

In June 2014 a few months after Comcast announced its now ill fated \$45 billion takeover of Time Warner Cable -- AT&T announced and then subsequently filed paperwork with the Federal Communications Commission to start the regulatory process AT&T would need to get through for it to be able to buy satellite TV operator DirecTV.

According to news reports the details of the process for the potential AT&T DirecTV deal are the same as they now were for the Comcast Time Warner Cable merger. Telecom companies have to prove their merger deals are in the public interest and the FCC is the agency responsible for agreeing or disagreeing with their arguments.

In AT&T's public interest filing it made last June with the FCC it made a few key arguments for why bringing this satellite pay TV operator under their roof is in the public interest:

**To keep DirecTV competitive against cable companies.** DirecTV is a satellite-based TV-only service. They don't offer their own broadband, instead partnering with other companies — mostly AT&T — to allow customers to order double- and triple-play packages. "Despite their efforts," the statement says, "AT&T and DIRECTV have been unable to make significant inroads against the integrated bundle offerings of entrenched cable companies." DirecTV needs the boost to remain an option for consumers.

**To make AT&T bigger (and therefore more competitive against cable companies).** AT&T specifically calls out Comcast, arguing that Uverse is a "relatively limited video footprint" that is far smaller than the competition. In order to compete against Comcast and Time Warner Cable, therefore, they need the boost of bringing wider-reaching TV distribution in-house. Doing so, the claim runs, will allow them a better bargaining position for content acquisition, to offer more programming at lower rates (to them, not to consumers).

**To create more bundle packages for consumers.** We consumers do like to put our internet and TV in the same package, it is true. 97% of AT&T customers do, at least, and over 75% of cable subscribers do too, the statements says. But AT&T says the merger will not only bring DirecTV satellite television and AT&T wired broadband together, but also wireless service. Ordering your home internet and your family's mobile plan as a bundle? That would be new.

**To increase and improve broadband connections.** AT&T basically says that buying DirecTV will provide them with the means and the motivation to make broadband infrastructure improvements, including bringing high-speed internet access to 13 million

under- or unserved rural customers, and creating another 2 million residential fiber connections. The document also specifically calls out how cord-cutting consumers benefit, citing increased access to “Netflix, Amazon, Google, and Hulu” with increased broadband penetration.

There is one big theme underlying all of the arguments that AT&T puts forward in the document, and it is “significant competition” from “the cable incumbent.”

“Cable has long been the dominant provider of broadband and video services in the United States,” they write, “and if the Comcast/Time Warner Cable/Charter transactions are completed, that dominance will swell even further.”

That argument translates as: Comcast is huge, and after it buys Time Warner Cable, it will be gargantuan. In order to compete against a company that big, we need to be gargantuan, too — and in ways we can’t grow in-house.

At the time proponents against the Comcast Time Warner Cable merger pointed out this may be a good reason for why the Comcast TWC merger should not happen; stating it was more of a reason to block the Comcast Time Warner Cable transaction than to allow AT&T to buy DirecTV and they were right. It is fortunate regulators nixed the Comcast TWC deal. Now do so for AT&T DirecTV also or put sufficient regulatory conditions on the deal to protect consumers and competition like Netflix and Cogent have suggested.