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Streaming Soon: A Fight Over AT&T, Time Warner, and the Future of TV

By Nathan Shi, J.D. Candidate 2019 | April 3, 2018

The future of media has its day in court. On Thursday, March 22, 2018, the trial between AT&T and the U.S. DOJ over AT&T's proposed $85 billion acquisition of Time Warner began. How Judge Richard Leon rules could shape the future of video, as the tug of war between cable companies and streaming services has seen millions of consumers cut the cord in favor of the latter. The key question at trial is what impact the merger will have on American consumers. AT&T believes that the merger would help the company remain competitive in the marketplace against tech giants such as Netflix and Amazon, while offering premium content at lower rates. The DOJ believes the exact opposite; the merger would give AT&T too much power, resulting in higher rates for consumers.

Justice Department lawyer Craig Conrath's opening statement claimed the merger would hike rates for consumers by $0.45 a month on average, and that "Time Warner would be a weapon for AT&T because AT&T's competitors need Time Warner." In addition, the DOJ believes that the merger would stunt innovation in online video. AT&T's leading lawyer, Daniel Petrocelli, claimed the merger would lead to a decrease in rates by $0.50 a month. He explained that the merger would give AT&T access to better customer data, leading to more effective "addressable advertisements." These advertisements are tailored to specific households based on viewer data, and are nearly triple the cost. The increase in advertisement costs for large companies would lead to a decrease in rates for the consumer. But as Matt Wood, policy director at Free Press, a consumer advocacy group, suggests, "mergers create cost savings, but they don't have to pass them along to consumers unless there's competitive pressure."

If the government loses, we could see an increase in vertical integration between distributors and content providers. Steven Salop, a professor of economics and law at Georgetown University Law School believes that a merger "could direct the future path of the industry." On the other hand, if the government wins, antitrust regulators would have a huge advantage in ending any similar, future mergers. Nonetheless, the outcome's effects are not limited to media mergers either; it could have rippling effects in other sectors, such as CVS's $69 billion bid for insurance giant Aetna.