Free Press Action Fund's Matt Wood Tells Congress to Stand Up to AT&T

When AT&T announced its plan to buy DirectTV, our (Free Press's) research director, S. Derek Turner, called it "the dumbest, most wasteful deal ever (at least since Comcast-Time Warner Cable)."

This isn't hyperbole. The merger means AT&T is shelling out an enormous amount of money to take over a company that has little value. So what's the attraction here?

Well, AT&T wants DirecTV for the same reason Comcast wants Time Warner Cable: Both would rather kill off their competitors than invest in their networks and better serve their customers.

Free Press Action Fund Policy Director Matt Wood explored that theme in a Senate hearing on the AT&T-DirecTV deal on Tuesday afternoon.

"Between cash, stock and debt, AT&T would spend nearly $70 billion to acquire DirecTV," he said. "This is wasteful capital allocation, plain and simple. AT&T could spend that money to triple the size of its current fiber footprint, signing up more video subscribers than DirecTV has today."

Wood also noted the empty promises AT&T trots out every time it wants to sell a merger. "Each time it goes shopping," he said, "AT&T

comes before you hoping you’re ready to believe anything, and that you have a very short memory.”

Matt Wood’s full testimony follows below:

Good afternoon Chairman Klobuchar, Ranking Member Lee, and esteemed members of the Subcommittee.

Thank you for having me back to talk about this merger, and what it means for video and broadband competition and consumers.

Free Press works for open, universal and affordable Internet access. To do that, we also keep a watchful eye on media and telecom consolidation. We’ve had quite an eyeful lately.

There is no good reason for any of these mega mergers, including this combination of DirecTV, the nation’s second-largest video provider, with AT&T.

It’s just more concentration, less competition and the same old promises used to sell these bad deals to the public. Each time it goes shopping, AT&T comes before you hoping you’re ready to believe anything, and that you have a very short memory.

How else to explain AT&T’s counterintuitive claim that eliminating competitors somehow leads to more competition?

How else to explain so-called merger-specific benefits that actually have nothing to do with the merger, and provide no real benefits?

AT&T’s made the same promises for deals stretching back over the past decade. It’s better at making promises than keeping them.

This deal would give us what the Department of Justice calls highly concentrated markets everywhere AT&T offers pay-TV. Going from four choices down to three where AT&T offers video today is not a net win, no matter how AT&T spins it.

If this all sounds familiar, it should. Three years ago, you heard that taking out a wireless rival would increase competition too.

AT&T said T-Mobile wasn’t a real competitive threat. It said AT&T couldn’t invest in rural America without that merger. Those claims are no more convincing today. And the numbers here, as measured by the DoJ, are even worse.

There are 64 TV markets where nearly all AT&T video customers live. All 64 would be highly concentrated after this deal. Antitrust authorities say such mergers are likely to “raise prices, reduce output, diminish innovation or otherwise harm customers.”

AT&T counters that it would save costs on video programming. Yet while AT&T may lower its own costs by acquiring more scale, analysts believe the company is overstating those savings.

And no matter how big these cuts may be, there’s no guarantee — and no likelihood — AT&T would pass them on to its customers.

Search high and low through the deal descriptions AT&T has filed this month. If AT&T wanted to make a promise to reduce prices, it could have done so in simple and certain terms. It did not.

Instead, it says that over-the-top video keeps prices in check, but ignores the control broadband providers have over online services. And while a growing number of consumers are cutting the cord on pay-TV, that number is still small.

AT&T also argues that DirecTV is not a real competitor anymore, because customers only want bundles today, but the idea that this deal would let AT&T compete more vigorously against bundled cable services is not borne out by the facts.

For one thing, customers want choices, not forced bundles to make them buy services they don’t want.

And AT&T and DirecTV already partner to sell bundles today, but AT&T charges DirecTV customers more than twice as much for broadband as it charges its own U-verse TV customers. If we had working markets and reasonable resale policies, we could promote competition and let people choose their bundles too.

With nothing else to offer, AT&T recycles its past promises — stretching past the failed T-Mobile deal in 2011 to BellSouth in 2006 — saying mergers let it provide more and better broadband.

It has not always kept those promises; it’s just kept people waiting. And AT&T never explains adequately how these new assurances add anything to its prior commitments and deployment plans.

It says that it will expand broadband at 15 million customer locations after this deal, but 13 million of those get fixed wireless.

Forget for a moment that this wireless product promised for rural America is inferior. Forget that AT&T told consumers last month that its wireless service was already available nationwide.

AT&T could provide a serious broadband upgrade if it would stop making airy promises and just invest. Between cash, stock and debt, AT&T would spend nearly $70 billion to acquire DirecTV.

This is wasteful capital allocation, plain and simple. AT&T could spend that money to triple the size of its current fiber footprint, signing up more video subscribers than DirecTV has today.

AT&T may believe that you have forgotten the last time you heard these promises, but I don’t think you have. You know to look under the hood, not buy a used car based on the new paint job.

So if you hear the only way to promote competition is to kill it, you wonder how that could be true. If you hear that we need less video competition to get more broadband, you wonder why.

And if you hear the same company promising better broadband is just around the corner — always just one more merger away — you wonder when. When will AT&T stop throwing money at mergers, and start investing for real?

Thank you and I look forward to your questions.