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The following is a transcript of a live interview with AT&T CEO Randall Stephenson and Time Warner Inc. CEO Jeff Bewkes posted on the website of the Wall Street Journal on October 25, 2016:

P R O C E E D I N G S

INTRODUCTORY SPEAKER: All right, what would you buy if I gave you 85 billion dollars? AT&T just bought Bugs Bunny, Batman, and the Baratheon family, it's the deal of the fall, and I'm sure you've got a lot of questions, and we've built in some time for that today.

To get things started let's bring out the deputy editor in chief, Rebecca Blumenstein, also the CEO of AT&T, Randall Stephenson, and the chairman and CEO of Time Warner, Jeff Bewkes.

MS. BLUMENSTEIN: Well, thanks so much to you both for coming all the way, after announcing the biggest media deal in years.

I -- I want to cut to the

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chase: Time Warner was bought once before, tell me why it's going to turn out better this time.

MR. STEPHENSON: Well, we didn't try before, all right? I'll start there.

But this -- this deal was about one thing, and that was, how could we change the game in this ecosystem, because if there was ever an environment that was begging for innovation it is this environment.

And if you think about what's happened in this system literally you have 20 million households now who have left the premium content system. They're not buying a bundle of premium content, they're gone, they're not around, and this is one of the

things we're trying to do, how do
you begin to do something to
access that -- that segment of the
market.
MS. BLUMENSTEIN: So they've
kind of cut the cord?
MR. STEPHENSON: Yeah,
they've cut the cord. They're not
even engaged in the premium
ecosystem anymore.
And then so we're going to
launch, at the end of next month,
November, a product that we think
does this, and that's what this
deal is about, and I think it's
important to understand it, it's
Direct TV Now is what we're
calling it, but this is, for the
first time, a hundred plus premium
channels, all right? This isn't
the junk nobody wants. This is a
hundred plus premium channels,

purely over the top, a mobile centric platform for $35 a month, all right? It has all of Jeff's content, it has all the premium content that you know and love, you like to watch, $35 a month, and that includes your mobile streaming costs, all right? Streaming it over the mobile internet. So 35 bucks pretty much all in, we think this is big. We think it's a game changer.

MS. BLUMENSTEIN: So you're making more news now by announcing the price point.

MR. STEPHENSON: We haven't announced the price point before but we're announcing it right now. And as you think about people saying this is nothing but a way to increase prices, no, this is a way to drive pricing down in the marketplace. We think this is really important.

And I think there's something else that's important, and it's instructive to how you consider this deal, and that is: That would not be possible, we started trying to develop this product over a year ago, it would not be possible had we not done the Direct TV deal, it would be impossible, because we had been trying to do this for the last three years.

We cannot get the media companies to participate in this until we have scale, in fact, interestingly enough, one of the last companies to finally come in to this hundred channel package was Fox. They were the last ones to come in.

And I think what's equally instructive is one of the first ones in was NBC Universal, which I think is ironic, when you think that the one company that is vertically integrated, like we're talking about doing, is one of the first ones in doing the innovation in the marketplace.

And I would tell you one of the other first ones in was this guy, we got TBS, TNT, all of those channels we got in early in the game. And -- and I think that's a really important observation, that if you want to innovate you're going to have to have scale, you're going to have to have content that will allow you to innovate.

And so to that end, just considering that, there was a lot of noise yesterday around what this new company looks like, and -- and what people should be concerned with.

And we have, internally, at AT&T, that Jeff's team will be introduced to, we call it our Magna Carta: What are the guiding principles as you put these two companies together. And it starts with, "Dear AT&T executives, with distribution assets, Direct TV, our mobility company, number one principle of the Magna Carta is: Recognize, Time Warner will continue to distribute their content widely and broadly. You're now going to get exclusive access to Time Warner content. They've built a franchise on wide and broad distribution that's going to continue.

Time Warner, when you come in, point number two, our distribution businesses are going to continue to distribute a wide variety of content. That's what the customers expect and want, a hundred channels of premium content, that will not change. Time Warner don't expect that to be premium.

MS. BLUMENSTEIN: So you're vowing you're not going to take any price advantage?

MR. STEPHENSON: We're actually trying to bring prices down, $35, you know, find that in the marketplace with wireless streaming, right?

Principle number three, and this is to the AT&T board, when you own a news company independence is sacrosanct. You

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must protect the independent editorial privileges of that news organization. And to the extent your customers deem otherwise you damage the brand of a CNN, specifically.

Fourth is, Time Warner is going to become the launching pad for innovation. Time Warner is what we're going to try to touch these third rails that the industry will not and has not touched. It's where we're going to begin to experiment and test, how can you bring a la carte pricing into the ecosystem? How can you do that?

I think this is going to be a really important innovation. It's also the place where we'll begin to develop new ad support models, where you can net $35 price point, these content costs are not going to be flat. So how can we develop new ad models that will allow us to keep the price point in check offsetting the price increases on content?

I think that's really, really important. And then last element of our Magna Carta is: We are going to be a head-to-head nationwide competitor with the cable ecosystem.

And 5G deployment is a game changer. We will be a new competitor nationwide with 5G. And so the intent is to bring Time Warner and AT&T together and create a very new and a very different kind of competitor, nationwide, in the cable ecosystem.

So that's how we're framing

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this, this is what we're trying to become as a company.

MS. BLUMENSTEIN: So Jeff, are you trying to right the historical wrong of AOL, in part, here? You have come out previously against the distribution coming together.

MR. BEWKES: No, no, no, we're way past that. I've got to add an example, if I could, and I think it will resonate with everybody here: It was about seven years ago that we at Time Warner we saw that the world wanted to go to VOD. We already had it at HBO. Richard's here, he talked this morning, we had done at VOD at HBO 15 or 20 years ago, but we knew people wanted it on every channel.

So we want and literally

unilaterally at Time Warner we put
all our channels out on VOD. We
gave a contract with no
negotiation, no change, any
distributor, large or small, could
take it, and what did it say? It
said: "You can have the right,
cable, telco, satellite, anybody,
you can have the right to have all
our channels on VOD, if you didn't
have it before, you don't pay us
for this, provided, really, one
thing, you don't charge consumers
for it, you don't create a package
where if you pay extra you get it,
another guy doesn't pay he doesn't
get it, it's got to be go -- got
to go to everybody."
    And we also said: "You
can't tie your broadband service
to your video service, because
anybody that's got a video

service, anybody who's paid for"
-- which we all know 80 percent,
90 percent of the people have paid
for CNN, Fox News, et cetera, you
get it, what happened? Seven
years ago.
So we waited, year after
year we've talked about this, the
old media business, the other
media companies, the distributors,
they didn't offer this to
consumers, even though it was
sitting there for no charge. Why
not? Because the old distribution
company they -- some of them did,
we can go through who did it
better than others, but basically
they didn't want to make the plan
investments in what you have to do
to provide that, they didn't have
either the skill or the scale to
do the interfaces, which everybody

out here knows so well is important when you have more and more volume of programming you need a better interface to find it and recommend it and share it, et cetera.

So that was on the distributor side. But then you look at the other network companies, they didn't offer it, either. Why not? They were waiting for years for this renewal negotiation or that renewal negotiation. That's not how you change consumer behavior.

What you want, and we wanted this seven years ago, we want you to go to your TV dial or your tablet or your mobile device and you should be able to get any network on that, on demand, because the originators of the program, whether it's NBC or TNT, or HBO, we paid for the program. You

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paid for it, you ought to have it, there's no cost to doing it on DOD.

So now we come to this stitch, we've made some progress, there, but you all know what did it force consumers to do in this interim period? They all had to go out and pay extra money to get library SVOD services, for the very same programming that should have been available on VOD all along.

So we would say, and we've been saying this since 1995, every channel in the country, every network should look like HBO or Netflix. There's no reason it can't.

And now we have a distribution platform where we can, together, put out a launching pad of services. And do we want it to be just our channels? No. We want it to be all the most important channels, just this way I've described just now.

MS. BLUMENSTEIN: A question for both of you: How much of this is offense and how much is defense? I mean, Randall, your core business wireless subscribers are down, ATT subscribers are down, I mean, is this, in a sense, almost to vet the company deal?

MR. STEPHENSON: I don't know how you characterize it, vet the company deal, when you buy an asset like this that is EPS accretive, cash flow accretive, enhances dividend coverages, keep credit metrics that are credit quality, talk great credit quality.

So I don't see how you can characterize that as defensive. It's just something where you have customers, you have a known demand

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that customers have, this isn't one of those that you have to do a lot of guessing and swing for the fences and hope for the best.

We know what the customers want. It's really, really obvious. They want premium content in a mobile environment. We have had a really difficult time getting that put together. It's been really hard.

This is a way where we can actually begin to move much, much faster at bringing bundled premium content over a mobile environment to our customer. It's no more complicated than that.

MS. BLUMENSTEIN: Regulators and politicians have come up to me against the deal. Donald Trump has said he would nix it, and actually went further and said that he would try to do -- undo Comcast NBC Universal. Tim Kaine has said he has concerns that it would raise consumer prices.

And there seems to be a growing sense at the Department of Justice and the FCC about this state of mega deals and true antitrust concerns.

What is -- what is your response, are you surprised by this?

MR. STEPHENSON: Not surprised. They're uninformed comments.

...(APPLAUSE)...

MR. STEPHENSON: Anybody -- anybody who characterizes this as a means to raise prices is ignoring the basic premise of what we're trying do here.

Again, a $35 product we

bring into the market to innovate on and find new ways of bringing content to customers, that's not a medium for raising prices.

Also, vertical integrations are rarely a means for raising prices. You're not changing the market structure in any way, shape, or form. You're not changing the broadband market, you're not changing the wireless market.

When we wake up, after this deal is approved, the wireless market will look exactly the same as it does today and the media market will look the same as it does today.

So this is not -- this is not a combination that typically, you know, gains that kind of horizontal type merger scrutiny, in fact, it's really important to know it is a, by every technical definition, a vertical merger integration. And vertical merger integrations are historically approved.

Now, it doesn't mean they're approved carte blanche. Regulators will have some concerns with this, I'm quite confident they will. Those concerns are invariably remedied with conditions.

So we anticipate there will be a good, fulsome review and discussion about this.

MR. BEWKES: You know, we ought to talk about advertising, because if you're looking into competition this is going to be extremely helpful to increase competition in advertising. And I think, since we are west of the

mountains, at least where I live,
we all need more competition in
advertising because what we've
been seeing is growing
concentration to a duopoly and
digital enabled advertising.
MS. BLUMENSTEIN: You're
talking Facebook and Google?
MR. BEWKES: Yes, I am. And
I hope some of you -- I know that
the Google and Facebook people,
because we work with them and know
them well, there's one thing they
love and that's innovation and
competition. And we are here to
help. We are. We're going to
bring more of that, and that's
good not only for -- that's
basically a very good development
for all media companies, because
when you create the ability to
have the same kind of digitally

powered advertising you get so many benefits, you know, competition always helps consumers, and it gives advertisers better choices.

But it, most important, allows the consumer experience watching video to have more relevant ads, less intrusive and interruptive ads. Therefore, they're more valuable. Therefore, more of the burden of cost of content goes to advertising rather than to people.

Again, more competition, lower prices, better for consumers.

MS. BLUMENSTEIN: Randall, explain how these less intrusive ads are going to work, because they seem a bit intrusive, I have to say. You're going to be able to target homes? You're going to