

Statement of

# The Honorable Herb Kohl

United States Senator  
United States Senate  
March 21, 2012

Today we meet to consider the series of transactions between Verizon Wireless and four of the nation's largest cable TV companies announced last December. These deals - coming on the heels of the now abandoned proposed merger between AT&T and T-Mobile - are the latest transactions that seek to reshape the wireless phone, internet access, and cable TV markets.

Under these deals, Verizon Wireless, the nation's largest cell phone company, would acquire large chunks of spectrum from Comcast, Time Warner Cable, Cox, and Bright House. At the same time, these companies have all signed agreements in which Verizon Wireless and the cable companies agree to cross-market each others' services and form a joint technology venture.

The parties to these transactions argue that these deals are highly beneficial both to their companies and to consumers. It will give Verizon Wireless additional spectrum necessary to meet the exploding demand for Internet applications used by consumers with smartphones. And it will permit the four cable companies - which collectively account for over 70% of the nation's cable TV subscribers - to offer a "quad play" bundle to their customers - video, internet, landline phone, and, now, wireless service as well.

Yet these transactions have come under serious criticism from consumer advocates and competitors. The basic premise of the landmark Telecommunications Act of 1996 was that cable companies and phone companies would enter each other's markets and compete. And this vision was well on the way to being realized - with cable companies offering landline phone service, phone companies like Verizon offering cable TV through its FiOS service, and both offering consumers an on ramp to the Internet so crucial in today's economy. In addition, recent years have seen a tremendous expansion of cell phone service and wireless devices as a way both to make phone calls and access the Internet.

Many now wonder if these agreements that we are examining today will roll back these advances in competition and even amount to a truce between one of the two largest phone companies and over 70% of the cable TV industry. Under these agreements, cable company representatives will be present in Verizon Wireless stores. And cable representatives will be selling products and services that directly compete with Verizon's, including FiOS. After these deals, will Verizon continue to develop and aggressively market FiOS? Furthermore, rather than attempt to develop competing wireless service with the spectrum the cable companies bought in 2006, the cable companies are selling that spectrum to Verizon Wireless and will be offering Verizon Wireless services to their customers.

In addition, Verizon Wireless will be acquiring what is likely the last swath of crucial spectrum

available for years to come, keeping this vital input for wireless service out of the hands of its competitors. After this deal, Verizon Wireless and AT&T will have together two thirds of the nation's cell phone customers and the lion's share of the most valuable spectrum. Given the exploding consumer demand for smartphones and the spectrum they require, will the other cell phone carriers truly be able to compete? Having won the battle for competition by blocking last year's AT&T/T-Mobile merger, are we now in danger of losing the war?

So we enter today's hearing with more questions than answers, while cognizant of the very high stakes for competition and consumers in these transactions. We know that both Verizon and Comcast, as well as the other cable companies, believe that they are acting in the best interest of their own businesses and shareholders. Yet, we need to ensure that consumers' best interests will be served in the long run. We urge the regulators to ensure that nothing in these deals reverse the historic gains in competition between phone and cable companies ushered in by the Telecom Act of 1996. The fundamental question we must answer is whether these deals will bring beneficial new choices to consumers, or amount to previously fierce rivals standing down from competition. We look forward to the testimony of our panel of witnesses to shed light on these important issues.

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