

**STATEMENT OF
CHAIRMAN TOM WHEELER**

Re: *Applications of AT&T Inc. and DIRECTV for Consent to Assign or Transfer Control of Licenses and Authorizations, MB Docket No. 14-90.*

Today I vote in favor of an order with conditions that approves the acquisition of DIRECTV by AT&T. This transaction offers the opportunity for more competition, directly benefitting consumers, thus advancing the public interest.

My vote comes after the Commission staff engaged in a state-of-the-art economic analysis and a rigorous examination of the facts. Their work supports my conclusion that this merger is pro-competitive, which is consistent with the views publicly expressed by the Department of Justice. Until now, neither company has been fully equipped to compete with cable's bundled services, including both high speed broadband and pay TV. AT&T has had a disproportionately slow broadband network and higher programming costs. DIRECTV has no means of supplying competitive broadband access. There also is too little competition today in the availability of fixed broadband, especially at higher speeds. As I noted last fall, roughly 74% of American homes have a choice of zero or only one fixed broadband providers at 25/3 mbps. A combined AT&T-DIRECTV offers consumers a viable competitor to cable by providing a bundle of broadband and video. That new competition will challenge some of the nation's biggest cable companies, including Comcast, Time Warner Cable, Charter, and Cox, as well as Google Fiber. Competition means lower prices for both customers of the new company and customers of cable.

At the same time, the transaction carries with it two notable competitive risks. First, roughly one quarter of American households will lose a pay TV competitor – a traditional horizontal harm. Second, after the merger, AT&T, with the ability to provide Pay TV programming nationally, will have a greater incentive to harm emerging services that use broadband connections to offer consumers new choices in the selection of Pay TV. It is to directly address those risks that the Order includes targeted and merger-specific conditions. The conditions will lock in the benefits of the acquisition and address the risks of competitive harm. This is our statutory obligation.

The detail set forth in the Order need not be repeated here, but the core purposes of the conditions should be emphasized. As the Order explains, with DIRECTV in hand, AT&T will now have a lesser incentive to deploy fiber to consumers. Given the lack of competition that already exists, that disincentive would be a bad outcome, but it is remedied by the requirement that AT&T make good on its promises and bring competitive high-speed broadband to 12.5 million customer locations. This additional build-out is about ten times the size of AT&T's current fiber-to-the-premise (FTTP) 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 had previously announced plans to serve.

A natural consequence of the FTTP deployment is expansion of the AT&T network to institutions and enterprises—and that offers an additional opportunity for competition which is why the Commission is requiring AT&T-DIRECTV to offer gigabit service to any E-rate eligible school or library within the areas where AT&T-DIRECTV deploys FTTP service.

Most importantly, this requirement will result in the *permanent* expansion of fiber—a legacy that will endure long after the conditions of the decision have expired. AT&T has four years to complete the required FTTP build-out, but if it is not completed in that time period, all of the conditions we impose today will remain in effect. At various times, AT&T has announced an expansion of their fiber footprint. Then, after the Open Internet decision, AT&T announced they would not be undertaking the expansion and then quickly told the merger review team that it would, in fact, complete its prior expansion plans.

What is plain is this: investment in new high speed broadband is profitable now because it offers companies the opportunity to reach new customers with new products, and nothing in the implementation of the *Open Internet Order* has changed that.

In addition, while our analysis confirmed that a potential benefit of the merger is the availability of better and lower priced bundles of video and broadband service, the Commission also concludes that the public interest requires us to ensure that a bundle of video and broadband services is not the only competitive choice for low-income subscribers who may not be able to afford bundled services. The Commission accordingly requires as a condition of the merger that AT&T-DIRECTV make available an affordable, low-price standalone broadband service to low-income consumers in its broadband service area.

We also impose conditions that build on the *Open Internet Order* already in effect, addressing two merger-specific issues. First, in order to prevent discrimination against online video competition, AT&T will not be permitted to exclude affiliated video programming services and content from data caps or impose other discriminatory retail terms and conditions on its fixed broadband connections. Second, in order to bring greater transparency to interconnection practices, the company will be required to submit all completed interconnection agreements to the Commission, along with regular reports on network performance.

These commitments are important to confirm the benefits of the transaction, and there has been concern expressed as to whether previous merger terms have actually been fulfilled. We have heard those concerns and require the company to retain an outside independent compliance officer who will monitor compliance and report to the Commission throughout the life of the conditions.

In sum, this Order will serve the public interest. Transaction conditions should directly address the threat of competitive harm, and these do. Binding legal requirements must be enforceable, which is why the creation of an independent compliance officer is very important.

There is too little competition in high speed broadband and in the market for bundled services and this transaction, with its targeted conditions, is a big step in the right direction. Broadband deployment should be inclusive, and this transaction will serve both low-income Americans and schools and libraries, addressing the Digital Divide.

I am proud of our work here and so should be the American people.