Why AT&T's deal for T-Mobile would never have worked, FierceTelecom, January 4

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Back in 2000, Deutsche Telekom (XETRA: DTE.DE) initiated its acquisition of VoiceStream Wireless for $50.5 billion. I wrote then in the Los Angeles Times that "this deal makes no sense financially" ("A Big 'Nein' to Deutsche Telekom," July 26, 2000, p. B9). I also opposed the acquisition since the German government owned much of Deutsche Telekom's stock.

But the acquisition went through--and Deutsche Telekom later regretted its overpaid purchase, even after renaming it T-Mobile.

AT&T (NYSE: T) somehow lusted after T-Mobile and offered Deutsche Telekom $39 billion for it. An ounce of intelligent thought would have warned AT&T that the U.S. government would never approve this acquisition, since it would significantly reduce competition and would concentrate far too much market power in AT&T. But once a monopolist, always a monopolist, and the concept of competition still seems to elude AT&T.

Finally, as the government's opposition became crystal clear, AT&T's lust ran out and it announced that the proposed acquisition was dead. But in abandoning the deal, AT&T will pay $4 billion to Deutsche Telekom.

So Deutsche Telecom should develop a new strategy: Seek out suitors and then collect when the deals die! And AT&T shareowners should throw out the management running their company!

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