

April 12, 2011

**SUBJECT: AT&T's Purchase of T-Mobile**

Dear Senator:

Consumers Union, publisher of *Consumer Reports*, writes to share with you the results of a recent price analysis survey and a customer satisfaction survey. We believe the results of this analysis provide new and critical data that you should be aware of as the government begins its consideration of AT&T's proposal to purchase T-Mobile. These results underscore our concerns and the adverse impact this proposed transaction would have on consumers and the U.S. wireless market.

A price analysis survey of the voice and data plans available from AT&T and T-Mobile demonstrates that T-Mobile wireless plans typically cost \$15 to \$50 less per month than comparable plans from AT&T. That finding supports anecdotal observations that T-Mobile is generally a lower-priced carrier than AT&T. It also validates concerns that T-Mobile subscribers eventually migrating to AT&T plans could pay more for service than they would have under a T-Mobile plan—and that T-Mobile's departure from the wireless market would eliminate a relatively low-cost carrier as an option for consumers.

Here are just a couple of examples of AT&T's price disparities with T-Mobile:

- T-Mobile charges \$50 per month for its basic 1,000-minute individual “Even More Talk” two-year contract plan, while AT&T charges \$60 per month for its nearest equivalent Nation contract plan, which includes only 900 minutes. Adjusting for the difference in voice minutes, AT&T costs \$16.67 more per month or \$200 more per year for a comparable monthly allocation of minutes.
- The more you buy, the bigger the price disparity. T-Mobile's two-line 3,000-minute “Even More Talk + Text” (unlimited messaging) + 200MB data two-year contract plan for smart phones costs \$140 per month. The closest AT&T “FamilyTalk Nation” plan costs \$170 per month, after you add data and messaging to the base price, but delivers only 2,100 voice minutes. Adjusted for the 900-voice-minute shortchange, this AT&T plan costs \$50 more per month or \$600 more per year.

In addition, consumers surveyed by *Consumer Reports* are consistently less satisfied with the service they get from AT&T than T-Mobile.

Those findings, based on the responses of more than 50,000 Consumer Reports.org subscribers surveyed last fall, suggest the proposed merger of the two carriers would be a setback to T-Mobile customers were it to lead to service that more resembles AT&T's service than T-Mobile's service.

Specifically, the survey results showed:

- Though ranked lower than Verizon and Sprint, T-Mobile was still meaningfully better than AT&T at providing service with a contract plan. AT&T got lower marks than T-Mobile on almost every attribute respondents rated, save for problems with texting, where it was comparable with T-Mobile.
- The gap between AT&T and T-Mobile was larger still for service without a contract, via so-called “prepaid” plans. There, T-Mobile was more satisfying overall than Verizon, Virgin, and AT&T (with its Go Phone prepaid brand). Only Tracfone and Consumer Cellular ranked higher than T-Mobile’s “prepaid” service.
- City by city, for both contract and no-contract service, T-Mobile was meaningfully more satisfying than AT&T in 20 of the 21 cities in which there was sufficient data to rate both carriers. T-Mobile also had notably fewer problems with dropped calls than AT&T.

We urge you to take this important information into account as Congress, the Justice Department and the Federal Communications Commission consider the proposed merger.

Respectfully Submitted,

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Policy Counsel