

AT & T Hangs Up On T-Mobile Deal

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AT&T decided Monday to walk away from its \$39 billion merger with T-Mobile USA after opposition to the deal from the FCC and Justice Department proved insurmountable.

Abandoning the deal will cost AT&T \$4 billion worth of cash and spectrum, force it into a roaming deal with T-Mobile parent Deutsche Telekom and leave it searching for other ways to acquire badly needed spectrum.

AT&T said its acquisition of T-Mobile would have been an "interim solution" to its spectrum shortage.

"In the absence of such steps, customers will be harmed and needed investment will be stifled," the company said in a statement.

The move to give up on the merger seemed inevitable, as the transaction faced a tough fight from regulators who said it was anticompetitive and would have resulted in huge job losses.

The DOJ filed an antitrust suit against the merger in August and the FCC said last month it would refer the deal to an administrative hearing because it did not find the transaction was in the best interest of consumers.

BTIG Research analyst Walter Piecyk said the regulatory battle cost AT&T the chance to buy other spectrum that was on the market.

"The incentive for AT&T to walk rather than dragging this out until September seems clear," Piecyk said in a research note. "They need spectrum now and they were missing out on spectrum deals that started to move forward without them."

Rival Verizon Wireless recently agreed to pay a total of about \$4 billion to snag a massive swath of [AWS spectrum](#) [1] from Cox Communications, Time Warner Cable, Bright House Networks and Comcast.

AT&T said its merger with T-Mobile would create jobs and wouldn't harm competition, but regulators disagreed.

The elimination of T-Mobile as a competitor would have given AT&T and Verizon Wireless a near duopoly hold on the U.S. wireless market, prompting the DOJ to challenge the transaction on antitrust grounds.

The FCC said its analysis found the deal would have resulted in "massive" job losses as AT&T eliminated redundant positions.

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The FCC and DOJ also appeared to have little regard for the purported benefits of the deal. AT&T had said the merger would have allowed it to expand the coverage of its LTE network to 97 percent of the U.S. population, up from the 80 percent it planned to cover without the addition of T-Mobile's spectrum. But the FCC said its review found that competitive pressures from Verizon Wireless would force AT&T to build out its network to additional markets even in the absence of the deal.

AT&T pledged to repatriate outsourced call center jobs if the deal went through, but the FCC said the addition of those workers would have failed to offset other job cuts stemming from the merger.

FCC Chairman Julius Genachowski reiterated the agency's reasons for opposing the deal in a statement issued yesterday.

"The FCC is committed to ensuring a competitive mobile marketplace that drives innovation and investment, creates jobs and benefits consumers," he said. "This deal would have done the opposite."

The FCC's decision to send the T-Mobile transaction to an administrative judge prompted AT&T to pull its merger application to avoid the hearing and focus its efforts on reaching a settlement with the DOJ.

But those tactics found little support in court as Judge Ellen Huvelle, who oversaw both the DOJ case and a separate lawsuit from Sprint against the merger, expressed skepticism that "nothing had changed" in the wake of the application withdrawal. Huvelle had ordered AT&T to make a decision by Jan. 12 on whether it would proceed with the T-Mobile deal.

The cases challenging the merger are now moot.

Merger opponents Free Press and Public Knowledge welcomed AT&T's decision to give up on the transaction.

"This deal would have only meant higher prices, fewer choices and tens of thousands of lost American jobs," Free Press President and CEO Craig Aaron said in a statement. "Good riddance."

"In this age of cynicism, it is important for the American people to see that Washington does not always go to the highest bidder," Public Knowledge legal director Harold Feld said in a statement, referring to estimates that AT&T spent \$12.4 million on lobbying during the first nine months of 2011. AT&T is also estimated to have spent \$40 million on ads touting the T-Mobile deal between May and October.

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