

Implications of Potential AT&T Acquisition of Time Warner

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This summer, telecommunications juggernaut AT&T announced the close of an \$85.4 billion acquisition of Time Warner. A federal judge approved the merger, spurning government attempts to prevent the transaction on the grounds that such a deal would constrain consumer choices and lead to greater prices for television and internet services. The merger solidifies AT&T as a powerhouse in the telecommunications and media industries, granting the company an expanded media and entertainment [portfolio](#).

This increasingly forms the future landscape for media, whereupon media executives oft claim “content creation and distribution must be [married](#)” in order to compete against large technology companies such as Amazon and Netflix. These are but two entities that pour billions into producing their own original shows that users can easily stream, placing constricting pressure on traditional media providers. As a counter against this, the AT&T and Time Warner merger grants AT&T new revenue streams to tap into, as AT&T can now combine its subscriber data to Time Warner’s networks and sell targeted advertising at a higher price.

In the wake of the merger announcement, a series of other [mergers](#) have been prompted in the media industry. Other goliaths in the industry closely followed the case. Comcast, for one, held off on bidding against Walt Disney Company for 21st Century Fox’s assets, until after the trial decision was handed down. Afterwards, they slammed down an all-cash offer worth \$65 billion. This illustrates the heightened burden felt by traditional providers, in needing to expand, in order to survive against Silicon Valley technology companies.

This story is far from over, however. Though the Justice Department did not seek an injunction to prevent the transaction, they have [appealed](#) the decision handed down by the federal court judge. The government maintains that the federal judge who presided over the case failed to account for “[mainstream economics](#),” ignoring considerations about how companies negotiate and seek to maximize profits. Until the case is resolved, AT&T has reported it will manage Time Warner’s networks as a separate business subsidiary. The initial defeat of the government’s antitrust claim leaves questions as to how effectively the Justice Department may prevent large corporate consolidation in the future and whether this will prompt more big business acquisitions.

