The AT&T Time Warner Merger and Why It Matters to Consumers

June 13, 2018 - Shortly after President Trump made clear that he was opposed to AT&T's merger with Time Warner because of monopoly concerns, the Justice Department filed suit to stop it. This led to a court trial. On Monday, Judge Richard Leon announced his decision in the case. In short, the government lost miserably and our fear is that consumers are likely to see their bills go up as a result.

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AT&T started its life as a telecommunications company. For many years, it was a monopoly, controlling 100% of the country's long distance traffic and the vast majority of local calls too. That changed when upstart MCI Telecommunications took them on in court in the 1980's. That case resulted in the breakup of AT&T in a single long distance company that retained the AT&T name and seven Regional Bell Operating Companies (RBOCs) that were responsible for local calling.

The result of that breakup was a significant drop in both long distance and local calling rates. Consumers won!

Fast forward to today. Over the past thirty years, AT&T has started to resemble its old self. It acquired some of the RBOCs and their assets. This allowed them to move into cellular markets and get back some of their local traffic.

Then the company acquired DirecTV; a satellite TV delivery company with the largest subscriber base of paid TV customers in the country. While not ideal for consumers, this still kept the company in basically the same business as telecommunications. They weren't supplying content. They just supplied a network (in this case a satellite network) to deliver that content to consumers. Their merger with Time Warner Cable will change this.

With Time Warner, AT&T not only acquires a large cable network. They also acquire a huge library of movies and shows to deliver, CNN and HBO. It puts them in the position of being able to control the network and what you actually see on it. That's somewhat frightening. It also places millions of consumers in the position that they have almost no choice about which company they deal with for certain services. Want a land line telephone? You need to use AT&T. Want traditional DSL or maybe cable internet service? AT&T. Debating between cable TV and DirecTV? AT&T.

About the only thing consumers in areas with AT&T for cable TV will still be able to control is who they get their cellular service from. And AT&T will be able to put tremendous pressure on consumers to switch to them for that. An example

might be a bundled package of phone, TV and internet service and you get free HBO for as long as keep the other services. Or perhaps a 10% discount on each of the services with a bundle.

But Judge Leon thought otherwise. He very sternly said that the government failed to prove its case. He believes that the fact that millions of consumers are moving away from traditional cable and beginning to use services such as Amazon Video and YouTube TV means that competition will continue to thrive. But this ignores the fact that with the end of net neutrality, network providers will be able to start charging consumers and businesses alike based on the amount of content they consume. This means that AT&T can set its pricing in such a way that if you use them along with their content, there is no additional charge. But if you go to a competitor such as Amazon for content, you pay per gigabyte of data consumed.

It's very hard to see how this merger will benefit consumers. On the other hand, it is very easy to see how it benefits AT&T.

byJim Malmberg

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