A media giant in the balance: AT&T antitrust trial kicks off

March 16 2018, by Mae Anderson

In this Oct. 24, 2016, file photo, the AT&T logo is positioned above one of its retail stores in New York. On Monday, March 19, 2018, AT&T squares off against the federal government in a trial that could shape how you get, and how much you pay, for streaming TV and movies. AT&T says it needs to gobble up Time Warner if it's to have a chance against the likes of Amazon, Netflix and Google in the rapidly evolving world of video entertainment. (AP Photo/Mark Lennihan, File)

On Monday, AT&T squares off against the federal government in a trial that could shape how you get—and how much you pay for—streaming TV and movies.

AT&T says it needs to gobble up Time Warner if it's to have a chance against the likes of Amazon, Netflix and Google in the rapidly evolving world of video entertainment.

The Justice Department's antitrust lawyers say that if AT&T and Time Warner are allowed to combine, consumers will end up paying more to watch their favorite shows, whether on a TV screen, smartphone or tablet.

"On one hand, the government is saying this is the Old World and AT&T Time Warner is saying this is the New World," said Larry Downes, senior industry and innovation fellow at Georgetown University. "They're arguing completely different views of how the content industries look right now, let alone in the future."

In October 2016, AT&T offered to buy Time Warner for $86 billion. Dallas-based AT&T Inc. provides wireless, broadband and DirecTV satellite services via phone and TV. New York-headquartered Time Warner owns the HBO, TNT, TBS and CNN networks and sports programing including Major League Baseball's playoffs and the NCAA's March Madness basketball tournament.

The government sued to block the deal this past November.

—

AT&T'S CASE

Almost 60 percent of Americans still get TV primarily from traditional cable services, according to a Pew Research Center report. But that is starkly divided by age. About 61 percent of people aged 18 to 29 primarily use streaming services—compared with 10 percent of people aged 50 to 64.

AT&T says the merger is necessary to compete as more people use streaming services like Netflix, Amazon and others. It denies the government's assertion that the merger will limit choice and lead to higher prices for consumers.

"Blocking the transaction would deny consumers these benefits and shield large, vertically integrated firms such as Comcast/NBCU, Netflix, Google, Amazon, and Facebook from new competition on their own turf," the company wrote in its pre-trial brief.

___

THE GOVERNMENT'S CASE

The government brushes off the argument that the proposed purchase is about offering consumers more choice. Instead, it says, the deal will lead to less competition and innovation while bringing higher prices for consumers, as AT&T could withhold Time Warner programming from other distributors or offer it more cheaply only on its own network.

The Justice Department is similarly dismissive of the notion that the mega-merger could promote competition to big internet players such as Google and Netflix, noting that most people still watch TV via traditional cable boxes.

___

THE OUTCOME

"The real fundamental thing this trial will decide is how much room does the media industry have to use scale to combat the internet giants that are eating their lunch right now," said B. Riley FBR analyst Barton Crockett.

If the judge blocks the deal, a chill over media deal-making is likely. Big internet players like Amazon or Google could decide to keep building up their own content offerings rather than growing them by acquisitions.

But if the court lets the deal go through, it could easily spur a wave of similar deals as other distributors—think major cable, satellite and phone companies—bulk up with entertainment purchases in order to compete against rivals born on the internet.

A middle-ground compromise is also possible if AT&T loses this round. The company could agree to sell off some businesses or comply with other restrictions in order to win approval for the merger.

Citation: A media giant in the balance: AT&T antitrust trial kicks off (2018, March 16) retrieved 20 April 2024 from https://phys.org/news/2018-03-media-giant-att-antitrust-trial.html