



Department of Justice

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**STATEMENT OF THE DEPARTMENT OF JUSTICE ANTITRUST DIVISION
ON THE CLOSING OF THE INVESTIGATION OF
SPRINT CORPORATION'S ACQUISITION OF NEXTEL COMMUNICATIONS INC.**

***Investigation Focused on Whether Merger of Two Mobile Wireless Carriers
Would Lessen Competition***

WASHINGTON, D.C. – The Department of Justice's Antitrust Division issued the following statement today after the Department announced the closing of its investigation into Sprint Corporation's proposed acquisition of Nextel Communications Inc.:

"The Division thoroughly investigated Sprint's proposed acquisition of Nextel. Based on the facts, the Division found that the Sprint-Nextel merger would not give the companies market power in the areas in which they compete. Purchasers of mobile wireless services will continue to have a number of other carriers from which to choose after the merger. Although we did not find a need to challenge this merger to preserve competition, we did require divestitures in the recent ALLTEL-Western Wireless and Cingular Wireless-AT&T Wireless mergers, and we will continue to be vigilant in our enforcement of the antitrust laws with respect to any further proposed consolidation in this area.

"The Division focused its investigation on mobile wireless telecommunications services that Sprint and Nextel currently offer, as well as on developing products such as advanced wireless broadband services where the companies are potential competitors. None of the theories of competitive harm that the Division considered were ultimately supported by the facts. The Division found no substantial proof that the merged company could unilaterally exercise market power postmerger or that there likely would be competitive harm from coordinated interaction among the merged company and other remaining providers. The services of other wireless carriers and new wireless technologies should continue to provide alternatives for customers of the merging parties, and these alternatives collectively should prevent the merging companies from harming competition."

(Background information is attached.)

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BACKGROUND TO CLOSING OF INVESTIGATION OF SPRINT CORPORATION'S ACQUISITION OF NEXTEL COMMUNICATIONS, INC.

The Antitrust Division of the Department of Justice has closed its investigation of Sprint Corporation's ("Sprint") proposed acquisition of Nextel Communications, Inc. ("Nextel"). Sprint, the third-largest provider of wireless services in the country by number of subscribers, has approximately 23 million subscribers. Nextel, the fifth-largest provider, has approximately 15 million subscribers. Following the merger, which is valued at approximately \$70 billion, the combined company will be the third-largest wireless carrier in the United States, behind Cingular Wireless LLC and Verizon Wireless. It will also be the largest carrier not affiliated with a Regional Bell Operating Company.

The Antitrust Division began investigating the proposed transaction soon after it was publicly announced on December 15, 2004. The Division has obtained substantial information, including extensive electronic data, from Sprint and Nextel and from selected third parties. The Division has also interviewed more than 50 industry participants, including competing wireless carriers, customers, suppliers of wireless equipment and associated technology, and providers of emerging advanced wireless broadband technologies.

The transaction has also been reviewed by the Federal Communications Commission (FCC). The Division coordinated with the FCC throughout its investigation.

The Division's review focused on the proposed merger's potential effects on competition in the provision of mobile wireless voice and data services, including push-to-talk services. The Division also studied the potential impact on competition from the combination of Sprint's and Nextel's holdings of spectrum in the 2495-2690 MHz spectrum band.

In analyzing mobile wireless voice and data services, the Division examined the extent to which Sprint and Nextel compete for the sale of such services in many areas throughout the United States. The Division focused its investigation on local and regional markets, because customers purchasing mobile wireless telecommunications services choose among providers that offer such services where they are located and travel on a regular basis: home, work, other areas they commonly visit, and areas in between. The number and identity of mobile wireless telecommunications services providers varies among geographic areas, as does the quality of their services and the breadth of their geographic coverage, all of which are significant factors in customers' purchasing decisions.

The evidence gathered in the Division's investigation indicates that the merger will not harm customers. To evaluate the possibility of harm, the Division examined the shares of the two carriers, how closely positioned the two carriers' offerings are in depth and breadth of coverage, the service features they offer (including push-to-talk services), and local network quality. The Division also looked at evidence related to the choices customers make in the marketplace. Based on the extensive evidence collected, the Division concluded that it is unlikely that the merged company could unilaterally exercise market power to harm competition. Remaining carriers include large carriers such as Cingular and Verizon Wireless as well as smaller regional firms, and Sprint-Nextel will have robust competitors post-merger in every local area in which they compete. Moreover, although past customer choices indicate that Sprint and Nextel often

closely compete with each other in some areas, rival carriers are perceived to offer alternatives that are sufficiently close to those of Sprint and Nextel to maintain competition. The Division also examined the possibility that coordination among a reduced set of competitors might harm customers. Examination of the evidence, however, did not support a conclusion that the merger would make such coordination substantially more likely or successful.

Although Sprint-Nextel will be the largest holder of licenses in the 2495-2690 MHz spectrum band, the Division was unable to conclude that the merger's combination of this spectrum poses a competitive problem. In the past, spectrum in this band was intended to be used for wireless cable and for educational purposes, but it was generally underutilized. As a result of recent regulatory proceedings at the FCC, this spectrum is now expected to be used primarily to provide advanced wireless broadband services - whether fixed, portable or mobile - but neither Sprint nor Nextel is currently offering a product using this spectrum. Although combining the two companies' licenses will increase ownership concentration in some locations, it will also potentially allow Sprint-Nextel to offer a nationwide service in the future. The extensive evidence collected does not support the conclusion that developing competition for provision of wireless broadband services will be substantially lessened by the proposed acquisition, given the likelihood that other providers will be able to use other portions of this spectrum band or other spectrum to offer wireless broadband services.

The Division provides this statement pursuant to its policy on the issuance of investigation closing statements. This statement is limited by the Division's obligation to protect the confidentiality of certain information obtained in its investigations. As in most of its investigations, the Division's evaluation has been highly fact-specific, and many of the relevant underlying facts are not public. Consequently, readers should not draw overly broad conclusions regarding how the Division is likely in the future to analyze other collaborations or activities, or transactions involving particular firms. This statement does not bind the Division in any future enforcement action. The Division's statement on issuance of closing statements is available at: <http://www.usdoj.gov/atr/public/guidelines/201888.htm>.