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Less than two weeks after closing its $49 billion acquisition of DirecTV, AT&T Inc. is getting set to sell bundles of satellite TV with its wireless phone services. Next week, AT&T will begin selling a plan that combines high-definition television and DVR service for up to four TVs, with a wireless plan that has 10 gigabytes of shared data and unlimited talking and texting for four smartphone connections. The pricing of $200 a month is promotional and will last a year for subscribers.

The company, seeking to attract DirecTV customers to its wireless service and compel its own customers to add TV, is also offering a $10-a-month discount to customers who purchase both. With DirecTV, AT&T will now be able to extend the reach of its previously offered combined television and wireless bundle beyond its 21-state wireline footprint to include all states. This ability was one of the drivers that led AT&T to go after the satellite operator despite declining demand for pay-television.

But AT&T won’t be able to offer broadband in the states outside of its existing wired network, meaning DirecTV customers in those locations will still have to get Internet connections from a separate provider. As an independent company, this was a key weakness for DirecTV in competing with cable companies. Rivals like Verizon Communications Inc. and Comcast Corp. are also exploring ways to better capture the dual trends of more Americans cutting the cord from traditional cable packages and of more people watching videos and movies are on their devices. Verizon is planning to start its mobile streaming video service this summer, while Comcast is exploring ways to offer wireless service.

AT&T has acknowledged the move away from traditional bundles of TV channels as people increasingly subscribe to over-the-top streaming services, but it is betting that the decline is slower than many people think. Meanwhile, it hopes to use the cash from DirecTV’s subscriptions to help fund upgrades in its wired and wireless networks.

Bundling provides savings to customers but by doing so customers are less likely to switch providers, which improves a key metric tracked by investors known as churn. AT&T said the $200 plan saves customers about $45 a month from buying the services without discounts. After 12 months, the price will rise to $235 a month including

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the $10 monthly combined bill discount. The television package is DirecTV's lowest priced package which excludes ESPN and requires a two-year service contract.

As part of its promotions, the company is also offering a $300 bill credit for DirecTV and AT&T U-Verse customers who switch their wireless services from another company. The success of bundling different services isn't assured. The cable industry has flirted with offering wireless service numerous times and even has a few failed efforts under its belt. Verizon, meanwhile, doesn't bundle TV, Internet and wireless in its footprint, arguing that its customers haven't shown much appetite for such offers. – ***Wall Street Journal;*** ***more in Christian Science Monitor***

The Federal Communications Commission's new net-neutrality rules will face an important federal-court test in December, when an appeals panel will hear arguments in legal challenges brought by the telecommunications industry. The U.S. Court of Appeals for the District of Columbia Circuit on Monday scheduled a Dec. 4 oral-argument date for consideration of the FCC rules, which require equal treatment of Internet traffic.

A divided FCC voted in favor of the rules in February, deciding to reclassify broadband providers as telecommunications services, a designation that has long applied to regular telephone service. The effort is aimed at preventing broadband providers from blocking or slowing certain Internet traffic and prioritizing other traffic. It is also in response to a court ruling from last year in which the same appeals court struck down the FCC's previous attempt at open-Internet regulations.

Challenges to agency regulations in many circumstances can go straight to the D.C. Circuit instead of going to a trial court first. Because of its role in reviewing government regulations, the D.C. Circuit is considered by some legal observers to be the nation's second most powerful court, behind only the Supreme Court. The appeals court hasn't disclosed which judges will hear the case. That usually happens 30 days before the scheduled argument date. – ***Wall Street Journal***

Rural telcos are pushing back against the FCC's proposed new model for cost recovery that they say creates unpredictable swings in the smaller companies' ability to fund their broadband buildouts. In trying to move forward with funding of broadband-only networks, the Federal Communications Commission (FCC) has proposed a bifurcated approach that applies a cost recovery model to all forward-looking broadband-only networks. What the agency plans to use is a complex model, known as the Alternative Connect America Cost Model, or A-CAM for short, to determine how rural telcos can recover the costs of their investment. But there is such concern about the unpredictability of A-CAM among rural carriers that some are delaying their investments altogether, according to leaders of NTCA - The Rural Broadband Association. Their concerns were spelled out in a letter sent to the FCC earlier this summer, which you can see **here**.

The key problem, says NTCA's CEO Shirley Bloomfield, is that the FCC is trying to use a model it developed for so-called price cap telecom service providers -- the 12 largest US carriers, whose regulated service rates are capped -- and apply it to smaller companies, known as rate-of-return companies because their rates are still set by a process that takes into account how much money they spend to provide service. While the model's uneven results may work out when applied to a large service territory, she says, when they are applied to small telco footprints, the unpredictable swings in ability to recover actual costs could cripple rural broadband deployments, which is exactly the opposite result to what the federal government is seeking, she notes.

A-CAM also seems to have little connection to actual costs. When the NTCA compared A-CAM results with the actual capex costs of 144 real-world fiber-to-the-premises projects, the difference between A-CAM's capex results and the actual project costs differed by more than 20% in one direction or the other, according to the association. The model is intended to provide a "forward-looking" way of allowing telecom service providers to move away from regulated voice and into the era where broadband is the key service. And many rural carriers would actually like to take this approach -- which right now is a voluntary move on their part -- if a more predictable and practical model can be developed.

Under A-CAM, there is almost no way to predict funding changes for her association's members, which includes small rural telcos and co-ops or cooperatives that are actually owned by the customers they serve, Bloomfield tells Light Reading in an interview. In some cases, companies that have already invested in fiber and next-gen systems would see their funding jump, while those still needing to deploy fiber to reach the FCC's minimum broadband requirements would face funding cuts, making those deployments less likely. In general, two-thirds of the NTCA's members would see changes in funding of 50% or more, in one direction or the other. "When you have a model where the results swing so wildly back and forth -- some companies would get much more than under an actual cost system and some would be taken down nearly to zero -- you have to ask what is going on in this particular model," she says. "Regardless of whether it is voluntary or not, let's have a model that makes sense and have some rational results."

Bloomfield points to less use of Rural Utility Service loans this year -- a significant portion of available money went unused this year -- as an indication of how uncertainty is affecting her members. They aren't as willing to borrow money to build out fiber networks, because they aren't confident they will be allowed to cover those costs, and thus pay off the loans. At this point, there is no final decision on the proposed model or even the bifurcated approach, which is why the NTCA and other rural telco allies in Washington are pushing hard for their members to make their voices heard with the FCC and with their Congressional representatives. They have found some support in Congress already: At a time when it's hard to get consensus on anything in Washington, the NTCA and its rural allies got 61 senators to sign a letter to the FCC, urging the agency to decouple broadband and phone regulation -- a major point at a time when consumers are increasingly cutting the wireline cord.

Bloomfield tells her members she'd like to get FCC Chairman Tom Wheeler's attention on this issue, something that hasn't yet happened but could be in the cards. Wheeler is a keynote speaker at the NTCA's fall meeting in Boston September 19-23. Oh, and she says NTCA would like the model to be less complex -- a goal even Bloomfield admits isn't terribly likely. – ***Light Reading***