

# Monopoly article clip

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## AT&T and T-Mobile: A Deal That Will Create a Friendly Cellphone Monopoly - The Daily Beast

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After months when markets have oscillated on the ebbs and flows of political tumult in the Middle East and natural catastrophe and near-nuclear disaster in Japan, the business world was pleasantly rocked by the announcement of a mega-deal: the planned \$39 billion acquisition of T-Mobile USA by AT&T. If the deal is approved, AT&T will add nearly 35 million new subscribers and vault past Verizon to become the largest wireless carrier in the United States with about 129 million customers, surpassing Verizon's 100 million or so.

The most dramatic consequence of the deal (the largest in any industry this year so far, and the largest in the U.S. wireless industry since 2004 when now-struggling Sprint merged with Nextel) would be a sharp consolidation of the American wireless industry. Two companies—the new AT&T and Verizon—would control in excess of two-thirds of the market, leaving Sprint a distant third and others even further in the dust. The question for Americans is pretty simple: Will this new competitive landscape help or hurt? Will more calls be dropped for the same price or fewer for higher fees? And if there's a problem, will there be anyone to answer that call or will two behemoths further jettison customer service in the belief that no one has much of a choice?

The deal will face a long and likely arduous period of regulatory scrutiny by both the Federal Communications Commission and the antitrust division of the Justice Department. Within hours of the announcement, consumer groups such as Consumers Union questioned whether such a consolidation of the industry would be good for customers, and Sprint will fight the deal using every legal and PR strategy it can muster.

But assuming that in the end, the deal does go through more or less as planned (and frankly, few such mega-deals get torpedoed altogether by regulators), the consequences might be beneficial for the American cellphone user. Cell service in most countries is dominated by near or total monopolies. The capital outlays for networks are immense, and with the pace of innovation to faster networks capable of handling the massive amount of data that today's smartphones carry, those capital expenditures aren't plateauing any time soon. Smaller players simply cannot build the robust networks necessary, and even large ones such as AT&T and T-Mobile in America have been unable to build truly national coverage given the size of the U.S.

Though there are legitimate concerns about service, no one who has been to other countries has failed to notice just how mediocre American cell service is by comparison. I have had better coverage walking on remote sections of the Great Wall of China than I do in midtown Manhattan. The AT&T merger will include billions in

spending on extending the rural network, and the two together will have substantially more coverage than either does alone.

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Then there is the issue of price and customer service. The cable industry in the United States offers a less-than-happy example. Most people have no choice of cable carrier, and find escalating prices and declining customer service. But before you start worrying about being offered a window of 9 to 4 for someone to help you with your dropped calls, it's worth noting that cable operators control both the hardware (the boxes) and the service, whereas cellphone operators do not service those iPhones and BlackBerries.

What's more, though T-Mobile USA has been woefully deficient in coverage (and as a long-suffering subscriber, I have watched as my Verizon and AT&T friends chat away blithely while I linger in no-bar hell), it has had decent customer service. AT&T has been widely criticized for its customer relations. It is possible, of course, in a merger, that service will dwindle, but in a duopoly with Verizon in a market that isn't adding subscribers, customer service becomes ever more important. AT&T may fail to realize that, but it will do so at its peril when customers will still easily be able to switch to Verizon. Customer service isn't just something customers want and need: In a tight and competitive marketplace, it is an imperative for companies.

Finally, there is the question of price. AT&T isn't taking on substantial debt to pay for the deal, so it won't be in a position where it must raise prices to make the deal feasible. Consumers are rightly suspicious. Prices have been on a long and steady decline, and at some point, those declines will slow. New data requirements and increased capacity necessitated by smartphones will change the cost-structure, and cell carriers are likely to move ever more to a stratified system of charging heavy users more. Those trends are in place regardless of the deal, but warnings that an enhanced market position will allow AT&T to increase fees willy-nilly is at odds of the experience of cell carrier monopolies throughout the world. Fees will not be static, but nor can AT&T and others just charge what they wish.

Net-net, in terms of coverage, quality of service and cost, this is a rare deal that may be good for corporate America and good for consumers. There will be no end of debate about this in the coming year as the deal is examined in depth by regulators and by industry and consumer groups. Expect extreme claims to be made, but in the end, America may finally be on a path to having a first-world cell network. It's about time.

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