

Our Town:

Delivering the Total Broadband Experience

Verizon sets out its vision for new consumer products enabled by FTTH

Ivan Seidenberg ■ *Verizon*

We used to spend a lot of energy in the communications business trying to figure out whether there was really a market for the faster broadband speeds that fiber would deliver. It's safe to say, the market has spoken loud and clear on that subject.

It was only in 2004 that Verizon was part of the CES experience for the first time. We laid out our vision of a fiber network that could deliver the high-tech holy grail of 100 Mbps speeds to homes and businesses. We talked about our plans to build a wireless broadband network that would transform cell phones into multimedia devices.

We showed you some innovations we had on the drawing board that would help all of these networks work together and deliver the power of convergence to customers. And we made our case that Verizon's entry in the broadband space would stimulate growth and usher in a new wave of innovation and creativity across the whole industry.

Most of all, we said that we saw something different happening in the marketplace.

As customers started to "message" and "text," to "TiVo" and "blog," passive media became interactive. As we delivered more and more bandwidth to the home and the handset, physical experiences started to morph into virtual experiences. And as connectivity be-

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came part of every consumer electronics device, customers started to share their experiences in real time ... creating their own digital communities and turning "my space" into "our space," "our house" into "our town."

We believe that Verizon has a special role to play in delivering that total broadband experience to "our towns" all over America.

I'll tell you what Verizon has done in the last two years to deliver on our vision of the future. I'll show you what we have in the marketplace today and what's in the pipeline over the next couple of years. And we'll look ahead to how the next wave of this revolution will change the way people live - and maybe even change the world.

From backbone to backyard, Verizon's networks deliver an end-to-end broadband experience to customers at work, at home or on the move.

No network company has done more over the last two years to create a mass market for broadband and wireless in this country than Verizon.

As you know, the high-tech industry has long had a vision of networks

capable of delivering 100 Mbps to the home. Two years ago we announced that we would make that vision a reality with the first large-scale deployment of fiber-to-the-premises technology.

Today, we are delivering on that vision.

Verizon is building the advanced FiOS fiber network in close to 800 communities in 16 states around the country. As of the end of 2005, our network passed 3 million homes. By the end of 2006, we intend to double that, to 6 million, or somewhere around 20 percent of current Verizon households. By 2008 or '09, we expect to cover around 18-20 million homes and businesses, which will make us one of the top five land-based broadband systems, right behind Comcast and Time Warner.

Our unique fiber architecture has the two-way capabilities and multi-megabit speeds the digital customer wants. Our FiOS Internet-over-fiber service delivers broadband speeds of up to 30 Mbps downstream, and up to 5 Mbps upstream. It's penetrating the market faster than any product we've

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ever launched. Our FiOS TV product is fully digital from day one, with tons of high-definition content.

All of that is good news for the electronics industry, because it fuels the market for faster home PCs, high-definition TVs, and everything else you see on the CES trade floor.

When you put all this together, the Verizon networks are redefining the broadband experience for millions of customers.

Our wireless, landline and global IP networks create a web of connectivity that supports customers as they move throughout their day, through all their different roles and all their different environments. And because they enable so many new products, devices and applications, we now have many more ways to touch our customers' lives than we had two years ago ... through things like:

- Dozens of wireless devices from a wide variety of manufacturers
- Wireless broadband access
- Get it Now wireless "stores"
- VCAST video and music
- DSL for every market niche
- FiOS Internet service
- FiOS TV
- Video on demand over IPTV
- Verizon Game Network
- Iobi and the Verizon One phone, which help you communicate across different devices and platforms

And many more are coming down the pike - lots of which are from all the

other players in the consumer electronics space who use our networks to reach their customers. The average American now spends nine hours every day online, on-TV, or on the phone - more time than he or she spends asleep.

We'd like now to give you a closer look at some of the ways we're expanding into these new markets and - in the process - providing our customers with a great multi-media experience.

Verizon Wireless Music Service

I bet if I asked you what three things you always pick up as you're leaving the house, most of you would say the same thing: Keys. Wallet or purse. Cell phone.

Mobility has become one of the defining requirements of the digital lifestyle ... and Verizon Wireless has been a big part of that change, first, with a nationwide voice network, then with

a nationwide broadband service, then with video.

At CES, we launched our mobile music service, VCAST Music

FIOS TV

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This is not a "me-too" cable-clone TV service. We have 400 digital channels, 22 HDTV channels, and 1800 on-demand titles. The base service is RF, but we're using IPTV today to deliver video on demand and an interactive program guide.

And we're the first in the market with an all-fiber line-up of voice, broadband and video.

It's early in the game, but so far we've learned one thing for sure: Customers love this service. We had 20 percent of the market in Keller, after just three months of operation.

Today's product is just the beginning. Verizon is changing the present - and the future - of television.

Fiber to the Home Enables

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One service that can really benefit from our network's speed and security is the fast-growing area of on-line games.

You don't have to go far at CES to know that games are a huge and growing industry. Three-quarters of all broadband users play games, either online, on their PC or cell phone, or on a console like PlayStation or X-Box.

Verizon is beginning to carve out a space for itself in this \$11 billion industry.

We have two "games on-demand" packages that give broadband users unlimited access to a library of more than 300 full-version PC games. But our real foothold in the games "value stream" lies in using the speed and security of our network to deliver a unique customer experience. And our opening salvo in this arena is the Verizon Game Network - VGN - a platform for playing the top games online.

VGN lets gamers play on dedicated, customized Verizon servers or drop in on public servers. It also lets players launch their own game servers - co-located on Verizon's network and optimized for game traffic - for their friends and communities. And it gives players access to the latest downloads and game content.

This adds up to a superior customer experience: more control, more security, faster "ping" rates. And the VGN puts all of this within the reach of anyone with a broadband connection.

You'll be seeing more from us in this arena. We're starting to take our message to the serious players who value reliable networks by sponsoring international tournaments through

iGames and the Cyberathlete Professional League. And we have a lot more plans for using our network platform to deliver value to these voracious customers.

Convergence for Customers

In fact, this platform can also transform the user experience in all kinds of areas, some of which have tremendous potential to improve the quality of life. We'll show you some examples in just a minute.

Looking ahead, we are developing the operating systems, applications and next-generation TV experience that will give customers access to all their digital content on any device, any network, any time they want - in a way that's as intuitive and transparent to the customer as the telephone or the Internet is today.

We think that Verizon is suited - maybe even uniquely suited - to do that. We have networks that serve customers at work, home and in between. We know how to move "bits" around networks and handle millions of peer-to-peer connections - securely, privately, and reliably.

We have tens of millions of direct customer connections, which means we can customize and personalize the broadband experience.

We're developing the ways to knit all of this together, with "one-click" simplicity.

The Next 18 Months

So let me summarize our road map over the next 12 to 18 months. We'll continue to roll out networks that will push toward the high-tech vision of 100 Mbps to the home and 3 Mbps to the handset.

We will expand FiOS Internet and FiOS TV.

We will invest to maintain and improve the Internet backbone and global IP network that will be part of Verizon going forward.

We'll continue to move forward in wireless broadband and multimedia

with the launch of VCAST Music.

We will innovate around the idea of convergence to make all these devices and networks work together and give content providers new ways to reach their audiences.

As content migrates from physical media to on-line distribution, we will carry more and more information, entertainment, music, television and games - indeed, anything that can be expressed as a bit or a byte - over our fast, secure, all-digital IP networks.

These networks will be the platform for thousands of new applications and devices. We'll provide some ourselves.

Many will come from the people who write the software, develop the applications, create the content, make the equipment, and fabricate the chips. But many will come from customers themselves, who will put these technologies to use in all kinds of new ways.

We believe in the power of innovation to create growth. And we are investing to get ourselves on the right side of the big ideas that will push our industry forward.

We learned the virtues of being the "first mover" in wireless voice and broadband.

With fiber, we're the "first movers" again, which means we'll be positioned to benefit from the next wave of innovation and growth in our industry. By investing in our own growth, we're also moving the whole high-tech industry forward.

Transforming "my space" into "our space," "our house" into "our town." Creating those new digital communities and delivering those great communications experiences ... that's our mission, our commitment, and our future. **BBP**

About the Author

Ivan Seidenberg is CEO of Verizon. He adapted his remarks to industry insiders at the 2006 Consumer Electronics Show.