AT&T-DirecTV tie-up shifts focus from Comcast megadeal

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AT&T's blockbuster deal for DirecTV raises new concerns about consolidation in the US pay TV sector, but may also lead to a rethinking of another megadeal involving cable giant Comcast.

Some early reactions were skeptical after AT&T on Sunday announced a $48.5-billion deal for the satellite broadcaster, just three months after Comcast unveiled plans to swallow up its rival Time Warner Cable for $45 billion.

"With this latest proposed merger, I am concerned that the telecommunications marketplace is trending even further toward one that favors big companies over consumers," said Senator Patrick Leahy, who heads the Senate Judiciary Committee, pledging his panel "will be looking closely at this transaction."

A House panel also promised to review the deal, and John Bergmayer at the consumer activist group Public Knowledge warned of reduced competition.

"The industry needs more competition, not more mergers," Bergmayer said. "The burden is on AT&T and DirecTV to show otherwise."

But others said the deal may help Comcast win regulatory approval because it shows the emergence of a strong rival.

Herbert Hovenkamp, an antitrust specialist at the University of Iowa

College of Law, said that AT&T's announcement "makes the road a little easier for Comcast" based on antitrust law.

Hovenkamp said that even though each deal must be examined separately, "if the concern was that Comcast would not have enough competitive restraint, this new merger could serve to make things a little easier."

Hovenkamp told AFP the AT&T deal on its own should not raise antitrust concerns because it is not a major competitor now in the TV market, with fewer than six million subscribers.

AT&T at worst may be forced to cede its pay TV customers from its bundled "U-Verse" brand because it competes with DirecTV, he said.

While AT&T is not seen as a major competitor now in pay TV, the moves come as industry lines are being blurred—television is viewed increasingly on mobile devices, and more companies are looking at the Netflix model for streaming video.

Mergers and innovation

Scott Cleland of the consulting firm Precursor said the tie-up shows the marketplace works.

"This proposed merger is just the latest example of how communications competition and technology advances are forcing competitors to creatively transform their businesses to innovatively meet consumer demand in new and productive ways," he said.

But some see the mega-mergers in a different light.

"The rush is on for some of the biggest industry players to get even bigger, with consumers left on the losing end," said Delara Derakhshani at Consumers Union.

"You can't justify AT&T buying DirecTV by pointing at Comcast's grab for Time Warner because neither one is a good deal for consumers."

The merger with DirecTV would provide AT&T's television service broader reach, making it the number two provider of pay TV in the United States with about 26 million customers, compared to Comcast-Time Warner Cable's 30 million.

AT&T said it would use the merger to expand plans to build and enhance high-speed broadband service to 15 million customer locations, mostly in rural areas.

AT&T chairman and chief executive Randall Stephenson said Monday that the deal provides synergies for the telecom giant.

"The logic for the transaction is this gives us the opportunity to create something that we believe is very unique," he told analysts.

"We think it will help us accelerate growth. But even more important, it gives us the opportunity to lead the way and to redefine the video entertainment business for mobile in a high-speed world.

"That includes delivering content to consumers across multiple screens, mobile devices, TVs, laptops, the backseat displays of connected cars and even airplanes."