

**Testimony of:**



**before the**

**House Consumer Affairs Committee**

**Wednesday, March 22, 2017**

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Good morning, Chairman Godshall, Chairman Caltagirone, and members of the House Consumer Affairs Committee. My name is Frank Buzydlowski and I am the Director of State Government Relations for Verizon in Pennsylvania. In that capacity, I deal with the General Assembly on all matters relating to Verizon – landline, wireless and Internet – representing all Verizon corporate entities. I also advocate for our companies to every agency of the Executive Branch of the Commonwealth.

I've been with Verizon and its predecessor companies, Bell of Pennsylvania and Bell Atlantic, for over 30 years, spending the last 23 years in state government affairs. And I am very proud that my career has allowed me to stay so long with an organization that has such a wide national and international reach and yet has such a rich history in our state that reaches into the very fiber of our local communities.

Please allow me to share some facts and figures about us:

- Verizon has over 8,000 employees and over 38,000 shareowners living in our commonwealth;
- Our company pays over a quarter million dollars annually to approximately 20,000 retirees living here;
- We contribute over \$320,000,000 annually on healthcare for our employees and retirees living in this commonwealth;

- We operate thousands of buildings and locations throughout Pennsylvania, including landline Central Offices and remote terminals, and wireless towers and small cell sites;
- And we contribute over \$1,400,000 annually to approximately 1,300 charitable and civic organizations in this state!

Throughout my tenure working with Chairman Godshall and you, the members and staff, the most important legislative and regulatory issues impacting my companies and our industry have come before the Consumer Affairs Committee. Since I've been your Verizon lobbyist on the hill, you have passed:

- ✓ HB 30, which updated Chapter 30 of the Public Utility Code;
- ✓ SB 1000, exempting the Internet from state government regulation, and
- ✓ SB 1345, the Wireless Broadband Collocation Act, which partially streamlined the process for deploying more cellular service throughout Pennsylvania.

This session you will likely take up HB 284, Representative Matt Baker's bill to change the way Pennsylvania One Call, a.k.a. "Call Before You Dig," is administered.

And I predict that this committee will see many other issues this session that affect Verizon, such as 5G Small Cell deployment, which I referenced earlier.

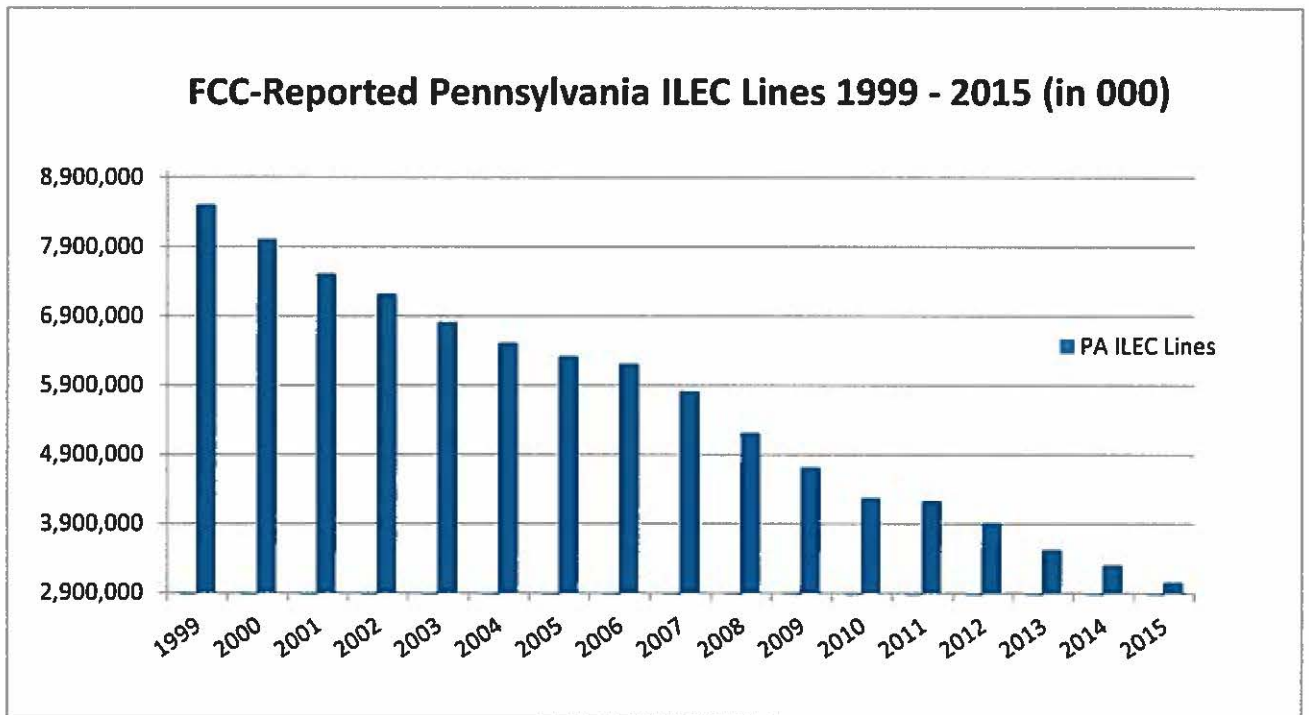
Looking in the rear view mirror, it is amazing how much things have changed in such a short period of time. When Chapter 30 was last updated with the enactment of HB 30 in 2004, there were no smartphones, no iPads, no tablets, no Facebook or Twitter. Cable telephony was in its infancy. Voice over IP (Internet Protocol) services like Skype, Vonage and Magic Jack were barely heard of. And not many people would have imagined giving up a landline altogether in favor of just using a cell phone.

Today it is difficult even to remember a time when we did not have all of those options at our fingertips. And statistics show that consumers continue to abandon traditional landlines in favor of the wide array of sophisticated services, devices and networks they now have to choose from.



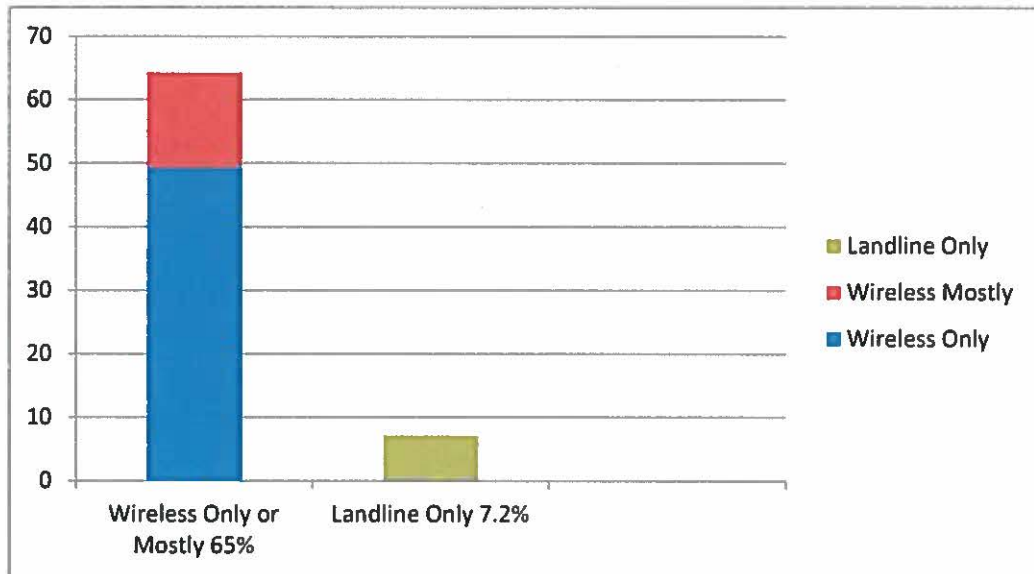
**"Modern" Telephone 1937 vs. Modern Telephone 2017**

Allow me to share with you a few statistics. In 1999, Pennsylvania's Incumbent Local Exchange Carriers (ILECs) served 8.5 million landlines and your constituents had very few other options for service. Yet by the end of 2015, the ILECs served just a little more than three million of those lines:



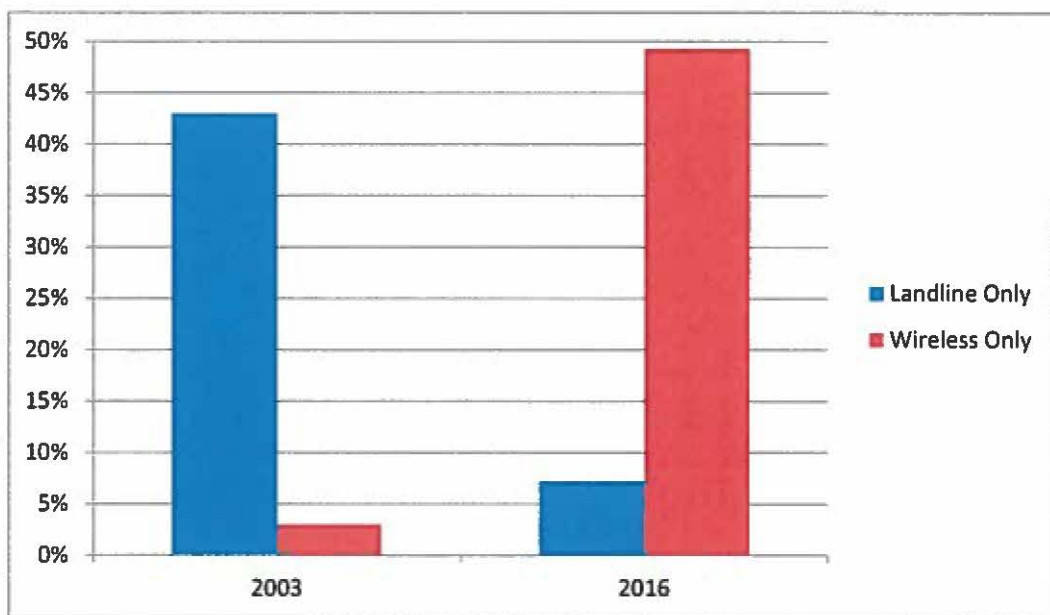
As of June 2016, 49.3% of households in the United States were wireless-only, eliminating landline voice service entirely. Another 15% of households consider a cell phone to be their primary line. That means almost two-thirds of households now rely only or primarily on mobile phones. By contrast, only 7.2% of households are landline-only, a portion that continues to shrink.

**Percentage of Households Relying on Wireless – CDC Jan/June 2016**

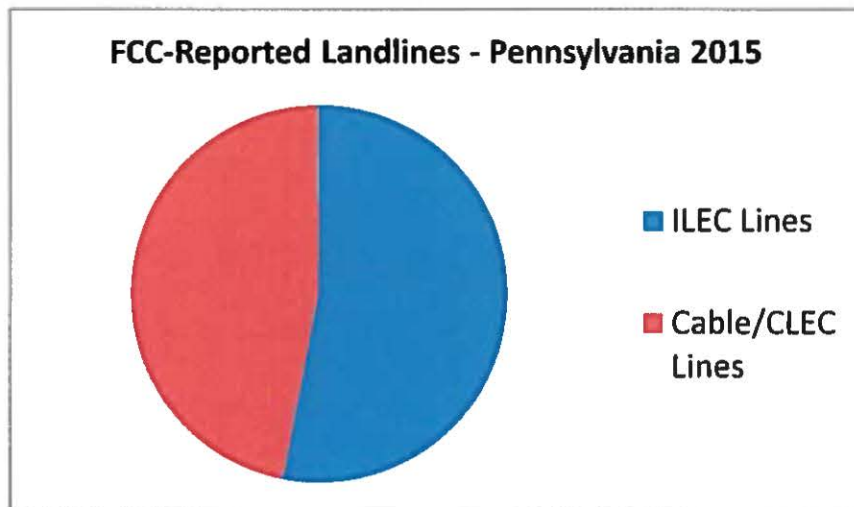


And most of this cord cutting has occurred over the last decade. In 2003, only 3% of households were wireless-only. The dramatic change in consumer preference for wireless technology is illustrated in the bar graph below:

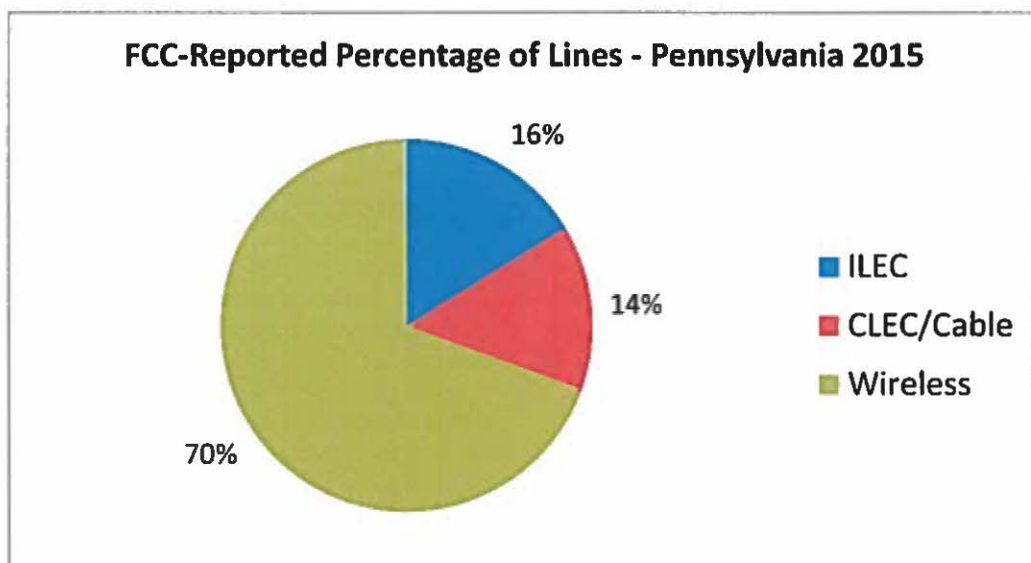
**Wireless Only Households 2003 vs. 2016 – CDC**



Even those customers who continue to use landlines have plenty of choices besides Verizon. The FCC reports that as of December 2015, in Pennsylvania, Competitive Local Exchange Providers (CLECs) and interconnected VoIP providers (mostly cable companies) served 47% of the landlines and a full 55% of the business landlines.



With wireless lines in the mix, the picture for the incumbent telephone companies, the ILECs, is even more dramatic. *All of Pennsylvania's incumbent telephone companies taken together now serve only 16% of our state's lines.*





Clearly, consumers have chosen to abandon regulated services in droves. The “monopoly era” of the landline telephone is a thing of the distant past.

Now I would like to relate all of this to Chapter 30.

We should never lose sight of the fact that Chapter 30 has always been about making Pennsylvania a technologically advanced state in which to live and work. Under that law, Verizon invested Billions of its own dollars in this Commonwealth, bringing broadband technology to all urban, suburban and rural communities and providing residents and businesses in those communities with high-speed Internet service. The modern broadband infrastructure we created supports the data-driven economy that raises productivity and creates jobs. And we did all of that without one dime of government money.

We at Verizon have been 100% compliant with the mandates in Chapter 30 since the fall of 2015, finishing our deployment several months ahead of schedule. Since that time we have made high speed Internet access available to all of our customers in Pennsylvania, including rural Pennsylvania. To meet our obligation, we deployed a modern array of services that includes HSI (DSL), FiOS, 4G LTE fixed wireless, and for a very small percentage of our customers, satellite Internet service, which we only use for that rare customer who is too far from an LTE cell tower or a copper line to carry a high speed Internet signal. Today, any Verizon customer can call 1.800.VERIZON or go online and order Internet service for his or her specific location.



To accomplish this feat, we invested over \$16 Billion of private capital and deployed over 4.5 million miles of fiber-optic cable, made our interoffice facilities 100% fiber-optic and deployed fiber to connect our Central Switching Offices to over 2,500 Remote Terminals that bring High-Speed Internet technology to your communities, including rural communities. Verizon fiber-optic lines also provide the back-haul to bring 4G LTE wireless high-speed Internet service to Pennsylvania. We deployed 190 4G LTE cell towers in rural Pennsylvania, and of course many others throughout the state. Even after meeting our obligations under Chapter 30, last year alone we invested over \$388 Million in our network.

The other key point I ask that you never lose sight of is, Chapter 30 was negotiated in a time when everybody had a landline and nobody even imagined that there would come a day when everyone didn't have a landline. So when I was asked to include in my testimony what our biggest Chapter 30 challenge is, the answer is clear: managing change – change from a time when virtually every household, urban, suburban and rural, subscribed to the landline public telephone network – to the modern world with the vast array of telecommunications choices that we have today.

I was also asked to address our compliance with Chapter 30. Our Network Modernization Plan was filed with and approved by the Public Utility Commission. And I am very proud to state that Verizon is 100% in compliance with that plan.

I'd like to conclude my remarks by stating that, in this complex new world of communications, Verizon's goal – and my personal goal – is to provide excellent service to our customers, your constituents. And let me add that you, the members of this committee, and all members of the General Assembly and your respective staff, can contact me anytime you or a constituent has a question about high speed Internet or *any* Verizon service.

On behalf of the 67,000 Verizon employees, retirees and shareholders who reside in this great Commonwealth, I thank you for this opportunity to appear before you and will be happy to answer any questions you may have.