

# What AT&T-DirecTV May Mean for 26 Million U.S. Customers

**AT&T (T)** Inc.'s takeover of DirecTV would bring a quarter of the pay-television households in the U.S. under the control of a single company, leaving about 26 million subscribers with the same question: What's it mean for me?

While it may be more than a year before the \$48.5 billion deal closes, it's already clear the impact of the union of the country's largest telephone service provider and largest satellite-TV provider would be big. The consolidation would be sweeping: DirecTV is in every state and AT&T sells U-Verse, its bundled broadband and television product, in parts of 21 states.

Here are six ways consumers would be affected by the deal:

## **PRICES SEEN RISING**

AT&T promised the new company wouldn't raise rates for at least three years, and after that, all bets would be off. With programming costs rising and the deal reducing the number of

competitors in dozens of markets, there's a slim chance the promise would hold beyond the window.

After all, cable bills have been swelling for years. In 2012, the average monthly cost grew 5.1 percent, more than triple the 1.6 percent rise in the **Consumer Price Index**, according to a Federal Communications Commission **report** citing the most recent numbers available.

## **WIDER BROADBAND ACCESS**

Responding to policy makers who want to bridge the divide between Internet haves and have-nots, AT&T pledged to use some of the deal's anticipated cost savings to roll out more high-speed broadband connections. AT&T Chief Executive Officer **Randall Stephenson** said that "merger synergies" would make it possible to wire 15 million additional households, mostly in rural areas. While expanding beyond the suburbs into the countryside will cost more money, AT&T could make up for that by getting customers to buy bigger service packages with wireless, TV and home-security systems.

## **NO 'NET TOLL ROADS-FOR NOW**

To appease regulators, AT&T offered to abide for three years by net neutrality, the principle that holds that **Internet providers** should treat all traffic equally. That means the new company wouldn't block or slow your access to videos from YouTube videos or shows on Netflix, pay-TV rivals that are delivered over the Web. Stephenson called the pledge consumer-friendly and "very much in public interest."

In the longer-run, though, the AT&T-DirecTV amalgam might choose to give preferential treatment. Stephenson has said the market should guide how network operators prioritize the delivery of videos and other data based on how many shows people are streaming and the network's capacity to handle the load. While Netflix has been a supporter of net neutrality, it's also agreed to pay Verizon Communications Inc. and **Comcast Corp. (CMCSA)** for faster service.

## **BETTER PROGRAMMING**

The combined company would have more bargaining power for negotiating with content providers, such as sports leagues or TV studios for original shows. That could mean viewers get a broader range of shows that would compete with Netflix.

## **NOTHING A LA CARTE**

A combined AT&T and DirecTV would have little incentive to let people buy just the channels they want. The media companies that sell them programming will only do so in packages that bundle popular channels with less popular ones in order to reach more viewers and sell more advertising. This is one of the cornerstones of the traditional TV business. Channels will probably still be packaged together in some way when they're eventually sold directly over the Internet.

## ULTRA-HD MORE LIKELY

AT&T's deep pockets could advance **DirecTV (DTV)**'s lead in developing video resolutions that are four times more crisp and detailed than the picture on today's flat-screen TVs. AT&T and DirecTV would be trying to offer a top-notch video broadcast at a time when consumers are increasingly upgrading to fancier TVs. Stephenson said the deal is "a really clear and elegant path to ultra-HD," given that satellite is a more efficient way to delivery video of that quality.

Some people think they already know how it's going to play out: An online survey conducted May 19 by Pittsburgh-based pollster CivicScience Inc. found 54 percent of respondents believe the deal is bad news for consumers, and only 15 percent see it as a positive.