. So I think for a developer to get behind a GSM open access compared to a CDMA open access, I think is a little harder decision to make with CDMA and where do you go first? Where is the volume? GSM. So our signal was that we will have a worldwide technology. I was very pleased to see -- to be able to talk about Vodafone's support at the same time.

John Hodulik - UBS - Analyst

A question here in the front.

Unidentified Audience Member

Could you comment on the future of mobile advertising and what your thoughts are on how that will be a good consumer experience? Some people are worried that there will be such pushback with advertising that it could become a disaster.

Denny Strigl - Verizon - President & COO

You are probably asking the wrong guy on this. I have concerns about mobile advertising. Is it something that the industry will do? I am certain that it is. My concern is along the lines of how Verizon has always tried to be consumer-friendly. You have heard this before. We refuse to participate in a directory for our customers because our customers said they don't want it. We did -- we were the first to go with [LMP]. We are the first to truly announce an open access environment. I could go on and on. ETF and so forth.

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My concern is what do customers really want? And I have a great concern about this issue of is the answer opt in or opt out? So my way of thinking, the answer has to be customers have to opt in for this. So how big a market does this create? I don't know. I don't know. We will just have to wait and see what happens here and what the market take on this is. I will tell you that this is one area that we will not be first to market.

John Hodulik - UBS - Analyst

A question in the back.

Unidentified Audience Member

Yes, with open access, what is the business model that prevents what you might call the Trojan horse. Somebody gets in there, Google or whomever, and basically allows customers to access services that you are separately selling and avoiding your getting paid for them?

Denny Strigl - Verizon - President & COO

I missed the very last part of the --.

Unidentified Audience Member

Having Google or somebody else who is providing their own devices and applications provide music and other services that you would normally get paid for basically to end run you by virtue of open access.

Denny Strigl - Verizon - President & COO

Oh, sure. But isn't that the model? You can come to Verizon Wireless and to the distribution channels that we have, the customer service that we have. You can buy from us what I would call a full-service package, one that we stand behind or you can -- you may be able to buy similar things from others.

Now I think the key and the way that we look at open access is that our model -- and again, I am not here to make a pricing announcement, but our model is one of usage-based pricing. So use our network as much as you would like, but of course, you pay for the usage on it.

So for those who may offer video over wireless, you might ask what is their deterioration. Well, there very likely could be some if we have a bunch of customers on the same cell site at one time of course, but it is also a usage-based model and if you want to pay to watch a movie, that is entirely up to you. At the same time, that is a success story for us. It is revenue generating and we will just have to be very careful to keep our network quality up in instances where things like full-motion video take hold.

John Hodulik - UBS - Analyst

Great. We're going to have to wrap up right there. Thank you all for coming. Denny, thanks for your time.

Denny Strigl - Verizon - President & COO

Thank you all.

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