



Consumers Will Pay Big for Cingular/AT&T Merger, Study Warns

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The proposed merger of Cingular and AT&T Wireless will raise U.S. wireless prices by about 8% on average and cost U.S. consumers roughly \$5 billion a year while increasing the dominance of the regional Bell companies in both landline and wireless, according to a new study.

"With leadership in the cell phone market, growing clout in long distance and some 85 percent of local service, the regional Bells are tightening their dominance on the telecom marketplace," said Lawrence J. Spiwak said, president of the Phoenix Center, the public policy think tank that conducted the study.

"The Baby Bells are synonymous with 'market power,'" Spiwak said.

The Federal Communications Commission and the Department of Justice should look closely at the proposed Cingular-AT&T Wireless merger to evaluate the proposed transaction's effect on U.S. consumer welfare, Spiwak said.

Cingular, owned by BellSouth and SBC is the second largest national wireless carrier. It is acquiring AT&T Wireless, currently the third largest national wireless carrier. The proposed merger will create the largest national wireless carrier in the U.S. with approximately 40% of national wireless customers, displacing Verizon Wireless as the largest national carrier with its near 30% market share.

As a result, about 70% of national wireless customers will be served by one of two Bell Operating Companies ("BOC") post-merger.

With the Bells dominating both wireless and landline telephone service, it seems inevitable that the price of wireless will rise. In addition, the report noted, the rising cost of

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wireless service will limit the cannibalization of the BOCs' landline business by their wireless service, creating "the proverbial one-two punch to consumers in that we can expect both wireless and wireline prices to rise," the study warned.

The Phoenix Center is an international, non-profit organization that studies broad public-policy issues related to governance, social and economic conditions, with a particular emphasis on the law and economics of regulated industries.

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