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Electronically Delivered to Melanie Kartzmer

The Honorable Patrick Leahy
United States Senate
437 Senate Russell Office Building
Washington, DC 20510

Dear Chairman Leahy:

In response to questions from the Senate Committee on the Judiciary, Subcommittee on Antitrust, Competition Policy and Consumer Rights hearing entitled "An Examination of Competition in the Wireless Market", I respectfully submit the following answers.

Responses to Questions for the Record from Senator Klobuchar:

According to news reports, Verizon's CEO says that Verizon Communications is in talks with content providers to deliver web-based TV services to mobile platforms. What challenges does Verizon face in creating such a service? Could this service have the potential to compete with traditional MVPD service in areas where Verizon does not offer FiOS?

Response: Consumers' interest in access and watching video where, when, and how they want, is strong and growing. By some measures, about half of Internet traffic at peak times is video programming (mostly from Netflix and YouTube). Verizon currently provides access to some programming to our FiOS TV customers on a mobile basis over the Internet, where we have permission from content owners to do so. Currently, our FiOS TV customers have access to more than 30 linear channels and tens of thousands of on-demand titles using the FiOS Mobile application. Likewise, we are part of a joint venture with Coinstar to offer a subscription, on-demand video service called Redbox Instant by Verizon, which is accessible over any broadband connection.

As distributors seek to offer video services in non-traditional ways, they face certain challenges that may affect their ability to provide a video service to compete with traditional pay-TV services. In the mobile context, one such challenge is the availability of sufficient spectrum to support a robust video offering. The delivery of high-quality video programming consumes substantial amounts of network capacity, and on mobile networks this requires that a provider have sufficient spectrum to provide that capacity. While some technological steps – such as multi-casting or compression – may help facilitate video services over mobile networks, ultimately there is no substitute for spectrum if a provider seeks to offer high quality broadband and video services that will satisfy consumers.

Another challenge for potential mobile or online distributors is obtaining the needed content rights from the owners of programming. Like all video programming distributors, Verizon must negotiate and contract for the right to distribute content in various ways, including the right to distribute content outside of the home or over the Internet. The amount of programming that content owners are willing to sell for online and/or mobile distribution continues to increase, but, at this stage, getting such rights on reasonable terms can be a challenge. That said, this is a dynamic marketplace and the business models and arrangements to obtain the rights to deliver programming over mobile networks or online will continue to shift over time, and there's every reason to believe that online video services will increasingly be seen as a competitive alternative by many consumers.

Congress can play an important role in encouraging additional video competition, including over mobile networks. First, it must continue to ensure a robust supply of spectrum to enable commercial providers' ability to meet consumers' skyrocketing demands for broadband and video services. Second, it is time for Congress to update the statutory framework that applies to video services to ensure that it encourages – and doesn't stand as a barrier to – continued innovation and the availability of competitive alternatives for consumers, including from mobile and online video providers.

The Justice Department's filing to the FCC about mobile spectrum last April raised concerns about the potential risk of market leaders acquiring spectrum for the "foreclosure value" as opposed to "use value." When Verizon makes decisions about spectrum allocation has it ever taken into account the foreclosure value of spectrum?

Response: No. Verizon Wireless' priority for spectrum auctions is filling its anticipated spectrum requirements based on our customer needs. We spend a great deal of time and resources forecasting how much and where we will need additional spectrum. Any attempt to foreclose rivals would be costly, difficult, and unlikely to succeed. In the case of the 600 MHz auction, the auction design itself discourages foreclosure because higher bids produce more available spectrum, increasing costs of foreclosure. In addition, because the FCC has adopted anonymous or "blind" bidding in recent auctions, bidders can't target rivals because they don't know the identity of other bidders. Auction rules also generally include build-out

requirements, which ensure that bidders can't simply purchase and hold spectrum; they must make significant investments to deploy the spectrum. It would be extremely costly for any carrier to attempt to foreclose all others (including at least three other national carriers). In short, concerns about foreclosure are simply a distraction from the real issue of ensuring an adequate supply of additional spectrum to meet consumers' skyrocketing demands.

Responses to Questions for the Record from Senator Franken:

How has Verizon responded to T-Mobile's "uncarrier" strategy, and how has that response impacted consumers?

Response: The U.S. wireless industry has always been very competitive, and this competition is driving tremendous benefits to consumers. This is true whether looking at the reliability and speed of available services, the price paid by consumers, the investment and innovation by wireless providers, or the innovative devices, applications and services that consumers now enjoy. In the past several quarters, we have seen competitors introduce new offers, new pricing, and some aggressive advertising. Further, competitors are increasing investment in their networks, which is good overall for the industry. We remain confident in the competitive advantage provided by our network leadership, which is built on years of consistent investment in the technologies that enable the products and services that customers want.

We completed our nationwide 4G LTE coverage build halfway through last year and since then have been adding capacity and depth to our network. We are also rapidly deploying our AWS spectrum throughout the nation, starting with our most dense urban markets to handle the tremendous usage growth we are experiencing. We have also recently introduced our new More Everything pricing, which provides an enhanced value proposition for the customer through simplified data allowances and more choice, including the option of two-year contract device pricing, or Edge device pricing with service access discounts, 25 gigabytes of cloud storage per device, unlimited international messaging, and new lower entry points to encourage basic to smartphone upgrades and to address the lower end of the single line market.

We need a comprehensive strategy for fighting mobile device theft, which is a growing problem in my state. Part of that strategy is the "blacklist" of stolen phones, which the wireless industry created in cooperation with the federal government. But the black market for stolen phones extends beyond state and national boundaries. The black market is global, but the blacklist is not. What role did your company play in the creation of the blacklist, and how do you think it can be improved?

Response: Verizon Wireless and the industry are concerned about wireless phone thefts that harm both our customers and our company. We have worked diligently ourselves

and together with CTIA, policymakers and law enforcement to develop the proactive, multifaceted approach of databases, technology, fraud prevention, criminal prosecution, consumer education, and legislation to stop thefts and remove the aftermarket for stolen phones. We encourage consumers to use currently available apps and features that can remotely wipe, track and lock their devices in case they are lost or stolen. We also support Senator Schumer's legislation that would impose tough penalties on those who steal devices or illegally modify the unique device identifiers since it would help dry up the market for those who traffic in stolen devices.

Last Fall, Verizon Wireless began participating in the GSM Association's global database for stolen devices. This database keeps track of the devices reported by participating carriers as stolen using unique device identity numbers known as IMEIs. The GSMA database, in combination with equipment in our network, also enables Verizon Wireless (and other participating carriers) to prevent those devices reported as stolen from activating or receiving service on participating networks. Verizon Wireless has been doing the same for years with devices reported to us by our own customers, but the database provides additional value by casting a wider net due to the other participating carriers. Verizon Wireless worked closely with GSMA and other providers in the development of processes and procedures to allow for the efficient and secure exchange of stolen device data. While the major U.S. carriers participate in the GSMA database, so too do many other carriers around the world. Global participation continues to grow with over 90 participating carriers in more than 40 countries around the world. We agree that additional global participation can reduce the number of black market destinations where stolen wireless phones can be used. Verizon Wireless also remains active through CTIA and the GSMA to find additional ways to reduce the value of stolen devices.

Sincerely,


