Verizon Starts TV Service in Texas

Launch Begins Head-to-Head Competition With Cable, Satellite Companies

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Verizon Communications Inc., the largest U.S. telephone company, will begin offering television service today in a Texas town, a step that may eventually pressure cable companies to lower prices.

Verizon's launch of commercial TV service over fiber-optic lines in Keller, Tex., begins competition between cable companies and regional telephone giants to offer customers video, voice and high-speed Internet services.

New York-based Verizon yesterday said it rounded out its television offering by adding a dozen Walt Disney Co. channels, including ESPN, ABC News Now and the Disney Channel. A company spokeswoman said it also signed up Viacom Inc.'s MTV for the service, which it hopes to offer to parts of the Washington region by early 2006.
The company is laying fiber-optic cable to homes in 15 states, including Maryland and Virginia, in hope that it can sell a bundle of services -- including Internet telephone service and pay-per-view television -- to customers to make up for the steady erosion of its traditional local telephone business.

Verizon becomes the first major phone company to jump wholeheartedly into the business of selling video over fiber-optic lines, putting it in competition with cable companies and satellite-TV providers such as EchoStar and DirecTV.

San Antonio-based SBC Communications Inc., the nation's second-largest telephone company, hopes to launch a commercial video service by early next year.

Verizon declined to comment on its pricing, but Thomas J. Tauke, a Verizon executive vice president, suggested that it was likely to undercut cable, at least initially, to persuade customers to switch.

"We are the new entrant in the marketplace. We want to offer a value proposition to the customer," Tauke said in an interview.

Published reports have said Verizon has circulated rate cards in Keller, a town of 30,000 people northwest of Dallas, with a standard package for $39.95 a month. Company officials declined to say whether this was accurate.

Verizon now has only one video franchise in the Washington area -- in Herndon -- but officials said they were close to agreements with Fairfax County and the city of Fairfax and are negotiating with the close-in Maryland suburbs.

Verizon also has filed applications for franchises in Howard County, Loudoun County and Leesburg.

John Mansell, a cable analyst with Kagan Research LLC, said the entry of telephone companies into the television business is likely, at least at the start, to push cable companies to cut prices.

"Prices will be pressured, but bear in mind the cable operator typically has a margin between 30 and 40 percent, so they can afford to lower prices and still have decent cash flow," Mansell said.

Verizon officials said they have already strung fiber-optic cable to 1 million homes around the country and expect to add 2 million more by the end of this year.
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