

AT&T deal delay? Reports say gov't wants TV properties sold

November 8 2017, by Tali Arbel



In this Tuesday, May 26, 2015, file photo, pedestrians walk by an entrance to the Time Warner Center in New York. AT&T now says it's "uncertain" when its \$85 billion Time Warner purchase will close. AT&T had maintained that the deal would be done by the end of 2017. (AP Photo/Mary Altaffer, File)

AT&T says it's uncertain when its \$85 billion deal for Time Warner will close, making investors worry that regulators may try to block it or require significant changes.

Reports from *The New York Times*, CNN and other outlets, citing unidentified people, said the Justice Department wants to require the companies to sell Turner Broadcasting, which houses CNN, TBS and TNT; or to sell satellite TV provider DirecTV, which AT&T bought in 2015.

AT&T CEO Randall Stephenson said in a statement, "I have never offered to sell CNN and have no intention of doing so." AT&T officials did not immediately respond to other questions, nor did Time Warner or the Justice Department.

AT&T had previously targeted the end of the year for closing the [deal](#), and Wall Street analysts had widely expected the deal to go through. Obama-era regulators in 2011 approved a similar media merger, cable company Comcast's purchase of NBCUniversal, after Comcast agreed to a slew of business requirements.

At an investors conference Wednesday, AT&T Chief Financial Officer John Stephens said he could not comment on discussions with Justice, which he described as ongoing.

"But with those discussions, I can now say that the timing of the closing of the deal is now uncertain," he added.

If AT&T and Justice cannot agree to conditions, Justice can sue to block the deal.

Time Warner shares dropped 4.8 percent to \$90.10 in afternoon trading Wednesday. AT&T stock rose less than 1 percent, to \$33.29.

The Justice Department's new antitrust chief, Makan Delrahim, has said he prefers "structural" changes to a deal, like selling off assets, rather than having the government monitor a company's promises to abide by

certain conditions, as was done with Comcast. Requiring AT&T to sell either Turner or DirecTV would be in line with Delrahim's thinking.



This Thursday, July 27, 2017, file photo shows an AT&T logo at a store in Hialeah, Fla. AT&T now says it's "uncertain" when its \$85 billion Time Warner purchase will close. AT&T had maintained that the deal would be done by the end of 2017. (AP Photo/Alan Diaz, File)

Objections to the deal have also raised suspicions of political retaliation.

President Donald Trump has often blasted CNN for its coverage of him and his administration, disparaging it and its reporters as "fake news." As a candidate, Trump vowed to block the deal because it concentrated too much "power in the hands of too few."

"While there are plenty of good reasons to oppose AT&T's Time Warner

takeover, punishing CNN for trying to hold this administration accountable isn't one of them," Free Press' president, Craig Aaron, said in a statement. The consumer group opposes the deal and media consolidation in general.

Sen. Brian Schatz, a Democrat from Hawaii, tweeted that "Presidential power must be used wisely and fairly. I don't know the details here but this is worth investigating."

AT&T hopes to benefit from marrying all of Time Warner's assets to its own. It would then supply its video—HBO, CNN, TBS and the Warner Bros. movie studio—while providing access to the internet for millions of Americans.

Consumer groups, some TV networks and some conservative groups have criticized the deal, saying it would hurt consumers by allowing AT&T to discriminate against TV networks it doesn't own or raise prices on other cable and satellite TV companies for its programming. Several Democratic lawmakers have also pushed back against the combination.

Forcing a sale of CNN could harm the news network, if a buyer doesn't have the same deep pockets as AT&T and Time Warner to support newsgathering.

Being forced to sell off Turner is probably a "nonstarter" for AT&T, New Street Research analyst Jonathan Chaplin said. He said the company has "very good" prospects of winning in court against the Justice Department. "It's difficult to imagine an antitrust argument that will be compelling" from the government, he said.

AT&T has long noted that "vertical mergers"—when one company buys another that isn't a direct competitor—are typically approved.

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