Telecom giants AT&T and T-Mobile to merge

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AT&T announced on Sunday that it plans to buy T-Mobile USA, the US branch of Deutsche Telekom, making AT&T by far the largest mobile phone company in the United States.

The merger would add T-Mobile's 34 million customers to AT&T's 95.5 million, putting it far ahead of the second-largest company, Verizon Wireless, which has 94.1 million customers. AT&T and Verizon would together hold 79 percent of the US mobile phone market.

If the merger—which is subject to approval by the Federal Communications Commission (FCC) and Justice Department—goes through, it will mean higher prices and stricter choices for consumers, experts warned.

"AT&T is already a giant in the wireless marketplace, where customers routinely complain about hidden charges and other anti-consumer practices," said Parul P. Desai, policy counsel for Consumers Union, in a statement. "From a consumer's perspective, it's difficult to come up with any justification or benefits from letting AT&T swallow up one of its few major competitors."

The AT&T merger is only the latest event in the ongoing consolidation among US mobile phone service providers. In May 2010, the FCC issued its fourteenth annual report on the state of the wireless communication industry, which found that phone companies are concentrating rapidly and putting less and less revenue into investment.

"One widely-used measure of industry concentration indicates that concentration has increased 32 percent since 2003 and 6.5 percent in 2008," the FCC concluded.

"The report confirms something I have been warning about for years — that competition has been dramatically eroded and is seriously endangered by continuing consolidation and concentration in our wireless markets," commented FCC Commissioner Michael Copps last year. Yet the FCC has done nothing to impede the monopolization of the industry.

Art Brodsky, the communications director of Public Knowledge, a public interest group, said the merger would limit consumers' choices and raise prices.

"It's an improper concentration of market power," he said in a telephone interview Wednesday. "Especially when you take out a company like T-mobile, which has better, more flexible pricing plans than AT&T, and has better policies on the use of equipment.

"Less choice for consumers inevitably leads to higher prices for consumers. If there's less competition, there's less pressure on prices. If you use the traditional indexes of market concentration, there is no way the Justice Department should be able to approve this."

But executives at the telecommunications firm think otherwise. They are so confident that the deal will be approved that they have promised to pay T-Mobile $3 billion if regulators strike the merger down.

AT&T has already mobilized its immense lobbying resources to promote the deal. The company employs ninety full-time lobbyists, and has spent at least $15 million on lobbying every year since 2005.

The Center for Responsive Politics (CRP) noted on its blog that AT&T's lobbying team employs "a basketball squad's worth of former members of Congress among its lobbyist ranks: Former Senate Majority Leader Trent Lott (R-Miss.), Sen. John Breaux (D-La.), Rep. Vic Fazio (D-Calif.), Rep. Jim Davis (D-Fla.), Rep. Michael Forbes (R-N.Y.) and and Rep. J.C. Watts (R-Okla.)."

"AT&T is one of the most powerful lobbying forces in America," said Dave Levinthal, communications director for the Center for Responsible Politics. "The company is a behemoth not only from a corporate standpoint, but from a political standpoint as well."

AT&T has friends in the White House as well, where the new chief of staff, William Daley, was the head of SBC Communications, which merged with AT&T in 2005. Daley also served as the Midwest chairman of Goldman Sachs, which is bankrolling the merger with a $20 million loan.

AT&T and T-Mobile have not announced the number of jobs that would be lost as a result of the merger, although the company bragged about "large, straightforward synergies" that are "expected to exceed the purchase price." At the very least, thousands of T-Mobile employees will no doubt be laid off as the company shutters retail stores throughout the country.

FCC head Julius Genachowski, who delivered the keynote at the Wireless Association industry trade show Tuesday, significantly made no mention of the proposed deal. Instead he sung praises to mobile broadband technology, in words, as the *Wall Street Journal* noted, "which could be straight out of the lips of AT&T executives."

The response of the stock markets was telling. Shares in Verizon Wireless, AT&T's main competitor, shot up in response to the deal, an indication that it will benefit from the monopolization of the market. Shares in Sprint, a far smaller peer, fell, amid suspicion that it would fold in competition with the two remaining giants.