

Special Election T-365 Issue: A Warren Presidency and Our Sector: What, We Worry?

By Blair Levin | November 3, 2019

The election is one year away[fnote]We have titled this issue the Special Election T-365 Issue. We recognize that due to the Leap Year, our publication date is actually T minus 366. But 366 doesn't imply a year as artistically as 365. Besides, when the subject is politics, getting it 365/366 right is good enough as it is even more unusual than a Washington DC baseball team winning the World Series. (OK. That was a long and over wrought way to get a reference to the Nats miracle in this update but now we're done.)[/fnote] but investors are already wondering about the impact of a potential Warren Presidency on the Telecom, Mobile and Cable Sectors. In this note, we address that question, concluding that while Title II reclassification is likely, investors' worst fears, particularly price regulation and unbundling, are overblown.

In the first section, we analyze the overall prospects for Warren inspired legislation, concluding that the make up of the Senate, the limited time before the mid-terms, and Warren's own priorities create an environment in which legislation that would hurt the carriers is unlikely, but that to the contrary, there is some prospect for legislation creating a national framework for privacy and net neutrality, as well as infrastructure legislation, that we think could be mild positives for the sector.

In the second section we analyze the prospects for executive action, specifically at the FCC and DOJ Antitrust division. This is where investors' fears are most concentrated but we think those fears ignore a number of factors that make actions of material consequence unlikely. For example, while fears about more aggressive antitrust enforcement are well grounded, we think the domestic deals where antitrust might be relevant are largely done and Warren's target will be the tech sector, which may create a collateral benefit for those in the data transmission business. We think it likely the FCC will undertake some actions that the companies will oppose, such as in consumer protection, truth-in-billing and transparency, but we don't see those actions as material to equity values. Spectrum is more complex, with some potential upside for cable and smaller mobile carriers and downside for larger mobile enterprises by virtue of Warren's appointees likely being more sympathetic to

unlicensed spectrum needs and favoring smaller spectrum licenses. Again, however, we regard these as unlikely to be material to the equity values of the larger players.

In the third section, we discuss three largely overlooked factors — the courts, a change in market dynamics, and a change in the perception of the greatest corporate threat to the public — that provide an additional safety net to mitigate potential legislative and executive action that might materially damage companies in our sector.

[\(more...\)](#)

Full 12-month historical recommendation changes are available on request

Reports produced by New Street Research LLP, 18th Floor, 100 Bishopsgate, London, EC2N 4AG. Tel: +44 20 7375 9111.

New Street Research LLP is authorised and regulated in the UK by the Financial Conduct Authority and is registered in the United States with the Securities and Exchange Commission as a foreign investment adviser.

Regulatory Disclosures: This research is directed only at persons classified as Professional Clients under the rules of the Financial Conduct Authority ('FCA'), and must not be re-distributed to Retail Clients as defined in the rules of the FCA.

This research is for our clients only. It is based on current public information which we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Most of our reports are published at irregular intervals as appropriate in the analyst's judgment. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

All our research reports are disseminated and available to all clients simultaneously through electronic publication to our website.

New Street Research LLC is neither a registered investment advisor nor a broker/dealer. Subscribers and/or readers are advised that the information contained in this report is not to be construed or relied upon as investment, tax planning, accounting and/or legal advice, nor is it to be construed in any way as a recommendation to buy or sell any security or any other form of investment. All opinions, analyses and information contained herein is based upon sources believed to be reliable and is written in good faith, but no representation or warranty of any kind, express or implied, is made herein concerning any investment, tax, accounting and/or legal matter or the accuracy, completeness, correctness, timeliness and/or appropriateness of any of the information contained herein. Subscribers and/or readers are further advised that the Company does not necessarily update the information and/or opinions set forth in this and/or any subsequent version of this report. Readers are urged to consult with their own independent professional advisors with respect to any matter herein. All information contained herein and/or this website should be independently verified.

All research is issued under the regulatory oversight of New Street Research LLP.

Copyright © 2024 New Street Research LLP

No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior written consent of New Street Research LLP.