

US regulators demand CNN sale to approve AT&T-Time Warner deal

Dispute erupts in public as AT&T boss says he will not put news channel up for sale

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[AT&T](#) has been told by the US Department of Justice that it needs to sell CNN, [Time Warner](#)'s cable news channel, to get [its \\$84.5bn acquisition](#) of the media company approved, according to three people with direct knowledge of the negotiations.

The sale of Turner Broadcasting and its crown jewel CNN, which President Donald Trump has [fiercely criticised as a broadcaster of "fake news"](#), is one of two potential options put forward by the US antitrust authority in order to sign off on the deal, those involved in the talks said.

AT&T is opposed to selling the TV network, two people familiar with its thinking said, and is preparing to take the Trump administration to court to argue the deal with Time Warner does not pose any threat to competition.

The issue became an extraordinary public dispute on Wednesday, after the Financial Times reported the CNN demand. The chief executive of AT&T, Randall Stephenson issued a statement denying other media reports, which cited anonymous DoJ sources, that said the company had itself offered to sell CNN.

"Until now, we've never commented on our discussions with the DOJ," Mr

Stephenson said. “But given DoJ’s statement this afternoon, it’s important to set the record straight. Throughout this process, I have never offered to sell CNN and have no intention of doing so.”

The second option proposed by the DoJ is the sale of DirecTV, AT&T’s satellite broadcaster, but people involved say the company thinks neither demand is realistic.

“It’s all about CNN,” said one person with direct knowledge of the talks with the DoJ, adding that the regulator made it clear to AT&T that if it sold CNN the deal would go through.

At the end of last month, the two companies said they still expected to close the deal by the end of the year. But John Stephens, AT&T’s chief financial officer, told a New York investor conference on Wednesday that [“the timing of the closing of the deal is now uncertain”](#) — though he declined to go into detail about what had changed in the interim.

Mr Stephens added that a “vertical merger like this hasn’t been blocked for over 40 years”.

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***Randall
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Mr Trump has not hidden his opposition to the deal, which had cleared regulatory hurdles in other countries and had been widely expected to be signed off by Washington. During the presidential campaign, Mr Trump had promised to reject the deal outright, saying it concentrated too much media control into a single corporate entity.

chief executive



But Makan Delrahim, the new head of the justice department's antitrust division, has been more conciliatory, saying before taking office that he did not believe the merger posed a "major antitrust problem".

"The sheer size of it, and the fact that it's media, I think will get a lot of

attention," Mr Delrahim told a Canadian TV station in 2016 after the AT&T deal with Time Warner was announced. "However, I don't see this as a major antitrust problem."

People with direct knowledge of the antitrust negotiations said Mr Delrahim had changed his view since taking office.

The deal was originally set to expire last month but AT&T last week extended its termination deadline "for a short period" while it waited for approval from US regulators. At the time the company said it expected the transaction to close by the end of this year.

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Time Warner declined to comment on CNN. The justice department did not respond to a request for comment.

Turner Broadcasting, whose cable channels include TBS, TNT and the

Cartoon Network as well as CNN, is Time Warner's most profitable division. It had \$4.4bn in operating income in 2016 on revenue of \$11.4bn. DirecTV had 20.6m satellite video subscribers at the end of September.

The DoJ's proposal for the disposal of DirecTV as an alternative to a Turner

Broadcasting sale was first reported by The New York Times.

The demands are “completely unreasonable” and “a complete perversion of the guidelines of the law”, one person with knowledge of the discussions said.

AT&T announced its intention to buy the owner of HBO, CNN and the Warner Bros film studio in October 2016 as it sought to offset the pressures on its legacy video and wireless businesses.

The audacious plan to merge Time Warner’s content production and channel assets with AT&T’s distribution infrastructure would reshape the media and telecoms landscape.

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