

FCC concerned about AT&T exempting DirecTV from data caps

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Federal regulators say that they are concerned that AT&T's exempting its DirecTV unit from cellphone data caps could hurt competition.

AT&T lets customers watch video on DirecTV apps on their AT&T cellphones without eating into monthly data allotments. It's expected to do the same with an upcoming, \$35-a-month TV streaming service called DirecTV Now.

The Federal Communications Commission, in a letter to AT&T dated Wednesday, said that practice may disadvantage video providers that aren't owned by AT&T, ultimately hurting consumers. The agency asked that AT&T reply to its concerns by Nov. 21.

AT&T, which plans to launch DirecTV Now later this month, said Thursday that consumers gain from watching video without using up their data—a practice known as zero rating. Any video provider can pay AT&T, "at our lowest wholesale rates," to let customers watch without using up their AT&T data, said AT&T executive Bob Quinn in an emailed statement.

The FCC has looked at other companies' zero-rating practices as well. In its letter to AT&T, the FCC said that its concern was "not with zero-rating per se," which the agency has said may have some consumer benefits, but about using it to hurt competition.

The FCC says that AT&T's approach is problematic because a rival

streaming video provider could find it "infeasible" to compete with DirecTV Now's \$35-a-month price if this competitor also had to pay AT&T to exempt its customers from data caps. And not paying AT&T could make a competitor's video service less attractive to customers, the FCC said.

Consumer advocates have also raised concerns about zero rating with regards to AT&T's proposed acquisition of Time Warner Inc., which owns HBO, CNN and TBS. They have said that if the deal goes through, the telecom giant could try to favor its own Time Warner content and disadvantage other video providers.

Other phone or cable companies that apply zero rating include Verizon, which exempts its go90 video app and football games streamed from its NFL Mobile app from wireless data caps, and Comcast, which lets customers of its Stream cable-replacement service watch without it counting against a home internet meter.

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