

BLACK: Economics trumps politics in AT& T's bid for T-Mobile

[3 Comments and 18 Reactions](#) | [Share](#) | [Tweet](#) | [Email](#) | [Print](#) |

2 Like 102

By Ed Black

The Washington Times

Tuesday, September 13, 2011

At a time when many are frustrated with Washington and concerned about jobs, the government has taken a stand for a better economic future - despite heavy political pressure to ignore the facts, the math and the law.

Just before Labor Day, the Department of Justice (DOJ) filed suit to block AT&T's takeover of its competitor T-Mobile. This protects jobs for thousands of telecommunications employees and paves the way for future jobs resulting from stronger wireless competition. As Deputy Attorney General James Cole said, where there is competition, there is innovation and more jobs are created.

T-Mobile had been preparing severance packages for 20,000 employees when the decision to block the deal was announced. AT&T tried to tell Congress the deal would add jobs. But it promised Wall Street investors "efficiency" gains through job cuts.

After sorting through thousands of documents and conflicting information from AT&T, the DOJ decided the deal was a jobs and competition killer and moved to block it. The department worked closely with the Federal Communications Commission (FCC) to investigate the merger. AT&T accidentally released a document to the FCC showing it calculated it could build out its network to 97 percent of the country for \$3.8 billion - without buying T-Mobile for \$39 billion.

This was significant because AT&T falsely gained support from dozens of politicians who believed AT&T needed T-Mobile to expand its broadband coverage. This document showed what some customers suspected - that AT&T would rather ration mobile wireless service and charge more amid increased demand.

While that's great for AT&T's bottom line, it's better for consumers if all other U.S. carriers are able to offer less expensive, ubiquitous wireless calling and Internet access. It gives them freedom to search for and to use new business services and gives inventors more incentive to create those services.

The Internet has been a tool for job creation from applications like Facebook and Google to the hundreds of thousands of small businesses that are able to reach customers because of the Internet.

The future of the Internet is mobile and already there are 300 million devices connected to the wireless Internet. DOJ explained that everything from mobile wireless service to handsets used to access the Internet to the operating plans would all be diminished if this merger was not blocked.

T-Mobile was the first wireless carrier to offer unlimited wireless data and a lower cost alternative. Despite much talk around the issue, AT&T never gave a clear answer about how and when it would raise its prices once it eliminated T-Mobile as a price challenger. But looking at past mergers, DOJ contends in its lawsuit this merger would lead to higher prices.

Given that most businesses and state, local and federal government agencies use wireless phones, any price increases by a once and possible future monopolist is too much in this economic climate of budget cuts. Antitrust experts will simply say the law is very clear on this type of merger and DOJ just did its job and followed the law. But that overlooks the courage this took under enormous and continuing political pressure felt by the federal public servants charged with preserving competition in this critical market sector.

In an era of government bailouts of "too big to fail" companies, this is a case where the government did not bail AT&T out of its own bad management decision not to build out its advanced network sooner. Instead of buckling under lobbying pressure, our government examined the facts, sorted through the lies, and said no to a deal that would have been a drain on innovation and our recovering economy.

Rather than allowing a critical infrastructure like mobile broadband to be dominated by one company or two and thereby diminished, our government engaged in a cost-free solution. It enforced the law, blocking this jobs-killing, innovation-restricting merger. That's something every business and every worker can celebrate.

Ed Black is president of the Computer & Communications Industry Association (ccianet.org).

Sponsored Link: The majority of Americans are not prepared... for the next big financial crisis. A wealthy Maryland businessman says it will change the way we invest, travel, shop, and even retire. [See what you can do to be ready](#)(http://oascentral.stansberryresearch.com/RealMedia/ads/click_ix.ads/washingtontimes/L15/744954138/x87/StansRes/WashTimes_PSI_EOA_PS/GreenFaucet_PSI_EndOfAmerica_VID_PS4302)

...

Ads by Google

[Michelle Obama](#)

[President Obama News](#)

[At&T Wireless](#)

[Government Jobs](#)

[Politics](#)