

September 17, 2009

Verizon Boss Hangs Up on Landline Phone Business

By Saul Hansell, New York Times

Roll over in your grave, Alexander Graham Bell.

That was in effect what Ivan Seidenberg, the chief executive of Verizon Communications — one of the largest descendants of the old Bell System — declared this morning.

Speaking to a Goldman Sachs investor conference, Mr. Seidenberg said Verizon was simply no longer concerned with telephones that are connected with wires.

All traditional phone companies are suffering because many customers are canceling their landlines in order to use phone service from their cable companies or simply to rely on their cellphones. Speaking earlier at the Goldman conference, Randall Stephenson, chief executive of AT&T, and Ed Mueller, head of Qwest Communications, both talked about seeing a day when their landline businesses would stop shrinking.

Mr. Seidenberg said that his “thinking has matured” and that trying to predict when the company would stop losing voice landlines “is like the dog chasing the bus.”

In other words, that snipping sound you hear around copper phone lines is just going to get louder.

This prospect, however, doesn't rattle him.

Not only does Verizon control the largest mobile phone company in the country, it has also largely moved away from copper wires. Verizon is selling off most of its operations in rural areas and is spending billions to wire most of the rest of its territory with its fiber optic network, or FiOS.

FiOS, of course, offers voice calling as well as video and Internet service, but from now on, traditional phone service will be more of an add-on than the centerpiece of Verizon's offerings to consumers (much as voice service is treated today by cable firms).

“Video is going to be the core product in the fixed-line business,” Mr. Seidenberg declared. And the focus will move from selling bundles of video and landline to video and cellphones, he added.

By converting most of its landline operation to FiOS, Mr. Seidenberg said Verizon had a new opportunity to cut costs sharply. FiOS uses the decentralized structure of the Internet rather than the traditional design of phone systems, which route all traffic through a tree of regional, then local offices.

“We don't look any different than Google,” he said. “We can begin to look at eliminating central offices, call centers and garages.”

Mr. Seidenberg said that he was just beginning to work through the implications of this and that he planned to reorganize the company in order to emphasize this strategy. He told investors it may take a

year or two for the financial impact to be apparent.

Mr. Seidenberg criticized himself for not seeing this sooner. "I could have done a better job of accelerating the idea that fiber creates productivity opportunities," he said.

But Mr. Seidenberg also talked of the psychological lift he had gotten from finally escaping from the shadow of the legendary Bell.

"Once I shed myself of the burden of chasing the inflection point in access lines and say 'I don't care about that anymore,' I am actually liberated," he said.

Copyright 2009 The New York Times Company