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The Associated Press

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Many homes in AT&T's local-phone service areas will see the company becoming more competitive with cable for broadband service under a new $14 billion investment plan the company revealed Wednesday. But in more outlying areas, the company will start shifting customers from regular phone lines to wireless service.

Like other phone companies, AT&T is having a hard time competing with cable broadband in much of its service area, because regular "DSL" broadband is now much slower than what cable companies offer. After reviewing its options, AT&T concluded that it won't sell off phone lines in outlying areas like Verizon Communications Inc. did. Instead, it will pursue a split strategy of upgrading some areas to higher speeds and abandoning phone lines in less dense areas in favor of wireless.

AT&T already sells a "wireless home phone" box that buyers can plug a regular home phone into. It then relays the signal wirelessly to an AT&T tower.

To help shift households to wireless, AT&T said it plans to build out its "4G LTE" wireless network to cover 300 million people, up from the 250 million people it had initially planned to cover. Of the $14 billion investment, $8 billion will go to the wireless network.

Data speeds on "4G LTE" are often faster than DSL and can be comparable to cable, but since AT&T has limited space on the airwaves, it imposes caps on monthly data usage that are much lower than those for wired broadband. That means customers who replace wired broadband with wireless will find it expensive to use data-intensive services like TV-quality streaming video.

Not all of the $14 billion represents an increase over AT&T's regular $19 billion to $20 billion in annual capital spending. The company expects to spend roughly $22 billion a year for the next three years, it said, before returning to more normal levels.

Still, investors were not happy about the plan to invest more in the wired operations, which are only marginally profitable. AT&T shares fell $1.21, or 3.5 percent, to $33.59 in midday trading as broader indexes fell about 2.5 percent.

Speaking to investors in New York, AT&T Chief Financial Officer John Stephens said the investments in wired and wireless infrastructure would be "mutually supportive," with faster lines helping to serve cell towers. That's part of the reason

the company decided not to sell off local-phone service areas.

Dallas-based AT&T is the country's largest wired phone company, serving 33 million traditional phone lines in 22 states. It's the second-largest wireless carrier, after Verizon Wireless.

To compete with cable broadband, phone companies have made expensive upgrades of their lines to replace them with optical fiber for at least part of their run. AT&T calls this upgraded DSL "U-Verse," and uses it to provide TV services in addition to broadband.

U-Verse is available to 24.5 million homes, and AT&T said it will expand that number to 33 million. It's going to upgrade phone lines with a less expensive technology to serve an additional 24 million homes. In all, these upgraded lines will serve three-quarters of homes in AT&T's service area.

Also Wednesday, AT&T said it's raising its quarterly dividend by 1 cent to 45 cents per share. The next dividend payment is on Feb. 1. AT&T has raised its dividend every year for the last 29 years.

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