

MASSACHUSETTS
40 main st, suite 301
florence, ma 01062
tel 413.585.1533
fax 413.585.8904

WASHINGTON
501 third street nw, suite 875
washington, dc 20001
tel 202.265.1490
fax 202.265.1489



June 22, 2011

The Honorable Fred Upton, Chairman
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Henry Waxman, Ranking Member
Committee on Energy and Commerce
2322A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Upton and Ranking Member Waxman:

In recent public statements and filings before the Federal Communications Commission, AT&T has argued that it should be allowed to merge with T-Mobile USA in part because the merger will allow the new entity to bring broadband to rural Americans more quickly. We write to set the facts straight: AT&T's promises of benefits for rural America are greatly overstated at best, outright cynical misdirection at worst.

In connection with the proposed merger, AT&T has promised to deploy its LTE network to areas that cover 97% of the American population by 2018,¹ but these promises exaggerate any minimal benefit associated with the merger.

- First, even if AT&T does not merge with T-Mobile, competitive pressure will force to AT&T to serve these areas with its own LTE network. According to public statements, Verizon's LTE network will cover these areas in the next several years.² If AT&T fails to offer the fastest speeds to consumers, there is no doubt that it will lose significant market share to Verizon. Thus, AT&T cannot afford to delay significantly its deployment of LTE.
- Second, all of these areas will be served by AT&T's "4G" HSPA+ service by the end of 2012.³ The HSPA+ service will delivers speeds exceeding 7 megabits per second. At that point, the incremental value of the transition to LTE will be negligible: real world speed tests indicate that the difference in downstream speed between 4G HSPA+ and 4G LTE is not particularly significant, and studies suggest that consumers may not perceive significant value in moving from one 4G technology to another.⁴

¹ Joint Opposition of AT&T Inc., Deutsche Telekom AG, and T-Mobile USA, Inc. to Petitions To Deny and Reply To Comments, *Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Transfer Control of Licenses and Authorizations*, WT Docket No. 11-65, June 10, 2011, at 75 ("AT&T Opposition").

² See, e.g., Remarks of Anthony J. Melone, Executive Vice President and Chief Technology Officer, Verizon Wireless, Internet Caucus Advisory Committee's (ICAC) 7th Annual State of the Net Conference, Jan. 19, 2011; Sara Jerome, *AT&T Subsidies an Issue in Merger*, THE HILL, May 10, 2011; Sascha Segal, *Verizon Wireless Says LTE Network Will Be Huge*, PCMag.com, Feb. 18, 2009, available at <http://www.pcmag.com/article2/0,2817,2341260,00.asp>.

³ AT&T Opposition at 81.

⁴ See, e.g., *Verizon LTE vs, T-Mobile HSPA+ vs Sprint WiMAX*, Phone Arena, Feb. 4, 2011, available at http://www.phonearena.com/news/Verizon-LTE-vs-T-Mobile-HSPA-vs-Sprint-WiMAX_id16416 (showing test results).

- Third, even if AT&T never builds out its LTE network to 97% of the population, Verizon's network will reach those citizens, so they will still have the opportunity to subscribe to LTE service. Thus, the merger is clearly not necessary to bring next-generation broadband to all Americans.

Equally fundamentally, rural Americans will bear the brunt of the harms associated with the loss of a major competitor in the market for mobile telecommunications. FCC data demonstrate that rural consumers already have fewer choices for wireless service than urban consumers.⁵ In particular, the market for wireless *broadband* is significantly more concentrated in rural areas than in urban areas.⁶ If AT&T merges with T-Mobile, highly concentrated rural areas will become still more concentrated.

Moreover, smaller rural carriers will find it particularly challenging to compete with the new merged entity, which will command an astounding 43% share of the market for wireless services on a nationwide basis. Finally, if the merger is approved, either the Department of Justice or the FCC will likely require massive local divestitures, causing grave disruption to rural consumers, who are more likely to live in markets that will see the largest increases in concentration and therefore likely to reside in areas where divestitures are required.

In sum, the proposed AT&T-T-Mobile merger will provide very little benefit to rural Americans and will likely cause significant harm and disruption to those same citizens. AT&T's claims to the contrary sound in opportunism and guile. We urge you to scrutinize these facts closely in considering whether this merger will truly serve the interests of the American people.

Very truly yours,



Joel Kelsey
Political Adviser

where Verizon's LTE service performed worse than T-Mobile's HSPA+ service); *How Strong is the 4G Brand in the Mobile Phone Market?*, Morpace, June 2011, available at <http://bit.ly/kamHlo>.

⁵ *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions With Respect to Mobile Wireless, Including Commercial Mobile Services*, WT Docket No. 09-66, 25 FCC Rcd. 11407, at 18-19, 38-39 (2010).

⁶ *Id.*