Why is Verizon In Bed with Time Warner & Comcast

A marketing partnership allowing Time Warner and Comcast to sell their services in some Verizon Wireless stores weakens telecom competition.

Stop by a Verizon Wireless store in California and about two dozen other states, and you may encounter a sales pitch not for Verizon's own land-line phone, Internet and TV services but for those of a competitor such as Time Warner Cable or Comcast.

You may be hard-pressed to even know that parent company Verizon Communications offers such services.

The three telecom heavyweights involved call this a mere marketing partnership and say it has no relationship to Verizon Wireless' pending $3.6-billion purchase of wireless spectrum from the cable industry.

They also say the competitiveness of the marketplace won't be affected by rival service providers cozying up to one another and that consumers won't be disadvantaged in any way.

Sure. Because any time a market is dominated by only a handful of companies, and they all climb into bed together, that can only mean consumers will benefit. How could it be otherwise?

"The question is whether this is good or bad," said Jeff Kagan, a telecom industry analyst. "All I see is bad."

He said it's hard to see things any other way if Verizon Communications is essentially placing its own TV, phone and Internet services on the back burner for the sake of marketing agreements with cable companies.

"Competition is what keeps the market healthy," Kagan said. "But these companies aren't competing anymore. Now they're partners."

The deals among the telecom behemoths reflect the fast-changing telecommunications landscape as the Internet, smartphones and tablet computers eat away at conventional business models.

People no longer require cable or satellite service — which is projected to average about $120 a month by 2015 — to watch their favorite shows or movies. Now you can get by with aniPad and a $7.99 monthly subscription to Netflix or Hulu.

Meanwhile, telephone companies such as Verizon Communications and AT&T, which invested heavily in their own TV services, are finding it harder to attract customers. Verizon added just 120,000 FiOS TV customers in the most recent quarter, a 35% decline from the year before.

The cable industry, for its part, has abandoned plans to offer its own wireless service, choosing instead to sell its spectrum to Verizon, which appears to be betting on a wireless future. The Federal Communications Commission is studying the deal amid concerns that market competition will suffer.

This month, a group of 32 House Democrats warned in a letter to the FCC that phone and cable companies were becoming too lovey-dovey. "This could lead to reduced investment in infrastructure, job loss, fewer choices and ultimately higher prices for consumers," they wrote.

So where are things now? Verizon Wireless this week expanded its partnership with Time Warner and Comcast into Maine, Nebraska, Arizona, Florida and New Mexico.

Similar wireless-phone-Internet-TV packages are already being offered by Verizon Wireless in California and in 19 other states.

Verizon Wireless is co-owned by Verizon Communications and Britain's Vodaphone Group. Verizon controls 55% of the joint venture and manages the operation.

"All of a sudden they're selling some other cable service instead of Verizon's?" asked Kagan. "That makes no sense in terms of a competitive marketplace."

He's right. But as far as Time Warner and Comcast are concerned, it's terrific being able to sell their products in Verizon Wireless stores.

"It's a great sales channel for us," said Justin Venech, a spokesman for Time Warner Cable. "We think it's a smart and efficient way to offer our customers a wireless service."

Comcast spokesman Andrew Johnson agreed. "By offering each other's services, consumers looking for a great way to stay connected at home and on the go now have a new option for video, phone, Internet and wireless services," he said.

But what about Verizon? Isn't the company relegating its own services to a secondary position and placing itself at a competitive disadvantage?

"That's not how we see it," responded Ed McFadden, a spokesman for Verizon Communications. "The broadband and video markets are highly competitive. We believe we have a superior product."

Be that as it may, Paul Macchia, a spokesman for Verizon Wireless, said Time Warner's and Comcast's TV services were being sold by Verizon Wireless only in areas where Verizon's FiOS TV service is unavailable. So there's no conflict.

But he acknowledged that Verizon's telephone and Internet services *are* available in these areas, meaning that Verizon Wireless salespeople, instead of selling bundles of Verizon wireless-phone-Internet service, are selling bundles featuring the phone and Internet services of Time Warner and Comcast.

So how is that in the best interests of Verizon and its shareholders?

"That I cannot answer," Macchia said.

Verizon, Time Warner and Comcast spokespeople all insisted that the marketing arrangement was completely unrelated to Verizon Wireless buying the cable industry's wireless spectrum, even though the timing of the two deals is identical.

There was no backroom deal to grease the spectrum sale by Verizon giving a boost to its competitors' services, they said.

I say: Federal regulators should take a closer look at this whole thing. It seems indisputable that Verizon is making the telecom market less competitive by taking its own services out of play in many areas.

Apparently, the company has its reasons for this, separate from spending billions of dollars to expand its wireless offerings and increase its lead over rival AT&T.

Maybe it just wants to make sure Time Warner and Comcast have a fair shot at reaching customers.

Maybe Verizon is just the kind of company that places others' interests first.

Or maybe not.