

(To return to tulsaworld.com, hit the back button at the top of this page.)

Justice Department approves AT&T, BellSouth merger

By D.R. STEWART World Staff Writer
10/12/2006

[View in Print \(PDF\) Format](#)

The FCC still has to sign off on the \$78.5 billion deal.

AT&T Inc.'s \$78.5 billion acquisition of BellSouth Corp. was approved unconditionally Wednesday by the Justice Department despite protests from regulators, lawmakers and consumer groups that it will lead to job cuts and higher prices.

The merger of the two companies, which still must be approved by the Federal Communications Commission Thursday, would create the largest telecommunications company in the world with 309,000 employees and annual revenue of \$117 billion.

With the addition of BellSouth, the new AT&T, formed last year from the merger of San Antonio, Texas-based SBC Communications Inc. and long distance giant AT&T, will control 68.7 million local access telephone lines. It also would control 57.3 million wireless lines through its Cingular Wireless subsidiary that had been jointly owned with BellSouth and 11 million high-speed Internet lines.

In a written statement, AT&T General Counsel James D. Ellis said the Justice Department's approval of the merger without conditions underscores the competitive nature of the telecommunications industry.

"Today's communications marketplace is marked by numerous competing wireless and wireline networks, producing benefits for consumers, business customers and the economy," Ellis said. "AT&T is focused on bringing more video choices and next-generation broadband services to as many consumers as possible, and our merger with BellSouth will help deliver these benefits to more consumers, more quickly.

"We look forward to the Federal Communication Commission's prompt approval of the merger so we can quickly begin delivering the benefits of innovative new services and increased competition to consumers."

The decision by the Justice Department was criticized by consumer advocates and two members of the FCC.

Although FCC Chairman Kevin Martin, a Republican, has indicated his support for the merger, two Democrats on the five-member panel are opposed and one Republican member, Robert McDowell, may recuse himself from the vote because of a conflict of interest, Washington officials said.

Previously, McDowell was assistant general counsel for a trade association that fought regulatory battles with AT&T, officials said.

Jonathan S. Adelstein, an FCC member and a Democrat, told the Associated Press the Justice Department decision was "a reckless abandonment of DoJ's responsibility to protect competition and consumers."

Michael Copps, the commission's other Democrat, said the decision will adversely affect competition.

"(The) Justice Department has packed its bags and walked out on consumers and small businesses by refusing to impose even a single condition in the largest telecom merger the nation has ever seen," Copps said in a written statement.

Assistant Attorney General Thomas O. Bennett, in charge of the Justice Department's Antitrust Division, said, however, that his department could find no impediments to competition in the merger.

"After thoroughly investigating AT&T's proposed acquisition of BellSouth, the Antitrust Division determined that the proposed transaction is not likely to reduce competition substantially," Bennett said in a written statement. "The division investigated all areas in which the two companies currently compete -- including residential local and long distance service, telecommunications services provided to business customers and Internet services --

and the merger's impact on future competition for wireless broadband services.

"The presence of other competitors, changing regulatory requirements and the emergence of new technologies in markets for residential local and long distance service indicate that this transaction is not likely to harm consumer welfare. . . The combination would not significantly increase concentration in the ownership of spectrum in any geographic area or give AT&T control over a large enough share of all spectrum suitable for wireless broadband services to raise competitive concerns. Finally, the merger would likely result in cost savings and other efficiencies that should benefit consumers."

Consumer groups, however, said the merger will lead to the loss of thousands of jobs and rising prices for a host of services.

Andrew Schwartzman, president and CEO of the Media Access Project in Washington, D.C., said the Justice Department struck out for consumers in its decision.

"Unfortunately, by endorsing the largest telecommunications merger in history, the DoJ ignored the interests of consumers and the valid concerns raised by many experts and organizations that the reconstitution of Ma Bell will lead to higher prices, job cuts, violations of consumer privacy and a widening of the digital divide," Schwartzman said in a written statement.

"AT&T, with the help of a complicit government, is poised to control nearly half of the nation's phone lines and will also be the largest wireless and broadband Internet company in the country."

Schwartzman said consumers will depend on the FCC to redress the competitive imbalance imposed by the Justice Department.

"If the FCC joins DoJ in shirking its responsibilities, all Americans will be beholden to this massive beast," Schwartzman said. "If consumers thought gas prices were out of control, wait until they get their next phone bill."

AT&T executives said previously the merger would result in job cuts of 11,000 people in the combined company's 23-state territory, which includes Oklahoma, where AT&T and Cingular each employ 2,800 people. Cingular employs about 1,000 workers in Tulsa.

D.R. Stewart 581-8451
don.stewart@tulsaworld.com

[View in Print \(PDF\) Format](#)

[< Back](#)

Copyright © 2006, World Publishing Co. All rights reserved.