

Rumor Mill: AT & T, DT Consider Joint Venture

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The rumor mill was buzzing yesterday with conflicting reports that AT&T was considering forming a joint venture with T-Mobile USA parent Deutsche Telekom to save its embattled merger with the country's fourth-largest wireless provider.

The Wall Street Journal reported that the two operators planned to leverage each other's network assets to avoid the Justice Department's antitrust concerns about a merger, but Reuters later reported that no such plans were in motion.

Both reports cited unnamed sources said to be familiar with the matter.

Details of the plan were sketchy in the Wall Street Journal's report, but it was described as a "back burner" deal that would only be considered as a last resort. The DOJ, which has filed a lawsuit to block AT&T's \$39 billion acquisition of T-Mobile, may be more amenable to a proposal which left T-Mobile an intact competitor.

Reuters refuted the story with a source that said, "There are currently no talks about a (network sharing) joint venture."

The reports agreed on one point, however: AT&T hasn't given up on the deal and is throwing its resources at reaching a settlement with the DOJ.

AT&T recently pulled its merger application with the FCC to avoid a hearing at the agency and focus on its efforts to hash out a deal with the DOJ. The FCC allowed AT&T to withdraw the application, but released a scathing report on the deal which refuted many of the claimed benefits of the transaction, including job creation and its impact on competition.

AT&T is also said to be considering a sale of T-Mobile's assets to Cricket parent Leap Wireless International. According to some reports, AT&T may be willing to divest up to 40 percent of T-Mobile's assets to get the transaction approved.

AT&T will have to re-file a merger application with the FCC if it is able to reach a settlement with the Justice Department.

FCC Commissioner Michael Copps made it clear in a statement this week that he would not welcome such a development, saying "I would hope the withdrawal is not a strategic gambit along the road to resubmission of this or a similar application in the months ahead. That would not strike me as a good route to travel."

If the deal falls through, AT&T will be on the hook for a breakup fee valued at \$4 billion in cash and spectrum. It's not clear whether a joint venture would free AT&T from that obligation.

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