Grabbing The Phone

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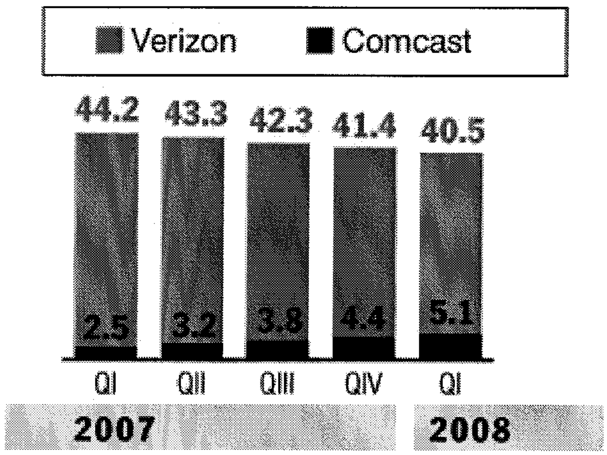
Comcast has steadily gained landline telephone subscribers as Verizon has lost them.

Comcast and Verizon landline phone subscribers by quarter, in millions.



SOURCES: Comcast Corp.; Verizon Communications Inc.

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The Philadelphia Inquirer WWW.PHILLY.COM

Dow Jones Industrials ...42.36 Down 0.33, 0.00% | Nasdaq Composite 2,385.74 Down 20.35, 0.85% | Standard & Poor's 500 1,318.00 Up 0.07, 0.01% | 10-Year Treasury Note 4.16 yield Up 0.03 | $1 = 0.6443 Euro ($ Up 0.0043) 107.81 Yen ($ Up 0.63)

Philadelphia Inquirer 6/24/08

Verizon cannot use inside info to retain customers.

Comcast wins complaint

By Bob Fernandez
INQUIRER STAFF WRITER

Verizon Communications Inc. has been fighting cable companies' encroachment into the phone business, and yesterday one of its prime counterattacks was deemed illegal.

A federal regulatory agency said Verizon's marketing department could not use inside information from Comcast Corp. and other cable companies to target customers who just switched to cable's cheaper Internet phone service.

Verizon contends it is simply trying to level the playing field with cable companies by using retention-marketing programs. By a 4-1 vote, the Federal Communications Commission said it had to stop the programs immediately. Verizon said it might appeal the ruling.

The lone FCC dissenter was Chairman Kevin Martin, who said in a statement: "Customer-retention marketing is a form of aggressive competition that has the potential to benefit consumers through lower prices and expanded service offerings. Moreover, the cable compa-

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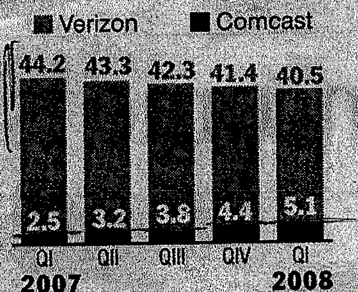

SOURCES: Comcast Corp.; Verizon Communications Inc.

MIKE PLACENTRA / Inquirer Staff Artist

"The FCC majority deserves the gratitude of all consumers for standing up for fair play and against anticompetitive tactics."

Catherine Avgiris
Comcast Voice executive

"This disappointing outcome takes a step back from the march toward full competition."

Tom Tauke
Verizon executive vice president of public affairs

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...es engage in such practices ... keep their video customers from switching to other providers."

It was a surprising win at what has been an unfriendly FCC for Comcast. Catherine Avgiris, the company's senior vice president and general manager of voice services, said in a statement: "The FCC has said to Verizon, 'no more games.' "

She said the FCC majority "deserves the gratitude of all consumers for standing up for fair play and against anti-competitive tactics."

Comcast's number of phone customers has grown tenfold since early 2006, making the Philadelphia company now the fourth-largest landline phone provider in the nation. It has 5.1 million dial-up customers and expects to advance to No. 3 this year.

Comcast, Time Warner Cable Inc. and Bright House Networks L.L.C. said in a complaint filed in February ... the FCC that Verizon — which lost 3.7 million landline phone customers in the last 18 months — had improperly used the information on "porting" phone numbers for retention marketing.

When a cable company like Comcast sent a phone number to Verizon saying that the customer had switched to cable, Verizon would bombard the customer with special deals to retain them before the switch actually took place, according to the complaint.

Among the deals mailed overnight to Verizon customers were $10 monthly discounts on bills, and $50 or $100 American Express gift cards, according to regulatory filings.

Verizon said it believed it should be allowed to communicate the best deals to customers before the switch and that retention marketing programs did not delay a phone switch if a customer wanted to make it. The regulations do not prevent Verizon from marketing after a switch.

Verizon argues that federal rules governing how the companies handle customers who opt to switch give the cable companies an unfair advantage.

When the phone company sells its pay-TV service, Verizon said, a cable customer has to call Comcast and cancel. During that phone call, Comcast can make a special promotional deal that could lead to a customer changing his mind.

On the other hand, a Verizon phone customer does not have to call Verizon when he or she wants to cancel. When Comcast signs a new customer, the cable company — not the customer — informs the former phone company.

"FCC commissioners regularly champion consumer choice, transparency of information, and competition on a level playing field," Tom Tauke, the phone company's executive vice president of public affairs, policy and communications, said yesterday.

"But this decision creates less of each. This disappointing outcome takes a step back from the march toward full competition. It enables cable companies to lock in TV customers by forbidding Verizon from providing information about better voice services or prices. It is bad policy that will harm consumers."

Verizon is building out its multibillion-dollar FiOS TV and high-speed fiber network to compete more directly with cable companies.

At the same time, cable companies are adding phone service to lock customers into popular "triple play" bundles of pay-TV, high-speed Internet, and phone services.

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