



Department of Justice

FOR IMMEDIATE RELEASE
MONDAY, OCTOBER 25, 2004
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JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN CINGULAR WIRELESS'S ACQUISITION OF AT&T WIRELESS

Divestitures of Assets in 13 Markets Preserve Innovation and Pricing Competition for Consumers of Mobile Wireless Services

WASHINGTON, D.C. – The Department of Justice announced today that it has reached a settlement requiring Cingular Wireless Corporation to divest assets in 13 markets in order to proceed with Cingular Wireless's \$41 billion acquisition of AT&T Wireless. The Department said that without the divestiture of assets in 11 states--Connecticut, Georgia, Kansas, Kentucky, Louisiana, Massachusetts, Missouri, Michigan, Oklahoma, Tennessee, and Texas--the combination of Cingular and AT&T Wireless would result in higher prices and reduced innovation for consumers of mobile wireless services. The Department also said that without the divestitures the deal would delay the launch of new broadband data services.

The Department's Antitrust Division filed a civil lawsuit today in U.S. District Court in Washington, D.C. to block the proposed transaction. At the same time, the Department filed a proposed settlement that, if approved by the court, would resolve the Department's competitive concerns and the lawsuit. The Department was joined in its lawsuit and proposed settlement by the Attorneys General of the states of Texas and Connecticut.

"Today's action by the Department ensures that consumers of mobile wireless services will continue to benefit from competition," said R. Hewitt Pate, Assistant Attorney General in charge of the Department's Antitrust Division. "Without these divestitures, wireless customers

in these markets would have had fewer choices for their wireless telephone service and faced the risk of higher prices, lower quality service, and fewer choices for the newest high-speed mobile wireless data services.”

The transaction is also subject to review by the Federal Communications Commission (FCC). The Department has coordinated with the FCC throughout its investigation.

According to the Complaint, Cingular Wireless and AT&T Wireless are two of six mobile wireless services providers with a national presence, offering mobile wireless telecommunications services, which include both voice and data services provided over a mobile wireless network, in areas throughout the United States. The proposed transaction would reduce competition for mobile wireless telecommunications services in 10 markets, and for mobile wireless broadband services in three additional markets. In nine of the 10 wireless telecommunications services markets, Cingular and AT&T Wireless are, or hold interests in, the two largest incumbent wireless providers, and in all ten markets the merged firm would be the largest. The merging companies are also two of a limited number of mobile wireless services providers who have launched or are likely to launch mobile wireless broadband services, which offer data speeds four to six times faster than existing service.

Under the terms of the settlement, the merged firm must divest AT&T Wireless’s mobile wireless services business, including spectrum and customer contracts, in parts of Connecticut (Litchfield), Kentucky (Fulton), Oklahoma (Oklahoma City and Ponca City), and Texas (Lufkin/Nacogdoches). In Connecticut, Kentucky, and Texas the merged firm may retain some of AT&T Wireless’s wireless spectrum. The merged firm must also divest minority equity interests in mobile wireless services providers in FCC licensing areas in Georgia (Athens), Kansas (Topeka), Louisiana (Shreveport, Monroe), Massachusetts (Pittsfield), and Missouri (St.

Joseph), although it may retain its minority interests in Kansas, Louisiana, and Missouri if those interests are made irrevocably and entirely passive to the satisfaction of the Department.

To resolve the Department's competitive concerns related to mobile wireless broadband services, the merged firm must divest 10 MHz of contiguous PCS wireless spectrum in parts of Michigan (Detroit), Tennessee (Knoxville), and Texas (Dallas-Fort Worth). In Knoxville, the merged firm can alternatively restructure AT&T Wireless's existing relationship with another spectrum licensee in the market to the satisfaction of the Department so that the merged firm has no equity, managerial, or other interest in the licensee and the Department's competitive concerns are resolved.

Cingular, the second-largest provider of mobile wireless voice and data services in the United States, is headquartered in Atlanta. It was formed in 2000 and is jointly owned by SBC Communications Inc. and BellSouth Corporation. The company has more than 24 million subscribers, and in 2003 earned revenues of approximately \$15.5 billion.

SBC, headquartered in San Antonio, Texas, is one of several regional Bell operating companies formed in 1984 as a result of the breakup of AT&T Corp.'s local telephone business. In 2003, SBC earned approximately \$40.8 billion in revenues.

BellSouth, headquartered in Atlanta, is a regional Bell operating company. BellSouth's total operating revenues for 2003 were approximately \$22.6 billion.

AT&T Wireless, the third-largest U.S. mobile wireless provider, is headquartered in Redmond, Washington. Spun off from AT&T Corp. in 2001, it had more than 22 million subscribers as of August 2004 and earned revenues of approximately \$16.6 billion in 2003.

As required by the Tunney Act, the proposed settlement will be published in *The Federal Register*, along with the Department's competitive impact statement. Any person may submit

written comments concerning the proposed settlement during a 60-day comment period to Nancy M. Goodman, Chief, Telecommunications and Media Enforcement Section, Antitrust Division, United States Department of Justice, 1401 H Street, N.W., Suite 8000, Washington, D.C. 20530 (202-514-5621).

At the conclusion of the 60-day comment period, the U.S. District Court for the District of Columbia may enter the proposed consent decree upon finding that it is in the public interest.

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