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VZ - Verizon at Citi Global Internet, Media & Telecommunications Conference

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PRESENTATION

Mike Rollins - *Citigroup - Analyst*

(audio in progress) Media and Telecom Conference with Verizon's Chairman and Chief Executive Officer, Lowell McAdam. Lowell became the CEO of Verizon in the summer of 2011 and Chairman on January 1, 2012. Lowell, thank you for joining us today.

Lowell McAdam - *Verizon Communications, Inc. - Chairman & CEO*

Thanks, Mike. It is good to be here with all of you in the room and those of you on the web.

Mike Rollins - *Citigroup - Analyst*

Just to get us started, while we are hosting our IMT conference here this week there is also the Consumer Electronics Show. Maybe you could just give us a little preview of some of the things that you are looking to talk about when you do your keynote at the Consumer Electronics Show?

Lowell McAdam - *Verizon Communications, Inc. - Chairman & CEO*

We have our keynote Tuesday afternoon and we are really looking forward to that. As we were getting ready for this, Mike, I went back and looked at the keynote that Ivan Seidenberg and I did two years ago and it strikes me how dramatically the networks have changed over these last two years.

If you look at Wireless, for example, was having less than 1 megabit of throughput. Now it is 10 to 15 megabits. If you look at -- cloud technology was a vision then. Now cloud is a big deal in the market. So the power of the network has really changed dramatically, if not exponentially, over that period of time.

The message that I am bringing tomorrow is all the things that you can do with those networks. We are coining the phrase because we are going to be rolling out a new brand campaign called Powerful Answers. These networks today can really bring powerful answers to the customers' needs, the business needs and societies' need so that is what we are going to be talking about.

Mike Rollins - *Citigroup - Analyst*

During the fourth quarter it was a very busy quarter. You talked about the prospects for some better sales volumes on the Wireless side. You also were dealing with the impacts from the Superstorm Sandy. Can you give us an update just in terms of some of the things that investors should be thinking about relating to the fourth quarter?



Lowell McAdam - *Verizon Communications, Inc. - Chairman & CEO*

Yes, it was a very busy second half of the year for us. I think all of the analysts will reflect on our third-quarter numbers and saw that we had some very strong momentum. And that momentum was really built up over decisions we made from the last several years from back in 2008 when we bought the 700 megahertz spectrum that we declared for LTE.

We have been building out these networks over the last several years. We are actually ahead of the schedule that we had laid out for ourselves. We had gone to all the device manufacturers to make sure we had LTE devices that would be available in the 2012 timeframe and all of that came together extremely well for us.

So I will give you a couple of numbers here, just because I think it helps you size it. We had the best fourth quarter in the history of Verizon Wireless. So we have been together since late 1999 and fourth quarter we will be announcing 2.1 million net adds. So historic highs for us.

I really like the way the team has -- the makeup of those numbers. We are a big postpaid company and 85% of the devices that we sold were smartphones and all of the latest generation of those smartphones are all LTE-based. So we have seen our percent of LTE in the base go from 16% to 23% in one quarter, so kind of massive shifts as a result of having that network in place. So I feel very good about that.

Another factoid here is that 30% of our net adds are new to Verizon, so I think that speaks to the quality of the network and it also speaks to our Share Everything pricing. That has worked out, frankly, better than we had hoped and so we are attracting a lot of customers as a result of our offers.

Now on the Wireline side, we certainly took a hit because of Sandy. For probably two months the vast majority of our people were dedicated to the repair and the cleanup. We made a big announcement in New York City that we weren't going to put any copper back in those two central offices that serve the lower part of Manhattan. So we are pulling out 130 tons of copper and we are putting back in all fiber, which I think is really going to help the economy in Manhattan and will, frankly, help our costs long term.

So even with all of that effort going on we will add over 130,000 FiOS TV subscribers in the fourth quarter, which is, frankly, better than I had expected because we have had to move so much of our force over to Sandy.

So then finally, I know investors are very interested in the impact of Sandy from a financial perspective. So fourth quarter we have got three major one-time items. So Sandy is about \$1 billion of impact to us. About a third of that roughly will be covered by the insurance, and then if you look at the \$1 billion, about, roughly speaking, half of it is going to be a capital impact and half of it is going to be an expense impact. So that is sort of the package around Sandy.

The other one-time item is we had an opportunity, because of the very low interest rates out here, to restructure some of our long-term debt. And so we will have about \$1.5 billion, roughly, of restructuring costs associated with that. Clearly the right thing to do because you got to take advantage of these rates that are out there.

Then the final one-time event that we said we would speak to is the mark-to-market on our pension. Looks like that will be around \$7 billion, plus or minus, for the pension liability. So if I do all the math right in my head, you are somewhere between \$9 billion and \$10 billion of kind of one-time items in fourth quarter.

But obviously very strong growth and we are going to continue to invest in that growth. I do view that as an investment. We have got the advantage on the other networks right now and we are going to press that advantage.



Mike Rollins - Citigroup - Analyst

I want to come back and talk about the fourth quarter in terms of wireless and just the growth that you are experiencing. But before we do that, just to take a step back, one of the things that we like to do at this conference as we are starting at the beginning of the year is to think about the next 12 months and sometimes even longer in terms of your strategic and operating priorities.

Maybe you can just give us an update in terms of where you are. What are your key focal points that investors should be aware of for this year?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

I think that is the other key message that we will put some real color around during the keynote tomorrow. Because with the power of these networks we are not focused on filling in the whitespace, if you will, like we were over the last decade when we bought Alltel and some of these other companies. We are really focused on strategic platforms that will serve us to add applications and solutions for customers that ride on that network.

So if you look at Terremark as an example that was getting into the cloud platform. If you look at Hughes that was a way for us to get into the telematics and the machine-to-machine space. So we have that platform in place.

So I think you can look at us adding those sorts of assets as we move forward and those are typically -- those aren't multiple billion dollar sort of investments.

Now I think the other thing that we are doing and I want to accelerate is we have got two innovation centers. Now one in Waltham, Massachusetts, and one in San Francisco. We use those as a hub to attract people that want to put applications on to our network.

As I look forward things like healthcare, things like education; tomorrow we are going to highlight some very interesting products that we have actually got in market now around first responders and police and fire and rescue. So I see our strategy going forward is to have the platforms in place that ride on our networks and then facilitating solutions that will meet customers' needs to drive greater usage on the network.

Mike Rollins - Citigroup - Analyst

When I think about, we will call it the last 10 to 15 years for Verizon I feel like the asset base has gone through a few cycles. First you went from a regional to a national wireless carrier. From a largely copper to now largely fiber residential mass-market business. Regional providers enterprise to national and, of course, from a voice wireless network to a national 4G mobile broadband network.

So as we think about the next five years, how do you look at the Company? Is it more about being efficient with the assets that you have, or is there another substantial transformation that you can take Verizon through?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

I think about the -- and I talk about this with the management team, I think about this business as sort of a diamond. You can take and hone that and add little facets to it and it makes it much more brilliant and much more interesting and hopefully worth a lot more money in the process. And I think that is partially what this platform and applications process is.

I would also tell you that the VES, what we call Verizon Enterprise Solutions, is a real diamond in the rough for us. We are retooling that organization as we speak. We have got a global backbone that is really second to none. We have got 200 data centers around the world that we can do cloud sorts of services on and take the content and deliver it anywhere in the world.



So I think we will never get distracted from the fundamentals of being a US company and pushing the envelope there. But I think we can add dimensions, we can add facets to this business that are global in nature.

Mike Rollins - Citigroup - Analyst

So that leads right into my next question. Are there merits to operating a global telecom and a wireless company across multiple continents? Or is that more of a decision for the investors and portfolio managers that are in the room?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Well, I don't think it is an obvious, easy thing to go be a global wireless provider, to use that as an example. There are many cultures, there are many regulatory environments. I am not, I would say, naive enough to think that you could just take the model of the US and transplant that into Egypt or Germany or the UK or India, pick any country you want in the world.

So are there advantages? There probably are, but there has to be a cultural fit and there has to be an economic fit to make that story be logical. And at least right now for me I don't see the logic of that.

Mike Rollins - Citigroup - Analyst

Following up on that there is a report from StreetAccount that I received today and I will quote it here. It says Wall Street Journal, citing an interview with the CEO earlier today, says the CEO stated he has been interested in acquiring Vodafone for a long time. In addition, he believes Verizon has the ability to pull off the transaction.

Can you talk about the subject of Vodafone and what are your thoughts?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

What is the ad on TV that if it is on the Internet it must be true? Where did you hear that? I heard it on the Internet.

I think what they are referring to is an interview that I did with the Journal this morning but it was very specifically Verizon Wireless buying Vodafone's interest in Verizon Wireless. It was not buying Vodafone. So I think there has been a little bit of a shortcut taken in there, either their reading or their writing of that article.

Mike Rollins - Citigroup - Analyst

And just to close out the subject, how does Verizon think about the ownership with Vodafone and what your interests are? You just mentioned and referenced your thoughts. So if you could give us a little more color on that that would be great.

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Sure. This is not anything new. Since 1999, and Ivan has been quoted on this topic for years and years, we have always been ready to buy out Vodafone's 45% interest in Verizon Wireless. So I don't feel any great urgency to do anything preemptive here.

But as Vodafone continues to evaluate their ecosystem and their needs and we evaluate ours it may come up. But as I said, we are very focused on expanding the business right now.



The dividend question always comes up. We will be good stewards of cash. That means it will probably be lumpy at times and if we find something we want to go buy we will go buy it, and if there is a buildup of cash we will distribute it. But that is not predictable and I think that is what continues to make it a topic of discussion.

Mike Rollins - Citigroup - Analyst

Stepping back to some of the comments that you made on the wireless business and the success that you had, not only during the fourth quarter but for all of 2012, and, frankly, for the last couple of years Verizon's revenue growth has meaningfully outperformed the industry both in total and in wireless. So what are the key drivers that is allowing you to create that out performance and how sustainable is that going forward?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Well, I think the number one thing -- you don't want to get away from the fundamental -- is we have the most reliable network and we will continue to provide that. I think the second aspect of that is you have to be on the leading edge and that is where the investments in LTE have come in for us.

If you roll back the clock, as Dick Lynch and Ivan announced LTE in 2008 at this conference, people said you are crazy. The technology isn't available, there won't be devices, blah, blah, blah. And there was and we made that work. I think the next chapter for us is to have these applications available that I have talked about.

If you get the chance to go by the Verizon booth, you will see tens of applications that I look at and I go, wow, I didn't know the network could do that. Now because of the throughputs and the speeds and the latency we can do things that we had only talked about for the last 10 years.

So the key is for us to be on the leading edge. I'm constantly reinforcing to the management team you need to be thinking about what you are going to be selling two, three, and five years from now, and I think that has been our hallmark over the last decade.

Mike Rollins - Citigroup - Analyst

Investors have been concerned about the growing intensity of competition or perceived growing intensity of competition in wireless with some carriers offering unlimited broadband versus the consumption-based pricing that you have implemented with the shared plans. Can you talk about how Verizon looks to respond to the competition and where you can continue to differentiate?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Well, there is a lot of aspects to that question. I would first say that this industry has been incredibly competitive for decades here. You have got seven or eight competitors in the marketplace you are going to have people making these sorts of moves.

And so price competition; you have seen resellers come in and out, you have seen carriers like Metro and Leap come in and be very aggressive on the pricing side. That is not our sweet spot. You don't see us down there. We are more on the premium end or the high postpaid end of this.

Now there is obviously a couple big investments going on here and I think those are good indicators of why we should feel good about this industry. SoftBank could go to any country in the world and make an investment. They came to the US so they must see that the US is still a pretty strong and robust market, so that is good.

I personally think that, let's say the four or whatever it turns out to be, strong carriers is far better than two strong carriers and a bunch of weak carriers that are having a hard time meeting their capital demands. So I think ultimately that will provide some stability.



I also believe that they will bring some innovation. So think about -- people like to talk about disruption now. Well, to me it seems pretty obvious when Apple launched the iPhone in the beginning it was pretty disruptive and Google launching Android was pretty disruptive. So disruption, to me, is synonymous for innovation.

So if they bring some new ideas to the marketplace and the public likes them, then that is great. We will all respond and we will make the investment. I think this is all good news. It is something I don't take lightly, but it is not anything that I am afraid of either.

Mike Rollins - Citigroup - Analyst

One of the things that comes up in talking with investors about LTE is trying to think about over the next couple years -- I think people know that LTE is faster, but what is the experience that your customers should expect? What kind of speed, what kind of service levels?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Well, I think the big thing customers are going to notice are the applications. Tomorrow on stage, and I don't want to give it all away, but Roger Goodell is going to join me and I'm really happy to have the commissioner there. This is the busiest time of the year with all the playoffs going on and he has come because he has seen the advantages of the kind of bandwidth that you can put together with video to provide his customer, the fan of the NFL, a better experience.

We are going to have Paul Mascarenas onstage from Ford Motor Company. He is going to talk about the car of the future and you could not, up until now, when you had LTE have that kind of network performance. Not only the broadband speed but the latency to make that sort of experience important.

Just looking at things like mobile commerce, we will be able to tell with LTE your location within a store so that a retailer can tell you five feet ahead of you on the left is, and here is a coupon for it, is something that you have bought in the past. So I think will customers say gosh I have got LTE and I am getting 12.5 megabits of throughput? Probably not.

But they will say, oh my gosh, I was able to watch a certain view within an NFL stadium on my phone while I was driving down the road and I was able to watch the replay and choose my angle. That is what is going to get people excited much more than the pure technology.

Mike Rollins - Citigroup - Analyst

The question that comes off of the ability to watch video in a quality way on a wireless device then gets to what is the ability for LTE to displace the DSL or the low end high speed Internet offerings and your ability to have a true replacement product with LTE? How pervasive could that be?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Well, the low end stuff I think will always fall away, but I say this to our management team, I think as we leapfrog wireless sort of nibbles away at the lower end of the wireline side. But if you take a look at FiOS this year we went from -- well, two years ago we were at about 50 megabits of throughput into the home. We are at 100 broadly now and we have just introduced 300.

So if you looked at that progression, will wireless do 300 megabits? Probably not in my career. At some point it surely will, but not in my career, and so I think this sort of leapfrogging is what we should expect going forward.



Mike Rollins - Citigroup - Analyst

The other question that comes up in terms of wireless is we are in the latter innings of the initial smartphone adoption for customers. I think the industry now is over 60% smartphone penetrated, sales rates are anywhere between 80%, 85%. So maybe a year, a year-and-a-half left of that to get to some sort of maturation point.

Are you seeing positive evidence today that your customers are willing to spend more money in total with Verizon to consume more mobile broadband, whether it is on their smartphone, whether it is on the tablet? And how should investors think about that level of elasticity, data consumption versus getting paid?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

There is no question in my mind that customers are embracing this. If you look at our Share Everything plan where you can connect up to 10 devices, we are seeing significantly more devices connected than we had expected. I think that is a big contributor to this 30% of our net adds are new to Verizon. I think this is attracting them.

So unlimited is the defensive posture now that people make a lot of issues of. But to me, I am an engineer, you can't overcome physics. As these networks grow and as you get more and more video on it you will not be able to support unlimited video in the wireless environment. So these sorts of large pooled minutes with multiple devices associated with it is clearly the way consumers are going to want to go and the networks will have to go.

I look forward to seeing when customers have a healthcare device they want to connect or an energy management device or they want to connect their car to their bundle they will just have the one price plan. And I think they will be willing to spend that money because the utility of the offering is going to be so strong.

Mike Rollins - Citigroup - Analyst

When it comes to bundling your company has had a lot of success with triple plays, a lot of success with family plans. But quadruple plays, what some people characterize as a grand slam home run, that has been very difficult.

Why has it been difficult? And then what does this cable relationship allow you to do to try to build? Is it more bundling? Is it a way of trying to build just more ties to the wireless business? If you can walk us through those ideas.

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

I think that is a lesson for all of us that technology isn't what sells it is applications that sell. And so the quad play hasn't been a big -- other than a price discount, what have we really had to offer to pull customers in to purchasing that.

But if you look now -- and I think video is part of that. We still have some content rights to work through. I think you are going to have Jeff Bewkes up here sometime this afternoon. Jeff has been one of the visionaries in that area. But more and more we are seeing the content providers saying that we will allow you if you download to your DVR or whatever.

Today you can take it anywhere in your house. I think we are very close to being able to take it anywhere with you. With our -- again, with the higher speed mobile networks, we can do the authentication to show that you are the person that lives in the house that has that content right and you will be able to take that content with you anywhere. I think once that dam breaks you will see all of the information that you have available, both on your PC, on your DVR, streaming either the Internet or through broadcast or cable TV available on these multiple devices.

And I still, Mike, say what I have said about overall penetration. I think the quad play is sort of limiting. If you start looking at your tablets, your smartphone, your TV, your PC, your car, and other devices that are going to be made available, we will be up at sextuple or whatever it is plays at some point in the future. So when people worry about are we at the penetration are we at a penetration ceiling in the industry I think that is pretty shortsighted.

Mike Rollins - Citigroup - Analyst

Shifting over to the Wireline side, one of the strategies you have just talked about recently is the idea of more actively going into FiOS markets that still have copper in neighborhoods and migrating that copper to fiber. Can you talk about what kind of experience and opportunity that is for the Company?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

It is a great experience for customers too. So where we have focused first, just to prove in the concepts and get the process right, is where we have high maintenance areas and we have FiOS and copper going down the street. We are going in and moving customers over. We are now expanding that to target broader areas. So even though an individual customer may not have a maintenance problem if that area has a maintenance problem we will cut them over.

When we had the impact of Sandy our mantra was you will not fix copper. So if copper got into any kind of a damaged situation and FiOS was in the vicinity, or we could run FiOS down an adjacent street and get into there, we would cut the copper out of service.

We did about 200,000 roughly customer migrations last year. I think it was a little bit more because of Sandy. We don't have all that documented at this point because there is obviously still a lot of rebuilding going on in New Jersey and parts of New York, but we will kick that up substantially in 2013.

Now what is the reason we want to do that? Well, when a customer goes, even to FiOS digital voice, they very quickly see the difference on copper and we have seen the ability to sell up. Then on the maintenance side a huge difference for us. We can lower our cost structure dramatically by getting more onto the FiOS platform and get off the old copper. So we are going to push that very, very aggressively.

Mike Rollins - Citigroup - Analyst

Given the balance sheet flexibility that Verizon has, is this something where if you have success with the migrations in 2013 and the effort that this could become a larger program for the Company over time as a way, or one way, of moving Wireline margins in an upward direction over time?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Yes, I think that is a -- we have a very large Lean Six Sigma project within the Company right now where we are attacking all of our processes. I think that will help raise the margins on the Wireline side pretty dramatically. But this is clearly one of those aspects and we expect that we will accelerate this over the next couple of years.

Mike Rollins - Citigroup - Analyst

And just speaking of wireline margins, you announced the labor contract and got that done in the fourth quarter. You put out some documentation around the potential for cost savings over time, but also the ability to improve workforce efficiency. When can investors see those benefits come through the Wireline margins? And is there a way to think about the total opportunity for Wireline margins on a three- to five-year view?



Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

So in fourth quarter you probably won't see much impact of this because we had a signing bonus and we had some puts and takes, so it is roughly a push in fourth quarter. But as you move into next year we think that we will be in the \$250 million to \$500 million kind of advantage for the Wireline part of the business.

Now I have to compliment the union leadership on this. This was a major change for them. We had to convince them and show them a lot of data that said, look, it is not sustainable the path that we are on. We really needed to make not only the healthcare benefit changes that you mentioned, which still leaves our people in the 80th-ish percentile or something on medical so it is not a particular hardship.

But to me the bigger item was the flexibility in the work rules. So we are now going to now be able to do national call sharing and we were only able to do that within a very small geography in the past. And so that allows us to be much more efficient and to take better care of customers. So customers didn't accuse us of being the best service provider and I think now we have got the flexibility to go out and do what we need to do to take care of customers that will help our margins as well.

Mike Rollins - Citigroup - Analyst

You have talked about the reengineering opportunity of the Verizon Enterprise Services, or VES. Can you give us a little more background on where the opportunities are for reengineering within the enterprise and the benefits that you can extract over time?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Well, I will put a very clear example on the table. So in Verizon Wireless when we consolidated companies one of the things we went and did right away was get into the backroom and consolidate the backroom infrastructure. We weren't as aggressive as we bought MCI and some of the other assets that now make up our Verizon Enterprise Solution.

Last year we got very aggressive on that. The person that was the CIO of Verizon Wireless I made him the CIO of the whole company. Just in the VES we retired 170 different systems last year. So you can see if you can start taking and streamlining your infrastructure in that way you can start taking costs out of the business.

Now that is just one part of it. We talk a lot about cleaning out the basement. We have decommissioned about 2,000 different products at this point and we have probably got at least that number to go. So we need to continue that transition on both infrastructure and product offerings as we modernize and get more into the strategic services like cloud.

That is what I mean by reengineering. My view is we are about two years into a four-year process, so we are expecting to see a nice improvement in 2013 and then a significant shift by the time we get to 2014.

Mike Rollins - Citigroup - Analyst

Think we are going to have some mics roaming around the room if anyone has questions. We will get to that in a moment.

One other question that comes up often is given the free cash flow at Verizon Wireless, the balance sheet that Verizon has, how do you look at the trade-off of accelerating investment into the business versus returning capital to shareholders? And is there an opportunity to do more for investors over a 12- or a 24-month period?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Well, I think we do that. You wouldn't be surprised to hear me say that. I think every investment that we make is all about making this business worth more money and ultimately returning, through dividends, to our investors a stronger business.

We are very rigorous on what we buy and what we buy I think will make the Company much stronger. Now that doesn't mean that we don't consider buybacks as well. And I think Fran has said that the latter part of 2013, maybe into 2014, if there isn't something out there that we think will make our portfolio a lot stronger there will be the opportunity to do some buybacks of shares.

So that is clearly on our radar. It is also on our radar to continue to increase the dividend here as it makes sense on a quarter-by-quarter basis. So I think shareholders should be pretty pleased with our balanced approach.

Mike Rollins - Citigroup - Analyst

Have some time for questions from the audience. There are mics roaming around if you want to raise your hand if you have one.

While the mics are going around another question that comes up often is how important is it to Verizon to have a more robust ecosystem of operating systems for mobile devices? So clearly you have Android and Apple iOS. There are others -- Blackberry, Microsoft.

Can you talk about the importance of that and where you see some of these developing, including some of the press reports that have tied you together with Nokia on a collaborative effort?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Well, I think it is very similar to the story of the carriers that we talked about earlier that having three or four robust systems like that are good. If you go in and you meet with the folks at Apple, they are a bunch of geniuses that are coming up with some things that are really just exciting that you didn't think a phone could do. Same thing on the Android camp and so I am hopeful that a third one will bring even more innovation or a fourth one.

So you mentioned the obvious choices. We worked closely with RIM on their Blackberry 10 and they will be bringing that out. I think they are going to show it here at CES this week. Microsoft is off to a reasonably good start, I think, with Windows 8. People are giving a lot of very positive feedback for those that have used that.

So I think whether it is Nokia or it is another operating system that we haven't seen yet, it is all about innovation and when you get a little bit more variety you get a little bit more innovation. And I think that is a good thing for the industry.

QUESTIONS AND ANSWERS

Unidentified Audience Member

(inaudible - microphone inaccessible)

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

So the question, for those of you that couldn't hear it, was about I mentioned the Ford car. How much does that really require the manufacturer to go with one carrier versus multiple carriers?



I think the beauty of LTE is that we have got a global standard in place and we are very happy with that. We don't feel the need to require an exclusive arrangement with any OEM. Our view is whenever there has been a level playing field we have competed and done very well. And so LTE feeds that.

I think the more we have those standards the better for the industry overall. If customers have a choice we are confident they will choose Verizon, so we are good.

Mike Rollins - Citigroup - Analyst

Coming back to the enterprise business, to go back to early last year there was some enthusiasm around the recovery prospects for enterprise. Across the sector that sales cycle did seem to lengthen in the back half of the year.

Can you talk about maybe what started to lengthen that cycle and what is your confidence in the ability and timing for that to get back on the track you were originally hoping for from the enterprise segment?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

To me it is two major factors at least for us for Verizon. It is what is going on in Europe and what is going on in Washington. I try to be an operator of a telecom company and don't get into economics or politics, but I don't think very many people in the business community are enthusiastic about what is going on in Washington right now and that has really held people back.

The same thing in Europe. If you look at the recovery there and you have got different views of whether the UK is going to be in the EU or whether Greece is going to default, until a lot of that gets resolved I think it is going to be a slow process here for a while. So we are planning on 2013 being relatively flat and I am afraid it will be relatively flat in the US as well unless we get this long-term debt dealt with.

Mike Rollins - Citigroup - Analyst

And thinking about Wireline -- oh, is there a question? I'm sorry, over here.

Unidentified Audience Member

Traditionally in telco land a metric that has often been used is ARPU, but with the proliferation of devices maybe that metric is shifting towards average revenue per device. Could you offer some perspective on what patterns you have seen across, let's say, mobile versus tablet versus what you might envision on some of these other devices -- autos, health units, smart meters at large? Thank you.

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

I don't see ARPU being around as a meaningful metric much into the future and I'm not sure it is average revenue per device. It might be, but I am not sure it is really relevant, whether it is \$0.25 for a thermostat per month or what. So we're looking at average revenue per account and seeing the number of devices on average per account and then those revenue trends on a per account basis.

We have been very pleased with the response to the Share Everything. And we have seen as we have announced through third quarter, at the end of the month we will announce through fourth quarter, what the accretion has been as a result of customers putting all those devices onto one account.

And by the way, we track net promoter score and the overall satisfaction of customers now that are on these Share Everything plans has gone up. So it looks like it is a big hit from the customer's perspective as well as ours.



Mike Rollins - Citigroup - Analyst

Maybe just to wrap up, we were talking about bits and pieces of the Wireline business. You mentioned before the growth in FiOS as well. What is your conviction in the ability for the Wireline business in aggregate to get back to revenue growth, which is something that we know Verizon has been aspiring for for some time?

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Yes, I am absolutely convinced that we can and committed that we will. And I think the management team is as well. If you look at what we call the consumer mass business side, through third quarter you saw revenue go up substantially.

We have had a couple of one-offs here with Sandy and the labor issues that we have had, but I think we have got the framework in place to see that drive forward. Then as I discussed, VES is the same way, the Enterprise Services group. So I am committed and I do believe we will see margins expand on the Wireline side over the next year.

Mike Rollins - Citigroup - Analyst

We have time for one last question. In the back, please?

Unidentified Audience Member

There was a report just a few days ago about Barclays building their own cloud infrastructure and I just wondered whether you wanted to comment on that insourcing, outsourcing issue in terms of VES.

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

I'm not sure I got all that, but it was a question whether Barclays is building their own cloud. Well, I think each business has its own strategy.

A couple of years ago I had large enterprises say there is no way in the world we would ever put our infrastructure into your cloud. That has changed dramatically over the last two years where we have enterprises coming to us, wanting us to put their basic core services into our cloud because of the security that we can provide them. So I think there will be a wide spectrum. Some will, some won't, but there is a great business here and we plan on pursuing it.

Mike Rollins - Citigroup - Analyst

With that, Lowell, thank you for joining us today.

Lowell McAdam - Verizon Communications, Inc. - Chairman & CEO

Mike, it has been a pleasure.



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