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Thanks, Keith.\* Great to be back at the Yankee Group -- even though it does mean that another year has just flown by.

*(Keith Mallinson, EVP of The Yankee Group)*

On today's topic of convergence and substitution: I realize some of you may be anxiously anticipating my views, since one of my company's parents is Verizon...and, in light of the intense competition emerging between wireline, wireless, cable and Internet-based voice services.

Clearly there's a big change underway in the way people communicate. And the common denominator among all these ways is the customer's need to communicate more... with increased control...and greater bandwidth.

Verizon and Verizon Wireless recognize these needs -- in fact, these needs are driving our investment in advanced network technologies that include wireline and wireless broadband, and voice-over-IP.

For Verizon Wireless' part, we're investing in the national expansion of our broadband EV-D0 network, beginning now.

By the end of summer, you will see us turn on our *BroadbandAccess* service in major cities -- with one-third of our network broadband-capable by year-end. While I'm not going to ease the suspense over which markets will turn on first -- I will tell you they will include major cities and corridors.

We're making these investments because we also recognize that convergence is not an 'either-or' proposition. Communications will not be solely wireless or Internet; local or LD; email or voice mail. It will be all of the above.

Convergence will occur to some degree -- in network technologies, devices and communication modes -- driven by the need to add value or innovation for customers, and efficiencies for industry players.

That's my view on convergence. I'm sure there will be plenty of healthy debate among all of you over the next two days as to the degree and timeframe.

I leave that debate to you. No matter where it comes out, it's clear that wireless will have a central role in the evolution and revolution of traditional communications. With that as a springboard, I'd like to look at what our third decade may hold for the wireless industry.

Ten years may not seem like a long time, but let me jog your memory on how far and fast we've come in just two decades...

- In our first 10 years: customer acceptance was propelled by increasingly lighter handsets, plummeting costs and portability. Think of where we would be if wireless phones still weighed 10 pounds and cost \$3,000.

By 1994, customers totaled 16 million industry-wide -- still the early adapters and elites, but carphones were coming out of the car and into a briefcase or purse.

- Our second decade saw the mainstreaming of wireless -- driven by great leaps in connecting the geographic dots for seamless coverage, clearer call quality, mass-market pricing, miniaturization and wonderful functionality – SMS, games and pictures. We started the second decade barely able to port an incoming call to roamers. When the decade ended, we could even port your phone number from carrier to carrier.

At 21 years old, the industry is just coming of age, and yet a great American success story.

So, with one foot into our third decade, how do you think we'll define the next 10-year period when we're standing here in 2014?

Our industry is off to a great start on the technology front: delivering on the promise of next generation technology and services.

On the customer side of the equation, we're taking our licks.

In one sense, the wireless industry sometimes is its own worst enemy. Most recently, we have invited a black-eye over the issue of wireless directory assistance.

And why?

Since our beginning, this industry has not published wireless phone numbers. We did so consciously, for the sake of preserving customers' privacy and control over their bill and interruptions from unwanted calls.

I don't believe those basic reasons have changed.

And if there's any doubt, customers themselves are reiterating -- loudly and clearly -- that they don't want their wireless phone number published.

In fact, there's more reason today than ever for the wireless industry to protect customers' privacy. The floodgates are open on spam, viruses, telemarketers and other unwanted, unsolicited messages that the public experiences on their landline phones, computers and in their mailbox.

Customers view their cell phones as one place they don't face these intrusions. They have control.

I have received countless letters on this subject from customers. Typically they all say, “I find your stance to be grounded in integrity...please keep my cell phone free of telemarketers and unsolicited callers.”

“Keep” is the operative word. As an industry, we should be proud of our strong record to date to proactively preserve customers’ privacy in an intrusive world. For example:

- The wireless industry fought to make auto-dial and telemarketer solicitation calls to wireless phones illegal.
- My company and other carriers have been aggressive in deploying and updating filters protecting against spam.
- Moreover, we have been aggressive in investigating, disabling and prosecuting illegal spammers.
- And -- at least at VZW -- our do-not-call, do-not-mail, do-not-email lists and soon a do-not-SMS list exceed requirements established by the Federal Trade Commission’s do-not-call registry.

Our industry has surrounded customers’ information with a wall of privacy. Why would we want to tear down that wall – that unique advantage we provide -- that we have spent two decades fortifying?

Moreover, why are we inviting Congress – or some individual states and regulators -- to legislate what we should want to do, because it’s what our customers want?

The old business adage that the ‘customer is always right’ is not some old-fashioned way of doing business at odds with present-day business models.

It is a basic tenet rooted in sound business sense. In the end, no matter what business you’re in, pleasing customers is more profitable than not pleasing them.

We’re only kidding ourselves if we think the “opt-in” approach is a solution. Customers see opt-in as a disingenuous foot-in-the door -- leading to “opt-out” clauses and fees for not publishing a number. Nor does opt-in allow customers any degree of control over how and to whom their information is revealed—they either keep full privacy or face full exposure, with nothing in-between.

As an industry leader, I’m concerned that -- going forward -- if our industry is not seen as the defenders of privacy – we will be seen as the invaders of privacy. And as such, invite backlash from consumers and unnecessary regulation.

Our plan at Verizon Wireless is:

- First, we do not and will not publish or make available our customers’ wireless phone numbers for a paper directory or a directory database.

- Second, we will be changing our customer contracts to proactively and clearly state: “We do not provide our customers’ phone numbers for listing in directories.” That will eliminate any ambiguity between our practice today of preserving customers’ privacy and our intentions for the future.

I encourage all carriers to continue the industry’s tradition of protecting our customers’ privacy.

Let’s -- as an industry -- stop pushing something on customers that they clearly don’t want. It’s a dumb idea.

Speaking of coming down on the side of consumers...Regulators and legislators at the state and local level could take a page from the ‘Customer’s Always Right’ model.

Here’s what I mean:

Last year, Verizon Wireless made news here at the Yankee Group Summit by announcing our support for LNP. One year later, LNP is almost old hat for the industry – having just gone through the second phase uneventfully.

Now, I didn’t believe then that LNP was necessary – because I didn’t believe it was something most customers were clamoring for. And that has been borne out by the low volumes of porters industry-wide since November.

I simply believed it was time to stop spending energy fighting the courts and the FCC.

Now that it’s here, LNP is a perfect study in why the bandwagon-trend of state mandates -- that second-guess consumers -- makes less sense than ever.

LNP is the ultimate form of consumer protection.

If a consumer is unhappy they can take their phone number and their wallet and go elsewhere. If anybody needs proof of that, look no further than the losses some carriers experienced after Nov. 24.

Now that the wireless industry has had to spend all of the time, money and resources on operational changes, let’s let it work.

Granted, overall LNP didn’t turn out to have the massive numbers some predicted ... but it did change the paradigm for wireless consumers:

LNP took a super-competitive market and made it hyper-competitive.

Now that customers can change providers while keeping their phone number-- every company is under a brand new microscope.

Differentiation is magnified -- pricing, network quality, handset selection, customer service, features like PTT, camera phones, billing practices – are more key than ever in a customer’s decision process.

Now, doesn't it seem backwards for some state and local regulators to require ‘sameness’ among companies rather than letting the market do its job at encouraging differences and innovation?

To state regulators -- who will unnecessarily saddle competitive national businesses with micro-management regulations, I say:

- Differentiation – not regulation – will drive customer choice.
- All this talk about regulating and monitoring service quality assumes consumers ALL want the same thing.
- They don’t -- they want choice.

With wide differentiation among carriers, customers today do have choice:

- Some customers want high quality
- Some want lowest cost
- Some just want jazzy phones
- Some want cool new games and services
- Some want plain old voice
- Some want some combination of the above.

And I don’t buy the argument that wireless carriers are not motivated to deliver what customers want. I already have every motivation in the world to get people to sign up for - and stay with – Verizon Wireless.

Case in point: My company has a unique, strong consumer-friendly *Worry Free Guarantee* that we developed more than three years ago -- not as a regulatory strategy, but as a competitive strategy to get and keep customers.

Don't require us to ‘dumb down’ our customer service or network quality or other differentiators by requiring all carriers to be the same.

Let's see how LNP and a vibrantly competitive market work for the consumer, rather than heap on additional regulations.

And what is with this growing trend of state and local taxes...how is that in the consumer’s interest?

Does anyone else think it ironic that some of people heaping on regulations in the name of consumerism are also the ones heaping taxes on wireless consumers?

Our industry – to its great credit – has brought down prices dramatically. Cell phones went from a convenience for the elite...to a mainstream life-enhancer.

Yet, this success in making wireless affordable for the mass market is now being rewarded with discriminatory state and local taxes -- bringing the price up dramatically.

The average US wireless phone user pays 14 % of his or her bill in discriminatory state and local taxes. In some states consumers pay up to 20% --- while other consumer goods and services average only 6%.

A wireless customer in NY can actually pay E911 surcharge twice. New Jersey's governor is proposing a tax on cell towers -- to pay for police cars and security at nuclear plants.

Baltimore City is proposing a \$3.50 a month, per-line tax to address a budget shortfall.

Arbitrary...excessive...discriminatory?

Using wireless service as a convenient billing mechanism for states to generate tax dollars is clearly not in the consumer's interest.

Earlier I observed that wireless has been a great American success story – for consumers and the economy. It's a brief history, punctuated by:

- Consumer prices dropping like a rock
- Building a new industry from scratch into one of the drivers of the American economy
- Transforming already to our 3<sup>rd</sup> generation network and services.

How fast and far the story continues in our third decade, depends on:

- For the wireless industry: Let's be vigilant keepers of the privacy flame when building richer and richer wireless products.
- For Regulators, especially at state and local level: let the vibrantly strong competitive marketplace work.
- For State and local legislators: Don't saddle wireless consumers and wireless companies arbitrarily – -- by heaping on discriminatory taxes.

Whatever you conclude in these two days about convergence, one thing I'm sure of is it won't happen quickly if the regulators and legislators resist what consumers want.

Thanks for your attention and have a great conference.