AT&T merger good for company, bad for customers

BY ED BLACK

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With the average gas price topping $4 a gallon in Chicago, family budgets are taking a hit. But imagine a scenario in which Shell merged with British Petroleum, Chevron-Texaco and Citgo and then required customers to sign a contract to buy only Shell's gas for the next two years.

If this hypothetical were to occur, customers would see no need to solicit expert congressional testimony from a law professor at the University of Chicago when they could look to their thinner wallets for tangible evidence that the cost of a gallon of gas was at the mercy of a few big players.

But there's a real merger on the horizon that will impact what people pay for another daily expense: wireless phone and Internet service.

The nation's second-largest wireless carrier wants to take over its fourth-largest competitor — resulting in two companies, AT&T and Verizon, controlling 80 percent of the wireless phone and Internet market.

Sadly, a majority of consumers are unaware of the consequences. AT&T's proposed takeover of T-Mobile would hand AT&T 130 million wireless customers and 44 percent of the postpaid wireless market. This fact alone should be enough for federal regulators to stop this deal in its tracks.

When has a duopoly been in the best interest of consumers? Never.

AT&T and T-Mobile have failed to satisfy their burden of demonstrating that the deal is not illegal under antitrust law or serves the public interest. There are no conditions that could ameliorate the competitive damage the proposed transaction would inflict on the telecommunications market.

A healthy and competitive mobile services industry is vital to individuals and businesses and necessary for productivity, economic growth and job creation. Competition brings about greater innovation in devices, operating systems and applications. It encourages investment in networks and infrastructure, as well as the efficient use of wireless spectrum.

The proposed AT&T/T-Mobile combination will harm this vital industry in several irreparable ways. Competition will be diminished, prices for service will rise, innovation in networks and devices will falter and the quality of mobile broadband service will suffer.

Need more compelling reasons to oppose this deal? Look no further than AT&T's track record: a lengthy history of blocking innovations that compete with its business model from fax machines to cell phones.

This brazen proposal makes it clear they are once again seeking more market power to hold back disruptive innovation and maximize profits. Having dismantled Ma Bell once before, it would be reckless for the U.S. government to re-establish it in the Internet age.

AT&T claims it needs T-Mobile for its spectrum — but the numbers don't add up. T-Mobile is the most spectrum-constrained network. AT&T has the most spectrum — and has warehoused it rather than fully invested and built it out.

We've been particularly perplexed that AT&T has conned several states into believing they'll get wireless Internet service to rural areas in the deal. AT&T has admitted in its FCC filings that it hasn't built out to rural areas because it's not profitable. After spending $39 billion to buy T-Mobile, do we really think they'll suddenly have additional money to build out? Maybe — once they have one less competitor and one more reason to raise rates for customers unchecked.

Thus far, attorneys general from New York, Connecticut and Minnesota have voiced concern about competition and pending price increases for wireless customers. We hope Attorney General Lisa Madigan will follow suit and open an investigation on behalf of Illinois consumers.

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