

Justice Department moves to block AT&T takeover of T-Mobile (Update)

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US telecoms giant AT&T said Wednesday it will "vigorously" fight the Justice Department's move to block its \$39 billion takeover of rival T-Mobile.

The US Justice Department moved Wednesday to block US telecom giant AT&T's \$39 billion takeover of T-Mobile, saying the mega-merger would harm competition.

AT&T shares plunged nearly four percent on Wall Street after the Justice Department said it had filed a lawsuit in US District Court in Washington opposing the acquisition.

"We are seeking to block this deal in order to maintain a vibrant and competitive marketplace," Deputy Attorney General James Cole said at a news conference.

"Any way you look at this transaction it is anti-competitive," added Sharis Pozen, acting assistant attorney general in charge of the Justice Department's antitrust division.

AT&T general counsel Wayne Watts said the telecom giant was "surprised and disappointed" by the move and had received "no indication from the Department of Justice that this action was being contemplated" despite numerous meetings.

Watts said AT&T will challenge the Justice Department in court.

"The Department of Justice has the burden of proving alleged anti-competitive effects and we intend to vigorously contest this matter in court," Watts said. "We remain confident that this merger is in the best interest of consumers and our country, and the facts will prevail in court."

Telecommunications analysts at Barclays Capital put AT&T's probability of success at 35-40 percent, a significant reduction from their initial estimate of 75 percent.

Harold Feld, legal director of Public Knowledge, a digital rights advocacy group in Washington, said there are "really no good options for AT&T at this point.

"AT&T can delay the inevitable by fighting," Feld wrote in a blog post. "But while AT&T still has a theoretical road to victory, I don't think anyone seriously wants to take that bet."

AT&T's takeover of T-Mobile, the US unit of Germany's Deutsche Telekom, had been expected to come in for tough regulatory scrutiny following criticism from some members of the US Congress and others.

But AT&T had been confident of getting the green light from the US antitrust authorities, and the transaction carries an exceptionally high "breakup fee" of \$3 billion.

AT&T, T-Mobile, Sprint Nextel and Verizon Wireless provide more than 90 percent of the mobile wireless connections in the United States.

Verizon currently holds a 31 percent share of the US wireless subscriber market followed by AT&T with 27 percent.

Adding T-Mobile's 37.3 million customers would give AT&T a 39 percent market share, putting it ahead of Verizon and Sprint, which had also expressed interest in acquiring T-Mobile.

US Senator Herb Kohl, a Democrat from Wisconsin who chairs the Senate Antitrust, Competition Policy and Consumer Rights Subcommittee, and Sprint praised the Justice Department's decision.

"We applaud the Justice Department for their action to protect consumers in a powerful and growing industry that reaches virtually every American," Kohl said. "Preserving choices means ensuring competition, and competition ultimately benefits consumers."

Vonya McCann, Sprint's senior vice president of government affairs, said the Justice Department has "put consumers' interests first."

"Sprint applauds the DoJ for conducting a careful and thorough review and for reaching a just decision -- one which will ensure that consumers continue to reap the benefits of a competitive US wireless industry," McCann said.

The Justice Department said AT&T's acquisition of T-Mobile "would eliminate a company that has been a disruptive force through low pricing

and innovation."

"The combination of AT&T and T-Mobile would result in tens of millions of consumers all across the United States facing higher prices, fewer choices and lower quality products for mobile wireless services," Deputy Attorney General Cole said.

The US Federal Communications Commission had also been examining the deal.

FCC chairman Julius Genachowski said that although the process was not complete "the record before this agency also raises serious concerns about the impact of the proposed transaction on competition.

"Vibrant competition in wireless services is vital to innovation, investment, economic growth and job creation, and to drive our global leadership in mobile," Genachowski said.

AT&T shares lost 3.85 percent on Wall Street to close at \$28.48. Verizon shed 0.40 percent to \$36.17 while Sprint gained 5.92 percent to \$3.76.

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