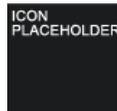


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By MARTIN PEERS

Are the odds of a Verizon bid for DirecTV shortening?

Maybe. Last week Verizon Communications CEO Ivan Seidenberg talked extensively about his desire to make video the "core product" for its fixed line business -- not telephony. The fastest way to do that is to buy an existing TV distributor -- and DirecTV is probably the best bet.



Bloomberg News

Verizon has spent heavily in recent years building out its FiOS video and Internet service. It has had a degree of success, signing up 2.5 million TV customers by June 30 from 200,000 at the end of 2006. Even so, it still ranks only eighth behind cable and satellite operators. Size matters, particularly when it comes to negotiating programming supply prices. Comcast has 23.9 million subscribers.

On Verizon's current trajectory -- 600,000 net additions in the first half of 2009 -- it would likely still only be the fifth biggest in three years. But maintaining that growth rate will get harder once the FIOS rollout starts to wind down next year.

Buying DirecTV would instantly catapult Verizon to the No. 2 spot behind Comcast. It would help with Mr. Seidenberg's plan, mentioned last week, to bundle video with wireless phone service. Unlike regional FiOS, DirecTV offers national marketing synergies with Verizon Wireless. And it would help cut costs.

Buying Dish Network would offer many of these advantages, too. But DirecTV is bigger and better performing. Negotiating a sale also likely would be easier, particularly once its ownership is streamlined by a pending restructuring with its biggest shareholder, Liberty Media. Perhaps the biggest question is whether Verizon can beat AT&T, previously seen as more likely to go after DirecTV first, to the punch.

Write to Martin Peers at martin.peers@wsj.com

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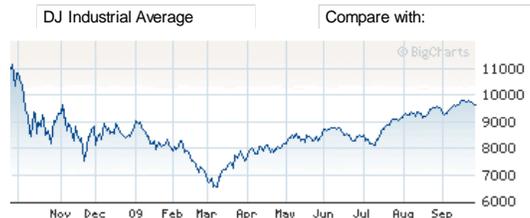
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