

Company Opening Statement – June 22, 2011

WE BEGIN THESE NEGOTIATIONS AGAINST A BACKDROP OF UNPRECEDENTED CHALLENGES FOR OUR TELECOM BUSINESS. MEETING THOSE CHALLENGES REQUIRES US TO COME TOGETHER AND AGREE UPON MEANINGFUL CHANGE – NOT INCREMENTAL CHANGE – BUT MEANINGFUL CHANGE THAT WILL CREATE THE OPPORTUNITY FOR THE TELECOM BUSINESS TO THRIVE AND BE SUCCESSFUL. REAL CHANGE IS HARD SO THESE NEGOTIATIONS WILL NOT BE EASY. BUT WE WILL BE DOING BOTH OUR EMPLOYEES AND OUR COMPANY A DISSERVICE IF WE DON'T MAKE THE TOUGH DECISIONS NOW THAT WILL CREATE THE STRUCTURE AND ENVIRONMENT THAT WILL PROVIDE THE TELECOM BUSINESS WITH THE OPPORTUNITY TO THRIVE. WE HAVE COME TOGETHER NOT TO SIMPLY BARGAIN A CONTRACT BUT, RATHER, WE MUST BE HERE AS BOTH AGENTS AND SHAPERS OF REAL CHANGE. TOGETHER, AS ARCHITECTS OF A SHARED FUTURE, BUILT UPON A PROUD PAST, WE MUST STRIVE TO ACHIEVE AGREEMENTS THAT MOVE US FORWARD WHILE BALANCING THE INTERESTS OF ALL VERIZON STAKEHOLDERS: EMPLOYEES, CUSTOMERS, SHAREHOLDERS AND UNIONS.

LOOKING OUTWARD FROM THIS TABLE WE SEE MANY STARK REALITIES IN THE WORLD AND COMMUNITIES AROUND US THAT HAVE SIGNIFICANT IMPLICATIONS FOR THE CONTINUED GROWTH OF OUR BUSINESS AND WHICH WILL MAKE OUR SHARED BARGAINING TASK EXTREMELY CHALLENGING.

ECONOMIC CONDITIONS HAVE CHANGED DRAMATICALLY SINCE OUR LAST ROUND OF BARGAINING IN 2008. WHAT WAS VIEWED PRIOR TO 2008 AS A LEVEL OF HEALTHY ECONOMIC EXPANSION HAS TURNED INTO A DIFFICULT, TENTATIVE CLIMB OUT OF THE DEEPEST RECESSION SINCE THE DEPRESSION. OPTIMISM HAS GIVEN WAY TO PESSIMISM; UNEMPLOYMENT REMAINS PAINFULLY HIGH; EVEN THE LONG-TERM PROSPECTS FOR THE AMERICAN ECONOMY AS A WHOLE HAVE BECOME CLOUDED. CAUTION AND FISCAL CONSERVATISM HAS REPLACED THE CONFIDENT PROSPECTS OF OUR FUTURE WHICH PREVAILED NOT TOO LONG AGO.

DURING THIS DEEP RECESSION, ROUGHLY 8.5 MILLION JOBS WERE LOST IN THE UNITED STATES. THE UNEMPLOYMENT RATE REMAINS OVER 9% WHILE IF YOU INCLUDE THOSE WHO ARE UNDEREMPLOYED BECAUSE THEY ARE FORCED TO WORK PART TIME AND THOSE WHO ARE SO DISCOURAGED THAT THEY HAVE STOPPED LOOKING FOR A JOB THE RATE EXCEEDS 16% NATIONALLY. MAKING MATTERS WORSE, MANY OF THOSE JOB CUTS ARE CONSIDERED PERMANENT. EVEN WHEN THE RECOVERY TAKES HOLD, THE JOB LOSSES WILL REMAIN, MAKING THE EFFECTS FROM THE CURRENT RECESSION MORE LONG LASTING. TO THE EXTENT THAT THE ECONOMY IS RECOVERING IT IS OBVIOUSLY AT A SNAILS PACE. THE GROWTH RATE IN THE FIRST QUARTER OF 2011 WAS ONLY 1.8%. IT IS HARD TO SEE HOW THE ECONOMY CAN REALLY BEGIN TO GROW WITH THE HOUSING MARKET STILL SUFFERING FROM DECLINING PRICES AND

LOW SALES. COMPLICATING EFFORTS TO DIG OUR WAY OUT OF THIS HOLE IS THE MASSIVE U.S. DEBT AND STATE/LOCAL GOVERNMENT BUDGET DEFICITS WHICH ARE LEADING TO MORE LAYOFFS AT THE STATE AND LOCAL LEVEL. THE BOTTOM LINE IS THAT WE ARE FACING SIGNIFICANT HEADWINDS IN THE ECONOMY WHICH MAY VERY WELL CONTINUE TO BE A PROBLEM FOR YEARS.

GIVEN ALL THIS IT IS NO SURPRISE THAT BUSINESS AND RESIDENTIAL CUSTOMERS TODAY CONTINUE TO BE CAUTIOUS; SOME ARE SCARED TO SPEND MONEY OR TO EXPAND THEIR BUSINESSES. AT A MINIMUM THEY WANT TO FEEL THEY ARE GETTING THE BEST COST, VALUE, QUALITY AND SERVICE FOR THEIR MONEY. IN THIS TIME OF COST AND SERVICE CONSCIOUSNESS, VERIZON'S EAST REGION'S HIGH COST STRUCTURE AND WORK RULES WHICH IMPACT THE CUSTOMER EXPERIENCE IS A COMPETITIVE DISADVANTAGE WHICH WE CAN NO LONGER SUSTAIN.

AS WE CONTINUE TO LOOK OUTWARD, EQUALLY CONCERNING IS COMPETITION AND ITS IMPACT ON OUR BUSINESS. THE WIRELINE COMPANIES ENCOUNTER STIFF AND GROWING COMPETITION FOR MARKET SHARE IN EVERY LINE OF BUSINESS. TEN, EVEN FIVE, YEARS AGO WHAT USE TO BE MOSTLY OURS IS NOW FAIR GAME FOR OTHERS. WE FACE INTENSE COMPETITION IN TELECOM. IN 2000 WE HAD 63M ACCESS LINES, BY 2010 WE HAD 26M; OF THOSE ACCESS LINES WE HAD

36M RETAIL CONSUMER LINES IN 2000, BUT BY 2010 WE HAD ABOUT 13.6M.

CITING THE OBVIOUS, CUSTOMER DEMOGRAPHICS HAVE CHANGED. THIRTY PERCENT OF US HOUSEHOLDS HAVE DISCONNECTED THEIR LANDLINES, WHILE HALF OF U.S. RESIDENTS AGES 25-29 LIVE IN HOUSEHOLDS WITH NO LANDLINES. VOICE SUBSTITUTION CONTINUES WITH BROADBAND ALTERNATIVES SUCH AS SKYPE.

WE KNOW OUR COMPETITORS ARE HERE TO STAY AND THE LEVEL OF COMPETITION IN THE FUTURE WILL ONLY INCREASE. WHAT'S MORE OUR COMPETITORS ARE FORMIDABLE; THEY HAVE FEW REGULATORY CONSTRAINTS FOR THE MOST PART, IN MANY CASES THEY OFFER LOWER PRICES BECAUSE THEY ARE NOT REQUIRED TO SERVE ALL CUSTOMERS AND THEIR COST STRUCTURES ARE SIGNIFICANTLY LOWER THAN OURS.

WITH THAT SAID, LET'S NOT FORGET THAT VERIZON HAS COMPETITIVE ADVANTAGES AS WELL. WE HAVE BEEN IN THE COMMUNICATIONS BUSINESS LONGER THAN ANYONE ELSE AND THROUGH OUR EMPLOYEES WE HAVE BUILT AN OUTSTANDING REPUTATION FOR VALUE AND SERVICE. WE ARE WELL CAPITALIZED HAVING INVESTED NEARLY \$90B IN TELECOM OVER THE LAST 10 YEARS. WE HAVE ESTABLISHED A BRAND IDENTITY IN FIOS THAT IS UNSURPASSED IN THE MARKETPLACE. STARTING WITH ONLY ABOUT 500K BROADBAND LINES IN 2000, WE NOW HAVE IN EXCESS OF 8.4M LINES AT THE END OF LAST YEAR; WITH ZERO FIOS TV CUSTOMERS IN 2000 WE NOW

HAVE OVER 3.5M CUSTOMERS. WE ALSO HAVE THE VERIZON CREDO WHICH WE IMPLEMENTED THIS YEAR TO HELP GUIDE OUR DECISION MAKING AND INTERACTIONS WITH ONE ANOTHER AND WITH OUR CUSTOMERS. WE OFTEN SAY THIS BUT WE HAVE TO MEAN IT AND THAT IS "TOGETHER, WE CAN BEAT THE COMPETITION AND THEREBY ENSURE SOME MEASURE OF EMPLOYMENT SECURITY AND A BRIGHTER FUTURE FOR OUR EMPLOYEES, FOR THOSE WHO INVEST IN OUR BUSINESS AND FOR OUR CUSTOMERS WHO DEPEND UPON US TO DELIVER THEM PRODUCTS AND SERVICES WHEN THEY WANT THEM, AT A FAIR PRICE, AND ON TERMS THAT MEET AND EXCEED THEIR EXPECTATIONS."

LET'S NOW FOCUS INWARD FOR A FEW MOMENTS. VERIZON IS A GOOD PLACE TO WORK. OURS IS A CARING COMPANY AS EVIDENCED BY THE MANY ENDEAVORS WE UNDERTAKE WITHIN AND OUTSIDE OF OUR COMMUNITIES. AREAS INVOLVING, EDUCATION, DOMESTIC VIOLENCE PREVENTION, SUSTAINABILITY, ONLINE SAFETY, EMPLOYEE VOLUNTEERS AND VERIZON'S CONTRIBUTIONS TO WORTHY CAUSES. BY ANY MEASURE, OUR PAY, BENEFITS, WORK/LIFE INITIATIVES, AND CAREER OPPORTUNITIES ARE COMPARABLE TO, OR BETTER THAN, VIRTUALLY ALL LARGE CORPORATIONS IN THIS COUNTRY.

GIVEN THE DRAMATIC SHIFTS IN THE TELECOM BUSINESS WE NEED TO MAKE TOUGH DECISIONS AND TOUGH CHOICES NOW --- ESPECIALLY IN THE AREAS OF COMPENSATION, BENEFITS AND OPERATIONAL ISSUES ---- THAT REFLECT TODAY'S BUSINESS REALITIES. FOR TELECOM TO HAVE A

STRONG FUTURE IN THE YEARS TO COME WE NEED TO MAKE MEANINGFUL CHANGES TODAY. MAKING THOSE DIFFICULT CHANGES WILL BE CHALLENGING BECAUSE IT IS HUMAN NATURE TO BE COMFORTABLE WITH THE STATUS QUO. KICKING THE CAN DOWN THE ROAD IS NOT IN ANYBODY'S BEST INTEREST, INCLUDING OUR EMPLOYEES. THERE CAN BE NO TRUE JOB SECURITY UNLESS THE TELECOM BUSINESS IS HEALTHY. EVEN SAMUEL GOMPERS, THE FIRST PRESIDENT OF THE AMERICAN FEDERATION OF LABOR, ONCE SAID "THE WORST CRIME AGAINST WORKING PEOPLE IS A COMPANY WHICH FAILS TO OPERATE AT A PROFIT." I WANT TO REITERATE THAT WE CAN NOT KICK THE CAN DOWN THE ROAD – WE HAVE THE SHARED RESPONSIBILITY TO MAKE THE TOUGH DECISIONS TODAY.

VERIZON'S GOAL IS TO PROVIDE COMPENSATION AND BENEFITS THAT ARE COMPETITIVE WITH OUTSIDE INDUSTRY AND THE RELEVANT LABOR MARKETS. AS WE BENCHMARK OURSELVES IN THE FUTURE, WE WILL NEED TO LOOK AT TWO COMPARISONS: VERIZON vs. COMPARABLE COMPANIES AGAINST WHOM WE RECRUIT FOR EMPLOYEES, AND VERIZON vs OUR COMPETITORS AGAINST WHOM WE COMPETE FOR CUSTOMERS.

WITH RESPECT TO WAGES, WE ARE STILL ABOVE OUR COMPETITORS. WE RECOGNIZE THAT WE MUST PAY WAGES THAT ARE HIGH ENOUGH TO ATTRACT AND RETAIN THE COMPETENT EMPLOYEES NEEDED TO RUN THE BUSINESS; WAGES THAT FAIRLY REFLECT THEIR CONTRIBUTION TO THE BUSINESS, BUT WE CANNOT CONTINUE TO PAY

WAGES THAT ARE SO HIGH AND UNCONDITIONAL AS TO JEOPARDIZE OUR LONG-TERM SUCCESS. MOREOVER, WE MUST STRENGTHEN A CULTURE OF PERFORMANCE AND MOVE TOWARDS LINKING PAY AND INDIVIDUAL AS WELL AS COMPANY PERFORMANCE. FOR THIS REASON, WE WILL BE PROPOSING SOME CHANGES IN THE AREA OF COMPENSATION THAT DEAL WITH SALES, CORPORATE PERFORMANCE AND INDIVIDUAL EMPLOYEE PERFORMANCE.

REGARDING BENEFITS – VERIZON REMAINS COMMITTED TO PROVIDING GOOD BENEFITS. IN PRINCIPLE WE BELIEVE THAT EVERYONE AT VERIZON SHOULD BE ON THE SAME BENEFIT PLANS, WHICH IS AN OBJECTIVE WHICH WE INTEND TO MOVE TOWARDS IN THIS NEGOTIATION. RIGHT NOW THE BENEFITS ASSOCIATES RECEIVE ARE NOT CONSISTENT WITH THE MARKETPLACE. BENEFIT COSTS ARE, ON AVERAGE, APPROXIMATELY \$50,000 PER EAST ASSOCIATE WHICH IS SIMPLY NOT COMPETITIVE. WE CONTINUE TO FACE THE CRITICAL NEED TO TAKE STEPS TO BETTER CONTROL HEALTH CARE COSTS WHICH CONTINUE TO INCREASE YEAR OVER YEAR IN THE 8% TO 9% RANGE. AS WE SHARED WITH YOU ON JUNE 3, AS COMPARED TO THE BENCHMARKS OUR EAST ASSOCIATES' UTILIZATION OF HEALTH CARE IS WAY ABOVE THE NORM. PERHAPS THIS ISN'T SURPRISING GIVEN OUR UNUSUALLY GENEROUS PLAN DESIGN. MOREOVER, IF WE STAY ON OUR CURRENT COURSE IN 2018 THE EXCISE TAX IN THE HEALTH CARE REFORM LAW WILL IMPOSE A SUBSTANTIAL ADDITIONAL COST ON THE BUSINESS. IN SHORT, OUR

CURRENT TRAJECTORY ON HEALTH CARE IS NOT SUSTAINABLE. BUT HEALTH CARE IS NOT THE ONLY BENEFIT WE PROVIDE WHICH MAKES OUR TOTAL BENEFITS PACKAGE EXTREMELY HIGH COMPARED TO OUR COMPETITORS SO WE WILL ALSO BE LOOKING AT OTHER BENEFITS.

BALANCING THE DEMANDS OF PERSONAL LIFE AND WORK LIFE IS A CHALLENGE THAT FACES EACH OF US. VERIZON HELPS EMPLOYEES MEET THAT CHALLENGE BY PROVIDING COMPETITIVE AMOUNTS OF TIME OFF AND LEAVES. WE SEEK TO WORK WITH YOU IN THIS ARENA TO FIND INNOVATIVE WAYS FOR IMPROVING UPON CURRENT PROGRAMS SUCH AS HOME GARAGING AND INTRODUCING NEW ALTERNATIVES, SUCH AS WORK AT HOME, THAT WOULD CONTINUE TO ASSIST EMPLOYEES AND THE COMPANY IN BALANCING PERSONAL AND WORK DEMANDS. REDUCING OR ELIMINATING COMMUTING TIME THROUGH HOME GARAGING AND WORK AT HOME IS AN AREA THAT CAN BE A WIN WIN BY HELPING OUR EMPLOYEES AND REDUCING COSTS. WE ALSO NEED A NEW APPROACH TO THE EVER PRESENT PROBLEM OF ABSENCE THAT DOESN'T SEEM TO RESPOND TO THE THINGS WE'VE TRIED IN THE PAST.

AS YOU KNOW, VERIZON IS PURSUING MEANINGFUL CHANGE IN MANY ASPECTS OF ITS OPERATIONS FOR ONE MAJOR REASON: IN ORDER TO SURVIVE IN AN INCREASINGLY AGGRESSIVE, HIGHLY COMPETITIVE MARKETPLACE. PLEASE KEEP IN MIND THAT OUR COMPETITORS ARE NOT CONSTRAINED BY CONTRACTUAL RESTRICTIONS DEVELOPED, FOR THE MOST PART, IN A REGULATED MONOPOLY ENVIRONMENT WHERE THERE

WAS NO MEANINGFUL COMPETITION AND COSTS COULD BE PASSED ON TO THE CONSUMER. THESE CONTRACTS ARE OUT-OF-DATE AND OUT-OF-STEP WITH THE PROVISION OF TIMELY AND EFFICIENT CUSTOMER SERVICE IN A COST COMPETITIVE, SUSTAINABLE MANNER. OUR CHANGES INCLUDE EVERYTHING FROM FOSTERING A NEW CORPORATE CULTURE, THE VERIZON CREDO, TO CHANGING OUR MOST FUNDAMENTAL BUSINESS PROCESSES THROUGH TECHNOLOGICAL INNOVATION. IN THIS AREA WE'LL BE INTRODUCING CERTAIN CALL AND WORK SHARING PROPOSALS WITH THE EXPECTATION OF SUBSTANTIALLY IMPROVING OUR CUSTOMERS' EXPERIENCE. WE RECOGNIZE THAT THESE CHANGES WILL BRING DISCOMFORT AND UNCERTAINTY FOR MANY EMPLOYEES WHILE OTHERS WILL THRIVE ON THEM. YET, WE ARE RAPIDLY BEING THRUST INTO A FUTURE THAT IS VERY DIFFERENT FROM OUR PAST. BUT IF WE GO FORWARD JOINTLY TO ADDRESS THESE CHALLENGES WE CAN MAKE A DIFFERENCE.

WE DON'T HAVE TO BE ADVERSARIES AT THIS TABLE BUT WE DO HAVE TO BE PROBLEM SOLVERS. THERE ARE MANY EMPLOYEES, BOTH MANAGEMENT AND UNION REPRESENTED, WHO ARE COUNTING ON US TO DELIVER A TIMELY CONTRACT THAT REFLECTS THE REALITIES OF TODAY AND THE CHALLENGES OF TOMORROW, NOT YESTERDAY. DURING THESE NEGOTIATIONS I URGE YOU TO MEASURE WHAT WE DO AGAINST THE TEST OF WHETHER IT WILL HELP OR HURT THE LIKELIHOOD THAT THE TELECOM BUSINESS WILL BE SUCCESSFUL 1, 3 AND 5 YEARS IN THE

FUTURE. BECAUSE AT THE END OF THE DAY -- FOR EMPLOYEES TO HAVE
GOOD JOBS IN THE FUTURE -- TO HAVE REAL JOB SECURITY -- THE
TELECOM BUSINESS MUST BE SUCCESSFUL.

WE ARE MORE THAN READY TO FACE THE MANY CHALLENGES AND
OPPORTUNITIES THAT LIE AHEAD, AND ARE ANXIOUS TO BEGIN.