CORPORATE PARTICIPANTS

Fran Shammo  
Verizon Communications - EVP and CFO

CONFERENCE CALL PARTICIPANTS

Tim Horan  
Oppenheimer & Company - Analyst

PRESENTATION

Tim Horan - Oppenheimer & Company - Analyst

Thank everybody for coming. Next up we have Verizon here for with our keynote. We wanted to keep it very informal and hopefully lots of questions here from the audience. We have Fran Shammo, who is the CFO of Verizon. We also have the IR staff here, Mike and Kevin, that you guys can pepper with questions afterwards, if you like.

We appreciate everyone coming to what is an incredibly exciting time in the communications industry, as always, probably now frankly more exciting than any other time we’ve seen I think in a long time given what we kind of call the convergence of the cloud and wireless data and wireless mobility.

I think we can start on the quarter a little bit if you like talking about the quarter, Fran. How do you think it went? Maybe as you look at your peers out there, were there any surprises in the quarter?

Fran Shammo - Verizon Communications - EVP and CFO

Yes, so good afternoon, everyone. Obviously we had a very strong quarter. If we start with Wireless, we had 941,000 adds in the quarter. We posted 452,000 of them as phone adds. I think that the momentum that we said coming out of the first quarter into the second quarter, we said that our net adds would accelerate through the year. I am still confident that coming into the third quarter we will see another acceleration and then yet another acceleration into the fourth quarter.

And as far as revenue performance goes, we are still growing at 8% plus in the Wireless segment. That’s being driven by both device attachments, so our shared price plan continues to perform extremely well. People are attaching more Internet devices and tablets.

Our reseller, which we use through our channels to promote our prepaid product along with our retail prepaid product, you saw a nice hefty increase in the reseller base using the relationships we have with some of our resellers to sell to that prepaid segment. So we saw a nice increase there.

The other thing that we saw that we don’t talk much about is we are starting to see a really nice acceleration around the machine to machine arena. That is also contributing to the profitable growth of Wireless. So Wireless as we say we continue to execute on. We continue to do very well.

As far as surprises in the segment, I don’t think I saw any surprises in the segment. I have been saying for a while that with all of the increase of devices coming to the marketplace, the pie is increasing for the carriers. Therefore all carriers should start to take more and more net adds. Now it won’t necessarily be phone. It may be other net adds but the industry is going to continue to grow here and I think that is also why you see others investing in the US market as well.

So I think that the pie grows, everybody should go up, everybody went up from first quarter to second quarter and I think you will continue to see that throughout this year. I think the wireless industry is very healthy here in the US and I continue to see the growth coming.
Tim Horan - Oppenheimer & Company - Analyst

Can you talk a little bit maybe about the volume, data volumes on your network? Have you seen an acceleration from LTE?

Fran Shammo - Verizon Communications - EVP and CFO

Obviously if you just look at the statistics of our data usage, we have now 59% of the data consumption being utilized on the LTE network and if you break that down, we have a little bit more than one-third of our accounts on the 4G network. So you think about that as one-third of our accounts are using 59% of the data in LTE.

And obviously as you shift from a 3G network to a 4G network and the speeds that you get on LTE, the consumption goes up and especially as you look at the video consumption over this LTE network, which is why the shared price plan has been so successful because when you think about the shared price plan, you are now bringing more devices to your account and you are able to share that through that account, so it really was built to allow you to increase your usage on the network.

Tim Horan - Oppenheimer & Company - Analyst

Can you support the type of volume growth that you are seeing for a couple more years with the spectrum that you have and with the equipment that you are deploying?

Fran Shammo - Verizon Communications - EVP and CFO

Obviously we've said that we are in really good spectrum holdings with the 700 megahertz that we have contiguous across the US. And of course, we've built out our LTE network covering more than now 300 million POPs, 500 cities over that 700 megahertz. Now you see us coming back, deploying the AWS, which is more for capacity purposes. And as you know, Tim, we upped our capital -- CapEx in Wireless this quarter to another $200 million to $400 million because with the success that we have had around our LTE network, with the success of the net adds and the device attachments that we've seen on accounts, we now have to prepare for that and we're always about two years ahead of where we think we need to be. So we are having to pre-position that probably sooner than we want.

But I think the good news here, though, too, is that with the spectrum holdings we have, with this utilization, we are still good for four to five years on what we have so with the timing of the auction that is coming up, I think we're in a very good seat right now from a spectrum holding perspective.

Tim Horan - Oppenheimer & Company - Analyst

Can you remind me, the 700 megahertz, is that about 25 megahertz you were building or a total of 20 megahertz and how much AWS are you going to be building out spectrum wide?

Fran Shammo - Verizon Communications - EVP and CFO

Yes, I actually don't know what the megahertz of the 700 is.

Tim Horan - Oppenheimer & Company - Analyst

It's 20.
Fran Shammo - Verizon Communications - EVP and CFO

It’s 20. But the AWS is -- some markets it’s 10 by 10, others it’s 20 by 20 so it depends on what market we are talking about because we have overlaid some AWS with strategic purchases here. And then of course with the outstanding license agreement, the sale we have with AT&T, in that agreement there are some other AWS swap coming in. So each market is a little different, but that’s how we are planning for it.

Tim Horan - Oppenheimer & Company - Analyst

Are there handsets out there to take advantage of that now?

Fran Shammo - Verizon Communications - EVP and CFO

The handsets will be coming with the AWS spectrum in it. So the next generation of handsets we will be launching in here in the third quarter and the fourth quarter, mainly more the fourth quarter, will have that frequency set in it.

Tim Horan - Oppenheimer & Company - Analyst

Will that also increase -- maybe you can talk about what speeds you are getting on LTE now and has that been changing and when you build out the AWS, do the speeds increase or should they stay pretty constant?

Fran Shammo - Verizon Communications - EVP and CFO

Yes, so from a speed perspective, what we have always marketed is that we will have a consistent speed with a fully loaded network of between 10 and 12 megabits per second. Obviously in areas where the network is not fully loaded, you are going to get bursts of 20. Sometimes we even see 30. But when you look at a fully loaded LTE network consistently, you should be delivered 10 to 12 megabits per second and that’s what we’ve built to. The spectrum does not allow for more speed. It just allows for more capacity.

When you now go into LTE Advanced, which is the next LTE generation, LTE Advanced will -- there’s two main things with LTE Advanced. One is it will allow us to more efficiently utilize the spectrum we have on the network that we have. So LTE Advanced gives all the carriers’ ability to utilize spectrum more efficiently. There’s also some that say LTE Advanced will increase speed, but it’s too premature yet to know that at this point in time.

Tim Horan - Oppenheimer & Company - Analyst

And have you seen any -- every time you get a new kind of form of technology, a new medium, you kind of get I think they used to call it a new message like you get new applications and some surprises in what people are kind of using it for. I know it is still early in LTE but are there any kind of applications out there or devices or uses that are surprising you?

Fran Shammo - Verizon Communications - EVP and CFO

No, I think that where we are focused on is really two main prongs here. One is those that as you know, we have an innovation center here in Waltham, Massachusetts that we built a year ago and we have application developers working side by side with our LTE engineers to develop these types of new applications, if you will. If you went there you would see things like the fireman’s helmet that gives you the schematics of the building that we are actually selling commercially now into fire departments.
So it’s those types of technologies and really it’s around the machine to machine. It’s been so successful that we just opened up a second innovation center out in Silicon Valley in San Francisco. So developers come in, we work side by side and we launch these types of machine-to-machine technologies.

The other big thing that LTE is going to deliver to us is of course VoLTE, Voice over LTE. With voice over LTE, you are going to get some of these new features that have not been available on 3G. So that’s really where LTE with those two technologies is going to bring more technology to the forefront.

**Tim Horan** - Oppenheimer & Company - Analyst

And you think -- what type of ARPU trends do you see or basically more revenue per contract trends over the next couple of years with this type of volume growth?

**Fran Shammo** - Verizon Communications - EVP and CFO

Well, I don’t track ARPU anymore. I track ARPA, which is revenue per account. If you look at us, where we are growing revenue per account 6% plus for the last couple of quarters and really what we are focused in on is the revenue per account increment. But we are also focused in on the number of average devices attached and as you see each quarter we are building that 4% to 5%.

So the revenue generation here is both from consumption because you have to build up in tiers and also from attachment and additional access for the attachment and then also generating more usage on that.

**Tim Horan** - Oppenheimer & Company - Analyst

Maybe just jumping back onto the applications front, are you partnering more and more with companies and developers, trying to help them kind of get more access to your -- I know you have the innovation -- you’ll have more access to your network, and willing to kind of do more revenue splits with them at this stage. Has that whole process been accelerating?

**Fran Shammo** - Verizon Communications - EVP and CFO

Yes, that is really what the innovation center is. We are working with developers. A lot of this is on a revenue split type basis, splitting the revenue that comes from those devices that they develop. And when you look at the proliferation of these devices and you think about energy and transportation and healthcare, there is all types of different segments that these devices can be used and that we are developing for.

**Tim Horan** - Oppenheimer & Company - Analyst

And how are you going to price those products out because if you are charging dollars per megabit, a lot of these devices have very, very little amounts of megabits and I’m sure some of these device now has to be priced out separately.

**Fran Shammo** - Verizon Communications - EVP and CFO

Well, it comes down to on the actual application, right? So I guess the best example I could give you is if you take our Hughes Telematics acquisition, so if you look at Hughes Telematics, if you look at just transport of a machine-to-machine, you are talking pennies on the dollar for that transport because it’s a very short burst of information back to cloud, if you will, and then the information is dissected and given back to, say, the energy company to monitor the electricity usage in your home.
If you then take the next step, though, the value is really in the data in the cloud and how you can utilize data to do the analytics behind that. If you look at Hughes Telematics and what they are doing with the contract we have with Mbrace, it’s not the transport through Verizon Wireless that really creates if you will the ARPU increment on that machine to machine. It’s all of the other analytics behind that. And if you look at that, the ARPU on that is $20 to $30 higher than what it would be on a machine-to-machine type application for just transport.

So there is a difference in machine-to-machine application and it comes down to specifically what is that that device going to do and then also what kind of analytics behind that are we going to feed back to say the vendor who wanted us to provide that information to them in the current?

Tim Horan - Oppenheimer & Company - Analyst
Are you integrating that with some of your Terremark cloud offering see have out there?

Fran Shammo - Verizon Communications - EVP and CFO
Actually Hughes Telematics is running in our cloud at Terremark today so that platform is within the Terremark cloud.

Tim Horan - Oppenheimer & Company - Analyst
Very good. And maybe just shifting gears a little bit, Sprint and T-Mobile are putting a lot more capital into their networks. They’ve been cleaning up their networks a little bit with the spectrum. Obviously you still have a phenomenal network out there. Do you think there is a distinct point in time where they kind of catch up to your network and stabilize some of the market share losses they’ve been seeing for the last couple years?

Fran Shammo - Verizon Communications - EVP and CFO
I think that with their additional investment they are going to be able to improve their networks and get stronger. And as I’ve said before, I think that is important for the overall industry. Again I think it’s beneficial to everyone because as more and more of these devices come to market, as I said, the pie gets bigger, everybody grows.

But look, we have been investing extremely heavily in our Verizon Wireless network. We now cover, as I said, over 300 million POPs with LTE. We are now going back and filling in capacity. Look, I am not going to lose my leading edge on my network brand, and that’s what we’ve built with Verizon Wireless on and that’s what we will continue to build Verizon Wireless on.

Tim Horan - Oppenheimer & Company - Analyst
So do you see any major shifts in pricing or packages as their networks get better, or do you kind of want to keep the momentum going, what you have there with the Shared Data Plan?

Fran Shammo - Verizon Communications - EVP and CFO
Look, this has always been an extremely competitive environment and I know there’s been a lot of questions about this, but if you go back to the 3G days, we competed very successfully through 3G. We will compete very successfully through 4G. We watch our competitors every day and where we need to respond, we will respond.
Tim Horan - Oppenheimer & Company - Analyst

Very good. On the CapEx side, obviously we kind of touched on it. We have been spending a lot of CapEx for a couple years. Do you think your overall level of CapEx will start to decline or decline as a percentage of revenue on wireless, or do you think it might even accelerate from here?

Fran Shammo - Verizon Communications - EVP and CFO

Yes, I think where our heads are is our CapEx to revenue ratio will continue to improve. Even with the increment that I did this year, you will see an improvement year-over-year on that CapEx to revenue ratio, and that's what we are focused in on.

As far as whole dollars go, relatively flat from [2012 to 2013] with this little increment on wireless (corrected by company). Haven't gotten to '14 yet, but I don't see much of a change going forward.

Tim Horan - Oppenheimer & Company - Analyst

Then switching maybe to handsets, can you talk about your cost per handset, how that's been trending; kind of how you expect it to trend over the next couple of years?

Fran Shammo - Verizon Communications - EVP and CFO

Well, the ecosystem here is still maturing, so we've got -- you've got two main platforms. You've got Blackberry and Microsoft who have entered the marketplace. We would like to see them get more share in this marketplace to be more competitive within the ecosystem. But look, I think the way I look at this, and I look at this about three to four years out, subsidies will eventually come down because the technology and the manufacturing efficiency of this technology is going to get more efficient, more efficient.

So it is going to naturally come down over time, especially with the increase in competition. But even without that if you look at Verizon Wireless's roadmap and we look at VoLTE and the launch of VoLTE, we're looking at bringing our first VoLTE capable handset here in the fourth quarter of this year. We will commercially launch sometime in the first half of next year and as you get to the end of 2014, we will have our first LTE-only handset. When that happens, I then take the CDMA chip out of the handset; my subsidy will decrease.

Tim Horan - Oppenheimer & Company - Analyst

But it seems like you have the natural scale advantages. Smartphones are a very new phenomenon. Most consumer electric devices, the hardware really comes down over time as you get kind of the global scale. Do you think we will start to see that this year, or is it more of a 2015, 2016 timeframe?

Fran Shammo - Verizon Communications - EVP and CFO

I think it's probably more a longer tail on that one because the phones are still coming out as a new technology as we continue to proliferate this smartphone category. But I think 2014, 2015 is probably where we will start to see that subsidy start to decrease.

Tim Horan - Oppenheimer & Company - Analyst

You announced a really interesting deal with NFL this year, where customers can watch games on their devices. Can you talk a little bit about the thinking behind that and can it be meaningful and are you working on other kind of content or applications transactions like that?
Fran Shammo - Verizon Communications - EVP and CFO

Yes, specific to the NFL, we've got the rights to be able to live stream football games on 7.5 inch devices or lower. So that would include your mobile handsets and that will be live streaming between regional local games, Monday night, Thursday night football. This is -- I think to me it's the first path of where the barrier has been brought down to be able to take content right into the mobile handset and let people enjoy that right outside of the home.

So we do think that this is a big breakdown of that wall from a content of seamlessly moving from inside the home to outside the home and not having to go back and authenticate to make sure you have some type of a subscription on a linear TV to be able to watch that program outside the home. So I think that's a big change in the industry and we view this as pretty significant for us.

The other thing though that will come is this multicast that we've been talking about and it was announced back at CES at the beginning of this year. We will multicast the Super Bowl in 2014, which will be a very efficient way to stream a program into multiple, multiple LTE handsets without overcapacity of the LTE spectrum. It is in a very efficient way to do it.

The way to look at -- think about that one is, it's a live stream of a specific event at a specific time and as many customers who want to watch that can without a detriment to the network. So that's another significant technology that is coming and we will highlight that at the 2014 Super Bowl.

Tim Horan - Oppenheimer & Company - Analyst

When will the devices be available to watch?

Fran Shammo - Verizon Communications - EVP and CFO

We are starting -- there will be a chipset that will be required for that and that's starting to come at the end of this year, into next year.

Tim Horan - Oppenheimer & Company - Analyst

One of the big issues with the NFL kind of watching a game, you can go through a gigabit pretty quickly in watching a football game. Where are you maybe in having the NFL pay for it or having -- if I want to watch a baseball game having them pay or other content providers kind of paying for it?

Fran Shammo - Verizon Communications - EVP and CFO

Yes, so on that specific one, the NFL won't pay for it. If you view to watch that, you will watch it. But through the ecosystem as we go down the ecosystem here and you think about this, there are content providers who have come to us and said we would be willing to pay for our content to your mobile end-user.

The barrier though to this has always been how do we accumulate the data to go back to the content providers to show them actually how many people watched that program so they can go back to their advertisers and monetize the content to the mobile handset? That technology is coming. So if you think about linear TV and Nielsen, Nielsen does that for linear TV.

The technology is coming to be able to avail the content providers to get that information so that they can go back to the advertisers and say okay, this program was watched by 50 million people, therefore it's worth X for advertising purposes. So that ecosystem will come. When that comes then I think you will start to see the change of who pays for what content to who.
Tim Horan - Oppenheimer & Company - Analyst

In voice we used to have kind of historically both Wireline and Wireless, we set peak usage times kind of in the morning, midmorning and midafternoon and then after 8 o’clock at night, it went down quite a bit. Do you see the same thing on data usage or is it a little bit more level?

Fran Shammo - Verizon Communications - EVP and CFO

I think we will see a lot of change here over the next two, three, four, five years depending upon how the competitive environment goes and the LTE network has the capability to do all of what you’ve just said. So it can do off-peak, peak, hours, non-hours. The network has the capability to feed into the billing system to do that. So the capability is there. Whether that is ever turned on or not, I don’t know.

And the reason is is because if you go back to the old voice days when you go into that type of environment, it’s very complex. It’s very confusing for the customer. Am I peak, am I off-peak? What am I paying for this? And that drives a lot of calls into customer care.

One thing that we saw with the shared price plan is when we took the whole voice minutes off the table and took the text messaging off the table, our call volumes have significantly decreased. And part of it is because we have been very proactive with our customers to alert them on the data where they are within their bundle. So you will get text messages when you get to 75% and 90%, whereas in voice, you are really not sure how many minutes you used, how many minutes you didn’t use. And that drove a lot of calls. That is a huge infrastructure cost for us.

So if we can keep it simple for the customers not to call us and to do self-serve, that’s a huge benefit to the bottom line.

Tim Horan - Oppenheimer & Company - Analyst

And so you text customers when they get to 90% of their usage and kind of say do you want to upgrade the buckets? Obviously you can measure this on almost a daily basis. Are you seeing -- can you talk about the trends that you are seeing there or are people less resistant to upgrade or it hasn’t changed all that much?

Fran Shammo - Verizon Communications - EVP and CFO

Look, it’s both. We have customers who when they get to 90% they manage and then we have other customers who push the okay button and buy up in the tier and stay there. So it’s both ways.

Tim Horan - Oppenheimer & Company - Analyst

Has it changed all that much?

Fran Shammo - Verizon Communications - EVP and CFO

It has not changed.

Tim Horan - Oppenheimer & Company - Analyst

Back on the question, are the networks a lot less utilized now on the weekends or later at night than they used to be or do you track it as much?

Fran Shammo - Verizon Communications - EVP and CFO

I couldn’t even answer that question. I have no idea.
Tim Horan - Oppenheimer & Company - Analyst

Maybe on the Wireless margin front, obviously everyone was surprised by your guidance this year and you are obviously coming in on track as usual. Do you think we can continue to see margin expansion over the couple of years in Wireless?

Fran Shammo - Verizon Communications - EVP and CFO

You guys are funny with this one because when I came out at the beginning of the year and said 49% to 50%, all you said to me was that can’t happen, you can’t do it.

Tim Horan - Oppenheimer & Company - Analyst

That was some of my competitors. I always have confidence, Fran.

Fran Shammo - Verizon Communications - EVP and CFO

And now we are at 49% and 50% and you’re asking me can we do more? Look, I think for this year, we are pretty solid within the 49% to 50% and we are still strong that we will end the year within that 49% to 50%.

Tim Horan - Oppenheimer & Company - Analyst

Would you kind of be willing to -- obviously growing the services revenue 8% per year is phenomenal. Are you willing to kind of maybe grow service revenues more like 4%, 5% yet see the margins continue to expand 100 basis points a year?

Fran Shammo - Verizon Communications - EVP and CFO

Look, I think this 8% growth, it would be silly for me to sit here and say oh yes, this is going to be sustainable for the long term. It’s not. But if you look at this, I think it will come down. But as I said, as the network, the LTE network is 5 times more efficient. You have heard us talk about the cost structure, wireless, and each year we take $2 billion of costs out of the structure. We had another target of $2 billion this year. They will hit that target.

So just over the last three years we’ve taken $5 billion out of our cost structure in Wireless. So the answer to your question is, Tim, if you go back in time and you look at the linear progress of Verizon Wireless, I think we’ve done a pretty good job to show over the long-term we can continue to increment our margins.

Tim Horan - Oppenheimer & Company - Analyst

Well, I mean presumably the handset subsidies still are going to come down, so you should have a natural kind of over three- or four-year period margin kind of improvement wind at your back?

Fran Shammo - Verizon Communications - EVP and CFO

If you say so.
Any questions from the audience on Wireless before we go to Wireline? Judy?

QUESTIONS AND ANSWERS

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Fran Shammo - Verizon Communications - EVP and CFO

Yes, for the folks on the webcast, this is around the replacement of copper with what we call Voice Link, which is really a Wireless solution for voice. And just to make sure everybody understands, when Sandy hit out on Fire Island, it destroyed the entire copper infrastructure that we had on Fire Island and it's a summer beach community. When we looked at it, it made absolutely no sense to rebuild the copper network. It was actually cost-prohibitive to bring fiber to that area.

So we worked with the regulators and came up with a solution of Voice Link and LTE over broadband to supplement the copper network and it has been extremely positive for us.

Now, as far as taking that elsewhere, there are some regulatory issues. We actually offer it side-by-side with copper because there are areas where we still have to offer the copper voice but we also offer Voice Link as well. Then of course, we offer Wireless on top of that. So that's just the voice side of this.

Now what we are also doing and what we have been talking about for the last year and a half is the migration of copper customers into the FiOS, where we have FiOS, and shutting the copper down. That is a program that we continue to do. We've done over -- our target with was 300,000 for this year. We are actually probably going to exceed that 300,000 target of customers moving off of copper onto FiOS. And it's been very successful for us to do that.

So Voice Link, certain circumstances make sense for us to do but really we are concentrating on migrating from copper to FiOS.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Fran Shammo - Verizon Communications - EVP and CFO

Actually it's none of that because those features will come with VoLTE regardless. What is key for us is with the way our technology was built and because we are CDMA, the Voice over LTE is not backwards-compatible with CDMA.

So the key for us and our customers is if you go to VoLTE as a voice customer for Verizon Wireless, we need to make sure that the experience you have is exactly the same experience you would have on 3G voice. Because if you leave the 4G network, you will have a hard drop of that phone call. It won't hand off to the CDMA network.

So for us what's critical is -- and obviously we said we have the coverage which is almost equivalent to our 3G network, now we are going back and filling in the capacity and a few holes here and there. That's why we are saying first half of next year, we will be comfortable that the experience
you have on Voice over LTE would be the same experience that you have on our 3G network. But the features of VoLTE, the capacity and all of that, that's already factored into what we are dealing with.

**Tim Horan** - Oppenheimer & Company - Analyst

But VoLTE will be a lot of higher quality voice quality and more features and functionality and lower cost to you also?

**Fran Shammo** - Verizon Communications - EVP and CFO

Absolutely. There are features that come with video chat and video voicemails and video address books that VoLTE brings that you can't get on the 3G network.

**Tim Horan** - Oppenheimer & Company - Analyst

So does that give you high definition voice?

**Fran Shammo** - Verizon Communications - EVP and CFO

Yes, it does.

**Tim Horan** - Oppenheimer & Company - Analyst

When do you think your peers will be rolling out VoLTE?

**Fran Shammo** - Verizon Communications - EVP and CFO

I have no idea.

**Unidentified Audience Member**

(inaudible -- microphone inaccessible)

**Fran Shammo** - Verizon Communications - EVP and CFO

The multicast, yes.

**Unidentified Audience Member**

(inaudible -- microphone inaccessible)

**Fran Shammo** - Verizon Communications - EVP and CFO

I can't tell you.
Fran Shammo - Verizon Communications - EVP and CFO

It will go on all phones that we produce in the future, yes.

Tim Horan - Oppenheimer & Company - Analyst

You think they'll be strong demand for the multicast?

Fran Shammo - Verizon Communications - EVP and CFO

We do. We think there will be a demand for multicast.

Tim Horan - Oppenheimer & Company - Analyst

Is it just going to be one channel? Can you put multiple channels on there?

Fran Shammo - Verizon Communications - EVP and CFO

That's a question. It requires to dedicate one channel in the cell site for multicast. So each channel you take away then takes away from the other LTE networks so it's a balancing act. But it could be you could dedicate two channels and have two broadcasts going at the same time, but that's something that we will have to think about.

Tim Horan - Oppenheimer & Company - Analyst

Will I pay $5 a month extra for that or will you charge the advertisers?

Fran Shammo - Verizon Communications - EVP and CFO

For you, Tim, it's probably $50 a month or more. We actually haven't decided on the monetization of that and the model behind that.

Tim Horan - Oppenheimer & Company - Analyst

He knows I have eight devices, that's why (multiple speakers).

Fran Shammo - Verizon Communications - EVP and CFO

I think it's premature to look at the marketing of that but it is a technology that I think is going to be very beneficial in the future.

Unidentified Audience Member

(inaudible -- microphone inaccessible)
Fran Shammo - Verizon Communications - EVP and CFO

For a 4G LTE, every single 4G LTE tower we have is already fiber to the cell, so that -- it's just already completed. And that's whether we own the cell or we lease the cell. We have fiber to the cells that provide 4G LTE in coverage. You need that for 4G or else it doesn't perform.

Tim Horan - Oppenheimer & Company - Analyst

I think what Kevin was talking about a little bit too there was some thinking that you might put an RFP out for just people to build out dark fiber that you would own it because I think a lot of it is leased out in different forms. Do you have that plan to do that?

Fran Shammo - Verizon Communications - EVP and CFO

Yes, we are looking at that as a possibility. We're going to RFP it and we will see where we go with that but that is a possibility. But that's more from a backhaul perspective than really fiber to the cell perspective because you need the backhaul capacity.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Fran Shammo - Verizon Communications - EVP and CFO

Yes, so applications, when I talk about applications I'm talking about specific devices like a diabetes monitor or monitoring a truck to see how fast it's going. Hughes Telematics actually just signed an agreement with State Farm where they are going to embed a chip in their users' cars to track their driving habits. And if you know the car insurance industry today, what they do is they do everything based on actuarial studies and make you pay based on actuarial studies where this would actually be based on your driving habits, you will be charged a premium specific to your driving habits. And that's something that again we will accumulate that data, analyze that, and send that off to State Farm. That is through the Hughes Telematics platform. So when I talk about applications, I'm really talking about the device level, not the software level. We are developing software level applications in our Terremark cloud for certain things but that's more around the analytics perspective.

Tim Horan - Oppenheimer & Company - Analyst

Just on the Wireline side, you have a lot of new products and investments this year and for the last -- well for quite a few years. Your margins are in many ways well below your peers. It seems like they can expand quite a bit over time. When do you think we can hit that inflection point and where can you get them to over time?

Fran Shammo - Verizon Communications - EVP and CFO

Look, I said coming into this year I think Wireline would be flat with last year and part of that is because we have invested in some of these new things like Redbox, like Verizon Digital Media Services, Hughes Telematics, they are all negative on Wireline right now and that's included in our Wireline segment. But as I look at those three going into next year, they start to turn. They will start to contribute.

And then also if you think about the labor contract negotiation we had, we are going to be in our second year of that. The benefit is much higher in the second year than it was this year and we were a little slow to start especially with when you look at the cost-sharing that we got in that contract, that benefit really won't be seen until next year.
So when I take all of these in, Lowell and I are confident that we can improve the Wireline margin. Now where it can go I'm not sure yet but it is going to be a slow trend up and that's what I see for 2014.

**Tim Horan - Oppenheimer & Company - Analyst**

Lastly on the -- I'd be remiss if I didn't ask on Vodafone. It seems like we have a window of opportunity to get a transaction done. I think most of your shareholders want you to own 100% of Vodafone. Can you maybe talk about the probability of getting something done in the next 12 months or so?

**Fran Shammo - Verizon Communications - EVP and CFO**

That was a great question, Tim. Let me answer it this way, there’s no change in the partnership between us and Vodafone.

**Tim Horan - Oppenheimer & Company - Analyst**

And would you hope for a change?

**Fran Shammo - Verizon Communications - EVP and CFO**

I think I have been pretty blunt that I would love to own 100% but right now, there’s no change.

**Tim Horan - Oppenheimer & Company - Analyst**

Great, we have time for one last one. Thank you all for coming. Thanks, Fran.

**Fran Shammo - Verizon Communications - EVP and CFO**

Thanks, everybody.