

AT&T's T-Mobile buy faces congressional scrutiny

May 11 2011, by Chris Lefkow

US lawmakers grilled AT&T on Wednesday over its proposed \$39 billion acquisition of rival T-Mobile USA, questioning whether the mega-merger would harm competition in the fast-growing wireless industry.

"At present four companies control nearly 90 percent of the national wireless market," said Senator Patrick Leahy, a Democrat from Vermont.

"This acquisition would further consolidate an already concentrated market for wireless communication," Leahy told a hearing of the Senate Judiciary Committee on Anti-trust, Competition Policy and Consumer Rights.

"I expect the Department of Justice and the Federal Communications Commission (FCC) to conduct an exhaustive and careful analysis of this acquisition and its impact on competition," he said.

"The analysis should include the impact the proposed transaction will have on consumer prices, choices for cellphone and wireless data plans and whether the acquisition will stifle or promote innovation."

Adding T-Mobile's subscribers would give AT&T around 40 percent of the market and make it the top US wireless carrier. Verizon is currently number one, followed by AT&T, Sprint Nextel and T-Mobile.

Sprint had also expressed interest in acquiring T-Mobile, the US unit of

Germany's Deutsche Telekom, and Sprint chief executive Daniel Hesse spoke out strongly against the transaction at Wednesday's hearing.

"AT&T's acquisition of T-Mobile will turn back the clock on wireless competition," Hesse said, and would "put Ma Bell back together again."

"The wireless industry thrives on competition," Hesse said, and an AT&T acquisition of T-Mobile would mean that "two companies would largely control industry pricing."

"This merger is unfixable," he said. "The only remedy that can preserve competition is a vibrant wireless market and we ask you to 'just say no' to this takeover."

"We urge the Justice Department and the FCC to say no."

Senator Al Franken, a Democrat from Minnesota, also raised the specter of Ma Bell -- the AT&T-led telephone service broken up by the US government in the 1980s.

"I fear that this merger would take us just one step away from the monopoly market we had under Ma Bell," Franken said. "I believe it's going to raise prices for American families and cost thousands of jobs."

AT&T chairman and chief executive Randall Stephenson defended the purchase under tough questioning saying "this transaction is about consumers."

"It's about keeping up with consumer demand specifically," Stephenson said. "It's about having the capacity to drive innovation and competitive prices."

"And, most important, it's about giving consumers what they expect, and

that's fewer dropped calls, faster speeds and access to high-speed fourth-generation mobile Internet service," he said.

Stephenson said it would also help relieve a wireless "spectrum crunch."

"To meet the ever increasing demand by consumers, we have to find ways to get more capacity from existing spectrum," he said. "That is exactly what the combination of AT&T and T-Mobile will do."

"The US wireless marketplace is the most competitive in the world and it will remain so after this transaction," Stephenson said.

T-Mobile US chief executive Philipp Humm also defended the deal saying Deutsche Telekom "is not in a position to finance the necessary large scale investments in the US for T-Mobile to remain competitive."

Computer and Communications Industry Association president and chief executive Ed Black called meanwhile for the deal to be blocked.

"When it comes to antitrust law, the case against the merger is a slam dunk," Black said in a statement.

"The problem with AT&T's service is they have decided what's best for profits is to not innovate and to complain of spectrum scarcity -- rather than invest in solutions."

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Citation: AT&T's T-Mobile buy faces congressional scrutiny (2011, May 11) retrieved 2 October 2025 from <https://phys.org/news/2011-05-att-t-mobile-congressional-scrutiny.html>

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