



DEPARTMENT OF JUSTICE

Competition Matters: Enforcing the Antitrust Laws on Behalf of the American Consumer

BILL BAER

**Assistant Attorney General
Antitrust Division
U.S. Department of Justice**

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Good evening and thank you, Pastor Whitlock and Pastor De La Mora, for your warm introduction. Congratulations to the National Asian American Coalition and its partners for organizing another successful conference. It is a privilege and honor to be speaking before a diverse audience that includes so many community and religious leaders who have made it their mission to improve the lives of others.

As the son of public school teachers, I enjoyed participating earlier today in the youth consumer panel with a number of local high school and college students, who are also in the audience tonight. These students epitomize the American “can-do” spirit. They are proof that our youth, irrespective of their humble beginnings or the challenges they face, can soar to great heights when given a fair opportunity to pursue their dreams.

For almost two years now, I have headed the Justice Department’s Antitrust Division. It has been a privilege to work for President Barack Obama and Attorney General Eric Holder. The Attorney General is often referred to as the lawyer for the American people. I can assure you that Eric Holder has lived up to that challenging job description. He and the women and men of the Justice Department are guided by the bedrock principle that all Americans must be treated equally under the law. As President Obama noted when he announced Attorney General Holder’s resignation last month, the Justice Department has remained true to this principle during the six years that Attorney General Holder has led the Department. Here are just a few of his many successes:

- Challenging several state laws that limited the ability of American citizens – in particular, those living in minority and poor communities – to exercise their most fundamental constitutional and civil right: the right to vote.
- Working to overturn state immigration laws that would have subjected American citizens and lawful immigrants to illegal harassment simply because of the way they look or their last names.
- Leading the fight to protect and expand the rights of the LGBT community.
- Prosecuting a record number of hate crime cases and spreading the message that no one in America should be at risk because of the color of their skin, the person they love, the language they speak, the faith they practice or the disabilities with which they live.
- Pushing for much needed reforms within our criminal justice system, including supporting the law that eliminated the sentencing disparity for crack and powder cocaine offenses, calling for the adequate funding of public defender services, and promoting closer ties and better communication between law enforcement officials and members of the communities that they protect and serve.

- Holding large institutions and their executives accountable for wrongdoing irrespective of their wealth, power or influence.

Turning to my area – antitrust enforcement – Attorney General Holder has consistently supported the Antitrust Division’s core mission of protecting American consumers by challenging conduct that attempts to restrict competition. Our first antitrust law – the Sherman Act – was passed in 1890 and sought to protect hard working Americans from the harm that results when too much economic power is held by only a few corporations and individuals. This law became a vital tool under President Theodore Roosevelt – a progressive reformer often referred to as the “trust buster.” Speaking softly and carrying a big stick, Teddy Roosevelt challenged the largest corporations and most powerful men of his day, including the railroad monopoly owned by the influential Wall St. banker, J.P. Morgan, and John D. Rockefeller’s Standard Oil trust. Over the years, the Justice Department has continued Teddy Roosevelt’s effort to ensure that competition works to benefit the American consumer.

As a candidate, President Obama promised vigorous enforcement of our antitrust laws. We have made good on his pledge.

Here are a few powerful examples. Electronic books – e-books – are a popular alternative to hard copy books. Because they cost less to produce, they should be cheaper. And until some point in 2010 they were. Suddenly, prices shot up. Why? Because certain

book publishers and Apple entered into an illegal agreement to raise prices. The Justice Department sued Apple and the publishers to put an end to their unlawful coordination.

Now, what happened to e-book prices when the publishers and Apple were forced to compete? Prices for e-books fell. In 2010, when the price fixing conspiracy was in place, you often had to pay \$12.99 or \$14.99 for a best-seller. Today, a best-seller costs you an average of \$8.

But what about those who were victims of higher prices during the e-books conspiracy? Our e-books case has helped state attorneys general and private plaintiffs thus far secure over \$160 million in direct refunds to those who were wrongfully forced to pay higher prices. These refunds did not require filling out any forms or jumping through hoops; they were directly credited to consumers' accounts with Amazon, Barnes & Noble and Apple.

Sometimes proposed mergers between competitors put the American public at risk of higher prices through reduced competition. That was our concern a few years ago when AT&T wanted to buy its rival, T-Mobile. AT&T claimed that by eliminating T-Mobile as a competitor, you, as a consumer, would be better off. Our job at the Antitrust Division is to kick the tires on those claims and make sure they are accurate before we give them any credit in our work. Our investigation caused us to conclude that this claim did not hold up. Instead, the facts we uncovered told us that elimination of T-Mobile as a competitor risked

having you pay higher prices and receiving worse contract terms going forward. We, and our colleagues at the Federal Communications Commission, challenged the deal and AT&T ended up abandoning it.

And guess what happened next? Just like e-books, when the antitrust laws are enforced, competition flourishes. T-Mobile went back to competing to win your business. It spent billions of dollars improving the products it offers; it fought to woo customers by offering lower prices and better services; and it gave customers freedom of choice by offering to pay the early termination fees for those who switched to T-Mobile.

And T-Mobile's competitors were compelled to respond. Sprint began offering lower prices and better plans. AT&T targeted T-Mobile customers with a \$200 credit, plus money for smartphone trade-ins, if they switched to AT&T. T-Mobile responded by offering plans that allow customers to upgrade their phones twice a year. AT&T, Verizon and Sprint all felt compelled to match these plans.

Choice and competition in the airline industry are important too. That is why last year we challenged US Airways' effort to acquire American Airlines. The settlement we obtained forced US Airways and American Airlines to give up slots and gates at congested U.S. airports, including LAX, to low-cost airline carriers. Travelers to and from California have already seen the benefits from our efforts to protect competition. Virgin America now offers non-stop service from Dallas to Los Angeles and San Francisco through gates it

acquired at Dallas Love Field. Southwest now offers connecting service from California cities to New York LaGuardia and Washington National using slots divested by American Airlines. Low-cost carriers, including Spirit and Allegiant, are using gates made available at LAX by our settlement to expand service to numerous cities. Finally, Spirit Airlines has announced it will use gates it acquired at Chicago O'Hare to offer new non-stop service between Chicago and San Diego.

At the Antitrust Division, we file criminal charges when you, your family and your friends are victims of price fixing and bid rigging. In California alone, we have obtained 59 criminal convictions against real estate investors who rigged the bids on foreclosed homes being sold at public auctions. These scoundrels took advantage of homeowners who, as a result of the 2008 financial crisis, lost their homes. A foreclosed home is supposed to be sold at a public auction with the proceeds going to the bank and any remaining cash to the homeowner. By rigging the bids and lowering the prices paid at auction, these folks profited at the expense of the homeowners, the banks and U.S. taxpayers. And the wrongdoers are going to prison.

Under the leadership of Attorney General Holder, we are prosecuting both companies and their executives for antitrust misconduct. For example, a few years ago we uncovered a massive world-wide conspiracy to fix the prices for a wide variety of automobile parts, including seatbelts, airbags and antilock brake systems. This illegal

conduct made it more costly for companies like General Motors, Ford and Toyota to manufacture cars, which, in turn, caused millions of Americans to pay higher prices. As of today, we have obtained criminal convictions against 54 companies and individuals and nearly \$2.4 billion in criminal fines. And we are not done yet.

What happens to the fines companies pay when they cynically violate the antitrust laws? All of this money – and it totals over \$4 billion in the last five years alone – goes to the Justice Department’s Crime Victim’s Fund. This fund is used to ensure that victims of all types of crimes throughout our country receive the services and financial support they need to cope with their traumatic experiences and to move forward with their lives. In California, this fund has helped victims of child abuse, domestic violence and sexual assault, among other crimes. We are proud that our antitrust enforcement efforts have contributed to helping our fellow Americans during their time of need.

We are also proud of and grateful for the work that you do on a daily basis to help the members of your communities during their time of need. In many instances, you and your organizations are the reason why hard working Americans receive the assistance they need to avoid losing their homes; why workers who are laid-off receive the training they need to find a new job that will enable them to provide for their families; and why immigrants who come to this country to pursue the American Dream have the opportunity to open up their own businesses and send their children to college. The Justice Department

applauds your service to your communities and is committed to working with you, as well as our law enforcement partners here in California and other states, to protect the rights of hard working Americans. Working together on the national, state, local and neighborhood level, we can help give everyone, including the talented students here today, an equal opportunity to pursue and achieve their dreams.

Thank you for your time this evening.