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The CEOs of AT&T Inc. and Time Warner Inc. on Wednesday defended their proposed \$85 billion merger to lawmakers, trying to navigate a tricky political landscape in which President-elect Donald Trump has expressed hostility to the deal.



Senators from both parties voiced wide-ranging concerns about the blockbuster deal at a hearing on Capitol Hill. The companies portrayed the union as a bulwark against the dominance of Silicon Valley giants such as Alphabet Inc.'s Google and Facebook Inc., while promising new digital media services that will benefit consumers.

Sen. Richard Blumenthal (D., Conn.) highlighted Mr. Trump's

promise to block the deal, saying, "I take him at his word," while raising concerns that the president-elect's animus may partly be his disapproval of cable news channel CNN and its coverage of him. "To threaten more vigorous or adverse enforcement against a particular company because he doesn't like the news coverage is a threat to the First Amendment," Mr. Blumenthal said.

Mr. Trump hasn't commented on the merger since the election. AT&T Chief Executive Randall Stephenson and Time Warner CEO Jeff Bewkes said Wednesday they hadn't had direct communications with the Trump administration and believed the Justice Department would evaluate the merger fairly. "We are anxious to put it in front of the DOJ and have the DOJ look at the facts," Mr. Stephenson said on the sidelines of the hearing.

Lawmakers focused their inquiries more on the complex policy questions involved in the media business than the fraught politics. Republican Senators shied away from Mr. Trump's hard-hitting populist tone and his willingness to take aim at specific businesses. Since winning the election, Mr. Trump interceded in Carrier Corp.'s plan to move an Indiana factory to Mexico and criticized the presumed price tag of Boeing Co.'s contract for presidential planes.

The AT&T-Time Warner combination—putting together the country's largest pay-TV provider with one of the biggest content producers—became a political lightning rod when it

was announced at the height of the presidential campaign in late October. Mr. Trump expressed opposition before the deal was even sealed. Messrs. Stephenson and Bewkes positioned the deal as a way to increase competition with entrenched cable-distribution companies, as well as the power of Google and Facebook, which dominate online advertising and are pushing into video services.

Gene Kimmelman, a former Justice Department official and president of public advocacy group Public Knowledge, stressed that those internet companies rely on the wireless and broadband networks controlled by huge telecommunications companies like AT&T.

The deal could lead to “potential anticompetitive favoritism,” warned Sen. Mike Lee (R., Utah), amid the grilling of the two CEOs during a hearing that lasted about three hours. The hearing was in front of the Senate subcommittee on antitrust, competition policy and consumer rights. Antitrust enforcers in the Trump administration will ultimately decide whether to approve the deal or try to block it. However, members of Congress can both reflect and contribute to the public mood regarding the merger of such large, high-impact businesses.

Cowen analyst Paul Gallant wrote in research note before the hearing that “Congress’s take on the deal could be more influential than normal” in this deal review, given that enforcers will have to balance Mr. Trump’s unusual opposition with Republicans’ typically more hands-off approach. Shares of Time Warner, which have been trading at a sharp discount to AT&T’s \$107.50 per-share offer amid Wall Street skepticism, closed Wednesday up 8 cents at \$93.98 while AT&T rose \$1.10, or 2.8%, to \$40.45. The merger’s antitrust review is taking place against the backdrop of an election marked by populist surges in both parties, empowering Mr. Trump and, for a time in the Democratic primaries, Sen. Bernie Sanders of Vermont.

That dynamic was noted Wednesday. The November election was an “outrage moment” for people who are “sick of getting pushed around,” said Sen. Amy Klobuchar (D., Minn.), the top Democrat on the subcommittee, following the hearing. “We need to respond to that.” But it isn’t clear this populist sentiment will have a direct impact on lawmakers’ actions, especially Republicans who are traditionally pro-business. At the hearing, GOP senators like Jeff Flake of Arizona, Thom Tillis of North Carolina and David Perdue of Georgia spoke positively about the deal.

Several lawmakers on both right and left appeared uncomfortable with aspects of the deal. But they focused on well-established antitrust principles, such as whether a so-called vertical merger—combining two companies that don’t compete head-to-head—would unduly reduce competition, rather than on the broad perils of concentrated power. Mr. Lee, the subcommittee’s chairman, said the merger could lead to price and access problems for competitors seeking Time Warner’s prized content, such as HBO. The senator has previously expressed skepticism of other deals ranging from Comcast Corp.’s failed attempt to buy Time Warner Cable and AT&T’s nearly \$50 billion acquisition of DirecTV last year. The Republican also voiced concern about AT&T’s practice of zero-rating—or exempting from data charges—its new DirecTV streaming video service. Critics worry that the practice could turn AT&T into a powerful gatekeeper for consumers’ content, he noted.

The deal would combine AT&T’s pay-TV subscribers and wireless customers with one of the nation’s most prized media content companies. Time Warner owns HBO as well as the Warner Bros. studios, plus cable networks including CNN and TNT. Sen. Charles Grassley (R., Iowa) also noted questions about the merged company’s ability to employ “bullying’ tactics to dictate rates and terms to other networks.” Mr. Grassley cited “concern that this acquisition will concentrate too much power into one conglomerate,” as well as “concern about the merger’s implications for a free and diverse press.” The comment echoed remarks from Mr. Trump in October that the deal puts “too much concentration of power in the hands of too few.” – *Wall Street Journal*



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