

Verizon defends new cable deals as media companies complain

April 21 2015, by Tali Arbel And Joseph Pisani

Verizon is defending its new, cheaper cable packages that let customers choose groups of channels as media companies protest.

Francis Shammo, Verizon's [chief financial officer](#), said in a conference call Tuesday that the new packages are allowed "under our existing contracts."

The plans were rolled out Sunday. They start at \$55 a month for a basic tier of 35 channels that include broadcast networks and news as well as Food Network, HGTV and AMC. You also get two themed [channel](#) packs, such as sports or lifestyle channels.

ESPN, owned by The Walt Disney Co., objects to the new, more customizable option, saying ESPN and ESPN2 can't be in a separate sports package according to its contract with Verizon. Fox Sports, owned by 21st Century Fox, says Verizon's new packages also violate agreements and it will continue to talk with the company, according to an emailed statement. NBCUniversal, which is owned by [cable](#) company Comcast, also says the new FiOS deals violate agreements.

Media companies charge distributors such as Comcast's cable arm, DirecTV and FiOS for the rights to carry their channels. Those fees are typically based on how many subscribers the channels have. By making a channel optional, Verizon can keep costs down and charge only the subscribers that want it.

"Most people only, on average, watch 17 channels," said Shammo. "So this is a way to give consumers what they want."

ESPN is by far the most expensive basic cable network for distributors, according to estimates from data provider SNL Kagan, while Fox Sports 1 and ESPN2 are also in the top 10.

Verizon Communications Inc. is the country's largest wireless carrier as well as an Internet and TV provider. It said on Tuesday that it added 565,000 Verizon Wireless subscribers in the quarter, up 4.8 percent from the same quarter a year ago.

It added 133,000 FiOS Internet customers, up 36 percent from a year ago and 90,000 FiOS cable customers, up 58 percent from a year ago.

The New York company's first-quarter net income came to \$4.22 billion, or \$1.02 per share. The average estimate by analysts polled by Zacks Investment Research was for earnings of 95 cents per share.

Revenue rose 4 percent to \$31.98 billion in the period. Analysts expected \$32.28 billion.

Verizon shares fell 13 cents to \$49.25 afternoon trading Tuesday. Its shares are up more than 2 percent over the past year.

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