

Senator Klobuchar
Questions following the AT&T/DIRECTV Hearing

For Mr. Lieberman

1. AT&T and DIRECTV claim that this merger is necessary because consumers want bundled video and broadband service, rather than DIRECTV stand-alone video or synthetic bundles with broadband. They say that the merger won't reduce competition because AT&T and DIRECTV don't compete for bundled services. Do you agree? What do your members' experiences show with regard to consumer preference for bundles? Do they see consumers unbundling their video and other services to use a stand-alone video from satellite competitors?

It is true there is an increasing number of households subscribing to a bundled video and broadband service, but it's also true that many millions of households still subscribe to DIRECTV and DISH Network as a stand-alone video service that is not part of any synthetic bundle with another telecommunications provider. But for DIRECTV and DISH Network, these households would receive their video service from other providers. Competition for these households exists, and will exist for many years into the future. With regard to the merger, in 25 percent of the country, covering about 30 million homes, AT&T U-verse is available as an alternative to DIRECTV. In these areas, AT&T's acquisition of DIRECTV will reduce the competition that exists between DIRECTV's standalone video service and the AT&T U-verse product to the detriment of consumers.

Small and medium-sized cable operators disagree with AT&T's assertion that triple play providers are not in competition with DIRECTV. Notwithstanding the fact that most of these smaller cable operators make available a "triple play" service, DIRECTV and DISH Network offer a video service that is comparable to the video service of cable operators at competitive prices, and existing double- and triple-play customers of smaller cable operators are willing to discontinue just their video service in order to switch to DIRECTV or DISH Network. Smaller cable operators report that providing a triple-play service is not attractive enough on its own to prevent DIRECTV and DISH from enticing customers away. Price, content, and customer service continues to make a big difference in the pay television market, and DIRECTV's offering of the NFL Sunday Ticket makes its service particularly attractive to a significant subset of valuable customers.