

Text Messaging Rates Come Under Fire

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Text messaging rates have jumped 100 percent over the last three years and Sen. Herb Kohl, chairman of the U.S. Senate Judiciary Subcommittee on Antitrust, Competition Policy and Consumer Rights, wants to know why. In a letter to Verizon Wireless, AT&T, Sprint and T-Mobile, Sen. Herb Kohl suggests that the consolidation among wireless carriers may be leading to a decrease in competition and an increase in the market power of wireless carriers.

The chairman of the U.S. Senate Judiciary Subcommittee on Antitrust, Competition Policy and Consumer Rights wants to know why text messaging rates have jumped 100 percent since 2005.

U.S. Sen. Herb Kohl, D-Wis., on Sept. 9 wrote the four largest wireless carriers in the United States, Verizon Wireless, AT&T, Sprint and T-Mobile, requesting that they explain the rate increases. Kohl said the rate hike appeared to him to be unjustified by the costs associated with text messaging services.

Instead, Kohl wrote, he thought the steep rates were more attributable to a decrease in market competition and an increase in market power among the major wireless carriers. In the last few years, the number of major national carriers has declined from six to four and carriers continue to acquire smaller, regional competitors.

"As chairman of the Antitrust Subcommittee, I am concerned with whether this consolidation, and increased market power by the major carriers, has contributed to this doubling of text messaging rates over the last three years," Kohl wrote.

Kohl noted that text messages in 2005 were commonly priced at 10 cents per message sent or received. As of the end of August 2008, the rate per text message will have increased to 20 cents on all four wireless carriers. Sprint was the first carrier to increase the text message rate to 20 cents in 2007. Since then Verizon Wireless, AT&T and T-Mobile have all matched Sprint's rates.

"Text messaging files are a fraction of the size of e-mails or music downloads," Kohl wrote. "Also of concern is that it appears that each of companies has changed the price for text messaging at nearly the same time, with identical price increases. This conduct is hardly consistent with the vigorous price competition we hope to see in a competitive marketplace."

Kohl's inquiry comes as the European Commission is considering imposing a cap on roaming fees for text messages sent by Europeans. The European Commission said such a cap would force prices down by approximately 70 percent.

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