

Nov. 2, 2016

Dear Secretary Clinton:

Dear Mr. Trump:

AT&T's proposed takeover of Time Warner represents a serious threat to the openness and competitiveness of our nation's communications systems, hence to American democracy. Such runaway consolidation, and this deal specifically, would cause tremendous harm. The undersigned groups oppose this merger and call for the next President to redress the harms caused by increasing corporate and monopoly power over all aspects of American life.

This deal would exacerbate the lack of diversity in our news media and the lack of quality in our civic discourse. It would adversely affect the dynamism of the open internet, dragging down our economy and diminishing the responsiveness of our government in the process. It represents an all-out assault on internet and pay-TV customers' pocketbooks and reduces competition in these vital sectors.

This newly proposed and utterly wasteful merger is valued at nearly \$110 billion, once Time Warner's debt is factored into the transaction. It would result in an entity with market value of approximately \$300 billion. Even Wall Street analysts agree that "prices aren't going to go down because of this"¹ and that the deal lacks "strategic logic."² This largest U.S. merger thus far in 2016 would make the combined firm one of the largest media, telecommunications, and internet companies in the nation and in the entire world.

AT&T/Time Warner would have a massive footprint and stake in the national mobile and wired broadband markets, in satellite TV distribution, in top-grossing film and TV studios, in news production on networks like CNN, and in new media entities like the Hulu streaming service. This monolith would not only be responsible for connecting a significant proportion of the country to the internet, but for what people can see online (and on traditional pay-television platforms as well) once they get connected. The newly-combined company would be able to give unfair advantages to both its programming and distribution services, to the detriment of competition, independent voices, and consumers. The Economist agrees, calling mergers like this "rotten for the economy."³

There is little evidence that anyone – other than the executives and shareholders of the merging companies – benefits from these massive deals. The recent history of media concentration is littered with broken promises and higher prices for customers. The controversial Comcast/NBCU merger approved in 2011 warns against the notion that vertical mergers are harmless in any instance, including those involving content providers and distributors. The Comcast/NBCU deal conditions have been difficult or impossible to enforce. But AT&T itself has its own terrible track record in this regard too.

¹ Andrew Ross Sorkin, "Making Sense of AT&T's Bid for Time Warner," New York Times, October 23, 2016, <http://www.nytimes.com/2016/10/24/business/making-sense-of-atts-bid-for-time-warner.html>

² Paul R. La Monica, "Why Wall Street doesn't like the AT&T-Time Warner deal," CNN, October 24, 2016, <http://money.cnn.com/2016/10/24/investing/att-time-warner-wall-street-reaction/>

³ The Economist, "Vertical Limit," October 29, 2016, <http://www.economist.com/news/leaders/21709308-atts-takeover-time-warner-should-be-blocked-vertical-limit>

The AT&T/DIRECTV merger that closed just last year had a price tag of almost \$70 billion, including cash, stock and debt. It was billed as a boon for consumers – even though it removed a pay TV competitor from an already concentrated market. Yet instead of giving customers more value, the merged firm simply charged them more money, raising prices mere months after the deal closed. The price hikes are likely because AT&T must pay back what banks dole out for these transactions; yet they do nothing to actually increase investment in infrastructure and jobs.

In a bid to help see that DIRECTV deal through, AT&T made several commitments. Yet, this is the same company that has failed time and again to live up to its end of the bargain while winning past merger approvals. After purchasing Bell South and putting together its current (and massive) incumbent service territory, AT&T promised 100% broadband internet coverage in those areas where it operates as a local phone and broadband provider. Instead, the company redefined and recycled these promises after the fact to its advantage, sidestepping in the process its commitments made to people living in rural areas throughout the U.S.⁴

AT&T has similar unfulfilled commitments from a string of prior mergers.⁵ Its pattern of broken promises only serves to enrich the company and entrench existing economic and social inequalities. While promising to expand equitable access to these crucial communications platforms it controls, AT&T too often undermines instead the ability of underserved communities of color, rural residents, and other low-income customers to meaningfully participate in their own self-governance. Empowering people today means giving them the chance to build their own networks, protect their online privacy, and connect to the open internet and diverse content choices by way of lower priced services. This merger would move us in the wrong direction on each of those scores.

It has larger political, and structural implications as well. The trend towards massive corporate consolidation hurts our economy⁶ and our democratic system. The Democratic Party recognized this in its platform, explaining that “the historic purpose of the antitrust laws [was] to protect competition and prevent excessively consolidated economic and political power, which can be corrosive to a healthy democracy.”⁷ As you pointed out when discussing mergers in the healthcare industry, “evidence from careful studies shows that too often the companies end up pocketing profits rather than passing savings to consumers.”⁸ Likewise, the Center for American Progress recently noted that “there is systematic evidence—ranging from the disconnect of corporate profits and corporate investment to evidence of persistent supra-normal

⁴ Jon Brodtkin, “AT&T home Internet falls short, years after promising 100% coverage,” Ars Technica, May 12, 2015

<http://arstechnica.com/business/2015/05/att-home-internet-falls-short-years-after-promising-100-coverage/>

⁵ Caroline Craig, “AT&T-DirectV merger reveals new promises to be broken,” July 24, 2015,

<http://www.infoworld.com/article/2951778/m-a/att-directv-merger-broken-promises.html>

⁶ “Too Much of a Good Thing,” The Economist, March 26, 2016,

<http://www.economist.com/news/briefing/21695385-profits-are-too-high-america-needs-giant-dose-competition-too-much-good-thing>

⁷ “2016 Democratic Party Platform,” Democratic National Committee, July 21, 2016,

<https://www.demconvention.com/wp-content/uploads/2016/07/Democratic-Party-Platform-7.21.16-no-lines.pdf>

⁸ Hillary Clinton, “Serious Concerns’ About Proposed Mega-Mergers of Health Insurance Companies,”

<https://www.hillaryclinton.com/briefing/statements/2015/10/21/clinton-concerns-with-health-insurance-mergers/>

profitability—that points to an increase in rent extraction in the U.S. economy.”⁹ The Council of Economic Advisors, too, has recognized how an uncompetitive market structure, including vertical integration, can result in higher prices and lower quality for consumers, and create structural barriers to new entry from entrepreneurs.¹⁰

Such economic concentration generally begets concentration of political power too. Senator Warren offered a succinct explanation of this phenomenon in her speech this year to a New America Open Markets program event: “The larger and more economically powerful these companies get, the more resources they can bring to bear on lobbying government to change the rules to benefit exactly the companies that are doing the lobbying. Over time, this means a closed, self-perpetuating, rigged system – a playing field that lavishes favors on the big guys, hammers the small guys, and fuels even more concentration.”¹¹

Too many sectors are already marked by such concentration, with powerful gatekeepers controlling huge swaths of the economy and dictating their own terms in Washington, D.C. These concerns can be particularly poignant in the media realm, which plays a critical structural role in American politics: The vertical integration of production with dissemination incentivizes the manipulation of information in furtherance of corporate profits, even though this might inhibit speech, access to information, and ethical journalism. While many of our groups have criticized the media coverage this election season, we recognize the critical role of the press, and the fact that this merger presents grave danger to it.

Further media consolidation threatens to turn back the clock and reverse hard-won recent gains at the FCC, such as the Net Neutrality rules that AT&T continues to challenge in court today. Preserving such communications rights allow members of marginalized communities to get online and tell their own stories or make their own businesses. This merger is part of an arms race between so-called “old media” titans and the new gatekeepers of Silicon Valley, which jeopardizes all of that promise.

For these reasons and more, we urge you to oppose the merger and, should you become President, commit to investigating the very serious questions it raises.

Sincerely,

18 Million Rising

Alliance for Community Media

Barry C. Lynn, director of the Open Markets Program at New America

Color of Change

Common Cause

⁹ Marc Jarsulic, Ethan Gurwitz, Kate Bahn & Andy Green, “Reviving Antitrust,” Center for American Progress, June 29, 2016,

<https://www.americanprogress.org/issues/economy/reports/2016/06/29/140613/reviving-antitrust/>

¹⁰ The Council of Economic Advisers Issue Brief, “Benefits of Competition and Indicators of Market Power,” May 2016,

https://www.whitehouse.gov/sites/default/files/page/files/20160502_competition_issue_brief_updated_cea.pdf

¹¹ Senator Elizabeth Warren, “Reigniting Competition in the American Economy,” Keynote Remarks at New America’s Open Markets Program Event, June 29, 2016,

http://www.warren.senate.gov/files/documents/2016-6-29_Warren_Antitrust_Speech.pdf

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Demand Progress
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Free Press
Future of Music Coalition
Media Access Project
Media Alliance
Media Mobilizing Project
Open Media
Open Technology Institute
Presente.org
RootsAction
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The Greenlining Institute