

JUSTICE NEWS

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Justice Department Challenges AT&T/Directv's Acquisition of Time Warner

Merger Would Harm Competition, Resulting in Higher Bills and Less Innovation for Millions of American Consumers

The United States Department of Justice today filed a civil antitrust lawsuit to block AT&T/DirecTV's proposed acquisition of Time Warner Inc. The \$108 billion acquisition would substantially lessen competition, resulting in higher prices and less innovation for millions of Americans.

The combination of AT&T/DirecTV's vast video distribution infrastructure and Time Warner's popular television programming would be one of the largest mergers in American history. Time Warner's network offerings include TBS, TNT, CNN, Cartoon Network, HBO and Cinemax, and its programming includes Game of Thrones, NCAA's March Madness, and substantial numbers of MLB and NBA regular season and playoff games.

According to the complaint, which was filed in the United States District Court for the District of Columbia, the combined company would use its control over Time Warner's valuable and highly popular networks to hinder its rivals by forcing them to pay hundreds of millions of dollars more per year for the right to distribute those networks. The combined company would also use its increased power to slow the industry's transition to new and exciting video distribution models that provide greater choice for consumers, resulting in fewer innovative offerings and higher bills for American families.

As AT&T itself has expressly acknowledged, distributors with control over popular programming "have the incentive and ability to use . . . that control as a weapon to hinder competition." And, as DirecTV itself has explained, such vertically integrated programmers "can much more credibly threaten to withhold programming from rival [distributors]" and can "use such threats to demand higher prices and more favorable terms." This merger would create just such a vertically integrated programmer and cause precisely such harms to competition.

"This merger would greatly harm American consumers. It would mean higher monthly television bills and fewer of the new, emerging innovative options that consumers are beginning to enjoy," said Assistant Attorney General Makan Delrahim of the Department's Antitrust Division. "AT&T/DirecTV's combination with Time Warner is unlawful, and absent an adequate remedy that would fully prevent the harms this merger would cause, the only appropriate action for the Department of Justice is to seek an injunction from a federal judge blocking the entire transaction."

“The merger would also enable the merged company to impede disruptive competition from online video distributors, competition that has allowed consumers greater choices at cheaper prices,” Delrahim further explained. As noted in the complaint, AT&T/DirecTV describes the traditional, big bundle pay-TV model as a “cash cow” and “the golden goose.” If permitted to merge, AT&T/DirecTV/Time Warner would have the incentive and ability to charge more for Time Warner’s popular networks and take other actions to discourage future competitors from entering the marketplace altogether. For example, the merged firm would likely use its control of Time Warner’s programming, which is important for emerging online video distributors, to hinder those innovative distributors. Indeed, a senior Time Warner executive has stated that they have leverage over an online video distributor, whose offering would be “[expletive] without Turner.” That leverage would only increase if the merger were allowed to proceed.

AT&T Inc. is a Delaware corporation headquartered in Dallas, Texas. In 2016, the company posted revenues of more than \$163 billion dollars, making it the largest telecommunications company in the world. AT&T is also the country’s largest Multichannel Video Programming Distributor (MVPD), with more than 25 million subscribers. It has three pay-TV offerings: (1) DirecTV, a satellite-based product with almost 21 million subscribers that it acquired through a merger in 2015; (2) U-Verse, a product which uses the local AT&T fiber optic and copper network and has almost 4 million subscribers; and (3) DirecTV Now, its new online video product with almost 800,000 subscribers. It descends from the AT&T that was established in the nineteenth century and which maintained a monopoly in the provision of local telephone services until 1982, when it agreed to divest the portions of its business relating to local telephone services to settle an antitrust lawsuit filed by the Department of Justice. In 2011, AT&T attempted to purchase T-Mobile, but abandoned the transaction after the Department of Justice filed suit alleging that the merger violated the antitrust laws.

Time Warner, Inc. is a Delaware corporation headquartered in New York, New York. In 2016, its posted revenue was \$29.3 billion. As of 2016, according to Time Warner, its most popular networks reach over 90 million households—of the nearly 100 million households that subscribe to traditional subscription television.

Attachment(s):

[Download The Complaint](#)

Topic(s):

Antitrust

Component(s):

[Antitrust Division](#)

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