US regulators back AT&T-DirecTV megadeal

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US regulators said Tuesday they were set to back the $49 billion merger of AT&T and DirecTV, clearing the way for a powerful player in Internet and television.

Federal Communications Commission chairman Tom Wheeler said in a statement that and order was circulated at the agency recommending approval of the mega-deal with certain conditions.

Wheeler said the merger would "directly benefit consumers by bringing more competition to the broadband marketplace."

"If the conditions are approved by my colleagues, 12.5 million customer locations will have access to a competitive high-speed fiber connection," the FCC chief said.

The Justice Department said in a separate statement it would not challenge the merger.

"After an extensive investigation, we concluded that the combination of AT&T's land-based Internet and video business with DirecTV's satellite-based video business does not pose a significant risk to competition," said Assistant Attorney General Bill Baer of the antitrust division.

"The commitments that the proposed FCC order includes, if adopted, will provide significant benefits to millions of subscribers."

The news comes three months after regulators blocked a massive merger plan of cable giants Comcast and Time Warner Cable, claiming it would concentrate too much market power in the market for high-speed Internet.

But merging AT&T and DirecTV could create competition because the telecom giant and satellite broadcaster do not have the same geographical territories as the traditional cable firms.

Wheeler said that if the conditions are accepted, the merged firm would boost the availability of high-speed fiber-optic connections for television, Internet and other services.

"This additional build-out is about 10 times the size of AT&T's current fiber-to-the-premise deployment, increases the entire nation's residential fiber build by more than 40 percent, and more than triples the number of metropolitan areas AT&T has announced plans to serve," he said.

Wheeler said AT&T would also be required to agree not to discriminate against competing video services and to accept a monitor to ensure it follows Open Internet rules.

"These strong measures will protect consumers, expand high-speed broadband availability, and increase competition," he said.

The merger would create the largest US pay TV service on top of the second biggest mobile telecom business.

DirecTV has about 20 million customers, making it the number-two pay-TV company in the United States. It also has more than 18 million customers in Latin America.

In announcing the deal last year, 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.

The plan comes amid a migration of consumers to Internet-based television services like Netflix and Hulu, with some losses in traditional cable and other pay TV subscriptions.

Though the number of cable "cord cutters" has been relatively modest in recent years, analysts expect this trend to accelerate, which could have a major impact on the television industry.