**AT&T, DirecTV announce $49 billion merger**

AT&T announced Sunday that it was acquiring DirecTV in a $49 billion deal that would create a new telecom and television giant. Here's what that could mean for consumers. (The Washington Post)

By Cecilia Kang May 18 [Follow @ceciliakang](https://twitter.com/%40ceciliakang)

AT&T announced Sunday that it was acquiring DirecTV in a $49 billion deal that would create a new telecom and television behemoth to rival cable firms — while raising fresh concerns about competition and options for consumers.

AT&T would gain DirecTV’s 20 million U.S. subscribers, a company with strong cash flows and an ability to fatten its bundle of offerings. The combined firm would be able to offer phone, high-speed Internet and pay-TV subscriptions to more customers — packages that cable firms such as Comcast have sold most successfully.

AT&T has agreed to acquire DirecTV for $95 a share, made up of $28.50 a share in cash and $66.50 a share in AT&T stock. AT&T says it expects to close the acquisition within 12 months.

The deal is the latest mega-merger to be announced this year in a dramatically shifting telecommunications industry. The titans of the industry have recently rushed to bulk up — in overall size and in diversity of service offerings — as their legacy phone and TV businesses have frayed and consumers have turned to the Internet for communication and entertainment.

The deals, which must be approved by federal regulators, have prompted new concern that consumers could be left with fewer options and even higher prices after years of creeping increases. In 2012, U.S. cable-TV bills increased 5.1 percent, to an average of $64 a month, triple the rate of inflation, according to a government report.

“The industry needs more competition, not more mergers,” said John Bergmayer, a senior staff lawyer at Public Knowledge, a nonprofit consumer advocacy group. “We’ll have to analyze this one carefully for potential harms both to the video programming and the wireless markets.”

After a failed attempt three years ago at buying wireless provider T-Mobile, AT&T was searching for alternative acquisitions. But its choices were limited, with regulators expressing great concern that the wireless and high-speed-Internet markets were not competitive enough.

The Dallas-based company said it would gain broad strategic benefits from buying the nation’s second-largest provider of pay television. The phone giant would have greater power with TV programmers to bring down licensing costs. And as the nation’s second-largest wireless carrier, it could use its new prominence in the television industry to bring videos to its mobile customers. El Segundo, Calif.-
based DirecTV has exclusive contracts with programmers, including NFL Sunday Ticket, which allows football fans to watch their favorite teams even if they live outside the local TV markets serving the teams.

AT&T’s chairman and chief executive, Randall Stephenson, said the deal would create a national wireless, video and broadband-Internet powerhouse. He added that with such reach, the merger would allow the company to bring valuable television content to any device for its consumers.

“This is very, very unique,” Stephenson said in a conference call Sunday evening. The deal “fulfills a vision that we’ve had for a couple years . . . to take premium content and deliver it over multiple points for the consumer.”

AT&T would purchase a business that is not a significant, direct competitor. AT&T’s cablelike television service, U-Verse, has 5.7 million subscribers.

A rush to supersize has been driven by low interest rates — allowing acquisitions to be financed more cheaply — and the realization that the most successful telecom firms of the future will have the greatest scale. With more subscribers, telecom and cable firms are able to control costs with programming partners and invest in improvements to networks that allow for faster broadband Internet speeds, analysts say.

In February, Comcast announced a $45 billion bid for Time Warner Cable. The deal, being reviewed by federal regulators, would combine the nation’s top two cable and broadband Internet providers. Though no deal has been announced, the owners of Sprint have publicly expressed interest in buying T-Mobile in a merger that would combine the third- and fourth-largest national carriers.

“It’s a counterpunch to Com­cast-Time Warner Cable,” said Paul Gallant, an analyst at Guggenheim Securities. “DirecTV and AT&T both felt new urgency to scale up and find new ways to compete. I expect they’ll find a way to differentiate against Comcast by melding pay TV with their wireless service.”

Some analysts doubt the deal would significantly improve AT&T’s competitive position against Verizon and Comcast. AT&T is expected to shift its U-Verse subscribers to satellite, freeing up space on its land-line network for improvements in high-speed Internet.

“The logic that AT&T could boost broadband speeds in U-Verse markets if it could take video off its network and send it via satellite is fine as far as it goes,” Craig Moffett, a senior analyst at Moffett Nathanson research, wrote in a recent note. “But that is purely a defensive benefit and in only 25 percent of the country.”

Because AT&T and DirecTV don’t significantly compete in the television market, analysts say, regulators may be more willing to approve the deal.

To add to the merger’s appeal to regulators, AT&T said it would volunteer to bring high-speed Internet service to 15 million homes in rural areas within four years if the deal is approved. It has also promised to abide by net neutrality principles for three years by, for instance, agreeing not to block any sites.

The proposed AT&T deal may complicate the federal government’s review of Comcast’s bid for Time Warner Cable.

While AT&T’s deal represents more consolidation in the media world, Stephenson said its entry into the video space could also provide a stronger competitor to Comcast. Critics of Comcast’s deal say they are concerned that the resulting firm would by far be the dominant provider of cable and broadband Internet service. After its merger, Comcast would control 30 percent of the pay TV market and 40 percent of the arguably more important market for growth: broadband Internet.

DirecTV’s future has been uncertain as pay-TV subscriptions have plateaued and consumers have clamored for TV programs and movies from online video providers such as Netflix and Amazon Prime. DirecTV, which also has 18 million subscribers in Latin America, does not have the technology to offer high-speed Internet access.

Federal regulators have expressed concern over competition. Comcast and Time Warner Cable have said that they do not compete in the same markets, but critics of their deal say that if the firms combine, they will have too much power in the broader ecosystem of the television industry. They would have vastly more power over negotiations with programmers, for instance. Consumer advocates fear the firms would be less inclined to improve customer service and make prices affordable.

“All these dominant companies want to consolidate and bundle as much as they can get away with,” said Cathy Sloan, vice president of government relations for the Computer and Communications Industry Association, which represents many Internet firms, such as Google and Facebook.