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New York Times
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Pittsburgh Post-Gazette
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Philadelphia Inquirer
Editorial: No mercy for Kane; she must pay for her crimes

Philadelphia Daily News
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Philadelphia Inquirer
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The official rationale for **AT&T's $85 billion deal** to purchase Time Warner is that in uncertain times, bigger is better.

AT&T is a telecom company that offers wireless service in a saturated market, while Time Warner is a content company whose primary assets, networks like CNN and HBO, face tougher times in a cord-cutting world. This merger is presented as a solution — a bigger company with more options will inherently be better suited to weather the enormous changes now shattering the TV business. Together, they'll have more leverage and can build new stuff faster. If all this sounds a bit speculative, that's because it is. What this deal actually symbolizes is that the future of television is increasingly going to be built on lots of bold, possibly speculative experiments.

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In most mergers, people talk up "synergies" — how bringing various parts together creates a more valuable whole. But **for regulatory reasons** and business ones, the obvious synergies between AT&T and Time Warner are limited. For instance, it does not make sense for Time Warner to offer most of its content exclusively to AT&T's customers. Not only would that destroy its profitability (Comcast's customers pay a lot for CNN and HBO, so why would Time Warner want to kill that business?), but it would also be out of step with the future. The notion of content tied to specific distribution lines is exactly what consumers are moving away from when they choose services like Netflix over cable bundles.

Instead this megadeal is best seen as a Hail Mary pass. It's a way to do something, *anything*, to get some grip on a rapidly changing future. The basic story underlying this merger is that the great delivery and content business for television is cracking up. Thanks to the internet and the smartphone, the way we have paid for TV, the kinds of programming we get and the devices we watch it on are all undergoing transformational change.

We are witnessing the emergence of a new order in the TV business. In five or 10 years' time, that order may become clear. There's a good chance it will involve some current players — Comcast, Disney and a merged AT&T and Time Warner will all play a role in the entertainment business of tomorrow. But these behemoths' size and influence will almost certainly be diminished by new tech-powered players, whose

pocketbooks and ambitions seem limitless — companies like Google, Facebook, Amazon, Apple, Netflix and possibly Twitter and Snap.

What's scary for the incumbents is that at the moment, much of the future seems up for grabs, because consumer behavior is neither settled nor predictable. Even viewership of N.F.L. games **is down this season**. Down! So among the questions now plaguing the industry: Do people still want to pay for TV, and if so, how much? Do people want to watch live stuff, or scripted stuff, or do they instead want to watch whatever is on their Facebook feed? Which kind of company is the most valuable player in the future of the entertainment business?

That is where all the experimenting comes in. William Goldman, the screenwriter, once said that in Hollywood, "nobody knows anything." This applies well to the entertainment business of today, and the AT&T and Time Warner deal is perhaps the watershed example: Every move is a guess, and if you are lucky, an educated one. "I think we're all trying to figure this out — how technology and the consumer is going to change, and who are the winners and losers in this future," said Walter Piecyk, who studies the telecommunications industry at the research firm BTIG.

The best argument for the deal, Mr. Piecyk said, is that it diversifies AT&T's offerings — now a single company combines content and distribution, rather than just one or the other. When you face an uncertain future, diversity isn't a bad weapon. If it turns out that in the future, content becomes more valuable than distribution, the new AT&T will have that; if the opposite happens, it's covered there, too. In conference calls with reporters and investors over the weekend, Randall Stephenson and Jeffrey Bewkes, the chairmen and chief executives of AT&T and Time Warner, added another dimension to this argument: Bigger, they said, is faster.

The future of TV, they argued, will depend on a lot of new ideas that are tested and deployed very quickly. These might include new business models for paying for shows, new ways to distribute and market that content, and new technologies and industrywide standards to make sure it all works. But today, those kinds of innovations take a long time to develop, in part because the industry is so fragmented, the companies argued. Consider TV Everywhere, the standard that allows you to sign on to your cable company's account so that you can watch, say, CNN or HBO on your smartphone. Mr. Bewkes pointed out Time Warner and others in the industry had been trying to pull off such a system for years, **but that it took forever** because other cable and content companies "kept it hostage to individual negotiations and step-by-step contract renewals."

Fragmentation led to delays, and delays contribute to consumer dissatisfaction — but in a world in which Time Warner and AT&T worked together, new products would come along faster, which would in turn push new ideas from competitors, Mr. Bewkes said. Many analysts I spoke to found this explanation **hard to swallow**. They said a lot of these potential products and services could be created from licensing deals. A merger might actually slow down industrywide collaborations, they argued, because it sets up a new giant that others in the industry may not want to work with. "This appears to be about empire sustenance rather than economic efficiency," said Brian Wieser, an analyst at the Pivotal Research Group.

Craig Moffett, of MoffettNathanson, was blunter: "AT&T faces the twin pressures of a huge debt load and huge dividend that consumes the vast majority of their cash," he wrote in an email. "It is clear that they had to do SOMETHING." Big media mergers are always risky. They rarely work out. But it's striking how much more things are uncertain today than in the past. So even if AT&T and Time Warner together do not make much obvious sense, well, it's something. – ***New York Times*****; more pessimistic reactions in the *New York Times*, and *Los Angeles Times***

Netflix Inc. Chief Executive Reed Hastings offered his qualified support of AT&T Inc.'s $85.4 billion deal to buy Time Warner Inc.—as long as the deal doesn't give an "unfair advantage" to Time Warner's networks. Mr. Hastings said he would back the deal "as long as HBO's bits and Netflix's bits are treated the same," he said Monday, speaking at the WSJDLive conference in Laguna Beach, Calif. "The key thing is whether there is going to be net neutrality, which hasn't been AT&T's favorite topic," he said. "If they got there…then good things might happen."

The AT&T deal with Time Warner, reached this weekend, faces a **tough political and antitrust climate**. It would combine the carrier's millions of wireless and pay-television subscribers with Time Warner's media lineup, which includes networks such as CNN, TNT, and HBO and Warner Bros.' film and TV studio. By comparison, Netflix is a small player, but Mr. Hastings looks to other Silicon Valley giants as his benchmark. With 87 million world-wide subscribers, Netflix has a long way to go to reach the billion-plus audiences on Facebook Inc. and Alphabet Inc.'s YouTube, Mr. Hastings said.

Mr. Hastings, who sits on Facebook's board of directors, said the breakdown of Netflix's subscribers should be similar to Facebook, which has more than 80% of its users outside North America. "That should be us," he said. Netflix has rolled out its service to dozens of countries in recent months, but less than half of its subscribers are outside the U.S.

Mr. Hastings said Netflix would focus on entertainment and would stay away from news and sports. But he said he could envision a day when movies and TV shows would fall out of vogue—"like opera"—in favor of entertainment consumed on Facebook and Snap Inc.'s disappearing chat app Snapchat, virtual reality and augmented reality. "In the long run, there will be substitutes," Mr. Hastings said. "The ultimate challenge for us is: What is that new form of content? Is it VR, AR? Is it pharmacological?" he joked. – ***Wall Street Journal***

When it comes to the $85.4B mega deal between AT&T and Time Warner content is king, according to Discovery Communications CEO David Zaslov. He joined the FOX Business Network's Maria Bartiromo to discuss how the deal is a sign of the changing media landscape. "In some ways it's expected. As you look around the world, you see it much more in Latin America and in Europe. The cable operators first started offering broadband and the phone guys started offering broadband. But in the last year or two you've seen the quadruple play. So… You get your wireless, your multichannel, your broadband and your hard phone. And it's very, very compelling," he said.

Zaslov believes this deal highlights how significant unique content will be for media companies. "The problem is that each of the distributors, if they can offer all of those through a pipe, it effectively becomes a dumb pipe… they need content in order to make their offerings special and unique. So it's a reinforcement that great IT and content is going to be the ultimate winner here," he said.

He also discussed how consolidation impacts distributors. "The bigger consolidation question is what happens now to the distributors? Do the cable operators now have to find a wireless solution in the U.S.? Most of them inside the U.S. have felt that they needed to. Does Verizon now look at AT&T and say wait a minute? They have DIRECTV and now they have a huge amount of content, we don't have any one of those things. Do we need one or the other?" he said. – ***New York Times***

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