

**PROTECTING CONSUMERS AND COMPETITION: AN  
EXAMINATION OF THE T-MOBILE AND SPRINT  
MERGER**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON COMMUNICATIONS AND  
TECHNOLOGY  
OF THE  
COMMITTEE ON ENERGY AND  
COMMERCE  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED SIXTEENTH CONGRESS  
FIRST SESSION

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FEBRUARY 13, 2019  
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<sup>3</sup>The report has been retained in committee files and also is available at <https://docs.house.gov/meetings/IF/IF16/20190213/108895/HHRG-116-IF16-20190213-SD013.pdf>.

**PROTECTING CONSUMERS AND COMPETITION: AN EXAMINATION OF THE T-MOBILE AND SPRINT MERGER**

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**WEDNESDAY, FEBRUARY 13, 2019**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON COMMUNICATIONS AND TECHNOLOGY,  
COMMITTEE ON ENERGY AND COMMERCE,  
*Washington, DC.*

The subcommittee met, pursuant to call, at 10:00 a.m., in the John D. Dingell Room 2123, Rayburn House Office Building, Hon. Mike Doyle (chairman of the subcommittee) presiding.

Members present: Representatives Doyle, McNerney, Clarke, Loeb sack, Veasey, McEachin, Soto, O'Halleran, Eshoo, DeGette, Butterfield, Matsui, Welch, Luján, Schrader, Cárdenas, Pallone (ex officio), Latta (subcommittee ranking member), Shimkus, Scalise, Bilirakis, Johnson, Long, Flores, Brooks, Walberg, and Walden (ex officio).

Staff present: Billy Benjamin, Systems Administrator; Jeffrey C. Carroll, Staff Director; Sharon Davis, Chief Clerk; Jennifer Epperson, FCC Detailee; Evan Gilbert, Press Assistant; Tiffany Guarascio, Deputy Staff Director; Alex Hoehn-Saric, Chief Counsel, Communications and Technology; Jerry Leverich, Counsel; Dan Miller, Policy Analyst; Joe Orlando, Staff Assistant; Tim Robinson, Chief Counsel; Chloe Rodriguez, Policy Analyst; Mike Bloomquist, Minority Staff Director; Robin Colwell, Minority Chief Counsel, Communications and Technology; Kristine Fargotstein, Minority Detailee, Communications and Technology; Margaret Tucker Fogarty, Minority Staff Assistant; Stephen Keegan, Minority Intern, Communications and Technology; and Peter Kielty, Minority General Counsel.

Mr. DOYLE. Well, good morning. Before we get started, I want to express my condolences to Congresswoman Debbie Dingell on the loss of her husband, John. John was a dear friend and mentor to me and many members of this committee. His passion for oversight, accountability, legislative process, and his lifetime of public service is an example to all of us. His passing is a great loss to our Nation, to Congress, and this committee, which he loved so much.

John, may you rest in peace.

The Chair will now recognize himself for 5 minutes.

**OPENING STATEMENT OF HON. MIKE DOYLE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA**

Welcome to the Subcommittee on Communication and Technology's hearing on "Protecting Consumers and Competition: An Examination of the T-Mobile/Sprint Merger." This hearing is noteworthy because the last time a merger hearing was had before this subcommittee was almost 9 years ago. And in that time there have been numerous mergers within this subcommittee's jurisdiction that have gone without a hearing.

I believe it is the duty of this subcommittee to allow our members to publicly discuss and debate the merits of these transactions and to question the relevant stakeholders. The merger before us today is between two of our country's national wireless providers, T-Mobile and Sprint. These companies have acted as disrupters, competitors, and low-cost options in the wireless marketplace.

T-Mobile's "uncarrier" strategy has ended anticonsumer practices such as data caps, restrictive contracts and much more. They have also worked hard to build a robust national network that by some accounts is the fastest in the Nation. For its part, Sprint has been a leader in roaming agreements for rural providers and wholesale access for prepaid and Lifeline providers. Sprint has worked hard to bring its networks to within one percent of Verizon's in terms of network reliability, or so their commercials say so.

Consumers have also benefited from Sprint positioning itself as the best value. They are offering a plan right now where new customers can get a year of free service when they switch from another carrier, which sounds amazing. However, this hearing isn't about the benefits that both of your companies have brought to the market. It is about the extraordinary impact that your combined company could have on the public and the marketplace if this merger goes through.

We will hear today from the Communication Workers of America, from the Rural Wireless Association, and Public Knowledge. They claim that this merger will have negative impacts on low-income consumers, rural providers, and jobs in the wireless industry.

CWA's testimony suggests that this merger will result in up to 30,000 job losses in the industry and a reduction in industry pay by as much as \$3,000 per employee. The Rural Broadband Association's testimony argues that rural consumers will pay more. They claim that Sprint charges 20 times less than T-Mobile or other national carriers for roaming agreements. These agreements allow customers of rural carriers who build their own networks in the most rural communities to use their phones throughout the country. What guarantees do rural providers have that they won't face increased costs if T-Mobile doesn't adopt Sprint's practices?

And Public Knowledge's testimony states that consumer prices will go up due to the reduction in the number of national carriers from four to three. They argue that the merger would hit low-income consumers the hardest because the number of carriers offering wholesale access would drop from three to two.

Sprint, AT&T, and T-Mobile sell access to their networks to prepaid and Lifeline providers who then sell that service under their own brands. What remedy do these carriers or their customers

have if the New T-Mobile decides that it wants to get out of the wholesale business or drastically raise rates?

To that end, the FCC found in their Communications Marketplace Report that the wireless market concentration was currently at 3,100 HHI. HHI measures how competitive a market is with a higher number meaning it is less competitive. The Justice Department's Horizontal Merger Guidelines state that a market with an HHI above 2,500 is highly concentrated. So we really aren't starting from a great spot. An increase of 200 points would raise significant concerns about competition.

This merger is expected to result in a market power increase of 280 points for the postpaid market and 2,014 points for the prepaid market. That would take the prepaid market from where it is right now at 2,467, which is just under DOJ's threshold, to 4,481, a level that raises lots of red flags. These kinds of numbers have historically resulted in higher prices for consumers, less competition, and less innovation.

I appreciate both executives' statement that they believe that this merger will benefit consumers and result in lower prices and their commitments to an accelerated deployment of 5G and promises of expanded rural broadband. These are national objectives that are important to me and many members of this committee. However, I have seen a lot of mergers in this industry and others and it is hard to think of one where consolidation didn't result in people losing their jobs, prices going up, and innovation being stifled.

I look forward to hearing from the testimony from our two telephone companies that wish to merge and from the other panelists.

[The prepared statement of Mr. Doyle follows:]

#### PREPARED STATEMENT OF HON. MIKE DOYLE

Before we get started, I want to express my condolences to Congresswoman Dingell on the loss of her husband. John was a dear friend and mentor to me and many here. His passion for oversight, accountability, legislative progress, and his lifetime of public service is an example to us all. His passing is a great loss to our Nation, the Congress, and this committee which he loved so much.

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Sprint, AT&T, and T-Mobile each sell access to their networks to pre-paid and Lifeline providers, who then sell that service under their own brands. What remedy do these carriers, or their customers have if the new T-Mobile decides it wants to get out of the wholesale business or drastically raise rates?

To that end, the FCC found in their Communications Marketplace Report that wireless market concentration was currently at 3,100 H-H-I. H-H-I measures how competitive a market is—with a higher number indicating less competition. The Justice Department's horizontal merger guidelines state that a market with an H-H-I above 2,500 is highly concentrated—so we really aren't starting from a great spot. An increase of 200 points would raise significant concerns about competition.

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I appreciate both executives' statements that they believe that this merger will benefit consumers and result in lower prices—and their commitments to an accelerated deployment of 5G and promises of expanded rural broadband. These are national objectives that are important to me and many members of this committee.

However, I've seen a lot of mergers in this industry and others, and it's hard to think of one where consolidation didn't result in people losing their jobs, prices going up, and innovation being stifled.

I look forward to hearing from the panel.

Mr. DOYLE. And with that I yield to the ranking member, Mr. Latta, for 5 minutes.

**OPENING STATEMENT OF HON. ROBERT E. LATTA, A  
REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO**

Mr. LATTA. Well, thank you, Mr. Chairman. And if I could just take a point of personal privilege also to express my deepest sympathies to our friend and colleague Debbie Dingell on the loss of Chairman Dingell. And the chairman loved this committee. You know, this room is named after him.

And I had the privilege of getting to know him in my days not only on this committee, but when I first got to Congress. Again he loved this committee, he loved this House, but most of all he loved his district, the State of Michigan, and all that he did for it. So with that, I wish the Dingells my deepest sympathies on the loss of the chairman.

And again, Mr. Chairman, thank you very much for convening our panel of witnesses today. And to our witnesses, thanks very

much for being here. We appreciate your time. I look forward to hearing your expertise and different perspectives as we discuss the future of the telecommunications marketplace and learn more about the proposed merger of T-Mobile and Sprint.

With any talk of merger comes a long list of potential benefits and drawbacks, and this one is no different. I understand from the CEOs of T-Mobile and Sprint, who are with us today, that there are many proconsumer outcomes possible if the merger is approved. These potential benefits range from providing mobile broadband to millions of unserved and underserved Americans living in rural areas to helping the United States win the global competitiveness race to 5G.

But I also understand from several of the witnesses representing groups here today that the combined company could pose some harm to consumers. Some of the potential drawbacks include the possibility to eliminate jobs or increase the price that consumers pay for access to wireless service.

Our role in this committee is not to weigh the merits of these arguments and determine if this merger is in the public interest. Congress gave that role to the FCC, who along with the DOJ performs a more traditional antitrust assessment on the merger, and these two agencies will ultimately determine if the merger is going to be approved. Our role in this subcommittee is to provide policies that advance the telecommunications market, including expanding access to broadband to all Americans.

One way to do this, especially for rural America and many areas in my district, is to build 5G networks. In areas where the broadband is not currently deployed, 5G networks can help connect Americans to high-speed internet for the very first time. And, in areas where broadband is already available, 5G networks provide a competitive alternative. This proposed merger reportedly will promote these objectives, and I look forward to hearing more about the ways in which companies plan on doing that.

But I also am interested in hearing from all of our witnesses today. This will be an enlightening discussion. The final decision about whether this proposed merger of these two companies is in the public interest is up to the FCC. Again I look forward to hearing from all of our witnesses today and your testimony and your responses to our questions.

And, Mr. Chairman, I appreciate the hearing today, and I yield back the balance of my time.

[The prepared statement of Mr. Latta follows:]

#### PREPARED STATEMENT OF HON. ROBERT E. LATTA

Good morning, and welcome to our panel of witnesses. Thank you for making the time to be here today. I look forward to hearing your expertise and different perspectives as we discuss the future of the telecommunications marketplace and learn more about the proposed merger of T-Mobile and Sprint.

With any talk of a merger comes a long list of potential benefits and drawbacks, and this one is no different. I understand from the CEOs of T-Mobile and Sprint, who are here with us today, that there are many proconsumer outcomes possible if the merger is approved. These potential benefits range from providing mobile broadband to millions of unserved or underserved Americans living in rural areas to helping the United States win the global competitiveness race to 5G. But, I also understand from several of the other witnesses representing groups here today that the combined company could pose some harm to consumers. Some of these potential

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This proposed merger reportedly will promote those objectives, and I look forward to hearing more about the ways in which the companies plan on doing that. But, I am also interested in learning about some of the potential unintended consequences of the merger. This will be an enlightening discussion, but that is all it will be. The final decision about whether this proposed merger of these two companies is in the public interest is up to the FCC.

I look forward to hearing your testimony and responses to our questions.

Mr. DOYLE. The gentleman yields back. The Chair now recognizes Mr. Pallone, chairman of the full committee, for 5 minutes for his opening statement.

**OPENING STATEMENT OF HON. FRANK PALLONE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. PALLONE. Thank you, Chairman Doyle. Today is our first hearing since the loss of our chairman, John Dingell. It is fitting that this room is named the John Dingell Room. After all, over 28 years as the top Democrat on this committee and over his nearly 60 years in the House, he fought to ensure the committee maintained its broad jurisdiction, had deliberative debates, followed regular order, conducted robust oversight, and produced legislation in the public interest.

And in keeping with John's tradition, today we focus our microscope on the proposed merger of two of the four large nationwide wireless phone carriers, T-Mobile and Sprint. Collectively, these companies directly employ more than 80,000 people and serve more than 130 million customers.

These companies are no stranger to merger discussions. In 2011, a struggling T-Mobile was almost purchased by AT&T but was blocked by the Obama administration, and T-Mobile nevertheless went on to flourish. T-Mobile and Sprint attempted to merge 2 years later, but abandoned the deal after competition concerns were raised by regulators. Now once more the parties are seeking approval to merge.

This hearing marks the first time in 8 years that the committee has met to evaluate the consequences of a merger. For too long the House and this committee paid little attention to that responsibility, but now we resume the practice of reviewing major acquisitions so we can fulfill our obligation for the people to determine how this proposed consolidation will affect consumers, workers, public safety and network resiliency, competition, and future innovation.

For the last 8 years, major industry consolidation occurred without significant oversight, and the consequences of that have been

borne by consumers and hardworking Americans. In the past we have seen mergers jack up consumer prices, cut away meaningful choices, and outsource, undercut, and eviscerate good-paying jobs.

We have seen previous merger conditions that weren't met or weren't enforced. We have seen the public interest in all its forms undermined, and that is why we must look carefully at these issues before a merger is approved. In this case, the transaction is currently being reviewed by the FCC as well as the Department of Justice. As part of our oversight responsibility we must make sure that the FCC is carefully reviewing the facts and keeping consumers' best interests in mind when deciding the fate of the merger.

I know we are going to have many hard questions today because the facts surrounding this merger are so much in dispute. For example, Mr. Legere says that New T-Mobile won't raise consumer prices. But others say his company's filings acknowledge consumers could see price hikes, some argue by up to 15 percent, with the merger being particularly hard on the poorest consumers.

How can we be sure that consumers who can least afford to pay more are not harmed by the merger? T-Mobile filed the letter committing not to raise prices with the FCC. Putting aside whether that is sufficient, there is a serious question as to whether the Trump FCC would be willing to impose any conditions in a merger order.

Mr. Legere says that the merger of T-Mobile and Sprint will be a net job creator on day one, but the Communications Workers of America say we should expect the loss of 30,000 jobs. The truth will have long-term implications for American families across the country. And Mr. Legere says that New T-Mobile will create a world-class 5G network, but opponents say that both T-Mobile and Sprint have committed to investors to deploying 5G networks as separate and independent companies. 5G deployment is important, obviously, and valuable to consumers and the economy, and whether the merger expedites 5G rollout merits consideration.

And Mr. Legere also says that the merger of T-Mobile and Sprint will help New T-Mobile compete with AT&T and Verizon, all while new entrants and cable companies begin to compete in wireless. But smaller carriers worry the merger might snuff out existing and new competitive players that rely on wholesale access to T-Mobile and Sprint's networks. To this end, we must understand not only how the merger affects the current wireless marketplace but also the marketplace of the future.

And, finally, Mr. Legere says that the merger of T-Mobile and Sprint will help New T-Mobile build out robust rural broadband, while others argue that New T-Mobile will shut down 25,000 cell towers across the country. And I would like to understand whether this is accurate and whether it will have a negative effect on the resiliency of the wireless network during disasters.

So, Mr. Chairman, there are a lot of conflicting opinions on the impact of this merger which is why this hearing is so important and I hope that Members will get the straight answers here today. And I yield back.

[The prepared statement of Mr. Pallone follows:]

## PREPARED STATEMENT OF HON. FRANK PALLONE, JR.

Today is our first hearing since the loss of our chairman, John Dingell. It is fitting that this room is named the John D. Dingell Room. After all, over 28 years as the top Democrat on this committee and over his nearly 60 years in this House, he fought to ensure the committee maintained its broad jurisdiction, had deliberative debates, followed regular order, conducted robust oversight and produced legislation in the public interest. We will all have an opportunity to remember and pay tribute to our chairman this Friday morning at a special committee meeting.

In keeping with his tradition, today, we focus our microscope on the proposed merger of two of the four large, nationwide wireless phone carriers: T-Mobile and Sprint. Collectively, these companies directly employ more than 80,000 people, and serve more than 130 million customers.

These companies are no stranger to merger discussions. In 2011, a struggling T-Mobile was almost purchased by AT&T, but was blocked by the Obama administration, and T-Mobile nevertheless went on to flourish.

T-Mobile and Sprint attempted to merge 2 years later but abandoned the deal after competition concerns were raised by regulators. Now, once more, the parties are seeking approval to merge.

This hearing marks the first time in 8 years that the committee has met to evaluate the consequences of any merger.

For too long, this House and this committee shirked that responsibility. But now, we resume the practice of reviewing major acquisitions, so we can fulfill our obligation for the people to determine how this proposed consolidation will affect consumers, workers, public safety and network resiliency, competition, and future innovation.

For the last 8 years major industry consolidation occurred without any oversight, and the consequences of that negligence have been borne by consumers and hard-working Americans. In the past, we've seen mergers jack up consumer prices, cut away meaningful choices, and outsource, undercut, and eviscerate good paying jobs.

We've seen previous merger conditions that weren't met or weren't enforced. We've seen the public interest, in all of its forms, undermined, and that is why we must look carefully at these issues before a merger is approved.

In this case, the transaction is currently being reviewed by the Federal Communications Commission (FCC) as well as the Department of Justice. As part of our oversight responsibility, we must make sure that the FCC is carefully reviewing the facts and keeping consumers' best interests in mind when deciding the fate of the merger.

I know we're going to have many hard questions today, because the facts surrounding this merger are so in dispute.

For example, Mr. Legere says that New T-Mobile won't raise consumer prices. But others say his company's filings acknowledge consumers could see price hikes-some argue by up to 15 percent-with the merger being particularly hard on the poorest consumers.

How can we be sure that consumers who can least afford to pay more are not harmed by the merger? T-Mobile filed a letter committing not to raise prices with the FCC. Putting aside whether that is sufficient, there is a serious question as to whether the Trump FCC would be willing to impose any conditions in a merger order.

Mr. Legere says that the merger of T-Mobile and Sprint will be a net job creator on day one, but the Communications Workers of America say we should expect a loss of 30,000 jobs. The truth will have long term implications for American families across the country.

Mr. Legere says that New T-Mobile will create a world-class 5G network, but opponents say that both T-Mobile and Sprint have committed to investors to deploying 5G Networks as separate, and independent, companies. 5G deployment is important and valuable to consumers and the economy and whether the merger expedites 5G roll-out merits consideration.

Mr. Legere says that the merger of T-Mobile and Sprint will help New T-Mobile compete with AT&T and Verizon all while new entrants and cable companies begin to compete in wireless. But smaller carriers worry the merger might snuff out existing and new competitive players that rely on wholesale access to T-Mobile and Sprint's networks. To this end, we must understand not only how the merger affects the current wireless marketplace but also the marketplace of the future.

And Mr. Legere says that the merger of T-Mobile and Sprint will help New T-Mobile buildout robust, rural broadband, while others argue New-T-Mobile will shutdown 25,000 cell towers across the country. I would like to understand whether

this is accurate and whether it will have a negative effect on the resiliency of the wireless network during disasters.

There are a lot of conflicting opinions on the impact of this merger—which makes this hearing so important. I hope that Members will get the straight answers here today.

I yield back.

Mr. DOYLE. The gentleman yields back. The Chair now recognizes Mr. Walden, ranking member of the full committee, for 5 minutes for his opening statement.

**OPENING STATEMENT OF HON. GREG WALDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON**

Mr. WALDEN. Thank you, Mr. Chairman. And as you all have said, I know we all have the Dingell family in our thoughts and our prayers on this difficult week. John Dingell taught us all how to be legislators. He was a legend in many respects, and nobody, despite everybody's attempt, has ever been able to do the yes-or-no questioning as effectively as Mr. Dingell did. We have all tried to emulate that.

And so he is missed. He will never be forgotten. And I am glad we are all honoring his life, his work, his service, and remembering Debbie in our prayers.

Mr. Chairman, I would like to echo my colleagues' warm welcome to all of our witnesses today and to thank you all for making the time to come share your thoughts with the subcommittee. We have generally avoided hearings focused on specific transactions in an effort to allow the regulators who are actually responsible for assessing them to do their work as much as possible free from intense political influence. It has been my hope that experts at the FCC and the Department of Justice who as we speak are reviewing this transaction and its potential impact on public interest and competition will continue their analysis without undue political pressure.

Now in a district like mine which would stretch from the Atlantic to Ohio, it is a district that gives new meaning to word "rural." We have coverage gaps that engulf huge areas of the map in places with as few as one person for every square mile. For Americans in some of these areas who have been awaiting the promise of broadband for far too long with the connectivity, educational, and economic empowerment it brings, any news on this front is great news for celebration.

So we have been appreciative of T-Mobile's rapid build-out efforts in Central Oregon and as a result of its newly acquired 600 megahertz licenses. With this committee's bipartisan work last year to keep the repack on track with an additional billion dollars for reimbursement of broadcasters' moving expenses, more and more districts are realizing the benefits of groundbreaking incentive auction that we made possible through the action of this committee.

The hope is finally becoming reality in many of our areas of the country and I think it is well worth noting T-Mobile's efforts so far in delivering on its promises and in some cases ahead of schedule.

Turning to the particular transaction at issues today, experts including some of our witnesses are painting some very different pictures of the potential effects of this proposed merger. Going forward we do want to see consumers paying less and getting more

data. We want to see more choices and we want to see intensified competition in the wireless and in-home broadband markets. We want to see faster rural development and we want to see better service. And we need America to lead in the global race on 5G deployment, reaping economic benefits and transformative services for all Americans.

As we consider the testimony of our witnesses, we need to take a holistic view. Instead of focusing on a particular metric like those who insist the Government must intervene to preserve four nationwide wireless operators at all costs, we have to consider scale and operational efficiencies in that equation and the rapidly changing characteristics of the wireless marketplace, especially the convergence of functionality with nontraditional competitors such as global and satellite operators.

With almost 50 percent of digital video now consumed on smart phones, wireless service is not what it once was. And with the advent of 5G, the capabilities are evolving at an exponential rate. So it is important for us as legislators to adjust our expectations to this new reality and resist the call for artificial market constraints that may not make any sense in a 5G world.

I look forward to the witnesses today and their perspectives on each of these issues and I want us to be the world's fastest and best 5G ecosystem, secure, affordable and accessible to every American.

[The prepared statement of Mr. Walden follows:]

#### PREPARED STATEMENT OF HON. GREG WALDEN

I'd like to echo my colleagues' warm welcome to all the witnesses here today and thank you all for making the time to come share your thoughts with the subcommittee today. We have generally avoided hearings focused on any specific transaction in an effort to allow the regulators who are responsible for assessing them to do their work, as much as possible, free from intense political influence. It is my hope the experts at the FCC and DOJ—who as we speak are reviewing this transaction, and its potential impact on the public interest and competition—will continue their analysis in this vein.

In a district like mine that gives new meaning to the word “rural,” coverage gaps engulf huge areas of the map, in places with as few as one person for every square mile. For Americans in some of these areas, who have been awaiting the promise of broadband for far too long, with the connectivity, educational and economic empowerment it brings, any news on this front is cause for great celebration.

So we have been appreciative of T-Mobile's rapid build out efforts in Central Oregon as a result of its newly acquired 600 MHz licenses. With this committee's bipartisan work last year to keep the repack on track with an additional \$1 billion for reimbursement of broadcasters' moving expenses, more and more districts are realizing the benefits of the groundbreaking incentive auction that we made possible. The hope is finally becoming a reality in these areas. And I think it's well worth noting T-Mobile's efforts so far in delivering on its promises, in some cases ahead of schedule.

Turning to the particular transaction at issue today, experts including some of our witnesses here are painting some very different pictures of its potential effects. Going forward, we want to see consumers paying less for more data. We want to see more choices and intensified competition in the wireless and in-home broadband markets. We want to see faster rural deployment and better service. And we need America to lead in the global race to 5G, reaping economic benefits and transformative services for all Americans.

As we consider the testimony of these witnesses, we need to take a holistic view, instead of focusing on a particular metric—like those who insist that the Government must intervene to preserve four nationwide wireless operators at all costs. We have to consider scale and operational efficiencies in that equation, and the rapidly changing characteristics of the wireless marketplace, especially the convergence of

functionality with nontraditional competitors such as cable and satellite operators. With almost 50 percent of digital video now consumed on smartphones, wireless service is not what it once was, and with the advent of 5G the capabilities are evolving at an exponential pace. So it's important for legislators to adjust our expectations to this reality and resist the call for artificial market constraints that may not make any sense in a 5G world.

I look forward to hearing the perspectives of each of our witnesses as we consider the current state of the marketplace overall and how best to reach the objective so important to us all—the world's fastest and best 5G ecosystem, secure, affordable, and accessible to every American.

Mr. WALDEN. With that I would yield the balance of my time to the gentleman from Missouri, Mr. Long.

Mr. LONG. Thank you. I would like to take a point of personal privilege here for just a minute too, maybe stop the clock for me for a second if we could, on John Dingell.

Two planeloads of us loaded up yesterday morning out at Andrews to attend John's funeral in Dearborn, and we circled Detroit for about an hour, after an hour delay here, and were told we had 5 minutes of fuel left or we could go to Pittsburgh and refuel and go back and we would miss the funeral.

So I know that Anna Eshoo was on that flight; Mr. Walden that just yielded to me, he was chairman and now ranking member of the committee; Chairman Upton, who was Committee E&C and had his office across from John for years. He and John Lewis, who is a legend in his own time, were supposed to speak at the funeral, and Speaker Pelosi happened to be on the same flight, or I happened to be on the same plane with them.

So at 30,000 feet, John Lewis led us in a tribute and we had our own service for John Dingell at 30,000 feet yesterday, and it was quite moving. Chairman Upton spoke, Speaker Pelosi, John led us in prayer and spoke, and it was a pretty moving tribute. So we did what we did to get to Big John's funeral.

I was born in 1955. John Dingell was sworn into Congress in 1955. He followed his father. His wife, Debbie, of course follows him today. She is doing an excellent job, and thoughts and prayers go out to Debbie and the family.

With that, I will start my minute that Greg yielded to me. Today's hearing gives us the opportunity to hear about how the American public can benefit from the proposed merger of T-Mobile and Sprint. The U.S. telecommunications market has changed dramatically in recent years. In order to foster innovation and growth in any industry it is important that we ensure that there is a fair and competitive marketplace.

I am excited to hear how the third- and fourth-largest wire carriers in the United States plan to combine their spectrum resources to deliver a more robust, nationwide, wireless broadband network for consumers, drive innovation and investment, and better compete with the top two wireless providers.

Investments in next generation broadband networks are important to reach unserved communities like mine in Southwest Missouri and help close the digital divide. I look forward to hearing from our witnesses on how the New T-Mobile drive for innovation will help close that digital divide, benefit the U.S. economy to provide consumers with more choices at lower cost.

And I would like to submit for the record two documents: an op-ed from the Missouri Times written by the head of the Missouri Farm Bureau demonstrating support for the merger in Missouri, and also a letter in support of the merger to the FCC from myself and several of my colleagues. And with that I yield back.

Mr. DOYLE. Without objection, so ordered.

[The information appears at the conclusion of the hearing.]

Mr. WALDEN. And, Mr. Chairman, I will yield back, but I just want to say for the record we have another subcommittee going on in important health issues upstairs, so some of us will have to go up and back.

But, again, thank you for being here.

Mr. DOYLE. I thank the ranking member.

The Chair would like to remind Members that, pursuant to committee rules, all Members' written opening statements shall be made part of the record.

I would now like to introduce our witnesses for today's hearing. First, we will have Mr. Marcelo Claure, executive chairman of Sprint Corporation; next, Mr. John Legere, chief executive officer and president of T-Mobile US; next, Mr. Chris Shelton, president of the Communications Workers of America; then we will have Ms. Carri Bennet, general counsel of the Rural Wireless Association; Mr. Doug Brake, director of Broadband and Spectrum Policy for the Information Technology and Innovation Foundation; and last but not least, Mr. Phillip Berenbroick, senior policy counsel with Public Knowledge.

I want to thank all the witnesses for joining us today. We look forward to your testimony. At this time, the Chair will recognize each witness for 5 minutes to provide their opening statement, but before we begin I want to explain our lighting system. In front of you, of the witnesses, is a series of lights. The light will initially be green at the start of your opening statement. The light will turn yellow when you have 1 minute remaining, and please wrap up your testimony at that point. The light turns red when your time has expired.

Mr. Claure, you are now recognized for 5 minutes.

**STATEMENTS OF MARCELO CLAURE, EXECUTIVE CHAIRMAN, SPRINT CORPORATION; JOHN LEGERE, CHIEF EXECUTIVE OFFICER, T-MOBILE US; CHRIS SHELTON, PRESIDENT, COMMUNICATIONS WORKERS OF AMERICA; CARRI BENNET, GENERAL COUNSEL, RURAL WIRELESS ASSOCIATION, INC.; DOUG BRAKE, DIRECTOR OF BROADBAND AND SPECTRUM POLICY, INFORMATION TECHNOLOGY AND INNOVATION FOUNDATION; AND PHILLIP BERENBROICK, SENIOR POLICY COUNSEL, PUBLIC KNOWLEDGE**

#### **STATEMENT OF MARCELO CLAURE**

Mr. CLAURE. Before we begin, I want to pay my respect to Chairman Dingell and his longstanding service to his country.

It is an honor to be here today and I am grateful for the opportunity to speak with you. I would like to take the opportunity to explain why Sprint's proposed merger with T-Mobile will be great

for the American consumers, will be great for Sprint employees, and will be great for our country.

I will go into details in a moment, but before I do so I want to tell you a little about me. First, I am an immigrant. I immigrated to the United States as a young man from Bolivia. I had very little money. I went to small university in Boston and I received a price-less education.

Second, I am an entrepreneur. After I graduated college I founded a company called Brightstar. I started selling phones out of my car and I gradually grew Brightstar into the largest mobile phone distribution and supply chain services company in the world. We worked very hard and grew over \$10 billion in sales and thousands of employees. I am most proud that we made Brightstar the largest Hispanic-owned business in the history of our country.

In 2014, I sold Brightstar to Softbank, immediately after that I became Sprint's CEO. At that time, Sprint, a Kansas company, was near financial distress. In 2013, the company lost \$5 billion and in the previous 10 years Sprint lost over \$25 billion and we had approximately \$31 billion in debt. A great company with tens of thousands of jobs across the U.S. was at risk.

Beginning in 2014, we undertook a massive and painful transformation of the company. We worked hard the same way we did at Brightstar, from the ground up. We reduced our expenses close to \$6 billion through cost reductions, employee layoffs, and some unwanted transfer to jobs overseas. We didn't want to, but we had to.

Today, Sprint is no longer in financial dire straits, but we face some significant challenges. Despite our success we were unable to fix our main challenge, the quality of our network. We could not fix our network because of our poor financial condition and our lack of low band spectrum. Because of our network quality, Sprint still struggles to attract lots of new customers, and many customers that we are acquiring leave at a faster pace than our competitors. Customers today are not willing to sacrifice quality.

Today, the U.S. wireless market has become a duopoly. Verizon and AT&T have close to 70 percent market share and they control 93 percent of the cash flow generated from the industry. As a result, it is very hard to invest and compete at the same level. Today, we are at a technological inflection point. Over the next few years 5G is coming, a new standard of connectivity. It is going to completely change the way we connect and the way we live our lives.

But Sprint doesn't have the resources to build a 5G network to provide the necessary competition against the AT&T and Verizon duopoly. We estimate that we will need close to 20 to 25 billion dollars just to offer 5G in our limited coverage area. And because we don't generate any cash flow, we would have to raise more debt and to pay for that debt we would have to increase our prices to the American consumer.

The only company that can build the world's best 5G network is a combination of Sprint and T-Mobile and we can only do this if this merger is approved. As a combined company, we are committed to invest nearly \$40 billion over the next 3 years to build the world's best 5G network with nationwide coverage. How can we

do this together? It is simple. It is the marriage of two necessary and complementary 5G pieces.

Sprint has high capacity spectrum which have acquired over many years. T-Mobile has brought national coverage spectrum. It is capacity plus coverage. Today, we can build the world's most advanced, covering every corner in America in urban, suburban, and rural areas. We cannot take lightly that America needs to lead the world in 5G. China has made it a priority to win the 5G race. They are investing billions.

When a country has the best network with the latest technology it brings massive economic stimulus, explosive job growth, and a new wave of entrepreneurs. America is a land of innovators and disrupters. Let's keep it this way. My story validates this. Letting another country take the leadership away from the U.S. will cost irreparable damage. This is an opportunity for a lifetime.

In addition, yes, we are committed to lower prices. When we merger two companies we will create eight times the network capacity that we would have on our own. We will have to beat AT&T and Verizon on price to fill this capacity. This makes financial sense, it is good business, and most importantly it is our commitment.

Lastly, it is true that most mergers do not create jobs. This merger is the opposite. This is a growth story. This new company will create new jobs, blue-collar, white-collar jobs, jobs in urban, suburban, and rural America. We will need skilled network engineers, construction crews, enterprise sales teams, call center jobs that we are going to bring back from overseas, and new sales reps for the new stores that will be opening.

I can't thank you enough for allowing me to speak today. As I mentioned, I am grateful to this country, and as an American entrepreneur I hope you will approve this merger. I look forward to answering your questions.

[The prepared statement of Mr. Claure follows:]

**Written Testimony of Marcelo Claure, Executive Chairman, Sprint Corporation**

**Before  
the House Committee on Energy & Commerce  
Subcommittee on Communications & Technology  
February 13, 2019**

Chairman Doyle, Ranking Member Latta, and Members of the Subcommittee, thank you for the opportunity to appear today to share my perspective on why this merger will be good for American consumers, good for Sprint employees, and good for U.S. technological leadership and the next generation of entrepreneurs.

This is a critical time in the evolution of the wireless industry, and it is a particularly critical time for the customers, employees, and shareholders of Sprint. I have spent my career driving innovation and competition in the wireless industry. I served as Sprint's CEO from August 2014 until May 31, 2018, when I transitioned to my current role as Sprint's Executive Chairman. I am also the Chairman Emeritus of CTIA, a trade association representing the U.S. wireless communications industry, and I am expected to serve on the Board of the New T-Mobile following the completion of the merger.

I know John Legere will be elaborating on his vision for the new company and all that he hopes to achieve. For my part, I would like to focus on why joining with T-Mobile now represents the best opportunity for Sprint to continue to be a force for competitiveness and innovation in the industry. I also want to explain the considerations that led us to this merger.

It is no secret that in recent years, Sprint has had to chart a course through daunting obstacles. Over the last decade, the company had lost over \$25 billion. For all the talent and work of our employees, our path was simply not sustainable.

I am proud of what Sprint has done to stabilize itself and to put us in position to seize the important opportunity that we have today to address some of those longstanding challenges. Sprint

is currently in the fifth and final year of its “Sprint Now” plan to turn around the company. We made difficult but necessary changes that have enabled us to cut billions of dollars in costs, improve our networks, and do better at attracting and retaining subscribers. In 2017, Sprint became net income positive for the first time in 11 years, and we achieved positive metrics across several other financial performance measures. Today, we are a more stable company financially than we have been in a very long time, and that financial stability has enabled us to embark on new, much-needed investments in our network aimed at trying to catch up with technological innovation in our industry. We have also been able to undertake initiatives such as the 1Million Project, which gives mobile devices and free high-speed internet access to high school students who don’t have reliable connectivity at home. I am thrilled that this program will be continued under the New T-Mobile.

Sprint’s employees rightly take pride in all that we have accomplished together and are optimistic about the future. But as CEO and now Executive Chairman, I am acutely aware of what it has taken to get us to this point and the challenges that lie ahead. Achieving financial stabilization required us to reduce our network investment to historically low levels and to shrink the size of the company. Sprint’s employee headcount fell from 40,000 in 2011 to 30,000 in 2018, a 25 percent decrease that was a painful but necessary step to stabilize our financial position. We also face an extremely high debt burden, with nearly \$40 billion in total debt as of the end of calendar year 2018. And we have offered aggressive subscription promotions in an attempt to gain scale, creating challenges for our ability to make additional investments.

Even with all of this effort, we still are unable to spend at parity with Verizon and AT&T, much less catch up to their previous investments. Our scale presents significant challenges. Because AT&T and Verizon have significantly more subscribers than Sprint, they have and can

continue to spread network costs over a much larger customer base, resulting in a far lower cost per subscriber for a given level of capital spend. As a result, we continue to face difficult questions about how best to attract additional customers, improve our network, and find ways to challenge the two dominant players in the wireless market, AT&T and Verizon.

There is an urgent need for us to answer the questions about our future because the wireless industry today is at an inflection point. It is poised to deploy the next leap forward in wireless technology—the fifth generation of wireless service—called 5G. Sprint wants to be a leader in this leap forward, but our plan anticipates a limited 5G build over time that will lack broad coverage. Given the characteristics of our mix of spectrum, our comparatively smaller scale, and the size of the capital expenditures involved, Sprint will be able to deliver 5G only in limited areas, focusing on population-dense metropolitan areas. Consequently, Sprint as a standalone company cannot fully seize the tremendous opportunity that 5G creates, much less match what a merged Sprint and T-Mobile could do together as a competitor and innovator.

It is important to understand how our plans for 5G in the absence of a merger will necessarily be limited by our spectrum portfolio, lack of scale, and resource constraints. In particular, our limited low-band spectrum cannot provide a basis for launching a ubiquitous coverage layer for 5G, and building ubiquitous nationwide 5G coverage using only Sprint's 2.5 GHz spectrum would be impractical and economically infeasible. To be sure, Sprint's 2.5 GHz spectrum will deliver very high speeds and support substantial capacity where we are able to deploy it, but due to the propagation characteristics of 2.5 GHz spectrum, it would not provide a blanket of coverage outside of major metropolitan and suburban areas. Moreover, rolling out this more limited 5G network would require Sprint to invest \$20-\$25 billion in the next four years.

Although subscribers in certain major cities will benefit from this roll-out, others will not, nor will we be able to truly unlock the power of 5G for innovation and entrepreneurship.

Given these difficulties, I believe Sprint can contribute most effectively to the rollout of the next generation of wireless services—with all of the consumer and economic benefits that it entails—by combining our assets and know-how with T-Mobile. That is what makes me so excited about this merger. Through this transaction, the combined company will be able to build a transformative 5G network in America and unlock the promise of 5G faster and for more customers than either company could on a standalone basis. America and the world are racing to be the first to create the next generation of wireless technology, and the advantages of being a first mover cannot be overstated. As you will hear today, this merger will allow the combined company to dramatically accelerate the promise of nationwide 5G in the United States, deliver better performance and value to our customers, and create new jobs and opportunities for American workers.

**I. What the Transaction Means for the Race to 5G**

U.S. companies are in a race for 5G leadership, and the stakes could not be higher. A robust and ubiquitous 5G network will provide customers with incredibly fast speeds and massive capacity, and will create an ecosystem where the best creative minds can develop applications and uses to benefit consumers. An independent analysis by Accenture concludes that the United States is positioned to invest \$275 billion in 5G, creating three million jobs and adding \$500 billion to our economy. This merger will accelerate that investment.

This is not just about faster wireless service for our subscribers—it is about ensuring that the United States leads in the next generation of innovation, which will rely on the massive capacity that 5G can unleash. The possible use cases for 5G include wearables, smart buildings,

smart cities, smart agriculture, and safer self-driving cars. 5G will also include applications we can only imagine.

The impact of the 4G/LTE deployment helps illustrate how critical it is for the United States to win the race to 5G. That generation of technology ushered in companies such as Uber and Airbnb. Indeed, it helped create the entire “on-demand” economy—new businesses and types of jobs that simply didn’t exist before 4G. America led the world in the deployment of 4G. As a result, the United States got the benefit of the jobs and increased economic productivity that it facilitated. Much of the technological innovation enabled by 4G, and many of the companies built using that innovation, were U.S. companies—creating new U.S. jobs. An analysis by Recon Analytics concluded that, by leading when the market evolved to 4G a number of years ago, the United States boosted annual GDP in 2016 by nearly \$100 billion and resulted in a stunning 84% increase in wireless-related jobs in just a three-year period (2011-2014).

Winning the race to 5G will require massive new investment and the right combination of spectrum. As John will describe in greater detail, the New T-Mobile has committed to spend nearly \$40 billion—far beyond what Sprint has been able to spend in recent years or what it could spend alone—to achieve this world-class network and to increase its retail footprint to market this new technology, creating thousands of U.S. jobs directly and indirectly.

It is important to understand that the promise of 5G lies not just in better and faster performance from mobile devices. The New T-Mobile will have the speed and capacity to substitute in many areas for in-home broadband—that is, the primary high-speed internet connection consumers use at home—including in areas that currently have few or no options for reliable in-home broadband, finally creating real competition in these areas. As a result, the new technology will enable the combined company to increase broadband coverage into more rural

areas, along with improved signal quality and increased network capacity in places where neither company can profitably do so on its own. In short, the New T-Mobile will generate significantly improved and expanded services to unserved and underserved rural areas and create real choice for consumers.

The blazing speed and enhanced capacity of the New T-Mobile's 5G network will enable it to offer consumers and businesses more choices and cost savings. This improved performance is especially important to our prepaid consumers and those on a tight budget for whom their mobile wireless connection is increasingly their best and, in some cases, their only reliable connection to the internet. The New T-Mobile's 5G network will also serve as a platform for new video options, including, but not limited to, video programming offered by the New T-Mobile itself.

## **II. What the Transaction Means for Competition**

For years, Sprint has recognized the challenges posed by the fact that it competes in an industry dominated by two main players: Verizon and AT&T. Eight years ago, my predecessor Dan Hesse explained to the Senate and the House Judiciary Committee why a proposed merger between AT&T and T-Mobile would have made our industry less competitive. At that time, AT&T and Verizon together had two-thirds of the market, and the proposed merger would have taken a key disrupter off the field, leaving the market dominated by two behemoths. That merger did not go forward, because the government recognized that it was not in the public interest to let one of the two biggest providers get even bigger.

But despite the substantial competitive efforts of Sprint and T-Mobile over the past eight years, AT&T and Verizon's grip on the market is just as strong today. They *still* together hold two-thirds of the market. And they have increasingly found ways to use their scale to cement their advantages rather than to compete vigorously with others in the marketplace. A huge and increasingly insurmountable gap remains between Sprint and both AT&T and Verizon. The

merger today is critical to disrupting the marketplace and weakening the iron grip these giants have had on our industry. Even after the merger, the New T-Mobile will still be third in market share and will still be dwarfed by AT&T and Verizon in market capitalization. But it will be a much stronger competitor and a truly disruptive threat to the two giants' longstanding dominance. As part of the deal negotiations, executives from Sprint and T-Mobile extensively discussed the future of the combined company, and it became clear we share a common vision.

For both Sprint and T-Mobile, this transaction is about the opportunity to create a better product for consumers than either company could achieve independently, continuing to offer innovative services and consumer value, and ultimately becoming the best wireless carrier in the United States. By joining forces, our two companies will have an opportunity to go head-to-head with the giants and to make the marketplace much more competitive and innovative. In turn, this will force AT&T and Verizon to accelerate and become more ambitious in their own 5G plans.

The network that the New T-Mobile will be able to offer would transform the industry. Combining the complementary assets of both companies will enable a network that will offer unmatched coverage, capacity, and quality—both for current LTE customers and for the future 5G network that the New T-Mobile will be able to deploy. The combined network will surpass the quality of the networks offered by Verizon and AT&T, giving consumers more and better options than they have today.

The transaction provides tremendous synergies, estimated at about \$43 billion, and also provides much-needed economies of scale. The synergies and scale will allow the New T-Mobile to make the investments necessary to achieve its vision. Building and maintaining a national wireless network requires billions of dollars in capital expenditures and operating expenses each year. The synergies and scale of the combined company will create economic incentives for the

New T-Mobile to build a world-class network, and to expand the geographic reach of its network to more Americans.

In addition, the combined company will be focused on continuing the disruptive “Un-carrier” actions that have become synonymous with the T-Mobile brand. Led by John and T-Mobile’s Mike Sievert, and drawing on the best that both T-Mobile and Sprint have to offer, the management team will be second-to-none. John and Mike have a vision for the New T-Mobile as a disruptive player in the industry and a force for innovation. This will be exciting for all the New T-Mobile employees. And as a prospective member of the Board of Directors of the New T-Mobile, I am eager to be part of the combined company and help realize that vision.

Finally, it is important to appreciate that in addition to AT&T and Verizon, the wireless industry is increasingly seeing competition from a growing number of companies from other sectors with different business models, including Comcast, Charter, DISH, TracFone, and Google. These large, well-capitalized competitors are pushing into wireless because, just as we do, they see untapped potential for success if they are able to deliver better results to customers.

### **III. What the Transaction Means for Americans**

Simply put, this transaction will bring benefits all across the country—in urban, suburban, and rural America. The combined company will deliver a far superior network, delivering tremendous value to consumers. Together, the New T-Mobile can supercharge the wireless industry with innovation, disruption, and an obsessive dedication to our customers. These benefits will be felt in several areas:

**4G LTE.** In the near term, the combined company will offer better 4G LTE services. The combined network will be anchored on the existing T-Mobile 4G LTE network and augmented with contributions from Sprint’s network to improve coverage, consistency, speed, and capacity, with low income, black, and Hispanic customers among those who would benefit the most. More

than 37 million Sprint devices are compatible with T-Mobile's LTE spectrum and can be migrated to the new network, and the number of customers who can access this improved 4G LTE network will only increase over time.

5G. Together, as I have discussed, Sprint and T-Mobile will be the first to deliver a nationwide 5G network with unmatched breadth and depth. They will be able to do this faster than either could hope to achieve as standalone companies. In particular, Sprint and T-Mobile have complementary spectrum holdings that, when combined, will be perfect for 5G.

As independent entities, both companies would deploy 5G on their available spectrum, and, as a result of the spectrum they hold, each company's 5G network would have deficiencies. Sprint's planned 5G holdings are in mid-band spectrum, specifically the 2.5 GHz band. A rollout of truly nationwide coverage on this spectrum would require too many cellular radios to be economical or practical, and therefore Sprint's independent 5G network would have coverage gaps. T-Mobile's planned 5G spectrum holdings, on the other hand, are primarily in low band spectrum, specifically in the 600 MHz band. Signals sent over this spectrum travel far, making it ideal for extending geographic coverage. However, T-Mobile has a fixed amount of spectrum for 5G, so it will have very limited capacity, and the network will quickly get congested during those times when customers most want to use it.

By bringing these resources together, the merger will create conditions for both nationwide coverage and massive amounts of network capacity, allowing for a 5G user experience that is robust and ubiquitous. While others currently advertise what they claim to be a 5G network, with coverage and capacity deficiencies noted in the fine print, the New T-Mobile will be the first to deliver *truly* mobile and nationwide coverage. Being faster to develop a "true 5G" network will help ensure that America will lead the development of the 5G ecosystem, which will be a

significant boon for the American economy. If America can lead in 5G the way that this country led in 4G, it will benefit not only American consumers, but also all of the American companies that will develop the products, applications, and tools that will bring 5G to consumers across the world.

***Lower Prices and Cost Savings.*** As we have shown in the analyses we have submitted in support of the merger to DOJ, the FCC, and state regulators, the New T-Mobile will have powerful incentives to offer low prices to consumers in order to utilize the huge increase in network capacity that the transaction will make possible. The vision that John and Mike have for the New T-Mobile is that of a “supercharged maverick,” with the scale and resources to make a significant impact on the wireless marketplace for the better. This means the combined company will continuously look for ways to offer more for less, so it can grow its subscriber base and improve value propositions for American consumers.

Critically, low income consumers will particularly benefit from these developments. These customers tend to use more mobile data and therefore will especially benefit from the increased capacity and improved service quality the New T-Mobile will provide—as well from the fact that the New T-Mobile’s speed and capacity will give more consumers the option to “cut the cord” and rely on their mobile plans for internet access.

***Jobs.*** One of the things that excites me most about this merger is that it will enable us to add employees in the United States and to bring jobs that have moved offshore back home. I appreciate that executives’ claims that mergers will create jobs are often met with skepticism. But here, the proposed merger will grow U.S jobs from day one and for the foreseeable future. By joining forces, the combined company will be able to make the investments needed to create a network that neither company could create on its own. The New T-Mobile is committed to

spending nearly \$40 billion over the next three years to build its 5G network, while also creating thousands of jobs across the country. In fact, we recently announced that the New T-Mobile plans to build five new state-of-the-art Customer Experience Centers around the United States, with each Center creating an average of 1,000 new jobs.

In addition, the merger puts the combined company in a unique position to unlock the growth that will come with 5G. And, as previously mentioned, leading the world in 5G also will create opportunities for other U.S. companies to develop products and applications and to start and grow businesses that will employ thousands and thousands more people. On balance, this deal will create far more jobs than the status quo.

***Impact on Prepaid Customers.*** Sprint has long been proud to offer prepaid plans, and it is important to emphasize that the New T-Mobile's prepaid customers—as with its postpaid customers—will see significant benefits as a result of this transaction. As we have explained in our public filings, following the merger, prepaid customers with compatible handsets will enjoy the same improved network as postpaid customers, and perhaps more so, since many prepaid customers use more data than those on postpaid plans. This improved service also will not come with higher prices. The New T-Mobile will be incentivized to deliver more for the same or less due to having substantially more capacity and lower costs—and will face continued and likely intensified competition from Verizon, AT&T, and others.

***Impact on Rural Customers.*** A key benefit of the transaction, particularly for Sprint subscribers, will be the dramatic increase in rural 5G coverage due to the combined company's 600 MHz spectrum and the strong incentives to add customers created by the enormous capacity of the combined company's network. Because of the current geographic footprint of Sprint's network, our customers are too often forced to rely on roaming agreements for service coverage

in rural areas where they cannot access our network, which are often extremely expensive and often lead to an inferior customer experience. But by adding Sprint's 2.5 GHz spectrum to T-Mobile's current spectrum portfolio, the New T-Mobile will be able to reach more rural customers and to provide rural customers with mobile and in-home broadband service at greater speeds and more consistent signal levels.

The more favorable economics are not limited to wireless telephony. The new combined 5G network will have the speeds and capacity to effectively compete with in-home broadband in many areas. Rural consumers typically have only one or at most two choices for in-home broadband today. The New T-Mobile would provide another option and inject competition for the benefit of these relatively underserved rural customers.

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In short, I truly believe that the New T-Mobile will build the best wireless network this country has ever seen, far faster than what either Sprint or T-Mobile could do on its own. To fill that new network, the New T-Mobile will have strong incentives to offer a tremendous new product at a great price. By having the best-in-class network, the new company will be able to compete for customers who have been reluctant to use Sprint or T-Mobile because of concerns that the quality of their individual networks is not as good as those offered by Verizon or AT&T. The transaction will give these customers more and better options. AT&T and Verizon have long prided themselves, and promoted themselves, as having the best network quality. With the New T-Mobile offering an unrivaled network experience, Verizon and AT&T will be forced to compete harder and invest more—and sooner—than they would absent the competitive spur of this transaction. Their increased investment will lead to more competition, better service, and more jobs, all to the benefit of American consumers.

I thank the Subcommittee again for giving me the opportunity to share my perspective, and Sprint's perspective, on what will be a procompetitive merger that will benefit American consumers, American workers, and the American economy.

Mr. DOYLE. Thank you very much.  
The Chair now recognizes Mr. Legere for 5 minutes.

#### **STATEMENT OF JOHN LEGERE**

Mr. LEGERE. Thank you, Chairman Doyle, Ranking Member Latta, and other members of the subcommittee for inviting Marcelo and me and the rest of the panel here today. Before I begin my remarks, let me offer condolences to Congresswoman Dingell on the loss of her husband, John Dingell, a towering figure in the House and a leader in this committee.

I appreciate the opportunity to tell you about the tremendous benefits of the proposed T-Mobile/Sprint merger and the progress we are making towards making it a reality. So, first, what will this merger deliver? It will deliver a supercharged uncarrier which can ensure U.S. leadership in 5G, increase competition, and create American jobs.

First and foremost, the New T-Mobile will make sure America wins the global 5G race. This is so important because 5G will unlock new capabilities that will fuel innovation and job creation well beyond anything we have seen so far. 5G will completely transform the way Americans live, work, travel, and play. 5G means real-time navigation, downloading a movie in seconds, instant language translation, and much more. Nearly every business in America will be able to use 5G to revolutionize how they create and deliver goods and services.

Best of all, with this transaction the benefits of 5G won't just flow to big cities. Combining Sprint and T-Mobile will produce a faster, broader, deeper network that is truly nationwide. It will benefit consumers and businesses everywhere including rural America. Neither company could achieve this on its own.

Second, New T-Mobile will have the capital, the scale, and the network to supercharge competition, unleashing significant benefits for consumers that includes keeping prices low. The combined company will continue the T-Mobile tradition of disrupting the wireless space and we will disrupt in-home broadband with new wireless broadband options freeing millions from the stranglehold of big cable.

Budget-conscious customers have the most to gain because they consume the most data. They have the most to gain when data costs less. It will be a huge leap across the digital divide. Our opponents are wrong when they claim that the merger will lead to higher prices. In fact, the opposite is true. Consumers will win with lower prices and better services. How? Our costs will drop sharply and our network capacity will expand tremendously. I am so confident that the merger will lower prices that we are willing to put our money where our mouth is. Last week we committed in writing to regulators that we will make available the same or better rate plans as those offered by T-Mobile or Sprint for the next 3 years.

Third, this merger will be a tremendous jobs creator at New T-Mobile and across our country. Our merger will be jobs-positive from day one and going forward. The build-out of our 5G network, investment in new customer care centers, and expansion into new businesses like video distribution, broadband, and enterprise serv-

ices means thousands more jobs than the two standalone companies would have needed.

In the first year we will have thousands more employees than the standalone companies combined. By 2024 we will have 11,000 more employees. Our critics are wrong about the impact on jobs. I have looked at their arguments and supposed analyses and they do not make sense. They ignore the facts. They don't account for any areas where jobs will grow, like network integration or new customer call care centers.

And by the way we have heard this story before. They said we would cut 10,000 jobs when T-Mobile merged with MetroPCS. In fact, we expanded jobs by thousands. Let me say this to every T-Mobile and Sprint employee working in one of our stores today, each of you will be offered a job with the New T-Mobile.

Our opponents have also lobbed false allegations that this transaction will allow Huawei and ZTE into U.S. networks. Let me be clear. There is no Huawei or ZTE equipment in our network today and there never will be. Not today, not tomorrow, not ever.

Many have already recognized the tremendous benefits of this merger. CFIUS and Team Telecom have completed the national security review and approved the transaction. Sixteen of 19 States have completed their reviews and found the transaction to be in the public interest, and nearly 200 organizations, companies, government officials, and community leaders publicly support the transaction. I am particularly honored that Congresswoman Eshoo, Congressman Schrader, Congressman Long, and 10 other Members have signed a bipartisan letter of support.

To those that doubt us, I would simply say this: We are the uncarrier. My management team and I believe on delivering on our promises and we know if we do not we will lose the credibility and the trust of our customers and employees. I can promise to you the New T-Mobile team will deliver for consumers, American workers, and for our country. Thank you, and I look forward to answering your questions.

[The prepared statement of Mr. Legere follows:]

**Testimony of John Legere, Chief Executive Officer, T-Mobile US**  
**House Energy and Commerce Subcommittee on Communications and Technology**  
**February 13, 2019**

**INTRODUCTION**

Thank you, Chairman Doyle, Ranking Member Latta, and members of the Committee. My name is John Legere. I have been Chief Executive Officer of T-Mobile US, Inc. since September of 2012. Since becoming CEO almost seven years ago, I've been privileged to lead T-Mobile on its mission to fix a stupid, broken, arrogant industry and to redefine how the American consumer views and experiences "wireless." As the "Un-carrier," T-Mobile has worked to attract customers by fixing a wide range of their pain points while ultimately providing consumers better value for lower prices. If the merger is approved, I will proudly serve as the CEO of New T-Mobile.

I appreciate the opportunity to be here today alongside Marcelo Claure of Sprint to discuss the proposed merger of our two companies. The combination of Sprint and T-Mobile to create the New T-Mobile will enable U.S. leadership in 5G, deliver significant value and benefits to consumers nationwide, increase competition in wireless and in-home broadband, and create American jobs. New T-Mobile will be able to leverage a unique combination of complementary assets to unlock massive synergies to build a world-leading 5G network that will deliver unprecedented services to consumers, increasingly disrupt the industry, and enhance American national security.

Our proposed merger with Sprint will provide New T-Mobile with the added scale and critical spectrum and network assets to supercharge our "Un-carrier" philosophy. As a result,

we can take competition to new levels. We will offer a much faster, broader, and deeper network and new services at lower prices. This will force our rivals – AT&T, Verizon, and the cable monopolies – to improve their services, increase their own capacity, and lower prices even further. All American customers will win with lower prices and better services!

When we build our world-class 5G network, we are not only going to benefit wireless customers, but also finally create real choices for consumers, including rural customers, who are stuck with little or no choices for in-home broadband service today. We will bring new competition to Big Cable in two ways. Our 5G network gives us the speed and capacity to offer an affordable in-home high-speed broadband service to millions of American households. And with fiber-like speeds across our mobile network, many T-Mobile customers will be able to “cut the cord” entirely and eliminate a separate broadband charge – saving hundreds of dollars a year! The industry will have to respond, and prices will drop even more!

Importantly, we will bring these benefits to parts of the United States that other larger wireless carriers and cable companies often ignore – such as rural America and lower income communities. Our 5G network will be nationwide and connect the whole country. We will back our commitment to these areas with at least 600 new retail stores, five new customer experience centers, and 11,000 new employees on the ground in rural areas and small towns – communities that need them the most. Our lower income customers use the most data because they rely on their phones to access the internet. They have the most to gain when the price of data drops! Urban or rural, the merger will spark a great leap across the digital divide.

And we aren't stopping there, as our plans include breaking into new and emerging lines of business such as enterprise, Internet of Things (“IoT”), and video.

This merger will be a tremendous jobs creator at New T-Mobile and across the country. Our merger will be jobs positive from day one – and going forward. The build-out of our 5G network, investment in new customer care centers, and expansion into new businesses like video distribution, broadband, and enterprise services means thousands more jobs than the two standalone companies would have needed. New T-Mobile will need to have approximately 3,600 additional employees in its first year and more than 11,000 more employees by 2024 than the standalone companies combined without the merger. We recently announced the locations for three of five new technologically advanced customer experience centers – one in Sprint’s hometown of Overland Park, Kansas, one in the greater Rochester area of New York, and one in California’s Central Valley – that New T-Mobile will build, each with over one thousand new employees.

On top of increasing competition and adding jobs, this merger will also help ensure that the tremendous benefits of 5G leadership are realized here in America. The United States led the world in 4G and the monumental ecosystem that was built around it, spawning companies such as Uber and X. Our merger creates the opportunity to continue that leadership in the 5G world. In short, our global technology leadership is on the line. New T-Mobile will build the robust, nationwide, secure 5G network that will win the race to 5G.

Neither Sprint nor T-Mobile could do anything close to this on their own. And no one else will do it on our accelerated time frame if we don’t do it together. The benefits of the transaction have always been obvious to us. But since our testimony in the Senate last June, the evidence is even more powerful today than it was then. In the meantime, I have heard what our opponents have to say, and I am here today to address those concerns directly and

explain why they're wrong. We are confident that a T-Mobile/Sprint merger will benefit the U.S. economy for American workers and consumers and promote U.S. technological leadership and our national security.

T-Mobile welcomes this Committee's role in providing oversight, and I am pleased to answer your questions. First, I will provide some further details on the transaction and topics of interest.

**EXCITEMENT OVER THE BENEFITS OF THE TRANSACTION**

Together with Sprint, we have been working since the deal announcement in April to share the tremendous benefits of the transaction in every corner of the country. We have also provided the evidence to back up our claims so that consumers, employees, policymakers, and regulators could make up their own minds. We have provided over 25 million pages of T-Mobile documents to the U.S. Department of Justice and Federal Communications Commission and have had many meetings with the staff of both agencies to answer their questions. We've made filings on the transaction in 19 states and met with a number of State Attorneys General. I've also had the honor to meet with many members of this Subcommittee one-on-one to discuss the transaction's benefits directly. We engaged from the beginning with U.S. national security agencies with whom both T-Mobile and Sprint have had longstanding partnerships. And we've connected with many consumer groups, small business organizations, civil rights groups, and other important stakeholders in the wireless economy to understand their needs and explain the benefits of this transaction.

It has been a long road, but what we've learned is that when workers, consumers, regulators, and policymakers understand the facts about the transaction – the details we will

share with you today – they agree that together T-Mobile and Sprint will protect and enhance technological leadership in the world, improve consumer experience, supercharge competition in wireless and beyond, and create a jobs engine for the U.S. economy.

I'll mention just a few important milestones in our journey. We are particularly honored that Subcommittee members Cong. Anna Eshoo (D-CA), Kurt Schrader (D-OR), Billy Long (R-MO), and ten other members of Congress have signed a bipartisan letter of support. The Committee on Foreign Investment in the United States ("CFIUS") and Team Telecom completed their national security review and approved the transaction. Sixteen of nineteen state or District of Columbia telecommunications regulators have approved the transaction, including most recently the New York Public Service Commission, concluding that the transaction is in the public interest. Attorneys General Sean Reyes (R-UT) and Hector Balderas (D-NM) have written in support, highlighting benefits to rural America. Governor Laura Kelly (D-KS) and numerous other state officials have expressed support for the transaction.

Nearly 200 national and local civil rights, economic development, community and business organizations, companies, government officials, and community leaders have provided public support for the transaction, including: the U.S. Hispanic Chamber of Commerce; the U.S. Black Chamber of Commerce; the National Hispanic Caucus of State Legislators; the National Rural Education Association; the National Puerto Rico Chamber of Commerce; and Silicon Harlem. At three public interest hearings in Fresno, Los Angeles, and San Diego, California, at least 60 private individuals and members of local community groups came out to voice support. And a number of MVNOs – so-called "virtual" carriers that rely on the T-Mobile, AT&T, Verizon, or Sprint networks to offer service – such as TracFone, Ultra Mobile/Mint Mobile, Prepaid

Wireless Group, and Republic Wireless, support the merger because it gives them access to a super 5G network that will expand their business opportunities and enable them to compete and better serve their customers.

Numerous recent papers by academics and think tanks that support the transaction have been published, including papers on the competitiveness and dynamism of wireless markets, the convergence of wireless and wired broadband, the importance of 5G for rural economic development, and how U.S. leadership in 5G can help close the digital divide for the benefit of communities of color.

I have been encouraged by this tremendous support and excited by the opportunity to share our story with all of you.

**U.S. LEADERSHIP IN 5G IS CRITICAL TO AMERICAN INNOVATION AND NATIONAL SECURITY**

I will start with the amazing 5G network that New T-Mobile will build by combining T-Mobile and Sprint. This merger will help ensure that the tremendous benefits of 5G leadership are realized here in America. The stakes are high – nothing less than preserving our edge in innovation and maintaining our security.

Just look at 4G. The U.S. started rolling it out nationwide before almost any other nation, getting the technology into hands of innovators and entrepreneurs, and today 99.7% of Americans are covered by 4G LTE. The result: America and our innovators led the global mobile economy for the last decade. Uber, Snap, Venmo, and Instagram are all products and businesses built largely or entirely on the 4G mobile web. Furthermore, many of today's global internet leaders like Google, Facebook, and Amazon rose to prominence by leveraging the

transition to mobile here in the U.S. first. Analysts estimate this early leadership generated billions in economic value and millions of new jobs here in America.

As the next generation of wireless technology, 5G is a game changer. The capacity, speed, and latency of 5G are truly revolutionary and far beyond what the most advanced 4G network can support today. 5G will enable superior capacity, faster data rates, and much lower latency, as well as energy efficiency leading to longer battery life and the capability to connect a much greater number of devices. Our 5G network will deliver fiber-like data speeds, low latency for real-time interactivity, more consistent performance and user experience, and massive capacity for unlimited data to support things like 4K video streaming, smart cities, real time translation, online gaming, and other exciting applications that cannot be served across a substantial number of users by 4G.

Just as we experienced with 4G, the countries who are first to deploy broad, robust 5G will enjoy a critical edge in innovation, development, and deployment of related technologies and products, such as the IoT, autonomous vehicles, advanced telemedicine, and entertainment. This will transform the way Americans live, work, travel, and play. Nearly every business in America will use 5G to revolutionize how they create and deliver goods and services. New T-Mobile's 5G network will serve as a platform for ensuring that the 5G ecosystem of innovation and technological development occurs in the United States.

The United States is not alone in pursuing this goal. The United States must win the 5G race against China and do so in a way that protects our national security. 5G will be the means to connect and control phones, computers, cars, and appliances – nearly every device you can imagine. It is therefore imperative that U.S. 5G networks are secure. Winning the 5G

deployment race is critical to assuring this security. It will give U.S. companies more influence as the standards that define 5G technology continue to develop. It will also bolster trusted network equipment suppliers who must compete against Chinese companies such as Huawei and ZTE. And it also ensures that cutting edge U.S. innovation around 5G occurs in the United States, which is as critical for our security as it is for our economy. The flood of innovation that 5G will unleash must occur in our country.

Although 5G leadership is critical to America's future, the United States is falling behind in the 5G race. Other countries have shown that they will do whatever it takes to win the race to 5G and are making substantial commitments to support this goal. China has taken a global lead in the race, thanks to industry momentum and government support. China's 5-year economic plan specifies \$400 billion in 5G-related investment, and China Tower alone has added nearly ten times the number of 5G sites than all U.S. companies combined. Since 2015, the U.S. has underspent China in wireless infrastructure by \$8 - \$10 billion. It is critically important that we turn the tide and recommit to American leadership in 5G.

**THE COMBINATION OF T-MOBILE AND SPRINT ENSURES U.S. 5G LEADERSHIP**

Time is of the essence. Only accelerated deployment of robust, nationwide 5G will preserve our edge. And only New T-Mobile's 5G network will do it!

This transaction ensures that America secures 5G leadership today and in the future. The combination of T-Mobile and Sprint accelerates deployment of a world-leading, national broad and deep 5G network in the United States, built upon a set of perfectly complementary assets of the two companies. T-Mobile possesses low-band (600 MHz) spectrum, which is particularly useful for providing coverage across broad geographic areas, but has limited

capacity, and high-band (mmWave) spectrum, which is useful primarily for outdoor applications and in targeted densely populated areas. By contrast, Sprint lacks low and high-band spectrum, but possesses substantial mid-band (2.5 GHz) spectrum, which has more limited coverage capabilities than low-band spectrum, but provides deep network capacity. Combining T-Mobile's low-band and high-band wireless spectrum with Sprint's mid-band spectrum will allow for both extremely broad coverage and deep network capacity, providing the optimum scenario for a robust, nationwide 5G network. New T-Mobile will have the complete portfolio of spectrum necessary to offer top speeds and massive capacity to dense urban areas. At the same time, New T-Mobile will also bring robust 5G service to rural areas that will otherwise lag far behind. No other U.S. company currently has the available spectrum necessary to deploy 5G both broadly – truly nationwide coverage to nearly all Americans – and deeply – with the high speeds and massive capacity that 5G applications will require. Only this merger brings these assets together to enable a supercharged, nationwide 5G network!

New T-Mobile will be able to invest significantly more in its 5G network than either company could standing alone. Through cost savings and efficiencies largely derived from combining the two networks and the scale we will achieve, New T-Mobile will be able to invest nearly \$40 billion over the next three years to build out and enhance its network and bring the company into the 5G future. How? Combining with Sprint will give us the resources to enhance and build the vast, dense network of cellular towers and high-capacity antennas that will make full use of these assets for 5G. In addition, New T-Mobile will integrate approximately 11,000 towers from the Sprint network into the T-Mobile network and add many more base stations to its existing tower portfolio, creating a much denser, higher capacity network that

can carry substantially more traffic at the same time than either company could on its own. The breadth of the new cell site infrastructure, with approximately 84,000 macro cell sites blanketing the country, will allow New T-Mobile to provide reliable signal strength levels to far more areas than either standalone company.

When compared to the standalone networks, New T-Mobile will *double* 5G capacity by 2021 and nearly *triple* 5G capacity by 2024. This increase in capacity will dramatically decrease the cost of delivering each gigabyte of data, translating into lower prices for customers. Indeed, our business plan anticipates that prices will continue to decline over the next six years, and an analysis of our merger by a leading economist concluded that building the nationwide 5G network will also provoke competitive responses from Verizon and AT&T and result in as much as a 55 percent decrease in price per gigabyte and a 120 percent increase in cellular data supply for all wireless customers across the industry than would happen without this merger.

In terms of speed, within two years of closing, the New T-Mobile network will be able to offer data speeds five times the speed of what the standalone T-Mobile 5G network would be able to offer. By 2024, the speeds will reach a point of fiber-like capabilities, and the New T-Mobile network will virtually eliminate the constraints consumers currently experience in congested environments, allowing for near instantaneous sharing and downloading of content from almost any location. This will transform the way Americans live, work, travel, and play by facilitating an enormous variety of IoT applications, as well as the full spectrum of connected devices.

In terms of coverage, New T-Mobile's 5G network will be truly nationwide. In fact, by 2024, over 290 million Americans will have access to data speeds over 100 Mbps – higher

speeds than many homes have through wired broadband service today – through New T-Mobile. Neither Sprint nor T-Mobile on their own would be able to offer anything like that coverage. Even more incredibly, two-thirds of the country on average will have lightning fast 500 Mbps data speeds by 2024 – data speeds that neither Sprint nor T-Mobile will be able to offer any consumers on their standalone 5G networks for the foreseeable future.

Even better, the broad geographic reach of New T-Mobile’s 5G network will finally bring rural communities into the mobile broadband era. Rural communities that lack access to quality broadband can stagnate economically, as skilled workers take their talents to urban centers to fully participate in today’s digital economy. Combining T-Mobile’s and Sprint’s spectrum allows us to close the gaps in rural broadband access and increase outdoor wireless coverage to reach 59.4 million rural residents, or 95.8 percent of the estimated 62 million rural residents.

Opponents of the transaction have claimed that T-Mobile and Sprint do not need to merge to roll out 5G. That misses the point. To be clear, we are not saying we cannot get to 5G without Sprint. What we are saying is that together, we can build a world class 5G network with breadth and depth well beyond anything we could do alone. So, while it is true that T-Mobile and Sprint have already announced 5G plans, the standalone plans to deploy 5G are not even close to comparable to the network New T-Mobile can and will build.

**THE COMBINATION OF T-MOBILE AND SPRINT SAFEGUARDS U.S. NATIONAL SECURITY FOR 5G**

This transaction will also empower New T-Mobile with the network, resources, and spectrum to drive U.S. leadership in 5G, safeguarding our networks. New T-Mobile’s incredible, industry-leading 5G network will be built and operated right here in the United States by an

American company with American management. Our New T-Mobile 5G network will not only be the most robust, but it will also be the most secure.

T-Mobile and Sprint have engaged extensively in partnership with the U.S. Government for many years. This partnership will continue with New T-Mobile into 5G, setting us apart from other U.S. wireless carriers in providing visibility into our 5G suppliers and ensuring our network remains safe and secure. As the global 5G deployment leader, New T-Mobile will have the most recent and up-to-date security framework with the U.S. Government of any wireless carrier. And as I mentioned at the outset, CFIUS and Team Telecom have approved this transaction after an extensive national security review.

Opponents of the transaction have set up a shadowy group that refuses to disclose its donors, to lob allegations that this transaction will allow Huawei and ZTE into U.S. networks. That's false, and they know it is. Let me be clear – we do not use Huawei or ZTE network equipment in any area of our network. Period. And we will never use it in our 5G network. New T-Mobile will buy network equipment only from trusted network equipment suppliers with a strong security track record in the United States. By accelerating deployment of true, robust nationwide 5G, New T-Mobile will provide a critical lift to these trusted network equipment vendors – Huawei's competitors – protecting the 5G supply chain for the United States and our allies.

Combining T-Mobile and Sprint will create a world-leading robust, broad, and deep nationwide 5G wireless network unlike anything either company could do alone and well before anyone else can do it. The United States will have 5G with or without this merger. The

question is whether America will lead or follow. As the Un-carrier, we want to lead! Our merger with Sprint will be the catalyst to do that.

**THE CREATION OF NEW T-MOBILE WILL BE BETTER FOR CONSUMERS**

New T-Mobile will have the capital, scale, and network to supercharge competition and drive a full-on competitive response from AT&T and Verizon as well as newer players. The competition will still be far, far larger than us, but the merger will allow us to upend their lock on the market like never before. The combined company will continue the T-Mobile tradition of disrupting the wireless space, but we won't stop there. We will disrupt broadband, enterprise, and video as well. This increased competition in wireless and other areas will also lead to more innovation. This deal is exciting and transformative for American consumers!

At T-Mobile, we are serious about the potential to grow, disrupt, and deliver new solutions and alternatives to consumers from one end of the country to the other. Being a maverick is in my DNA and T-Mobile's DNA, but it is also central to our successful business strategy and to the business plan of the combined company. As we build out our 5G network and expand into new services, we will need to grow our customer base. That means keeping the customers we've fought hard to win and attracting new customers with great quality and prices, and more innovative offerings. That's why two core assumptions of our business plan for the New T-Mobile are that prices will go down and output – data usage by customers – will increase. That's what makes this merger fundamentally different from one designed to restrict consumers' choices, reduce supply, and raise prices. Business success is based on increasing competition, not reducing it!

First and foremost, the merger will increase competition in wireless. Our opponents claim that the merger will lead to higher prices, but this couldn't be further from the truth. I want to reiterate, unequivocally, that New T-Mobile rates are NOT going to go up. Rather, our merger will ensure that American consumers will pay less and get more.

Greater capacity means our network can handle many more devices with greater capabilities at the same time everywhere in the country. It's like building a new stadium with three times as many seats – we will have the incentive and ability to bring more people in the door than ever before to fill up the seats. Our existing customers won't be enough to use all that extra capacity. We will have enormous economic incentives to bring new customers in to fill up the network. How will we do that? By improving our products, lowering our prices, and offering better service. Indeed, as capacity goes up, the price per gigabyte goes down, so we will not only be incentivized to add customers, but to do so at lower prices. The business plan for New T-Mobile assumes we will lower prices to win more customers. This isn't just for any segment of customers – this capacity dividend will be passed along to all customers, including our wholesale and prepaid customers. All American customers will win with lower prices and better services!

In fact, we are so confident that this merger will give consumers more for their money that we are willing to put our money where our mouth is. Last week T-Mobile made a commitment that I stand behind: New T-Mobile will make available the same or better rate plans as those offered by T-Mobile or Sprint for three years following the merger. Let me be clear: we are committed to making the same or better plans available at current or lower prices. We will not raise prices, and we are happy to put it in writing!

But that is only part of the story – that’s just what New T-Mobile will do. AT&T, Verizon, Comcast, Charter, and the other players won’t stand still as they will be forced to react fast or lose even more customers to New T-Mobile! When we lower our prices, they will have to lower their prices. When we improve quality, they will have to improve quality. The standalone T-Mobile has shaken up the industry and caused the big players to take notice, but the competitive response that we can force from them will be nothing like what we can do as the New T Mobile. When we innovate to offer new products and services, they will have to do the same. This competitive response will be game changing, and we can’t wait to see the kind of ecosystem of innovation and technological development that will occur right here in the United States. When we force Verizon and AT&T to respond, we’re helping more than just our customers, we’re helping all wireless customers across the country. We’ve submitted economic analysis to the FCC and DOJ demonstrating that American consumers will pay roughly 55 percent less per gigabyte of data in 2024 as a result of the transaction. All consumers, including lower-income and our diverse customer base, will benefit from increased competition and lower prices.

One thing I am particularly excited about is that New-T-Mobile will bring new competition beyond wireless to in-home broadband – a market where consumers have few if any choices. Consumers hate their cable and wireline broadband choices, but today, they rarely have somewhere else to turn. With the spectrum and infrastructure assets of the combined companies, New T-Mobile’s 5G network will give them a better option and a reason to “cut the cord.” We will achieve data speeds that will equal or exceed wireline broadband, giving tens of millions of consumers a new alternative broadband provider. In fact, we estimate

that by 2024, 35-40 percent of American households could cut the cord entirely and rely on New T-Mobile's 5G network for their sole broadband connection. Cutting the cord will offer enormous savings to consumers. Today, a consumer will typically pay around \$80 for wired in-home broadband service. Cutting the cord will lead to \$960 in annual savings for consumers. Further, New T-Mobile will offer an in-home wireless broadband solution, and we project that we will sign up 9.5 million households nationwide for in-home broadband service by 2024 – equating to approximately 7 percent market penetration. That level of penetration would make New T-Mobile the fourth largest in-home internet service provider in the country based upon current subscriber shares, and a real competitive force in that market segment. Our economic analysis shows that by 2024 American consumers will save as much as \$7 to \$13 billion *annually* in lower broadband prices from the new alternatives and competition this merger will create.

And while some opponents of the merger have argued that this merger will hurt lower-income or budget-conscious consumers, that is 180 degrees wrong! Budget conscious consumers have the *most* to gain from the combination of T-Mobile and Sprint! Remember, the whole point of this transaction is to give consumers more for less – that is exactly what budget-conscious consumers want. That's why we love those customers at T-Mobile. They demand the best product at the lowest prices possible. They keep us sharp, so we keep the competition sharp. That's what we do, and what we will continue to do under the merger – only bigger and better. All customers of New T-Mobile will benefit from the transaction because they will all be on the same great network and benefit from the same massive increases in capacity.

Budget-conscious customers, including those on prepaid plans, will benefit the most from increased capacity and improved quality of the network. Those customers rely far more on mobile data than our other customers. They often lack a fixed broadband connection and use their phones. A faster, deeper, and broader network from New T-Mobile is exactly what they need! And for those that do have broadband today, \$960 in annual savings from cutting the cord is a massive dividend that we will deliver. New T-Mobile is going to keep all of the great prepaid brands our customers love from both T-Mobile and Sprint – great choices like Metro, Boost, and Virgin will remain, in addition to those our competitors offer.

We will also continue to offer Lifeline services, which is a program that helps low-income consumers afford phone and broadband service. We are committed to offering preexisting Lifeline services that are offered through Sprint's Assurance brand. But it gets even better: New T-Mobile's expansive 5G network will allow Lifeline services to be offered in many places where Sprint had no coverage. And all Lifeline subscribers will be able to take advantage of the same incredible New T-Mobile network as other subscribers.

And New T-Mobile will also be able to compete in wireless market segments that T-Mobile and Sprint rarely serve today. For example, AT&T and Verizon currently dominate enterprise services, or wireless services for business and government customers. Despite best efforts, neither Sprint nor T-Mobile has been able to make in-roads into AT&T and Verizon's nearly 90 percent share of the enterprise space. T-Mobile has only a very small share of the business market segment (including small businesses) today, and only an estimated 4 percent share of the large enterprise and government portion of the segment. Going forward, New T-Mobile will have the capacity and resources to be a disruptor in the enterprise space, and we

will have every reason to compete hard for that business by innovating, offering better service, and lowering prices. Right now, AT&T and Verizon dominate that market with 90 percent market share. Armed with more scale and network capability, New T-Mobile will inject more competition and innovation into the Enterprise market.

**BETTER FOR AMERICAN WORKERS**

T-Mobile is an amazing company to work for. I am proud that we are rated a top place to work by many organizations, including among many other accolades being recognized among the "Best Places to Work" by employee crowd-sourced website Glassdoor.com and for the tenth consecutive year, being named one of the World's Most Ethical Companies by Ethisphere Institute.

Our employees are motivated and energized by the success of the company. They are proud Magenta heroes, all of whom are owners and invested in the company. Our employees are also diverse, reflecting who we are and who our customers are. We have won many kudos for our leadership in the area of diversity and inclusion. In 2018 alone, Forbes named T-Mobile a "Best Employer for Diversity"; we were honored as one of the "Best Places to Work for Disability Inclusion" by the U.S. Department of Labor's Disability Employment Initiative; and we were named the "Best-of-the-Best Corporation for Inclusion" by the National LGBT Chamber of Commerce. We were also honored by Military Friendly as one of the "Nation's Top Military Friendly Employers"; we were named the "Top 30 Best Employers for Latinos" by Latino Leaders Magazine; and we received a perfect score on the Human Rights Campaign Corporate Equality Index.

I am proud that this transaction will grow the number of T-Mobile employees so even more people will experience our terrific teams and culture. Unlike many transactions, our merger will be jobs positive from Day One and in the future. From 2019 forward there will be more employees at the New T-Mobile than the standalone companies combined. This is because New T-Mobile will spend nearly \$40 billion to combine spectrum, sites, and assets and to develop its business over the next three years. We will need to hire thousands of employees to combine the networks and deploy 5G, to extend the Un-carrier customer care model to a wider subscriber base, and to support growing services like in-home broadband.

New T-Mobile's business plan shows that, within three years of closing, New T-Mobile will employ 9,600 more direct internal and external employees than the standalone companies combined. This is a result of approximately 600 new stores located to serve rural customers and small communities and five new technologically advanced customer experience centers that will implement the company's innovative "Team of Experts" customer care model. These stores and customer experience centers will create over 10,000 new American jobs. In fact, we will offer every single retail employee of T-Mobile and Sprint a job with the New T-Mobile.

But T-Mobile's history shows that we may end up hiring even more people than we expect. When we acquired MetroPCS in 2013, we expected that MetroPCS's employee count would stay about the same. Flashing forward to today, MetroPCS has nearly tripled the number of people working for our brand partners. The same team that integrated MetroPCS into T-Mobile will lead the effort to seamlessly integrate T-Mobile and Sprint, and we can expect a similarly successful transition. We know we will grow jobs, not reduce them. We will

need every hand on deck to build a world-leading 5G network and bring new competition to AT&T, Verizon, and the Cable giants.

Communications Workers of America (“CWA”) has said that this transaction will lead to nearly 30,000 job losses across the United States – more than the total number of Sprint employees today! Well, I’ve looked at their study. With all due respect, it’s pure hogwash. The merger does the opposite of what CWA claims – it grows jobs not eliminates them. How does CWA come up with a different answer? Well, it’s easy if you ignore the facts. For example, their analysis doesn’t account for any areas where jobs will grow – like in network integration or for new customer call centers. And we’ve heard this story before: CWA predicted that T-Mobile would cut 10,000 jobs when we merged with MetroPCS. Today, three times as many workers are under the Metro banner than before that merger! CWA was completely wrong then, and they are wrong now.

Beyond T-Mobile, the innovation and growth fostered by the acceleration of broadly deployed 5G networks, which the transaction will instigate, will add hundreds of thousands of jobs to the U.S. economy. A study we have submitted to the FCC shows that New T-Mobile will stimulate economic growth contributing to more than 33,700 additional jobs over the five-year study period. CTIA predicts that the United States will add millions of new jobs if we win the race to 5G, and this transaction will put America in the pole position. We are excited to be a part of that growth, spurring our suppliers to hire more workers as we rely on them to turn our investments into a better, faster 5G network.

**NEW T-MOBILE MUST AND WILL DELIVER ON ITS COMMITMENTS**

No one disagrees that the United States has to lead in 5G and that creating a more effective competitor for Verizon and AT&T is better for consumers and the economy. But some have argued that this merger will not deliver on what we are promising. I could not disagree more. We are the Un-carrier. If we broke faith we would lose our loyal customers and destroy the future of our brand. I want to assure you that we would never do this. My management team and I believe in delivering on our promises, and we know if we do not, we will lose credibility and the trust of our customers.

Everyone at T-Mobile has put too much blood, sweat, and tears into this brand and philosophy to abandon our Un-carrier ways, and our customers are committed to us for it. It matters to us, it matters to consumers, and it works for our shareholders. We fully understand that being successful in the evolving telecommunications marketplace requires that New T-Mobile continue being an aggressive disruptor that challenges the status quo. If we changed, we'd run the risk of losing the confidence of our customers and losing our position of brand strength in the marketplace – and it would clearly cost us paying customers. These people came to us because we offered something different from the other guys. They would abandon us – and I wouldn't blame them – if we started acting like AT&T, Verizon, or a hated cable company.

Our business plan and our future success are centered around building a world class 5G network for everyone and delivering more to consumers for less. We have a history of delivering on our promises, and we have no plans of changing that now. New T-Mobile will deliver on the benefits – a robust, deep 5G network, increased competition, lower prices for

higher quality, and increased jobs! We will keep true to who we are and deliver for consumers and for our country.

It's who we are at T-Mobile, but delivering more for less is also great business! Accelerated, industry-leading, robust, nationwide 5G deployment is the foundation of New T-Mobile's business plan. New T-Mobile's business plan also projects aggressive share increases – taken from the industry leaders AT&T and Verizon – through its accelerated, enhanced 5G deployment. New T-Mobile will be able to attract new customers by delivering more data for the same or less dollars on a world-class 5G network and bringing new competition to broadband, enterprise, and video. New T-Mobile's success depends on being a stronger, more aggressive competitor! T-Mobile has committed to shareholders that it will rapidly integrate the networks and deploy industry-leading 5G, and they have staked billions of dollars on this happening.

That's why we are happy to put our money where our mouth is and make clear commitments on prices and jobs. We know we can deliver, and we were going to do it anyway!

#### **CONCLUSION**

The New T-Mobile will enable U.S. leadership in 5G and bring tremendous benefits for consumers, American workers, and the economy as a whole. Only this merger, combined with our winning Un-carrier strategy, can get us there. As we build out our 5G network and expand into new services our plan is simple: keep the customers we've fought hard to win and win new customers with great quality, lower prices, and more innovative offerings. Only the New T-Mobile, with the track record and DNA of the Un-carrier, can actually make that a reality.

Thank you for the opportunity to speak today. I look forward to your questions.

Mr. DOYLE. Thank you, Mr. Legere.  
The Chair now recognizes Mr. Shelton for 5 minutes.

**STATEMENT OF CHRIS SHELTON**

Mr. SHELTON. Chairman Doyle, Ranking Member Latta, Chairman Pallone, Ranking Member Walden, and members of the committee, first, let me offer CWA's condolences on the passing of Chairman Dingell to all of you and to his family.

My name is Chris Shelton. I am the president of the Communications Workers of America. We represent 700,000 employees in telecommunications and other industries including more than 45,000 in wireless.

Let's tell it like it is. This merger would kill American jobs and raise prices on American consumers to enrich two foreign companies, Deutsche Telekom from Germany and SoftBank from Japan. Our analysis shows that 30,000 Americans would lose their jobs. More than 25,000 of those jobs would be in retail stores all across the country, some owned directly by Sprint and T-Mobile, others owned by independent retailers. The other job cuts would be in headquarters.

Sprint and T-Mobile compete with each other for the same type of customers, often low-income households, which is why their stores are located near each other's sometimes right across the street. You will see in Newark, New Jersey how close the stores are together.

You can see from the maps how Sprint and T-Mobile stores tend to be right next to each other. This is especially true for the pre-paid brands, Boost and MetroPCS, which tend to be concentrated in lower income areas. So if the companies merge, why would they keep two neighboring stores open? Chances are, they won't. Rather, then the merger will mean pink slips for 30,000 wireless workers across the country. You heard the CEO of T-Mobile say that they will add jobs. Pardon my language, but that is just bull. Without binding and enforceable commitments, and I mean commitments that have no loopholes, such promises are just cheap sales and talk and are easily broken.

First, T-Mobile doesn't differentiate between internal employees and contractors, short-term, temporary hires or long-term employees. Upgrading towers, for example, usually is done by temporary contractors not full-time employees. Second, Mr. Legere talks about call centers, but both companies have a long history of off shoring call center jobs, moving them to the Philippines, Mexico, and other non-U.S. locations.

Third, T-Mobile has a track record of buying companies and then cutting jobs. After it acquired Iowa Wireless in 2018, it closed all Iowa Wireless call centers and more than 90 percent of its retail locations. It closed every single store in rural Iowa. Finally, trusting Sprint and T-Mobile with American jobs is like trusting a vampire at a blood bank. These are two of the worst companies in the United States when it comes to labor law and the treatment of workers.

In recent years, T-Mobile has been charged with more labor law violations per worker than even Walmart. Violations include surveillance of employees and prohibiting workers from talking to each

other about internal workplace investigations even regarding sexual harassment complaints. And what about the people lucky enough to stay employed? The merger would drive down wages for all wireless retail market workers, in some cases by as much as \$3,000 per year.

Fewer firms competing for skilled labor means that each firm will pay its workers less; employers compete for that skilled labor with wages and benefits. Take away competition and the remaining companies can throttle down employees' compensation while jacking up prices on consumers. Both are symptoms of the same disease, too much market concentration.

If Sprint and T-Mobile had not fought their workers who wanted a union perhaps the employment and wage impact would not be as bad, but they did and it is. To sum up, 30,000 fewer jobs, lower wages by as much as \$3,000 per year, disproportionate harm to low-income communities, higher prices for all consumers, all to help a state-owned German company and a Japanese billionaire make more money.

Members of the committee, that is not in the public interest. It is economic treason. Thank you and I look forward to answering your questions.

[The prepared statement of Mr. Shelton follows:]

Testimony of  
Chris Shelton  
President, Communications Workers of America  
Before the  
U.S. House Subcommittee on Communications and Technology of the  
Energy and Commerce Committee  
February 13, 2019

Chairman Doyle, Ranking Member Latta, Chairman Pallone, Ranking Member Walden, Members of the Committee: Thank you for the opportunity to testify today.

My name is Chris Shelton. I am President of the Communications Workers of America (CWA). CWA represents approximately 700,000 men and women who work in telecommunications, media, airlines, public service, and manufacturing. CWA represents more than 45,000 employees in the wireless industry.<sup>1</sup>

My own experience in this industry goes back to 1968, when I was hired by New York Telephone as a technician. I've worked in telecommunications and represented telecommunications employees my entire adult life. So I know a little something about this industry.

From the outset, let me be clear: This merger as currently structured would kill American jobs, lower wages, and raise prices to enrich two foreign companies, Deutsche Telekom from Germany and Softbank from Japan. These are two companies with long histories of violating workers' rights.

I will cover four areas in my testimony today: 1) job losses from the proposed merger; 2) T-Mobile and Sprint's long history of labor law and employment law violations; 3) the merger's likely impact on wages; and 4) the reasons consumers would be worse off if the merger takes place.

**Job Loss.** The merger of T-Mobile and Sprint will eliminate an estimated 30,000 jobs across the country. 25,500 of those jobs would be in retail stores, some owned directly by Sprint

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<sup>1</sup> CWA has collective bargaining agreements covering more than 45,000 AT&T Mobility employees and several Verizon Wireless units. T-Mobile employees, with CWA support, have joined together to form T-Mobile Workers United, an organization of T-Mobile and MetroPCS call center and retail employees and technicians working to improve conditions at work. As I discuss below, both T-Mobile and Sprint have a long history of violating workers' rights to form a union.

and T-Mobile and others owned by independent retailers. The other job cuts would be in headquarters, eliminating duplicative functions.<sup>2</sup>

Sprint and T-Mobile compete with each other for the same type of customers, often low- and moderate-income households, which is why their stores are located near each other, sometimes right across the street.<sup>3</sup>

It would make no sense for the merged company to keep all these stores open after the merger. That's not how businesses operate. And even before this merger was announced, Wall Street analysts were projecting store closures and job losses from this merger.<sup>4</sup>

CWA did a study, based on T-Mobile's own history and methodology, which showed the merger would result in a net job loss of:

- 13,700 retail workers in T-Mobile and Sprint stores;
- 11,800 workers in Boost and MetroPCS stores (the companies' prepaid brands);
- 4,500 headquarters employees.<sup>5</sup>

T-Mobile and Sprint's track record with call center jobs is also telling. Both send a significant portion of call center work to the Philippines, Guatemala, Honduras, India, Mexico, Panama, the Dominican Republic, Costa Rica, and Canada.<sup>6</sup>

<sup>2</sup> See Fact Sheet: How The T-Mobile/Sprint Merger Will Impact Jobs, [https://cwa-union.org/sites/default/files/t-mobile\\_sprint\\_merger\\_jobs\\_fact\\_sheet\\_20181126.pdf](https://cwa-union.org/sites/default/files/t-mobile_sprint_merger_jobs_fact_sheet_20181126.pdf); Reply Comments of Communications Workers of America (October 31, 2018) at 5, <https://ecfsapi.fcc.gov/file/1031880128823/REDACTED%20-%20CWA%20T-Mobile-Sprint%20Reply%20Comments%2010-31-18.pdf> ("CWA Reply Comments"); Comments of Communications Workers of America (August 27, 2018) Appendix D (describing methodology), <https://ecfsapi.fcc.gov/file/10827275801503/CWA%20T-Mobile-Sprint%20Comments%208-27-2018.pdf> ("CWA Comments").

<sup>3</sup> See CWA Presentation to Federal Communications Commission on Proposed Sprint/T-Mobile Merger (November 28, 2018) at 27, <https://ecfsapi.fcc.gov/file/113007585462/Redacted%2011-30%20CWA%20Ex%20Part%20Notice%20WT%2018-197.pdf> (maps showing retail footprint overlaps in New York City and Los Angeles South).

<sup>4</sup> "Could a Sprint merger with T-Mobile kill more jobs than Sprint has?" Chicago Tribune (October 10, 2017), <https://www.chicagotribune.com/business/ct-biz-sprint-t-mobile-merger-jobs-20171010-story.html>.

<sup>5</sup> See Fact Sheet: How The T-Mobile/Sprint Merger Will Impact Jobs; CWA Reply Comments at 5; CWA Comments Appendix D (describing methodology).

T-Mobile points to its 2012 acquisition of MetroPCS, and says look how many jobs that deal created. But MetroPCS was not a significant competitor. It was in a line of business that T-Mobile wanted to get into, prepaid wireless retail, and at the time of acquisition, located in only 15 markets. After the acquisition, T-Mobile grew the MetroPCS business by expanding nationwide. The job growth came from that fact, and that fact alone. More than 95 percent of MetroPCS locations are operated by authorized dealers, so when T-Mobile is claiming job growth here, almost none of it is on their direct payroll.<sup>7</sup>

T-Mobile's 2018 acquisition of iWireless, a regional carrier in Iowa, shows what happens to jobs when T-Mobile takes over a company that directly competes with it in the same geographic territory. The results aren't pretty. T-Mobile closed more than 72 percent of iWireless corporate stores and more than 93 percent of authorized dealer stores. T-Mobile also shuttered iWireless customer call centers in Des Moines and Cedar Rapids, Iowa. After the closures, T-Mobile left virtually no stores in rural Iowa. People would have to drive an average of 68 miles or more to get help from a retail employee.<sup>8</sup>

I attach a copy of CWA's report *Disrupting Rural Wireless* to my testimony as Appendix C.

So what is the company's response now? Under pressure, T-Mobile CEO John Legere offers vague promises in some states that the "New T-Mobile" won't close any of the Boost and MetroPCS prepaid stores and that it will retain current T-Mobile employees.

I can tell you that a promise to keep stores open is meaningless. A vague promise to keep employees is meaningless. Without binding and enforceable commitments – and I mean commitments that have no loopholes – such promises are just cheap sales talk and are easily broken. If it is more profitable to close stores, the "New T-Mobile" will close them. If it is more profitable to squeeze employees through lower wages and commissions or to lay off employees, the "New T-Mobile" will do so.

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<sup>6</sup> Fact Sheet: How The T-Mobile/Sprint Merger Will Impact Jobs; CWA Comments at 60-61.

<sup>7</sup> CWA Comments at 57.

<sup>8</sup> CWA, "Disrupting Rural Wireless: How A T-Mobile Takeover Harmed Consumers and Small Businesses in Iowa" (Feb. 2019), <https://www.tmobilesprintfacts.org/system/files/disrupting-rural-wireless-201902.pdf>.

*T-Mobile and Sprint have a long history of violation of workers' rights.* Both of these companies, and T-Mobile in particular, have long histories of ignoring workers' rights and violating federal labor laws. This history speaks volumes about the trustworthiness and corporate character of these companies.

T-Mobile has an aggressive policy to deny employees their legal right to form a union. It has been found guilty of violating U.S. labor law six times since 2015 and has been subject to approximately 40 unfair labor practice charges since 2011. Findings of illegal activity by the federal courts, the National Labor Relations Board (NLRB), and an Administrative Law Judge include, among other things:

- Maintaining unlawful rules forbidding workers from speaking to each other and others about wages and working conditions (nationwide violation; U.S. Court of Appeals for the 5th Circuit affirmed the Board's order).<sup>9</sup>
- Creating, maintaining, dominating and assisting an internal organization called T-Voice to try to discourage workers from forming, joining, or supporting an independent union (nationwide violation).<sup>10</sup>
- Surveilling and interrogating employees about union activity restricting discussions about working conditions over social media, and prohibiting employees from sending union-related emails.<sup>11</sup>
- Unlawfully prohibiting employees from talking about the union during work time.<sup>12</sup>
- Requiring employees, including one who filed a sexual harassment complaint, to sign an unlawful confidentiality notice prohibiting them from discussing with one another information from employer-led investigations, and threatening discipline, up to and including discharge, if they engaged in those discussions.<sup>13</sup>

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<sup>9</sup> T-Mobile USA, Inc., 363 NLRB No. 171 (Apr. 29, 2016), *enfd in relevant part* T-Mobile USA, Inc. v. Nat'l Labor Relations Bd., 865 F.3d 265 (5th Cir. 2017).

<sup>10</sup> T-Mobile USA, Inc., JD-23-17, 2017 WL 1230099 (Apr. 3, 2017).

<sup>11</sup> T-Mobile USA, Inc., JD-57-16, 2016 WL 3537770 (June 28, 2016).

<sup>12</sup> T-Mobile USA, Inc., 365 NLRB No. 15 (Jan. 23, 2017).

<sup>13</sup> T-Mobile USA, Inc., JD(NY)-34-15, 2015 WL 4624356 (Aug. 3, 2015), adopted by NLRB on Sept. 14, 2015.

In recent years, T-Mobile has been the subject of more unfair labor practice charges per employee than any other big business in the United States, including WalMart.

Sprint's violation of workers' rights dates back to the landmark La Conexión Familiar case in which Sprint fired 226 employees and closed its Spanish-language telemarketing center in San Francisco to avoid a union election.<sup>14</sup> Sprint current and former workers have sued the company multiple times for alleged wage and hour violations affecting thousands of workers.<sup>15</sup>

No matter how many online "Town Hall" pep rallies Mr. Legere stages, the facts are clear that T-Mobile does not respect the rights of its employees that are guaranteed by law.

*The merger will reduce wages and benefits for retail wireless workers.* Permitting this merger to go through as proposed would drive down wages for all Americans who work in the wireless retail market, in some cases by as much as \$3,000 per year. Why? Because fewer employers means less competition to recruit workers, which strengthens employers' power to cut wages and benefits. Recently, a number of economists have been measuring the impact that mergers have on wages, particularly as more industries become highly concentrated.<sup>16</sup>

<sup>14</sup> CWA Comments at 67-70 (citing La Conexión Familiar and Sprint Corp., 322 NLRB No. 137 (1996)).

<sup>15</sup> See Cara Bayles, *Sprint Inks \$1.2M Deal To End Workers' Wage And Hour Suit*, LAW360 (Oct. 4, 2017), <https://www.law360.com/articles/970869/sprint-inks-1-2m-deal-to-end-workers-wage-and-hour-suit>; David McAfee, *\$4.85M Settlement for Sprint Workers Gets First OK*, BLOOMBERG (Feb. 29, 2016), <https://www.bna.com/485m-settlement-sprint-n57982067900/>; *Sprint settles overtime pay suits for \$8.8M*, KANSAS CITY BUSINESS JOURNAL (Jan. 15, 2009), <https://www.bizjournals.com/kansascity/stories/2009/01/12/daily40.html>; See Erin Marie Daly, *Sprint Call Center Workers Win Back Wages*, LAW360 (May 21, 2009), <https://www.law360.com/texas/articles/102852/sprint-call-center-workers-win-back-wages>.

<sup>16</sup> See Ioana Elena Marinescu and Herbert J. Hovenkamp, *Anticompetitive Mergers in Labor Markets* (2018), Faculty Scholarship at Penn Law, [https://scholarship.law.upenn.edu/faculty\\_scholarship/1965](https://scholarship.law.upenn.edu/faculty_scholarship/1965) at 9 ("Until recently, imperfect competition in the labor market has not received much attention in antitrust enforcement. One possible reason is the belief that there are many jobs out there, so a merger is unlikely to lead to a monopsony and to substantially affect workers' opportunities in the labor market. However, a growing body of empirical evidence indicates that labor market monopsony is a real issue."); See also Jose Azar, Ioana Marinescu, and Marshall Steinbaum "Labor Market Concentration," National Bureau of Economic Research Working Paper no. 24147 (December 2017), National Bureau of Economic Research Working Paper no. 24147; Kevin Rinz, "Labor Market Concentration, Earnings Inequality, and Earnings Mobility," CARRA Working Paper no. 2018-10 (2018), <https://www.census.gov/library/working-papers/2018/adrm/carra-wp-2018-10.html>.

Collective bargaining can mitigate this effect,<sup>17</sup> but as I have already discussed, both T-Mobile and Sprint have long histories of violating workers' rights. The antitrust agencies, under both Democratic and Republican leadership, have also begun to focus on the problem.<sup>18</sup>

The Economic Policy Institute and the Roosevelt Institute did a study of the proposed T-Mobile and Sprint merger in order to see what impact it is likely to have on the wages of retail wireless workers.<sup>19</sup> After the merger, those workers will lose one option that is available to them now about where to work. The results are instructive. According to the authors,

We find that the merger would reduce earnings in the affected labor markets. Specifically, in the 50 most affected labor markets, we predict that weekly earnings will decline by \$63 on average (across markets) using the specification with the largest magnitude, and \$10 on average using the smallest magnitude specification. These weekly earnings declines correspond to annual earnings declines of as high as \$3,276 (or \$520 under the smallest-magnitude specification).<sup>20</sup>

Importantly, these and other researchers have also found that unionization mitigates the earnings-reducing effect of concentration.<sup>21</sup>

I attach a copy of the EPI/Roosevelt Institute study entitled "Labor market impact of the proposed Sprint-T-Mobile merger" to my testimony as Appendix B.

<sup>17</sup> Efraim Benmelech, Nittai Bergman, Hyunseob Kim, "Strong Employers and Weak Employees: How Does Employer Concentration Affect Wages?" National Bureau of Economic Research Working Paper no. 24307 (February 2018), <https://www.nber.org/papers/w24307>.

<sup>18</sup> The head of the Antitrust Division under former President Obama stated that antitrust enforcement efforts must benefit not only consumers, but "also benefit workers, whose wages won't be driven down by dominant employers with the power to dictate terms of employment." Acting Assistant Attorney General Renata Hesse of the Antitrust Division Delivers Opening Remarks at 2016 Global Antitrust Enforcement Symposium (September 20, 2016), <https://www.justice.gov/opa/speech/acting-assistant-attorney-general-renata-hesse-antitrust-division-delivers-opening>; see also "US: DOJ Antitrust Division announced criminal prosecution for No Poaching agreements," Competition Policy International (Feb. 7, 2018), <https://www.competitionpolicyinternational.com/us-doj-antitrust-division-announced-criminal-prosecution-for-no-poaching-agreements/>.

<sup>19</sup> "Labor market impact of the proposed Sprint-T-Mobile merger" (December 17, 2018), <https://www.epi.org/files/pdf/159194.pdf>.

<sup>20</sup> *Id.* at 1.

<sup>21</sup> Efraim Benmelech, Nittai Bergman, Hyunseob Kim, "Strong Employers and Weak Employees: How Does Employer Concentration Affect Wages?" National Bureau of Economic Research Working Paper no. 24307 (February 2018), <https://www.nber.org/papers/w24307>.

*The Merger Would Harm Consumers with Higher Prices.* Finally, I want to spend just a small amount of time on how and why the proposed merger would be bad for consumers. A few years ago, SoftBank (the parent company of Sprint) approached Assistant Attorney General William Baer of the U.S. Department of Justice Antitrust Division and Chairman Tom Wheeler of the Federal Trade Commission about a possible deal with T-Mobile. Both of these officials made it crystal clear to Sprint's owners not to push ahead with it. As Baer and Wheeler put it, "The idea of eliminating a pesky rival may have made sense for Sprint. But not for the American consumer." Sprint reluctantly ditched the idea.<sup>22</sup>

Sprint and T-Mobile are each other's closest competitors. Their prepaid brands, in particular, compete aggressively for lower-income customers and persons of color in large, urban U.S. markets.<sup>23</sup>

And while these companies trumpet the alleged benefits of this merger for rural America, data in their own FCC filings show the contrary. Even six years after a T-Mobile/Sprint merger, 46 million Americans – which include most of the merged company's rural customers – would not receive the benefits of its next-generation 5G network. Rather, they would be forced to settle for a service that has significantly lower performance than the urban and suburban parts of the network. The "digital divide" between urban and rural America is likely to get worse, not better.<sup>24</sup>

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<sup>22</sup> Bill Baer and Tom Wheeler, "Here's who loses big time if Sprint and T-Mobile are allowed to merge," CNBC (May 19, 2017), <https://www.cnbc.com/2017/05/19/heres-who-loses-big-time-if-sprint-and-t-mobile-are-allowed-to-merge-commentary.html>.

<sup>23</sup> See Reply to Opposition by Free Press (October 31, 2018), at 2, 14-18, [https://www.freepress.net/sites/default/files/2018-11/redacted\\_tmobile\\_sprint\\_reply\\_comments\\_free\\_press.pdf](https://www.freepress.net/sites/default/files/2018-11/redacted_tmobile_sprint_reply_comments_free_press.pdf).

<sup>24</sup> CWA Comments at 47-52 and Appendix A: Declaration of Andrew Aflerbach, Ph.D., P.E. ("[B]ased on my review of the information presented in the Applicant's [Public Interest] Statement, the merged New T-Mobile would only provide marginally better broadband options than stand-alone T-Mobile in much of rural America.").

I attach a copy of the Declaration of Dr. Andrew Afflerbach analyzing the impact of the proposed T-Mobile/Sprint merger on rural America to my testimony as Appendix A.

Last time I checked, the antitrust laws and the requirements under the Communications Act have not changed. Congress has not repealed them. And keep in mind, the antitrust laws are laws, they are not just recommendations or suggestions. A merger that was presumptively unlawful in 2015 or 2016 is presumptively unlawful today.

Our economy is at a crossroads. We as a nation must decide whether we will permit the inexorable drive towards corporate consolidation and concentrated power at the expense of employees, customers, communities, and our economy.

This bad deal is not saved by 5G, 6G or 7G. It is not saved because the next technological development is on the horizon.

This deal, if it goes ahead, will destroy 30,000 American jobs and hurt consumers. The harms are real. The alleged benefits are pure sales talk. This merger would kill American jobs and raise prices for consumers to benefit two foreign companies, Deutsche Telekom from Germany and Softbank from Japan.

Thank you for giving me the opportunity to testify.

Mr. DOYLE. Thank you, Mr. Shelton.

Ms. Bennet, you are now recognized for 5 minutes. Please make sure your microphone is on and pull the microphone towards you. Yes, thank you.

#### STATEMENT OF CARRI BENNET

Ms. BENNET. Chairman Pallone and Doyle, Ranking Members Walden and Latta, and members of the subcommittee—my feet don't touch the ground either, just saying that.

My name is Carri Bennet and I am with the Rural Wireless Association, and I first want to express my condolences to all of you all for your loss of Chairman Dingell. May his memory be a blessing.

Thank you for this opportunity to testify today to discuss the impact that the proposed T-Mobile/Sprint merger will have on rural America. RWA opposes this merger. We have heard a lot of promises from T-Mobile over the years that have not been met, so we have no reason to believe that T-Mobile will follow through on their new promises if they are allowed to reduce competition.

In short, this merger is bad for competition. It is bad for consumers especially in rural areas who will experience fewer choices, price increases, and substandard service. It should be denied. T-Mobile has a poor track record in rural America. Let's face it. T-Mobile is making a lot of promises about how they will expand coverage in rural America and improve service for these Americans, but they have a long track record of doing just the opposite and we have no reason to believe that this will change if the merger is approved. In fact, we think it will get a lot worse.

I am going to run through three examples of T-Mobile's behavior that have my members concerned. Roaming. Roaming arrangements are important to rural Americans. Roaming keeps urban, suburban, and rural Americans connected. Sprint has historically worked with rural carriers to ensure rural Americans have robust mobile wireless service. T-Mobile has not. In fact, according to our members, T-Mobile's roaming rates are 20 times higher than Sprint's and T-Mobile's existing roaming agreements are one-sided.

T-Mobile will frequently enter into unilateral roaming arrangements under which rural carrier subscribers can roam on T-Mobile's network with no possibility of T-Mobile subscribers roaming on the rural carrier's network. In such cases, T-Mobile has simply determined that it is better for its own customers to do without coverage in rural areas, rather than pay the rural carrier for network access.

This means that in those areas T-Mobile's customers cannot be reached and are basically off the grid, all because T-Mobile chooses to restrict access. Do we really want a New T-Mobile's 100 million-plus subscribers which would be more than one third of the market share to be unable to access rural carrier's networks across the country?

Next, rural call completion. Less than a year ago, the FCC found that T-Mobile failed to correct ongoing problems with delivery of calls to rural consumers. In fact, T-Mobile admittedly inserted false ringtones into these calls so that the caller believed the call was ringing on the other end when it wasn't.

Aside from blatantly breaking the law, T-Mobile's actions severely hindered rural consumers from running their businesses, communicating critical information to family and friends, and reaching emergency service personnel. This callous behavior in an effort to save money underscores the fact that T-Mobile's treatment of rural Americans is not in the public interest and harms rural telephone companies who would have received payments for terminating those calls. We believe that T-Mobile's destructive behavior will continue perhaps even more aggressively once its rival, Sprint, is eliminated.

Last, false broadband mapping claims. Our members have serious concerns about T-Mobile's broadband maps submitted in the FCC's Mobility Fund proceeding. That Fund was created to provide \$4.5 billion to mobile carriers over the next 10 years to help connect rural Americans who lack quality wireless broadband service. To make sure they know where the money is needed the most, the FCC asked wireless carriers to submit maps indicating where each carrier offers qualifying 4G broadband coverage.

According to testing done by our members, when T-Mobile submitted its data the company vastly overstated its rural coverage to make its reach even seem bigger than it was. When rural carriers went to test T-Mobile's claims 95.8 percent of the tests showed speeds below the threshold demanded by the FCC or no 4G broadband service at all. In many of the places where T-Mobile certified it had coverage cell sites had not been even put into operation.

If left unrectified, carriers will be denied funds causing a loss of service to rural consumers who rely on this funding to connect. The FCC is currently reviewing this issue. But before the FCC can make a public interest determination regarding this proposed merger, it must first find that T-Mobile has been honest in its dealings with the FCC. Our members' drive tests strongly suggest otherwise. The FCC should not approve a merger if an unresolved enforcement proceeding is pending.

I thank you so much for your time and I look forward to answering your questions.

[The prepared statement of Ms. Bennet follows:]

**Statement by  
Carri Bennet, General Counsel  
Rural Wireless Association, Inc.  
Washington, DC**

**Before the United States House of Representatives  
Energy and Commerce Subcommittee on Communications and Technology**

**Protecting Consumers and Competition: An Examination of the T-Mobile/Sprint Merger**

**February 13, 2019**

**Introduction and Summary**

Chairmen Pallone and Doyle, Ranking Members Walden and Latta, and Members of the Subcommittee, thank you for this opportunity to testify today to discuss the impact that the proposed T-Mobile/Sprint merger will have on rural America. I am here on behalf of the Rural Wireless Association, Inc. (RWA), which represents about 50 rural wireless carriers, each with fewer than 100,000 subscribers and the majority with less than 10,000 subscribers.<sup>1</sup>

RWA's members consist of both independent wireless carriers and wireless carriers that are affiliated with rural telephone and broadband companies. RWA members have provided wireless services in their respective rural communities for more than 50 years. Our members live and work in rural America, and they make sure that rural America is not left behind.

Networks operated by small, rural-based wireless service providers promote public safety, offer low-cost wireless plans to rural Americans, encourage innovation and economic development, enable more efficient energy and agriculture production, and support telehealth and distance learning applications.

RWA opposes the proposed merger of T-Mobile and Sprint. If approved, this horizontal merger would eliminate a competitor, resulting in a 4-to-3 reduction in the nationwide, facilities-based wireless carrier market. This consolidation will force rural Americans to pay more money for wireless services. In addition, it will undermine the system of roaming that is a key component of telecommunications and broadband access in rural communities and degrade service quality. In short, this merger will do nothing to help rural Americans or those traveling in rural America, but will do much to hurt them.

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<sup>1</sup> See RURAL WIRELESS ASS'N, <https://ruralwireless.org/>

**The Proposed Transaction Will Raise Prices for Rural Americans**

The primary question facing the Department of Justice (DOJ) and Federal Communications Commission (FCC or Commission) is whether the elimination of Sprint as an independent, nationwide carrier will hurt competition and lead to increased prices, thereby harming the public interest. The answer – which will be acutely felt by rural consumers and those traveling in rural America – is an unqualified yes. The elimination of Sprint will not only remove a facilities-based carrier that supports its own well-known Sprint and Boost retail operations, but it will *completely* remove a nationwide roaming option for small rural carriers, as well as a wholesale network option for mobile virtual network operators (MVNOs), machine-to-machine (M2M) service providers, and other Internet of Things (IoT) service providers.

Recently, in an attempt to counter evidence showing that this transaction will increase prices for American consumers, T-Mobile CEO John Legere promised that “T-Mobile and Sprint legacy rate plans will continue as New T-Mobile plans for three years after the merger or until better plans that offer a lower price or more data are made available.”<sup>2</sup> In general, this self-imposed behavioral remedy is cold comfort for millions of Americans because there are countless ways New T-Mobile can raise prices while still complying with this supposed “rate plan” freeze.

Worse still, the commitment does nothing to protect rural Americans who purchase wireless plans from the MVNOs that currently rely on Sprint for wholesale service. Mr. Legere makes no commitment to maintain existing prices paid by MVNOs to Sprint.<sup>3</sup> If anything, the promise to freeze rate plans for New T-Mobile customers only increases the combined

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<sup>2</sup> Letter from John Legere, CEO, T-Mobile, to Ajit Pai, Chairman, FCC, WT Docket No. 18-197 (Feb. 4, 2019).

<sup>3</sup> *See id.* at 7.

company's incentive to raise prices for New T-Mobile's MVNO wholesale customers. Of course, those increased prices would have to be passed on to rural Americans. And, as I will describe later, T-Mobile has not – and will not – commit to extending Sprint's MVNO arrangements with rural carriers, leaving them vulnerable to ever-increasing rate hikes.

**The Proposed Transaction Will Harm Rural Wireless Service by Eliminating A Critical Roaming Partner**

The merger will result in particular harm to Americans who travel to, work in, or reside within rural areas. Sprint has historically worked with rural carriers to ensure rural Americans have access to robust mobile wireless service. Sprint has offered rural carriers, including RWA members, reciprocal, strategic roaming agreements at commercially reasonable rates, providing rural carriers important pro-consumer benefits and significant flexibility. In doing so, Sprint has been an exception; the other nationwide carriers have not demonstrated a willingness to engage in such commercially reasonable arrangements. While carriers cannot publicly disclose agreement specifics, RWA understands from its members that the Sprint agreements do not incentivize Sprint or RWA members to throttle data usage because the agreed-upon roaming rates are commercially reasonable, thereby providing a better experience for their respective customer bases. In fact, according to our members, Sprint's roaming rates are 20 times less than T-Mobile's.

RWA members are concerned that the terms in their roaming agreements with Sprint will not be included in any roaming agreements with New T-Mobile, and that New T-Mobile has no plans to allow its customers to roam on rural carrier networks – even in areas where its own network is substandard or nonexistent. And, we have reason to be concerned, as T-Mobile's existing roaming agreements are one-sided.

While T-Mobile is required by the Commission's rules to allow the customers of other carriers to roam on its network, T-Mobile is *not* required to allow its customers to roam on other carriers' networks, even where its own network is substandard or non-existent. T-Mobile will frequently enter into only unilateral roaming agreements under which the rural carrier's subscribers can roam on T-Mobile's network, but with no possibility of T-Mobile's subscribers roaming on the rural carrier's network. In such cases, T-Mobile has simply determined that it is better for its business to do without any coverage in rural areas, rather than pay the rural carrier for network access. As discussed below, the cost of accessing the rural carrier's network is determined by T-Mobile, so T-Mobile's argument that the cost to use a rural carrier's network is too expensive is baseless and self-serving. This means T-Mobile's customers cannot access wireless services when traveling in rural areas. The result? They cannot be reached and are basically off the grid, all because T-Mobile chooses to restrict access to the rural carriers' networks.

Roaming arrangements are particularly important to rural Americans who depend upon reliable access to advanced mobile services in order to communicate with others. This desire to access 4G (and soon 5G) services does not end when a rural consumer leaves her home or job in rural America. Through inter-carrier roaming, rural consumers still need the capability to access mobile wireless services in non-rural U.S. markets where their local hometown carrier does not provide service. Likewise, wireless customers in urban and suburban U.S. markets should have access to the critical coverage provided by RWA member carriers, who in many cases operate the only network in a rural area. This mutual dependency makes bilateral, inter-carrier voice and data roaming critical from both a commercial and public safety perspective. Reciprocal roaming keeps urban, suburban, and rural America connected. Sprint has been a valuable partner in this

system, while T-Mobile has consistently refused to enter into reciprocal roaming agreements with RWA members.

What does this mean? If this merger is approved, rural consumers and consumers traveling through rural America will pay higher rates due to the increased costs of roaming set by New T-Mobile. Of the four nationwide carriers, Sprint is the only one that offers anything approximating commercially reasonable roaming rates, terms, and conditions to rural carriers. T-Mobile has not shown that it wants rural carriers to have affordable access to its nationwide network. If a rural carrier had such access, the rural carrier could offer its rural customers not only robust rural coverage on its network, but also affordable coverage when the rural customer chooses to travel outside the rural carrier network (*i.e.*, affordable nationwide service). When a rural carrier's customer regularly travels outside a rural area, the cost to support that customer accessing T-Mobile's network through a roaming agreement can be astronomical. Similarly, if a rural customer purchases a T-Mobile handset and plan, T-Mobile denies access to the rural carrier's network so that the device does not work when the T-Mobile customer is in the rural carrier's service area. Do we really want to force rural Americans to buy two plans – one from a rural carrier and one from New T-Mobile – just to get consistent coverage? That would *double* the monthly price a consumer would pay for service.

Sprint, on the other hand, has not blocked access, throttled data usage, or established unreasonable commercial roaming rates. In fact, RWA members have reported that the voice and data roaming rates they currently pay to Sprint are one-twentieth (1/20th) of what they pay T-Mobile for comparable coverage and service. If Sprint disappears and T-Mobile's rates are adopted, roaming costs could go up by *1,900 percent*, jeopardizing the ability of rural carriers to offer outbound roaming to their consumers. Without outbound roaming, rural carriers cannot offer a compelling retail product to rural consumers. Absent that capability, they will be forced

to exit the business, leaving an untold number of Americans without *any* access to mobile wireless communications in rural America. Obviously, loss of coverage in rural America is not in the public interest and is one of the many harmful anticompetitive effects of this proposed merger.

New T-Mobile will have zero incentive to provide commercially reasonable roaming rates, terms, and conditions to RWA members. Without access to nationwide roaming (at per-megabyte or per-minute bilateral rates that are lower than each carrier's existing retail rates, or even each carrier's wholesale/MVNO rates), rural carriers cannot offer nationwide rate plans at levels that are competitive with the nationwide carriers. This puts rural carriers at a competitive disadvantage. Specifically, because the flow of roaming traffic is one-way (*i.e.*, only rural to T-Mobile), the wholesale roaming rates paid by rural carriers are often inflated. This is because T-Mobile entered into negotiations knowing that it would never allow outbound (*i.e.*, T-Mobile to rural) roaming. Higher roaming rates mean that rural carriers are either forced to raise their own retail rates or absorb the roaming charges, which comes out of the rural carrier's profits. When rural carriers pay higher roaming rates, they are forced to reduce the extent of network buildout and reduce the funds available for other operating expenses, resulting in denigrated service in rural areas. In these instances, rural consumers and rural carriers lose.

In addition, T-Mobile's preclusion of its own customers from accessing rural carriers' networks – either by blocking by location area codes (LAC) or denying the exchange of reciprocal roaming traffic – makes rural carriers more reliant on Universal Service Fund (USF) subsidies. RWA emphasizes that many of these LAC restrictions and roaming denials are not in markets where T-Mobile has its own network – they are in markets where T-Mobile has no reliable coverage of its own. If T-Mobile allowed its customers to access those networks and paid rural carriers for use of their networks, the rural carriers would have revenue to support their

networks, reducing reliance on USF funding. RWA notes that T-Mobile collects a universal service fee from its own customers to support these high cost networks and then turns around and *denies* its customers access to those very same networks T-Mobile's customers subsidize.

Sprint, on the other hand, has been willing to allow its customers to roam off-network. Accordingly, if T-Mobile is allowed to merge with Sprint and continues to block access to rural carriers' networks, then tens of millions of existing Sprint customers will experience a reduction in roaming coverage availability, thereby resulting in another major public interest harm.

Furthermore, Sprint has leased its spectrum to rural carriers in rural areas to enable them to build out networks that serve both rural Americans and those traveling in rural America. Given the difficulty that rural carriers often have in accessing spectrum, these lease agreements are critical. But, there is no reason to believe they will continue if the proposed merger is consummated. Specifically, RWA members are concerned that their spectrum leases with Sprint will not be renewed by New T-Mobile, which would cause rural carriers to lose coverage and force even more consumers to go without service.

And, despite claims that they will expand service to underserved communities post-merger, the reality is clear: T-Mobile has neglected rural America for over 20 years. T-Mobile has focused most of its energy on urban areas. Indeed, T-Mobile's retail presence in rural America is virtually non-existent, presumably because it has little or no coverage in rural America. After all, there is no point in having a rural retail store if there is no coverage in the area.

The lack of retail stores came to light during the FCC's Mobility Fund Phase II challenge process when rural carriers sought to obtain T-Mobile devices to challenge alleged 4G LTE coverage in rural areas. To participate in the challenge process, RWA members often had to drive two or more hours each way (over 250 miles round trip) to purchase T-Mobile devices at

the closest T-Mobile retail store. The experience of RWA members is that when T-Mobile does extend service to a “rural county,” it typically builds a cell in the county seat, covers major state and federal roadways, and ignores the rest of the county. In short, T-Mobile is not focused on rural Americans and there is no reason to believe that will change if this merger is approved.

**T-Mobile Has a Poor Track Record of Rural Call Completion**

The harm T-Mobile has inflicted on its own customers is not restricted to denying them access to rural wireless networks – it extends to denying those same customers access to rural landline telephone networks as well. Less than a year ago – on April 16, 2018 – the FCC announced that it had “reached a settlement concluding its investigation into whether T-Mobile USA, Inc. violated the Communications Act when it failed to correct ongoing problems with delivery of calls to rural consumers and whether it violated the FCC rule that prohibits providers from inserting false ring tones with respect to hundreds of millions of calls.”<sup>4</sup> That same day, the FCC released a *Settlement Order*,<sup>5</sup> which adopted a *Consent Decree*<sup>6</sup> entered into between the FCC and T-Mobile. In the *Consent Decree*, the FCC estimated that T-Mobile likely inserted false rings tones into hundreds of millions of telephone calls placed by T-Mobile customers each year. The FCC’s investigation revealed a pattern of this illegal practice impacting customers of rural local exchange carriers (LECs). Instead of terminating these calls, T-Mobile injected false ring tones, leading the T-Mobile customer to think that the rural LEC customers were not picking up their landline telephones. In reality, the call was passed to an intermediate provider, where it was then either placed in a never-ending loop or transferred to one or more additional

<sup>4</sup> Press Release, *FCC Reaches \$40 Million Settlement with T-Mobile for Rural Call Completion Violations* (rel. Apr. 16, 2018).

<sup>5</sup> T-Mobile USA, Inc., File No.: EB-IHD-16-00023247, *Order*, DA 18-373 (rel. April 16, 2018).

<sup>6</sup> T-Mobile USA, Inc., File No.: EB-IHD-16-00023247, *Consent Decree*, DA 18-373 (released April 16, 2018).

intermediate providers. Ultimately, the calls eventually dropped or the T-Mobile customers eventually hung up. T-Mobile admitted in the *Consent Decree* that it violated the FCC's 2014 prohibition against the insertion of false ring tones and failed to correct problems with its intermediate providers' completion of calls to customers of rural LECs. T-Mobile's actions were extremely harmful to both its own wireless customers and landline customers served by rural LECs across the country. And, despite the FCC informing T-Mobile of numerous customer complaints, T-Mobile used the illegal practice of inserting false ring tones into calls destined for rural consumers for four years, even after the FCC expressly prohibited the practice.

Aside from blatantly breaking the law, T-Mobile's actions severely hindered rural consumers seeking to run their businesses; communicate important and critical information to family and friends; and reach emergency service personnel, medical professionals, and law enforcement in affected rural areas. The callous behavior T-Mobile engaged in to save money on terminating rural calls underscores the fact that T-Mobile's attitude toward rural consumers is egregiously anticompetitive. T-Mobile's actions with respect to rural call completion, combined with its behavior in the context of roaming and spectrum management, demonstrate that T-Mobile has a general disregard for rural consumers and rural carriers. RWA believes that T-Mobile's destructive behavior will continue, perhaps even more aggressively, once its rival Sprint is eliminated.

#### **The Proposed Transaction May Harm National Security**

Both T-Mobile and Sprint have significant ties to companies currently under review by several U.S. government agencies, which are seeking to determine whether these companies pose a threat to national security and the race to 5G. Sprint is majority owned by SoftBank Group Corp. (SoftBank), which indirectly holds approximately 84 percent of Sprint's stock. Softbank has significant ties to Huawei – a company that has come under intense scrutiny by lawmakers –

and has assigned Huawei an important role in its 5G buildout plans. For example, in September 2017, SoftBank “teamed with Huawei to demonstrate potential 5G use cases for its enterprise partners, as part of a push to launch the technology in 2020.”<sup>7</sup> The demonstration included real-time UHD video transmission using ultra-high throughput, remote control of a robotic arm using ultra-low latency transmission and remote rendering via a GPU server using edge computing. Further, China’s Huawei Technologies Co. and ZTE Corp. are both suppliers to SoftBank, according to supply chain data compiled by Bloomberg. Softbank’s significant ties to Chinese manufacturers of 5G technology equipment and services merit scrutiny in light of the federal government’s concerns about the race to 5G and the nation’s trade war with China, in addition to the federal government’s national security concerns.

T-Mobile has similar ties to Huawei. The carrier is majority owned by Deutsche Telekom AG (Deutsche Telekom), which indirectly holds approximately 62 percent of T-Mobile’s stock. According to Huawei press releases, Deutsche Telekom and Huawei have “collaborated to achieve the world’s first 5G interoperability and development testing (“IODT”) based on the 3GPP R15 Standard with a commercial base station.”<sup>8</sup> This work continues to this day, with T-Mobile and Huawei collaborating to complete the world’s first multi-cell high millimeter waves field tests of 5G mobile communications with 73GHz mmWave technology. Huawei notes that “these tests build on the work started by Deutsche Telekom and Huawei in 2016 in the 5G:haus innovation lab, when the partners showed the world’s first mmWave

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<sup>7</sup> Sprint, T-Mobile Deal Under Fire for China Links, Mobile World Live (July 4, 2018), available at <https://www.mobileworldlive.com/featured-content/top-three/sprint-t-mobile-deal-under-fire-for-china-links/>.

<sup>8</sup> Huawei Press Release, Deutsche Telekom, Intel and Huawei Achieve World's First 5G NR Interoperability (Jan. 25, 2018), available at <https://www.huawei.com/en/press-events/news/2018/1/dt-intel-huawei-worlds-first-5g-nr-interoperability>.

prototype operating at 73 GHz in a lab environment.”<sup>9</sup> The significance of Deutsche Telekom’s 5G rollout utilizing Huawei equipment in possibly 50 countries around the world – countries in which the U.S. is interconnected and exchanges voice and data traffic – cannot be overlooked when reviewing this transaction.

Allowing a Japanese-influenced company and German-influenced company to merge when both have significant 5G ties to Huawei appears to run counter to U.S. national security concerns and could impact the U.S.’s ability to compete effectively on the global 5G stage.

**The FCC Should Investigate T-Mobile’s 4G LTE Coverage Claims Before It Approves the Merger**

The FCC’s Mobility Fund was created to provide \$4.5 billion to mobile carriers over the next 10 years to help connect rural Americans who lack quality wireless service. To make sure they know where the money is most needed, the FCC has asked wireless carriers to submit maps indicating where each carrier offers 4G LTE coverage with speeds of 5 megabits per second download or faster. According to a study done by RWA, when T-Mobile submitted its data, the company vastly overstated its rural coverage to make its reach seem bigger than it is. When rural carriers went to test T-Mobile’s claims, *95.8 percent* of their tests showed speeds *below* the threshold demanded by the FCC – or *no* 4G LTE service at all. In many of the places where T-Mobile certified it had coverage, cell sites had not even been put into operation. The result, if unrectified, would mean that rural carriers who serve rural consumers would be denied funds, even though no alternative sources of service exist, causing a loss of service to rural consumers who rely on this funding to connect.

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<sup>9</sup> Huawei Press Release, Deutsche Telekom and Huawei Complete World’s First 5G High mmWave Technology over-the-air Field Tests (Feb. 28, 2018), *available at* <https://www.huawei.com/en/press-events/news/2018/2/DeutscheTelekom-5G-High-mmWave-Technology>.

The FCC is currently investigating this issue. But, before the FCC can make a public interest determination regarding this proposed merger, it must first know that T-Mobile has been honest in its dealings with the Commission. Our members' drive tests strongly suggest otherwise. The Commission cannot approve a merger when there is an unresolved enforcement proceeding pending against the merging parties.

**Conclusion**

This merger is bad for competition. It is bad for consumers, especially in rural areas, who will experience increased rates and lower quality service. It will degrade the quality of telephone service in rural areas. It should be denied.

Mr. DOYLE. Thank you very much.  
Mr. Brake, you are now recognized for 5 minutes.

#### STATEMENT OF DOUG BRAKE

Mr. BRAKE. Thank you. Chairman Doyle, Ranking Member Latta, and members of the subcommittee thank you for inviting me to share the views of the Information Technology and Innovation Foundation, or ITIF, on the pending merger of T-Mobile and Sprint.

First, let me briefly echo the condolences to the Dingell family. He was a real legend and will be missed by all of us and all the members as well as his Twitter followers everywhere.

With that, ITIF strongly believes that a combination of Sprint and T-Mobile would bring about a better future for American businesses and consumers compared to one which each company attempted to continue alone. In my written testimony I explore several reasons to support this merger. In these opening remarks I would like to focus on three key issues. First, this merger provides an accelerated transition to robust 5G. Second, more competitors is not always better. Or put another way, there is nothing special about the number 4. And, lastly, I would like to discuss the right way to define the market when thinking about this transition.

First and perhaps most importantly, 5G. The key point here is that a combined firm would have both the spectrum assets and financial strength to deploy a robust 5G network with broader coverage and significantly more capacity compared to what either company could provide alone. Not all 5G is the same. Around the world, carriers are in the process of exploring business models, deploying pilots, and incrementally replacing old equipment with new 5G gear.

These initial exploratory offerings are different in kind, however, from the 5G network the parties envision. The combination of T-Mobile's low band, wide coverage, 600 megahertz spectrum and Sprint's high capacity, 2.5 gigahertz spectrum would make for a high performance, nationwide, next generation network that would help propel U.S. leadership and economic competitiveness not just in 5G itself, but in the applications that an advanced network enables.

This is incredibly important because 5G is anticipated to be more than just faster, more responsive phones. The technology is designed to be adaptive to a wide variety of use cases hopefully driving significant productivity gains throughout the economy.

The capacity from a new 5G network would effectively increase the supply of wireless services, again more than the two companies could provide separately. We should expect this increased supply to maintain downward pressure on prices including in the wholesale and prepaid market segments.

Second, let's talk about competition. You will hear some of my friends or you already heard some of my friends on the panel argue that the Government must preserve four carriers for competition. But competition is a means, not an end unto itself. Of course any market can have too few competitors, but it can also have too many, resulting in wasteful duplication of resources.

I want to stress that again, more competitors is not always better. This is especially true given the economics of communications networks which feature tremendously high, fixed, upfront costs to serve a given geographic area. These high, fixed infrastructure costs allow for vigorous competition with relatively few competitors compared to other industries. We should want infrastructure companies to compete at sufficient scale.

A combined company could do more with less, allowing the new firm to drive greater value throughout the business, ultimately passing a significant share on to consumers in the form of lower prices, a higher quality network, or innovative new offerings. A market of three healthy, relatively equal-size companies that continue to invest and innovate is far, far better than a lopsided market with two firms considerably stronger than the others. There is no reason to preserve four for four's sake.

Lastly, it is important to not define the market too narrowly and acknowledge the dynamic forces changing competition. 5G is accelerating what are already rapidly differentiating business models in wireless services. Basic connectivity is increasingly commodified and wireless companies are instead looking to new revenue sources to recoup their large, ongoing investments. These new revenue opportunities include Internet of Things services, connected vehicles and drones, over-the-top video services, advertising, and perhaps most notably, fixed wireless broadband to the home, which is in turn prompting cable providers to explore wireless entry.

These new business models with value-added services built on top of basic connectivity are likely to keep downward pressure on price for the traditional bundles of voice, text, and data whether there are three or more facilities operators. Because this merger will accelerate flourishing U.S. 5G future, improves the market structure with three strong firms with sufficient scale to vigorously compete, and comes at a time of rapidly changing business models, we believe it is in the public interest and hope it is quickly approved.

Thank you and I look forward to your questions.  
[The prepared statement of Mr. Brake follows:]



Testimony of

Doug Brake

Director of Broadband and Spectrum Policy  
Information Technology and Innovation Foundation

Before the

Subcommittee on Communications and Technology  
House Committee on Energy & Commerce

Hearing on

“Protecting Consumers and Competition:  
An Examination of the T-Mobile and Sprint Merger”

February 13, 2019

2123 Rayburn House Office Building

Washington, DC

Chairman Doyle, Ranking Member Latta, and members of the Subcommittee, thank you for inviting me to share the views of the Information Technology and Innovation Foundation (“ITIF”) on the pending merger of T-Mobile US, Inc. (“T-Mobile”) and Sprint Corporation (“Sprint”).

My name is Doug Brake, and I am the Director of Broadband and Spectrum Policy at ITIF, a non-profit, non-partisan research and educational institute—a think tank—whose mission is to formulate and promote public policies to advance technological innovation and productivity internationally, in Washington, and in the states. Recognizing the vital role of technology in ensuring prosperity, ITIF focuses on innovation, productivity, and digital economy issues.

#### INTRODUCTION AND SUMMARY

ITIF has openly supported the proposed transaction since its announcement with the belief that the merger advances innovative wireless broadband services, offers significant benefits that will ultimately flow to consumers, and presents few concerns in terms of competition.<sup>1</sup> The merger offers significant scale and operational efficiencies that will help accelerate the transition to next generation networks, intensify competition, and bring numerous benefits that flow throughout the economy. A future in which T-Mobile and Sprint are combined is far better future than one in which the two attempt to continue on separate paths.

We are not alone in favoring the proposed combination. Thirteen members of Congress recently wrote to FCC Chairman Pai and Assistant Attorney General Delrahim to say that “this merger will foster greater competition and consumer choice... and help ensure the U.S. remains a world leader in next-generation wireless broadband technology.”<sup>2</sup> The members writing in support are correct in recognizing the reality of intermodal competition “as companies in the cable, satellite, wireline, and wireless industries now compete fiercely for broadband consumers.”<sup>3</sup> We can expect that competition to likely intensify rather than abate after the combination, offering significant benefits to U.S. consumers and businesses alike. These benefits were also recognized by the New York Public Service Commission, which recently approved the transfer with modest conditions.<sup>4</sup>

Some critics of the merger argue that the government must preserve four operators. We believe this view is mistaken for several reasons. This four-to-three lens also ignores the rapidly differentiating business models in and adjacent to wireless services. Raw connectivity is increasingly commodified and wireless companies are looking to new revenue streams—most notably home wireless broadband; Internet of things (IoT) applications, including connected vehicles and drones; over-the-top video, and advertising—to recoup large ongoing investments. These new business models

<sup>1</sup> Lindsay Bednar, “ITIF Supports T-Mobile-Sprint merger,” ITIF Press Release, (May 1, 2018), <https://itif.org/publications/2018/05/01/itif-supports-t-mobile-sprint-merger>.

<sup>2</sup> Anna G. Eshoo, et al., “Letter to Chairman Pai and Assistant Attorney General Delrahim,” (January 25, 2019), available at <https://assets.documentcloud.org/documents/5699740/Sprobile.pdf>.

<sup>3</sup> *Ibid.*

<sup>4</sup> State of New York Public Service Commission, “Order Approving Transfer of Indirect Control Subject to Conditions,” (Feb. 2019), <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={83427611-4F04-4D0C-AEB0-429D85689C5A}>.

built on top of basic Internet protocol (IP) connectivity are likely to keep downward pressure on price for voice, text, and data whether there are three or more facilities operators.

The fixation on four operators also under-appreciates companies on the cusp of wireless entry, such as cable firms, satellite companies, and other potential new entrants. Internet access provision continues to be a highly innovative area. Technologies and business models will likely change as much or more in the next ten years as they have in the past ten.

Even setting aside the dynamism of the market, changing business models, and shifting grounds for competition, we still believe this consolidation to three operators is in the public interest. As a general matter, competition is a means, not an end; if we can achieve an overall wireless system that is more productive and innovative that can be a good thing, even if that requires fewer competitors. Because of the tremendous fixed-cost investments involved in mobile communications, a smaller number of providers can more efficiently provide the needed infrastructure for a given customer base given adequate spectrum resources.

Critics also under-appreciate the specific spectrum synergies teed up for a 5G deployment. T-Mobile's recently acquired 600 MHz spectrum and Sprint's 2.5 GHz spectrum offer complimentary coverage and capacity, respectively. The performance capabilities enabled by the new 5G specification still depend on the type and amount of spectrum it is used with. A mix of low-, mid-, and high- band spectrum will offer the highest performing network. T-Mobile is looking to deploy 5G with their broad-coverage, but limited capacity 600 MHz spectrum. Sprint, on the other hand, has a respectable amount of potential capacity with its mid-band spectrum, but would lack the ability to offer wide-area 5G coverage. This means the combined firm will have the spectrum assets and financial strength to offer a much more robust next-generation network than either one alone.

Despite the FCC's efforts to streamline the deployment of small cells for 5G networks, we are unlikely to see wide-scale deployment of very high-frequency "mmWave" spectrum for mobile services soon. This high-frequency spectrum has relatively limited propagation, which drives up infrastructure cost to cover a given geographic area. There are also remaining engineering challenges in applying massive multiple-input, multiple output (MIMO) and beamforming technologies in a mobile environment (as opposed to fixed wireless). The merger is a unique opportunity to combine synergistic spectrum assets at the beginning of a nationwide deployment of next generation technology that resists comparison to other markets.

Lastly, we have to consider the alternative to this transaction. Sprint, in particular, has been challenged financially, and bankruptcy is a potential possibility. The company was forced to take a significant write down on the Nextel acquisition, and bets on technology, such as WiMAX, have turned out poorly for the company.

A market of three relatively equal-sized companies in terms of subscribers that continue to invest and expand service, capacity, and offerings is a far, far better future than a lopsided market that competes only on price. A combination of T-Mobile, with about 80 million subscribers, and Sprint with about 54 million subscribers would result in a company that would be slightly smaller than its

competitors AT&T and Verizon in terms of total connections.<sup>5</sup> This market structure, with three roughly equal facilities-based firms competing at scale should be preferred to one with two strong providers and two smaller ones, especially as we enter what is expected to be a capital intensive phase of 5G deployment. Combining Sprint and T-Mobile allows the needed scale for the new company to more effectively compete with AT&T and Verizon and expand into adjacent markets.

#### A COMBINATION WOULD YIELD SIGNIFICANT EFFICIENCIES

Economies of scale are incredibly important for high-performance telecommunications markets focused facilities-based competition, like that of the United States. The duplicative infrastructure of two companies serving the same geographic area can be less efficient than having one provider, and a larger company could also purchase equipment and services and negotiate tower siting at lower prices and pass those savings on to customers.

We should not overlook the significant technological and economic benefits that would come from a larger company and balanced market structure. Increased economies of scale will allow the company to better the recoup large fixed costs that come with operating a wireless network. Not only do these costs include the important capital expenditures required to expand, maintain, and upgrade its network, but also the expenses of developing new offerings and marketing them to consumers.

A combined company would also be able to do more with fewer resources. The companies estimate that the combination will save “approximately \$43.6 billion total net present value cost synergies by 2024.”<sup>6</sup> Combining and rationalizing network infrastructure, marketing, back-office billing, customer support, storefronts, and other factors of production will allow the companies to drive greater value throughout the business, ultimately passing a significant share of this on to consumers either in the form of lower prices, a higher quality network, innovative new offerings, or likely some combination of the three.

As respected MIT economist Bill Lehr put it, “the proposed merger...would create a third national [mobile network operator (MNO)] with the scale to sustain the maximal extent of facilities-based competition among MNOs that is likely to be economically feasible in the medium to longer-term.”<sup>7</sup> Lehr explores the economics of the transition to 5G networks and the potential upside to a broad integration of smart infrastructure with 5G networks. The economics of facilities-based competition (as opposed to having one government-owned or regulated monopoly provider), with high fixed costs, have seen a relatively small number of providers “competing aggressively against one another” which has “sustained a record of performance that includes expanding capacity and falling

<sup>5</sup> Anna-Maria Kovacs, “Competition in the U.S. Wireless Services Market,” Georgetown Center for Business and Public Policy (August 2018), <https://cbpp.georgetown.edu/sites/default/files/Policy%20Paper%20-%20Kovacs%20-%20Wireless%20Competition%202018-08.pdf>.

<sup>6</sup> Public interest statement at 15.

<sup>7</sup> William Lehr, “Future of Broadband Competition in a 5G World,” (T-Mobile Commissioned White Paper, August 2018), <https://newtmobile.com/content/uploads/2018/10/William-Lehr-Future-of-Broadband-Competition-in-a-5G-World.pdf>.

quality-adjusted prices.”<sup>8</sup> Indeed, increased concentration in network industries to some optimal point usually works in the direction of innovation and consumer welfare.

The combined spectrum assets of the two companies are particularly important, with T-Mobile’s low-band spectrum acquired in the FCC’s recent incentive auction nicely complimenting Sprint’s cache of 2.5 GHz licenses. This combination of spectrum is the foundation for a next-generation deployment that combines coverage with considerable capacity, without the capital-intensive deployment of mmWave small cells. Combining the companies makes logical sense to help advance an efficient, high-performance 5G network.

Any analysis that ignores this unique opportunity to rapidly deploy a standalone 5G network misses a core component of the logic driving this combination. The combination of low- and mid-band frequencies available to be deployed without costly repurposing of spectrum already used for 4G can quickly bring the benefits of 5G more rapidly to a wider area, demanding a response from competitors, both other mobile operators and those in adjacent markets. This competition should significantly increase output and accelerate a dynamic marketplace.

#### ACCELERATED DEPLOYMENT OF NEXT GENERATION WIRELESS WILL HELP ADVANCE U.S. LEADERSHIP IN EMERGING TECHNOLOGIES

Next generation connectivity, 5G in particular, represents a tremendous economic opportunity. A CTIA commissioned report by Accenture estimates 5G will require infrastructure investments by U.S. telecom operators of about \$275 billion, and ultimately contribute 3 million jobs and \$500 billion in GDP growth to the U.S. economy.<sup>9</sup>

With a deeply integrated global economy, high-tech, high-value-added industries, such as broadband networks and the services that use them, play a crucial role in national competitiveness. While global economic growth is not always zero-sum, one nation losing competitiveness compared to others does indeed mean slower economic growth in that nation. The United States is in a global race to deploy 5G and develop new offerings that take advantage of 5G’s capabilities. Many nations have made 5G deployment a national policy priority, most notably China.<sup>10</sup> Obviously carriers like Sprint and T-Mobile do not compete directly with other carriers abroad, such as China Mobile, likewise, there are not domestic competitors for much of the radio equipment deployed for 5G. However, when it comes to China, it is not a direct competition for 5G networks, but the national competitiveness gains that come with the capabilities others can make use of with advanced wireless technology platforms.

What makes the biggest difference is how well 5G technologies are integrated with the broader IT ecosystem and how the platform enables innovation and productivity gains throughout a nation’s

<sup>8</sup> Ibid at 33.

<sup>9</sup> Sanjay Dhar, et al., “Smart Cities: How 5G Can Help Municipalities Become Vibrant Smart Cities,” (Jan. 2017), Accenture Strategy, [https://newsroom.accenture.com/content/1101/files/Accenture\\_5G-Municipalities-Become-Smart-Cities.pdf](https://newsroom.accenture.com/content/1101/files/Accenture_5G-Municipalities-Become-Smart-Cities.pdf).

<sup>10</sup> David Abecassis et al., “Global Race to 5G – Spectrum and Infrastructure Plans and Priorities,” *Analysys Mason* (April 2018), [https://api.ctia.org/wp-content/uploads/2018/04/Analysys-Mason-Global-Race-To-5G\\_2018.pdf](https://api.ctia.org/wp-content/uploads/2018/04/Analysys-Mason-Global-Race-To-5G_2018.pdf).

economy. Consider the leadership of the United States in the initial development of the Internet and widescale broadband adoption. In turn, this head-start enabled tremendous economic growth—for example, through the innovations emanating from Silicon Valley—growth that is an envy the world over.

It is likely the United States will win the “race” for 5G, at least in the sense that it will be first to deploy some version of 5G technologies. However, China has a long-term strategy to deploy 5G at tremendous scale, in part by having Chinese governments provide significant subsidies for network deployment. For a variety of reasons, not the least being federal budget limitations, the United States will rely almost exclusively on the private sector for 5G deployment. And that enterprise will be more successful if the major companies have the scale and resources needed to make the massive investments needed.

It is the later, advanced phase of 5G—where technological components are integrated throughout the entire network, and not just an update to the air interface—that will have the largest spillover effects for the rest of the economy, boosting national competitiveness. Again, it is difficult to justify the investment for wide-scale deployment of mmWave small cells for mobile services soon given its propagation characteristics, related infrastructure cost, and challenges in applying massive MIMO and beamforming in a mobile environment (as opposed to fixed). At the same time, initial deployments of 5G are underway, with industry actively experimenting with business models and new technology. This evolution from 4G to 5G helps explain the discrepancy in projections between various parties commenting on the merger, with some pulling select quotations claiming 5G is far-off or insignificant, and others claiming U.S. is aggressively in the lead on 5G, regardless of the merger synergies.<sup>11</sup> In fact, neither view is true.

The benefits from initial deployments of 5G technologies should not be understated, especially the potential for breakthroughs enabling mmWave fixed wireless to dramatically improve the economics for high-performance wireless home broadband connections. However, the benefits to the economy from incremental improvements will be eclipsed by a full 5G conversion combined with other emerging technologies. For example, the unique performance characteristics of the 5G radio specification enable far denser IoT networks of sensors and actuators with far better battery life. Next generation networking techniques incorporate greater levels of programmability and software-based control, allowing for more agile control of smart city or industrial automation networks and will enable artificial intelligence combining with IoT deployments through software-defined 5G networks.

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<sup>11</sup> For example, some commenters pull quotations from a Huawei executive looking selectively at consumer experience of enhanced download speeds, stating “consumers would find no ‘material difference between 5G & LTE.’” Yosef Getachew et al., “Petition to Deny of Common Cause, Consumers Union, New America’s Open Technology Institute, Public Knowledge & Writers Guild of America, West, Inc.,” WT Docket No. 18-197, at 45 (Common Cause et al. petition) <https://ecfsapi.fcc.gov/file/10827862305575/T-Mobile%20Sprint%20Petition%20to%20Deny%20CC%20CU%20OTI%20PK%20WGA.pdf>; At the same time, AT&T states “the U.S. is already the world leader in 5G.” Comments of AT&T Services, WT Docket No. 18-197, <https://ecfsapi.fcc.gov/file/1082768442509/AT%26T%20Comments%20in%20TMUS%20Sprint%208-27-18.pdf>.

The end-state of 5G networks clearly will provide important capabilities for new applications to take advantage of. The more legitimate skeptics of 5G are generally concerned that the business models aren't there to justify the investment required, not that the capabilities aren't there. In other words, where will the carriers get the revenue needed to invest in the networks? Public policy should support actions that help bring the vision of next generation network integration to reality, through smart infrastructure modernization, effective spectrum policy, and, in the case of this merger, permitting a sensible market structure rationalization. The FCC has made significant efforts on the first two fronts, and this merger presents the opportunity to strengthen the U.S. market for a competitive transition to next generation networks.

The combination of Sprint and T-Mobile will help accelerate that next phase of 5G deployments through advanced scale and spectrum synergies. The importance of economies of scale should not be underestimated. The efficiencies of providing a service to a larger customer base using the same infrastructure, marketing, billing, support, storefronts, etc. allows for much lower cost for the same or better service. Scale is especially important when transitioning to a new generation of technology that requires considerable infrastructure investment—such as that facing the industry today. This fact is not lost on Chinese actors, who continue to consider a merger of the number two and three carriers: China Unicom and China Telecom.<sup>12</sup> This would bring China's market—with more than triple the population—down to two operators, with each operator having on average half a billion subscribers. Developing scale for 5G deployment to rival or even exceed U.S. deployments is thought to be a core consideration motivating the potential Chinese combination.<sup>13</sup>

Some commenters wrongly claim the difficulties of integrating the two networks outweigh any potential benefits for transitioning to 5G.<sup>14</sup> This is flatly incorrect. These are not like the days of Sprint-Nextel when they struggled technologically to integrate two disparate networks. Today, integration is easier than ever. All vendors make interoperability and interworking a point of pride. The GSM and CDMA split is no longer a serious issue, with voice going to 4G (voice over LTE or VoLTE) or running over the 5G interface, and any integration undoubtedly doing away with 3G infrastructure. T-Mobile has experience integrating a CDMA customer base with MetroPCS, and with advances in technology, this integration will be even easier. Assertions like those from the American Antitrust Institute that the merger would “create costs or inefficiencies for consumers... since the company must transition from two different network technologies” reveal a very poor understanding of the contemporary wireless equipment ecosystem.<sup>15</sup>

The merging parties maintain the transaction will result in an increase in jobs on day one, which could very well be the case. Regardless of the net number of jobs after the merger there will

<sup>12</sup> Ismail Shakil et al., “China explores merger of carriers China Unicom, China Telecom: Bloomberg,” *Reuters* (September, 2018), <https://www.reuters.com/article/us-china-telecoms-merger/china-explores-merger-of-carriers-china-unicom-china-telecom-bloomberg-idUSKCN1LK0VQ>.

<sup>13</sup> See e.g., Shuli Ren and Nisha Gopalan, “A Giant Chinese Telecom Merger, Made in America?” *Bloomberg Opinion* (Sept. 2018), <https://www.bloomberg.com/opinion/articles/2018-09-04/a-china-unicom-telecom-merger-would-be-made-in-america>.

<sup>14</sup> Petition to Deny of the American Antitrust Institute, WT Docket No. 18-197, [https://ecfsapi.fcc.gov/file/1082877863636/AAI\\_Sprint-T-Mobile\\_FCC%20Petition%20to%20Deny.pdf](https://ecfsapi.fcc.gov/file/1082877863636/AAI_Sprint-T-Mobile_FCC%20Petition%20to%20Deny.pdf).

<sup>15</sup> *Ibid.*

necessarily be some rationalization, with some duplicate jobs likely being eliminated and others created. However, a focus on the merger's impact on jobs, particularly attacks on the merger for eliminating jobs, is misplaced. The purpose of any particular economic activity is not to be a make-work jobs program (that's how many poor nations, such as India, tend to look at economic activity). Rather, it is to produce the most and best value for society with the least amount of inputs. The fact that productivity has grown in the U.S. economy over the last century means that U.S. standards of living for all workers is higher, not stagnant. Viewing merger policy through the lens of jobs risks turning anti-trust into a jobs program, rather than an economic growth and innovation program. If the combined company can provide competitive wireless services to a larger customer base with fewer employees, this would benefit society by being able to produce the same or more wireless services with fewer societal resources devoted to it, while expanding output in other sectors.

#### A COMBINED COMPANY COULD ENHANCE COMPETITION IN THE COMMUNICATIONS, TECHNOLOGY, AND MEDIA LANDSCAPE

The combined company could very well advance competition in new areas, most notably broadband access in the home, as well as likely increase competition in the transition to nationwide 5G wireless networks. The increased capacity of a larger initial 5G deployment will also likely maintain or enhance competition under even more narrow market definitions, such as prepaid wireless.

Critics of the merger do not fully appreciate the synergies of the transaction and take too myopic a view of competition in today's media and communications landscape. Some, such as the 4Competition Coalition, focus narrowly on the number of competitors, decrying this merger as a four to three reduction. We believe this view is mistaken for several reasons.

#### The Merger Will Likely Accelerate New Modes of Competition

The communications sector is in the midst of dynamic shifts, with consumer preferences changing and new fronts of competition opening up. Historically, the focus of competition in wireless was relatively narrow. Static efficiency ruled the day, with competition between major wireless carriers focused on largely on price of buckets of voice or data, the coverage map of operations, and to some extent the quality of the network. This is quickly changing. With the accelerating convergence on IP networks, what used to be separate services are all provided over broadband, forcing carriers to explore new avenues for revenue, like video, IoT services, advertising, etc. The competitive horizons of wireless companies are expanding, greatly diminishing any potential for anticompetitive coordination.

Wireless is increasingly competing with wired connections for home broadband. The Pew Research Center has for years tracked smartphone dependency, noting "a growing share of Americans now use smartphones as their primary means of online access at home."<sup>16</sup> As of early 2018, about 20 percent of American adults rely on mobile broadband and do not have a traditional wired broadband service at home.<sup>17</sup>

<sup>16</sup> Pew Research Center, "Mobile Fact Sheet" (Feb. 2018), <http://www.pewinternet.org/fact-sheet/mobile/>.

<sup>17</sup> Ibid.

Some advocates opposing the merger, like Free Press or Public Knowledge, will continue to resist admitting to the increasingly direct competition between wired and wireless broadband service, as this evolving, competitive market contravenes their vision of broadband as a static, natural monopoly utility. Some of these critics wrongly assert mobile broadband is “in no respect adequate as a competitive substitute” to fixed service.<sup>18</sup> This assertion might seem odd to the roughly one in five Americans who have chosen to forego a fixed broadband connection to the home, opting instead for a wireless connection alone. The inability for fixed broadband providers to bring on board twenty percent of the population is clearly a significant disciplining effect, and it shows broadband to the home to be a contestable market by wireless even with today’s LTE technology. Some complain that smartphones cannot replace computers for tasks like business or homework, but form factor has nothing to do with the way in which connectivity is delivered; a wireless hotspot can easily connect a laptop, desktop, or streaming device. Moreover, it is without doubt that the deployment of 5G wireless connectivity, both fixed and mobile, will be an even stronger competitor to fixed wireline broadband, as the additional capacity drives down the cost of data, increases speeds, and reduces latency.

T-Mobile President Mike Sievert announced in September that the company would launch a fixed wireless offering to 52 percent of U.S. zip codes if allowed to merge with Sprint.<sup>19</sup> Last week, the company discussed the initiation of a pilot program to experiment with LTE fixed wireless to lay the groundwork and develop the business parameters for a future 5G-based deployment.<sup>20</sup> The merging parties assert they will be able “to offer 100 Mbps service to two-thirds of the country.”<sup>21</sup> This level of service is much more than adequate for home access replacement. With this level of capacity in the network available to meet demand, the economics will almost certainly see the price of data continue its dramatic decline, to a point where streaming video or other virtual video products can replace a wired connection. The market for wired and wireless broadband are continuing to converge—the merger will accelerate this beneficial process.

This heated competition is not restricted to home broadband but includes video services as well. Video is increasingly provided over-the-top, with many choosing to subscribe to streaming services such as Netflix or Hulu in lieu of traditional cable or satellite packages. T-Mobile appears to be exploring a virtual cable strategy with its acquisition of Layer3 TV. The competition for home broadband and video by wireless providers is not going unnoticed by cable companies, who are now experimenting with entry into wireless service—experiments that are expected to accelerate.

Cable’s entry into wireless service is not theoretical or speculative. In fact, some believe cable to be best positioned for providing 5G wireless service, considering the existing extensive cable plant can

<sup>18</sup> Common Cause et al. petition at 44.

<sup>19</sup> Joan Engebretson, “T-Mobile: Sprint Merger Will Unleash New Cable Broadband Competitor Featuring Fixed Wireless,” *Telecompetitor* (Sept. 13, 2018) <https://www.telecompetitor.com/t-mobile-sprint-merger-will-unleash-new-cable-broadband-competitor-featuring-fixed-wireless/>.

<sup>20</sup> Mike Dano, “T-Mobile to Test Fixed Wireless Broadband Using LTE by This Summer” *LightReading* (Feb 2019), <https://www.lightreading.com/mobile/5g/t-mobile-to-test-fixed-wireless-broadband-using-lte-by-this-summer/d/d-id/749340>.

<sup>21</sup> Public Interest Statement at 13.

be used for backhaul.<sup>22</sup> Again, this is not theoretical but under active development. CableLabs, a global consortium conducting research and development for the cable industry—has been actively developing methods of leveraging cable technology for 5G networks. It has actively studied the economics supporting the use of cable broadband for outdoor small cell deployment, and has established a “Mobile Backhaul R&D Lab” to work on supporting 5G mobile technologies.<sup>23</sup> Both Charter and Comcast already have wireless offerings, relying on extensive WiFi deployments and an agreement with Verizon for capacity as well. Considering Comcast’s winnings in the low-band incentive auction, the coming availability of 3.5 GHz shared spectrum, and additional 5 GHz spectrum potentially cleared on an unlicensed basis, the spectrum for a much more robust wireless offering from cable operators is in the pipeline.

Many analysts consider direct competition between wireless and wired broadband providers all but inevitable considering the converging offerings.<sup>24</sup> An aggressive fixed-wireless deployment and video product, like that anticipated by the combined company, would make this head-to-head competition inevitable, with benefits flowing to consumers and businesses.

Wireless is a dynamic, competitive success story in the United States, and exactly what direction it will take next is difficult to predict. The long-term trends are clear, however: more and more services converging over Internet-based platforms, with different access technologies—wired or wireless—providing a similar basic bundle of services and competing on added value. In this world, wireless networks need more backhaul, functioning like wired networks except for last few hundred feet, while cable networks continue to deploy WiFi access points and explore wireless business models. A combination would likely accelerate this trend, likely intensifying competition.

#### The Merger is Unlikely to Harm Existing Markets

Some opposing the merger seem to think that fewer competitors is necessarily and always bad, despite this flying in the face of accepted economics of the operation of high-fixed cost network industries. Some commenters simply count the number of wireless providers, seeming to assume that more providers is necessarily better. Others try to define the market in even more narrow terms, examining only wholesale or prepaid markets.

#### Mobile Connectivity Output Will Likely Expand

In comments to the FCC, the American Antitrust Institute characterized the reduction from seven to four mobile carriers as a “troubling history.”<sup>25</sup> This view is misplaced. Competition in high-fixed

<sup>22</sup> Mike Farrell, “Analyst: In Wireless ‘Clash of the Titans,’ Cable Wins” *Multichannel News* (February 2018), <https://www.multichannel.com/news/analyst-wireless-clash-titans-cable-wins-418124>.

<sup>23</sup> Joey Padden et al., “DOCSIS Network vs. Fiber Backhaul for Outdoor Small Cells” *CableLabs* (Jan 2019), <https://www.cablelabs.com/docsis-vs-fiber-backhaul-outdoor-small-cells>; Jennifer Andreoli-Fang, “DOCSIS Technologies for Mobile Backhaul” *CableLabs* (May 2018).

<sup>24</sup> E.g., Zacks Equity Research, “Is Telecom-Cable TV-Media Convergence Inevitable?” (Nov. 2017), <https://www.zacks.com/stock/news/282861/is-telecom-cable-tv-media-convergence-inevitable>.

<sup>25</sup> Petition to Deny of the American Antitrust Institute, WT Docket No. 18-197, [https://ecfsapi.fcc.gov/file/1082877863636/AAI\\_Sprint-T-Mobile\\_FCC%20Petition%20to%20Deny.pdf](https://ecfsapi.fcc.gov/file/1082877863636/AAI_Sprint-T-Mobile_FCC%20Petition%20to%20Deny.pdf).

cost industries like telecommunications is not an unalloyed good.<sup>26</sup> A market can of course have too few competitors, resulting in monopoly prices or reduced output. But it can also have too many, resulting in fragmentation and wasteful duplication of resources. There is a reason there are fewer network operators than, say, drycleaners in the United States. Increasing the number of facilities-based competitors beyond a certain point results in redundant infrastructure costs to serve the same population, ultimately meaning higher costs for society and often higher prices for consumers.

At the same time, that doesn't mean fewer competitors is always better either. Too few competitors undermines the dynamic, competitive process that drives investment and development of new technology. It is important to strike the right balance when it comes to competition in high-fixed cost industries like communications. The optimal number of competitors for wireless services is hard to say, but four is not necessarily better than three.

The unlikely prospects of a vigorous return of Sprint to competitive even footing, and the fact that this merger will produce three firms of roughly equal size in terms of subscribers, strongly suggest that a reduction to three firms is in the public interest. Reducing the fragmentation of four uneven providers to three healthy competitors will result in a more efficient use of resources, expand output compared to the status quo, and demand a response from competitors and potential competitors alike.

#### The Merger Should Enhance the Wholesale and Prepaid Market Segments

Two narrow segments of the wireless market warrant special discussion: wholesale and prepaid customers. Wholesale buyers of capacity do business as so-called mobile virtual network operators (MVNOs). The unregulated wholesale market is a sign of health in the existing wireless system. MVNO access plays an important role in the wireless market, and carriers should continue to offer robust wholesale service after the merger. MVNO providers allow room for innovations in business model or pricing plans without adding costly, duplicative infrastructure.

Those skeptical of the merger often seek to analyze this market as even narrower than national mobile carriers, examining at the wholesale or prepaid segments of the market, mostly because T-Mobile and Sprint have historically been leaders in these segments. Critics assert that the "merger would negatively impact the wholesale market" and point simply to an increased Herfindahl-Hirschmann Index (HHI) in the wholesale market, for example.<sup>27</sup> However, this view misunderstands the role of MVNOs in the wireless market. There is nothing magical about the number four that ensures a flourishing wholesale market. Rather, MVNOs allow for efficient price discrimination that brings lower-margin customers onto the network with relatively little marginal costs to operators.

Selling wholesale capacity to MVNOs allow operators to see a return on their infrastructure investment without taking on the cost of developing alternative pricing plans, advertising, branding, customer support, etc. With the additional capacity unlocked by combining the

<sup>26</sup> See Robert D. Atkinson, "Economic Doctrines and Network Policy" Information Technology and Innovation Foundation (Oct. 2010), <https://itif.org/publications/2010/10/04/network-policy-and-economic-doctrines>.

<sup>27</sup> Common Cause et al. petition at 33.

infrastructure and spectrum assets of the two companies, it is unlikely the new firm would have any interest in restricting this mutually beneficial arrangement. Indeed, Tucows, owner of the MVNO Ting Mobile, is “generally in favor of this merger and believe it provides more benefit than detriment,” stating “we think the T-Mobile/Sprint merger makes strong business sense and will generally benefit most stakeholders.”<sup>28</sup>

There is also good reason competition in the prepaid market will continue to be vigorous after a merger. First, it is important to note the distinction between prepaid and postpaid segments has gotten less significant in recent years given changes in market offerings. As a popular consumer guide to purchasing wireless services explains, “The line between postpaid and prepaid service has gotten blurrier as carriers have done away with mandatory contracts, subsidized phones and extra charges for going over your monthly data allotment (if you even have one, now that carriers are pushing unlimited data plans).”<sup>29</sup>

Although historically T-Mobile has been the leader in prepaid services, since the second half of 2017, AT&T has been the fastest growing prepaid carrier, now serving nearly 30 percent of the prepaid market.<sup>30</sup> This market segment is dynamic and subject to market competition as much as postpaid offerings. While prepaid customers tend to provide lower margins to providers, the economics of these networks will support continued downward pressure on price for prepaid services. Communications network economics are typified by high up-front fixed costs in deploying the infrastructure. After the network is deployed, the marginal cost of providing service to additional users in the served footprint is relatively low. Even if prepaid or wholesale customers provide relatively low margins compared to wealthier consumers who buy more data, there is little reason to forgo these customers entirely when there is little marginal cost to bring them on board, especially if through an MVNO.

As long as there is capacity available on the network, every additional customer—even low-margin wholesale or prepaid customers—help pay down the up-front cost of the infrastructure. The only reason to not pursue every last additional customer would be if a carrier’s capacity was so constrained (likely due to limited spectrum availability) that it choose to only pursue higher-margin customers. The additional capacity available with a broad deployment of 2.5 GHz means that T-Mobile would still be well incented to bring each available customer on board to fill the available capacity, even those that are less willing or able to pay.

Technological advancements continue to make it easier to change wireless providers. Lower switching costs and easy number portability allow customers to follow the best deal, but also allows MVNOs to maintain negotiating power. One tool that will continue to ensure a healthy, unregulated MVNO market through lower switching costs is the electronic subscriber identification module or

<sup>28</sup> Letter from Elliot Noss, CEO Tucows, WT Docket No. 18-197 (August, 2018).

<https://ecfsapi.fcc.gov/file/108271466430750/FCC%20Letter%20re%20Sprint-TMO%20Merger.pdf>  
Tucows also supported eSIM adoption and other requirements that allow MVNOs to use multiple networks.

<sup>29</sup> Philip Michaels, “Prepaid vs Postpaid Phone Service: What’s Better for You?” *Tom’s Guide* (Mar. 2018), <https://www.tomsguide.com/us/prepaid-vs-postpaid-phone-service.review-5269.html>.

<sup>30</sup> Mike Dano, “The U.S. Wireless Industry in 14 Quick Charts,” *FierceWireless* (Nov. 2018), <https://www.fiercewireless.com/wireless/u-s-wireless-industry-14-quick-charts>.

“eSIM.” This new specification allows for remote provisioning of SIM data, so users do not have to physically insert SIM cards to change operators.

#### CONCLUSION

There is little reason to think the new combined company would deviate from its maverick reputation. With market share always to be tussled over, and avenues for new revenue streams and increased differentiation among providers, there is no reason to fear a dystopian, sclerotic, price fixing future. In fact, just the opposite: The added scale of a combined Sprint and T-Mobile, especially with the complimentary spectrum assets, would mean an accelerated transition to next-generation networks, expanding output and likely provoking a competitive response. Considering the pace of innovation and change in this sector, regulators should be cautious of chasing narrow, static efficiencies over allowing a dynamic market to innovate at an appropriate scale. This merger is in the public interest and should be approved.

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Mr. DOYLE. Thank you.

Mr. Berenbroick, you are now recognized for 5 minutes.

#### STATEMENT OF PHILLIP BERENBROICK

Mr. BERENBROICK. Thank you, Mr. Chairman, Ranking Member Latta, and members of the subcommittee. And I want to associate myself and Public Knowledge with the statements of the panel and the members of the subcommittee honoring Chairman Dingell's life and his service.

Thank you for inviting me to appear today and thank you for shining a light on the harms of the proposed Sprint/T-Mobile merger. Today's hearing will show that this proposed merger is a bad deal for consumers, for competition, and for America's wireless future. The evidence clearly shows that this transaction does not serve the public service and is unlawful under the antitrust laws.

As you consider this deal ask yourself, what will it mean for each of your constituents who rely daily on their smart phones? The answer is clear. They will ultimately pay higher prices and have fewer choices for wireless service. Since announcing their intention to merge in April 2018, the companies have failed to show that the merger would not violate competition laws. They have failed to show that the merger would affirmatively serve the public interest as required for FCC approval and they have failed to show that other public interest benefits would offset the merger's substantial reduction in competition.

The evidence Sprint and T-Mobile have presented to the FCC and the Department of Justice shows that consolidating the wireless market down to three national players would result in substantially higher prices for consumers. And you don't have to take my word for it, the economic analysis submitted by the companies admits as much.

Recent promises that the merged company will not raise prices in the near term underscore the obvious. Post-merger the marketplace will not be competitive enough to discipline the three remaining national carriers when they raise prices. The proposed transaction will eliminate competition and choices for consumers. It will inflict significant harm on the low-income, prepaid, and rural consumers who can least afford to pay more. Additionally, the deal will lead to tens of thousands of lost jobs and lower wages for the workers that remain.

The merger will eliminate avenues for new competitors to enter the wireless market, and, finally, the deal will harm small and rural wireless providers and their subscribers who rely on competitive choices for roaming and wholesale. Remember, under the FCC's public interest analysis, the companies' burden is not merely to show that there is a lack of public interest harms, they must demonstrate specific public interest benefits that would directly flow from the transaction.

The FCC is charged with affirmatively promoting competition, not merely maintaining or protecting the existing level of competition. The companies have not shown that this merger would increase competition or benefit the public interest. The Commission's public interest standard is rooted in the text of the Communica-

tions Act and the Commission is charged with ensuring the availability of advanced telecommunications to all Americans and that quality services are provided at just, reasonable, affordable rates and the merger would frustrate all of these fundamental roles.

For nearly a year, Sprint and T-Mobile have attempted to overcome these overwhelming yet predictable harms to the public interest, consumers, and competition. To distract from the damage this merger would inflict on wireless competition, the companies insist that this merger is about competing with cable companies. Don't buy it. We have heard this before. This is exactly the same song AT&T and T-Mobile sang when they tried to merge in 2011.

Policymakers, the public, and enforcement agencies rejected these arguments then, and these claims are similarly hollow and misleading today. The merger benefits alleged by the companies have collapsed under public scrutiny and the companies' economic and engineering models have come under substantial attack and they actually undermine the case the companies are making here today.

The DOJ, the FCC, and this subcommittee must follow the objective evidence they collect rather than relying on unverifiable and unenforceable commitments made by the companies. That evidence includes prior public statements by the companies themselves, prior FCC and DOJ evaluations of four to three wireless market mergers; international wireless market comparisons. All of this evidence clearly shows that the merger will gut competition in the wireless market, lead to dramatically higher prices for every wireless consumer; further, the evidence undermines the speculative and unverifiable benefits the companies continue to allege and have done so here today.

To be clear, this merger is not necessary to build 5G networks. It will not increase investments in 5G. On their own the companies are already competing to deploy robust 5G networks. This will continue preserving the well-documented benefits of vigorous four-firm competition and it will not lead to new deployments in rural areas or help close the digital divide.

Thank you for your invitation to appear here today and I look forward to answering your questions.

[The prepared statement of Mr. Berenbroick follows:]



Testimony of Phillip Berenbroick  
Senior Policy Counsel  
Public Knowledge

Before the  
U.S. House of Representatives  
Committee on Energy & Commerce  
Subcommittee on Communications & Technology

"Protecting Consumers and Competition:  
An Examination of the T-Mobile and Sprint Merger"

Washington, DC  
February 13, 2019

The proposed merger of Sprint and T-Mobile (the “companies”) is a bad deal for consumers, competition, and America’s wireless future. Since the transaction was announced in April 2018, T-Mobile and Sprint have had numerous opportunities to demonstrate to antitrust enforcers, regulators, policymakers, and the public that this 4-to-3 merger would not violate competition laws, would affirmatively serve the public interest, and that the substantial reduction in competition it would cause is somehow offset by other public interest benefits. They have failed to make the case.

The evidence Sprint and T-Mobile have presented shows that permitting the companies to merge and consolidating the wireless market down to only three national carriers would result in higher prices for consumers – inflicting significant harm on low-income, prepaid, and rural consumers; while also leading to tens of thousands of lost jobs; harming small and rural wireless providers; and eliminating avenues for potential new competitors to enter the wireless market.

The companies’ claims that the merger would somehow speed up 5G deployment, or that the companies cannot independently deploy competing 5G networks have collapsed under scrutiny. The companies’ economic models have come under substantial attack, and have even been shown to undermine the company’s own case – showing the merger will lead to higher prices for consumers. At best, the companies have a vision where, post-merger, New T-Mobile would sell more profitable plans to more affluent customers. Regardless of whether this result benefits T-Mobile shareholders, such an outcome is certainly not good for the people T-Mobile would leave behind.

Simply put, the proposed Sprint/T-Mobile merger is unlawful under the antitrust laws and harms the public interest. Policymakers should oppose this transaction, the Department of Justice (“DOJ”) should move to block it, and the Federal Communications Commission (“Commission” or “FCC”) should deny the merger or designate the companies’ application for review by an administrative law judge.

#### **I. This Merger Violates Antitrust Law Because It Would Raise Prices and Reduce Competition**

Economic evidence in the record compiled by the FCC demonstrates the merger would likely lead to consumer price increases of as much as 15.5% immediately after the merger, due to the loss of competition in this concentrated market. Additionally, the market power and incentives of the three remaining firms – New T-Mobile, Verizon Wireless, and AT&T – is likely to lead to tacit coordination or parallel behavior – and would lead to up to an additional 21% price increases.<sup>1</sup>

<sup>1</sup> Petition to Deny of DISH Network Corporation, WT Docket No. 18-197 (filed Aug. 27, 2018), <https://ecfsapi.fcc.gov/file/108271088719800/REDACTED%20DISH%20PTD%20Sprint%20TMO%208-27-18.pdf> (“DISH Petition”).

While the companies unsurprisingly arrive at lower figures, even T-Mobile's own economic studies also show that this merger would lead to higher prices. T-Mobile contends that low-income consumers, who are more likely to be dependent on their smartphone for basic communications and access to information, will be willing to pay these higher prices; the subtext is that consumers will pay higher prices because the merger will eliminate lower-priced options in the marketplace.<sup>2</sup>

Evidence that a planned merger will lead to higher prices for consumers is often fatal. In 2011, the FCC's Staff Report and Economic Analysis on the abandoned AT&T/T-Mobile merger showed that transaction was likely to lead to price increases of at least 6% per year – an increase significantly lower than the price increases likely to occur here, yet large enough for the Commission to deem it “substantial,”<sup>3</sup> ultimately leading to the collapse of that proposed merger.

These unavoidable price effects are perhaps unsurprising given how concentrated the national wireless market already is. In fact, this merger is presumptively illegal based on market concentration figures alone.

According to the DOJ/Federal Trade Commission Horizontal Merger Guidelines, horizontal mergers in “highly concentrated markets that involve an increase in the Herfindahl-Hirschman index (“HHI”) of more than 200 points will be presumed to be likely to enhance market power.” The Commission's December 2018 Communications Marketplace Report found that HHI for the wireless market was 3,106 when measured at the end of 2017. Last year, Recon Analytics measured the HHI of the wireless industry as approximately 2,942. Both measurements far exceed what competition authorities and regulators consider “highly concentrated.” Further, if approved, the Sprint/T-Mobile merger would increase the HHI “by more than 400 points, well above 200 points, which is considered to enhance the market power of the merged company.”<sup>4</sup> Similarly, Dish Network found the proposed merger would raise the HHI of the wireless market from the very concentrated 2,814 to the extremely concentrated 3,265.<sup>5</sup>

Analysis by Public Knowledge that breaks out the wireless market into various segments paints an even bleaker picture.

<sup>2</sup> See Notice of Ex Parte Meeting of DISH Network Corporation, WT Docket No. 18-197 (filed Dec. 21, 2018).

<sup>3</sup> Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Transfer Control of the Licenses and Authorizations Held by T-Mobile USA, WT Docket No. 11-65, Bureau Staff Analysis & Findings, Appendix C – Economic Analysis (November 29, 2011), <https://docs.fcc.gov/public/attachments/DA-11-1955A2.pdf>. (“AT&T/T-Mobile FCC Staff Report”).

<sup>4</sup> Roger Entner, Industry Voices—Entner: Putting some context behind the T-Mobile, Sprint merger, FierceWireless, Apr. 30, 2018, <https://www.fiercewireless.com/wireless/industry-voices-entner-putting-some-context-behind-t-mobile-sprint-merger>.

<sup>5</sup> DISH Petition.

**Postpaid:** The HHI of the postpaid segment is currently highly concentrated, at 3,282. A merger between Sprint and T-Mobile would raise it to 3,562, an increase of 280 points.

**Prepaid:** The HHI of the prepaid segment is currently just under the highly concentrated threshold, at 2,467. A merger between Sprint and T-Mobile would bring this well into “highly concentrated” territory at 4,481, an increase of a whopping 2,014 points.

**Wholesale:** The HHI of the wholesale segment is also highly concentrated, at 2,865. A merger between Sprint and T-Mobile would raise this to 3,909, a substantial increase of 1,044 points.<sup>6</sup>

No matter how you slice it, the wireless market is highly concentrated, and the companies’ merger would make it worse, leading to substantial consumer price increases. The merger is presumptively unlawful under the antitrust laws and antitrust enforcers, regulators, and policymakers should oppose the transaction.

## **II. This Merger is Broadly Similar to the Blocked AT&T/T-Mobile Transaction, and International Comparisons Show Four-to-Three Mergers to be a Disaster for Consumers**

This merger is similar, from an antitrust and public interest perspective, to the failed 2011 merger between AT&T and T-Mobile, and should be opposed on the same grounds. If anything, this merger is likely to be more harmful to consumers, since both Sprint and T-Mobile are innovative, low-cost competitors when compared with their larger rivals. Examples of four-to-three mergers from around the world also show that less competition is not good for consumers.

When the Department of Justice sued to stop the proposed merger of AT&T and T-Mobile, DOJ argued that “unless this acquisition is enjoined, customers of mobile wireless telecommunications services likely will face higher prices, less product variety and innovation, and poorer quality services due to reduced incentives to invest than would exist absent the merger.”<sup>7</sup> A FCC staff report similarly found that a combined AT&T/T-Mobile would have significant incentives and power to substantially increase consumer prices. Further, the Commission’s report concluded, “the proposed transaction would likely lead to a substantial lessening of competition under the Clayton Act. A transaction that violates the Clayton Act would not be in the public interest.”<sup>8</sup> These findings are all the more important given the importance of wireless technology. As the DOJ argued,

<sup>6</sup> These calculations are drawn from Recon Analytics numbers cited by FierceWireless. Roger Entner, Industry Voices—Putting Some Context Behind the T-Mobile, Sprint Merger (April 30, 2018) <https://www.fiercewireless.com/wireless/industry-voices-entner-putting-some-context-behind-t-mobile-sprintmerger>.

<sup>7</sup> Complaint, United States v. AT&T, Case 1:11-cv-01560 3 (August 31, 2011), <https://www.justice.gov/atr/case-document/file/487776/download> (“AT&T Complaint”).

<sup>8</sup> AT&T/T-Mobile FCC Staff Report.

Mobile wireless telecommunications services have become indispensable both to the way we live and to the way companies do business throughout the United States. Innovation in wireless technology drives innovation throughout our 21st-century information economy, helping to increase productivity, create jobs, and improve our daily lives. Vigorous competition is essential to ensuring continued innovation and maintaining low prices.<sup>9</sup>

Like the companies' proposed merger, in AT&T and T-Mobile the companies claimed that they would be unable to roll out nationwide 4G LTE networks unless their merger was approved. There, the government rejected that argument and found that competitive pressure would ultimately require the companies to independently deploy the 4G LTE mobile broadband networks that AT&T and T-Mobile claimed were contingent on their merger. The same is true here. While the companies now allege that their 5G network deployments will be limited without the merger, the truth is that competitive pressures from Verizon and AT&T will ultimately force both Sprint and T-Mobile to build independent 5G networks without sacrificing the recognized benefits of four firm competition.

Since the FCC and DOJ rejected allowing the wireless market to consolidate from four firms to three, consumers have reaped the benefits of four-carrier competition, and T-Mobile's increased focus competing in the marketplace for customers, rather than through mergers. The lesson is clear: companies will compete vigorously when they have the incentive to do so. This means that a market must be sufficiently competitive. It also means that the companies must be under no illusion that they can simply buy their way into success through anticompetitive deals.

Blocking the AT&T/T-Mobile deal was a measurable antitrust success. As Mark Cooper and Gene Kimmelman found last year,

As the fourth-largest of the major national carriers, and as a firm that had played the role of a disruptive maverick, [T-Mobile] made the decision to compete vigorously on price and service terms to increase market share, as the Justice Department had anticipated.

By 2014, the impact was apparent. The dominant national carriers were forced to respond to T-Mobile's competitive behavior by abandoning the pattern of relentlessly raising prices, and their operating income per subscriber showed the effect. By 2015, average revenue per user was \$4 to \$5 less than [it otherwise would have been]. This competitive gain was not by any means sufficient to wring out all of the pricing abuse by the dominant wireless carriers, but it shows the benefits of competition. At \$4 per

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<sup>9</sup> AT&T Complaint at 1.

subscriber, the total savings for consumers are more than \$11 billion per year.<sup>10</sup>

Other analysts have come to similar conclusions. Discussing the benefits that flowed from antitrust enforcement and four-carrier competition in 2014, one observer wrote,

Since the US government stopped AT&T from buying rival T-Mobile—a move that would have cemented AT&T as the largest wireless company in the US, and reduced the number of nationwide operators to three from four—the Deutsche Telekom subsidiary has kept the industry on its toes... the carrier has lowered prices, offered contract-free plans, subsidy-free phones, options to upgrade early, free international data roaming, and even provided free music streaming. Most recently, T-Mobile unveiled a two-line plan with unlimited data for \$100 a month.<sup>11</sup>

This is not the type of behavior that is likely in a three-firm market. And this year, another industry observer commented,

[T]he U.S. government effectively blocked [T-Mobile's] last big deal — when AT&T was going to acquire T-Mobile in 2011 for \$39 billion — because of its threat to the market's competitiveness.

And that actually turned out to be a great move for American consumers! T-Mobile ... dramatically shook up the U.S. mobile market with aggressive pricing and innovative new features, including free video streaming, generous all-access plans, big incentives to switch to T-Mobile, free international data roaming, free Netflix and MLB.TV subscriptions, free in-flight texting and more.

T-Mobile went from a boring also-ran to the most exciting company in telecom, seemingly overnight.

And it worked! T-Mobile finished 2017 with almost 73 million total customers, up from 33 million at the end of 2011. The company says it captured the majority of the U.S. mobile industry's "postpaid phone growth" in 2017 — smartphone subscribers who aren't on prepaid plans, a.k.a. the

<sup>10</sup> Gene Kimmelman and Mark Cooper, *A Communications Oligopoly on Steroids*, Center For Equitable Growth (2017) 17, <https://equitablegrowth.org/wp-content/uploads/2017/07/071817-kimmelman-cooper2.pdf>.

<sup>11</sup> Alice Truong, *Blocking AT&T's merger with T-Mobile has been great for US consumers, but bad news for operators*, QUARTZ (Dec. 14, 2015), <https://qz.com/312907/blocking-atts-merger-with-t-mobile-has-been-great-for-us-consumers-but-bad-news-for-operators>.

good part of the market — for the fourth consecutive year. It has boasted frequently of stealing customers from rival carriers.<sup>12</sup>

Especially when viewed in light of the benefit of past merger enforcement, it is clear that the last thing consumers need is *fewer* choices when it comes to their communications provider. T-Mobile had to compete vigorously when faced with four firm competition. The incentives would be completely changed in a market with only three competitors – each with similar shares of the market.

International comparisons confirm the American experience. An October 2018 report from Finnish research firm Rewheel found that consumers in markets with three facilities-based providers paid twice as much per gigabyte as consumers in four firm markets.<sup>13</sup> The OECD has concluded that “in countries where there are a larger number of MNOs [mobile network operators], there is a higher likelihood of more competitive and innovative services being introduced and maintained.”<sup>14</sup> Austria is one clear example. As reported by the Financial Times,

Telecoms consolidation in Austria almost doubled some consumers' smartphone bills...data from Austrian competition and telecoms authorities show that existing customers faced average price rises of 14 per cent to 20 per cent in the two years after the commission approved the 4-to-3 deal between Hutchison's H3G Austria and Orange Austria in late 2012.

Vienna's telecoms regulator estimated that smartphone bills in 2013 and 2014 were 50 per cent to 90 per cent higher. Traditional phone users, without data services, received bills 20 per cent to 31 per cent higher.<sup>15</sup>

The European Commission has also analyzed this issue. It found that a four-to-three merger between T-Mobile and Orange in the Netherlands led to prices rising as much as 17% higher than the otherwise would have.<sup>16</sup> Other analysts have shown

<sup>12</sup> Dan Frommer, *Blocking T-Mobile's last big merger turned out great for U.S. consumers. So what's different now?*, Recode (April 30, 2018), <https://www.recode.net/2018/4/30/17302426/tmobile-sprint-merger-regulatory-approval-competition>.

<sup>13</sup> Rewheel/research, *The state of 4G pricing – 2H2018*, 1 2018, [http://research.rewheel.fi/downloads/The\\_state\\_of\\_4G\\_pricing\\_DFMonitor\\_10th\\_release\\_2H2018\\_PUBLIC.pdf](http://research.rewheel.fi/downloads/The_state_of_4G_pricing_DFMonitor_10th_release_2H2018_PUBLIC.pdf).

<sup>14</sup> OECD, *Wireless Market Structures and Network Sharing* 5 2015, [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DSTI/ICCP/CISP\(2014\)2/FINAL&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DSTI/ICCP/CISP(2014)2/FINAL&docLanguage=En).

<sup>15</sup> Christian Oliver and Daniel Thomas, *Austrian data raise red flags for UK telecoms merger*, *Financial Times* (March 14, 2016), <https://www.ft.com/content/e536751e-e9fc-11e5-888e-2eadd5fbc4a4>

<sup>16</sup> Ex-post analysis of two mobile telecom mergers: T-Mobile/tele.ring in Austria and T-Mobile/Orange in the Netherlands, European Commission (2015), <http://ec.europa.eu/competition/publications/reports/kd0215836enn.pdf>.

increases in the relative pricing of wireless services in countries that have undergone four-to-three mergers compared with those that have not.<sup>17</sup>

We can see real-world evidence of this playing out just across our northern border. In Canada, three wireless companies, Bell, Telus, and Rogers, dominate the market, with a combined 89 percent market share.<sup>18</sup> And there are strong indications of complacency, and companies acting in concert with one another, rather than strongly competing. Canada's mobile phone rates are among the highest in the world.<sup>19</sup> And when Bell hiked its monthly plans by \$5 per month in January 2016, Telus and Rogers followed suit with their own rate increases within a week—the opposite of what we saw happen in the United States.<sup>20</sup> As one tech analyst put it, the Canadian carriers raise prices “because they can.”<sup>21</sup>

Finally, four-firm national wireless competition in the United States is perfectly sustainable. In past years Sprint has made various business and technology decisions which did not work as planned and which caused it to fall behind its competitors. But despite various attempts by the companies to insinuate that Sprint is a “failing firm,” it is anything but. It is a successful company with many paths to competing more successfully against its three major competitors. It is not necessary to destroy competition to save Sprint.

### III. The Effects of This Merger Would Fall Especially Hard on Lower-Income and Prepaid Customers

The proposed transaction would harm the prepaid and wholesale mobile wireless markets, which are critical for serving low-income consumers. Both T-Mobile and Sprint offer their own prepaid services that often serve as direct competitors to each other.<sup>22</sup> The transaction would not only reduce competition in the prepaid market by eliminating direct competitors, but also give T-Mobile unrivaled market power to raise prices for prepaid service.

<sup>17</sup> 4 To 3 Wireless Mergers Doubled Relative Prices, <http://wirelessone.news/10-r/1021-prices-up-58-on-4-to-3-wireless-mergers-rewheel>.

<sup>18</sup> Number of mobile subscribers in Canada by service provider from 2010 to 2016, Statista, (2018), <https://www.statista.com/statistics/460099/total-number-of-mobile-subscribers-by-provider-canada/>.

<sup>19</sup> Rose Behar & Sameer Chhabra, *Canadians still paying some of the highest wireless rates in the world: ISED*, Mobile Syrup, Dec. 12, 2017, <https://mobilesyrup.com/2017/12/12/international-telecom-pricingstudy-shows-canadians-still-pay-more-than-everyone-else/>.

<sup>20</sup> Tristan Hopper, *Why Canadian cell phone bills are among the most expensive on the planet*, National Post, Sept. 18, 2017, <http://nationalpost.com/news/canada/why-canadian-cell-phone-bills-are-among-the-most-expensive-on-the-planet>.

<sup>21</sup> *Id.*

<sup>22</sup> See Zach Epstein, *Sprint is giving away a month of unlimited prepaid service - so now T-Mobile is giving away 2 months*, BGR, April 14th, 2018, <https://bgr.com/2018/04/14/t-mobile-unlimited-plan-pricefree-metropcs-offer/>.

T-Mobile and Sprint also sell mobile wireless capacity wholesale to mobile virtual network operators (“MVNOs”) who resell these services under their own prepaid brands. The merger would substantially reduce competition in the wholesale market by raising the cost of capacity access to low-cost resellers. As a result, post-merger, MVNOs are likely to increase the prices that consumers pay to account for the higher wholesale prices a combined Sprint/T-Mobile is likely to charge.

Further, Sprint is the main facilities-based provider that participates in the Lifeline program. T-Mobile does not participate in Lifeline. The transaction would potentially eliminate Sprint as a Lifeline participant. Elimination of competition in the prepaid and wholesale markets will have a disproportionate impact on low-income and marginalized communities. As the Commission has acknowledged, the prepaid market offers more affordable prices in order to serve low-income consumers who may not have the income or credit background to qualify for postpaid service.<sup>23</sup> The lack of competition in these markets would displace millions of low-income consumers who rely on prepaid services and further widen the digital divide.

**IV. The Supposed Benefits of this Merger to 5G Deployment, Especially in Rural Areas, are Misleading, Non-Merger Specific, or Speculative and Non-Verifiable.**

Perhaps the biggest misdirection put forward by T-Mobile and Sprint is their attempt to tie this merger to 5G rollout. This is a standard move in the anticompetitive playbook, of course—AT&T, for instance, once claimed that it would not be able to quickly achieve nationwide LTE deployment without acquiring T-Mobile. That merger was blocked and LTE was rolled out even faster than predicted. Similarly, here, there is no reason to think that this merger would result in faster 5G deployment, especially not in areas, such as rural parts of the country, that are already underserved by wireless carriers.

Indeed, statements from company executives to investors and the public fly in the face of their merger advocacy. In 2017, Sprint stated that it is “working with Qualcomm and network and device manufacturers in order to launch the first truly mobile [5G] network in the United States by the first half of 2019,”<sup>24</sup> and T-Mobile CEO stated that his company would “leapfrog” its competitors and be the first to

<sup>23</sup> Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions With Respect to Mobile Wireless, Including Commercial Mobile Services, WT Docket No. 15-125, Eighteenth Report, 30 FCC Rcd 14515, 14515 ¶ 96 (2015)(finding that “the remaining differences [between prepaid and postpaid plans] largely reflect the different characteristics of postpaid and prepaid subscribers: ‘prepaid subscribers are typically prepaid for a reasons, relating to their income and credit.’”)

<sup>24</sup> Mike Dano, *Sprint promises to launch nationwide mobile 5G network in first half of 2019*, Light Reading (Feb 2, 2018), <https://www.fiercewireless.com/5g/sprint-promises-to-launch-nationwide-mobile-5g-network-first-half-2019-and-to-raise-unlimited>.

deploy nationwide 5G.<sup>25</sup> Even after the merger announcement both companies have stuck to their existing plans to roll out 5G by 2019 or 2020. T-Mobile has stated that “T-Mobile is already well on their [sic] way to delivering nationwide 5G in 2020,”<sup>26</sup> and Sprint has said that “[i]n the first half of 2019 Sprint plans to launch its mobile 5G network in nine of some of the largest cities in the country[.]”<sup>27</sup> This merger is not necessary for either company to upgrade to 5G.

T-Mobile and Sprint’s argument that rural Americans will benefit from the transaction is unsupported. If anything, the anticompetitive impact of the merger could exacerbate the divide between rural and urban areas, while creating even stronger incentives for the merged company to invest more heavily in densely-populated, wealthy areas.

There is every reason to be skeptical that the companies will prioritize deployment of 5G technologies to rural communities. With low population density and high per-consumer costs, these areas have historically lacked the economies of scale needed to attract strong investment from Sprint, T-Mobile, Verizon, and AT&T. Mobile 5G service will likely be a modest, incremental improvement over LTE speeds, particularly in areas where the cost of network densification is prohibitive. Even if mobile 5G is ultimately deployed on a widespread basis, analysts do not believe 5G signals will be able to penetrate buildings in a manner that is competitive with fixed broadband. Indeed, mobile 5G networks will rely heavily on fixed broadband networks for backhaul support to quickly deliver vast amounts of data, similar to current mobile wireless technology. An estimated 60 percent of mobile data traffic is currently offloaded onto fixed networks, and that number is increasing annually.<sup>28</sup> However, the companies do not explain where they will find this fixed backhaul support in rural, less densely-populated areas. Mobile 5G networks will need more than wireless systems to function, since gigabit capacity requires proximity to fixed-line backhaul. These are the very high-capacity wired networks that are in short supply in lower-income and less densely-populated areas, and areas with challenging terrain. Nothing about this merger changes that.

Further, based on the history of prior mobile wireless technology upgrades and the technical characteristics of millimeter wave spectrum, mobile 5G deployment will likely focus on the nation’s most urban, affluent areas and do little

<sup>25</sup> John Legere, The Revolution Continues, T-Mobile Blog (Dec. 27, 2017) <https://www.t-mobile.com/news/legere-2018-predictions>.

<sup>26</sup> T-Mobile Press Release, One Step Closer to Nationwide 5G: T-Mobile Marks a World’s First on the Road to 5G (Nov. 20, 2018), <https://www.t-mobile.com/news/first-600mhz-5g-test>

<sup>27</sup> Sprint Press Release, Sprint Planning to Debut 5G Smartphone from Samsung in Summer 2019 (Jan. 7, 2019), <https://investors.sprint.com/news-and-events/press-releases/press-release-details/2019/Sprint-Planning-to-Debut-5G-Smartphone-from-Samsung-in-Summer-2019/default.aspx>.

<sup>28</sup> See Cisco, Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2016–2021 (2017), <https://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/mobile-white-paper-c11-520862.pdf>

for rural America. In all likelihood, the merged company would focus on the same high-value markets that they do today.

#### **V. This Merger Would Destroy Jobs and Lower Wages**

This merger would destroy American jobs. The CWA estimates that the transaction could result in a loss of over 30,000 jobs in the United States.<sup>29</sup> MoffetNathanson more conservatively estimates a loss of 20,000 jobs.<sup>30</sup> Either figure is far too high for a merger that provides no public benefits.

Neither would the labor effects of this merger be limited to direct job losses—further concentration in the wireless market would lead to lower wages across the industry. The Roosevelt Institute and the Economic Policy Institute have concluded that “For the 50 most-affected labor markets,” this merger would cause “a decline in annual earnings of between \$520 and \$3276 on average” for affected workers.<sup>31</sup>

These labor effects would be concentrated on lower-wage workers across the country, who can afford it least, and provide a sufficient basis on their own for policymakers to oppose this deal.

#### **VI. No Remedies Can Fix This Deal**

There are no conditions that can alleviate the competitive and public interest harms this deal would cause.

The kinds of conditions that regulators sometimes impose “take two basic forms: one addresses the structure of the market, the other the conduct of the merged firm. Structural remedies generally will involve the sale of physical assets by the merging firms.”<sup>32</sup> When available, structural remedies such as the sale of property, lines of business, geographic markets, or subsidiaries can be effective. But they are simply unavailable here—the basic logic of this merger is the combination of Sprint and T-Mobile’s nationwide networks and businesses. The anticompetitive aspects of this deal cannot be separated out, and no realistic divestiture plan that addresses the competitive harms has even been proposed.

<sup>29</sup> CWA Calls on Sprint and T-Mobile to Make Binding Commitments to Address Potential Job Loss and Respect Workers’ Rights, Communications Workers of America (June 26, 2018), <https://www.cwaunion.org/news/releases/cwa-calls-on-sprint-and-t-mobile-make-binding-commitments-address-potentialjob-loss>.

<sup>30</sup> Karl Bode, *The Jobs-and-Competition-Killing T-Mobile/Sprint Merger Is Back On*, Vice Motherboard, Apr. 13, 2018, [https://motherboard.vice.com/en\\_us/article/gymm3w/sprint-t-mobile-merger-can-stillhappen](https://motherboard.vice.com/en_us/article/gymm3w/sprint-t-mobile-merger-can-stillhappen).

<sup>31</sup> Roosevelt Institute, *The Labor Market Impact of the Proposed Sprint/T-Mobile Merger*, <http://rooseveltinstitute.org/labor-market-impact-proposed-sprint-t-mobile-merger/>

<sup>32</sup> Department of Justice, Antitrust Division Policy Guide to Merger Remedies, at 7 (2004).

The other kind of remedy, behavioral or conduct remedies, is also inappropriate here, because such remedies are unlikely to be effective. As the DOJ explains, allowing anticompetitive mergers to go through and subjecting them only to behavioral conditions is fraught with peril:

Structural remedies are preferred to conduct remedies in merger cases because they are relatively clean and certain, and generally avoid costly government entanglement in the market.... A conduct remedy, on the other hand, typically is more difficult to craft, more cumbersome and costly to administer, and easier than a structural remedy to circumvent.

The DOJ continues,

Conduct remedies suffer from at least four potentially substantial costs that a structural remedy can in principle avoid. First, there are the direct costs associated with monitoring the merged firm's activities and ensuring adherence to the decree. Second, there are the indirect costs associated with efforts by the merged firm to evade the remedy's "spirit" while not violating its letter....Third, a conduct remedy may restrain potentially procompetitive behavior....Fourth, even where "effective," efforts to regulate a firm's future conduct may prevent it from responding efficiently to changing market conditions. For all of these reasons, structural merger remedies are strongly preferred to conduct remedies.<sup>33</sup>

This is not to say that behavioral remedies can never be effective. But they amount to requiring that companies act against their own economic self-interest. Companies subject to them have every incentive to find loopholes in them, stretch their interpretation to the breaking point, or minimally comply, and typically can afford to and have the incentive to expend more resources trying to avoid the conditions than regulators or third parties can afford to spend in trying to enforce them. To be effective, such remedies must be simple and clear, and have a clear path to enforcement. The complexity and fundamental issues at stake here suggest that this merger is not among those rare occasions where behavioral remedies can be effective.

What's more, this administration has already announced policies of extreme skepticism toward behavioral conditions, making discussing such remedies—including proposals put forth by the companies themselves—almost a moot point. Assistant Attorney General Makan Delrahim has said,

Our goal in remedying unlawful transactions should be to let the competitive process play out.

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<sup>33</sup> *Id.* at 8.

Unfortunately, behavioral remedies often fail to do that. Instead of protecting the competition that might be lost in an unlawful merger, a behavioral remedy supplants competition with regulation; it replaces disaggregated decision making with central planning.<sup>34</sup>

Finally, whatever the efficacy of conditions may be, the fact remains that they are typically time-limited remedies for marketplace problems that may have no expiration date. Thus, the DOJ and FCC should err on the side of consumers and innovation and block this deal. The costs of getting this wrong are simply too great.

#### **VII. This Merger Could Set the Stage for Further Antitrust Activity**

As the Committee on Energy & Commerce is well aware, the Federal Trade Commission is currently in the midst of examining Competition and Consumer Protection in the 21<sup>st</sup> Century, and debates over the future of antitrust enforcement are underway. This merger is a bellwether. There's no reason that a horizontal, four-to-three merger with essentially no cognizable, merger-specific efficiencies should be permitted to close. The economics are clear, and the harms are obvious. The American public sees the impact of corporate mega-mergers in their daily lives in the form of higher prices, fewer choices, lower wages, and less opportunity to start new businesses and grow existing ones. Just as the Commission and DOJ have previously decided, further consolidation of the four nationwide wireless carriers would run afoul of the antitrust laws and harm the public interest.

#### **VIII. Conclusion**

This merger might benefit the investors and executives of nationwide carriers who would like to see higher prices and less competition throughout the industry, allowing carriers to focus on expanding their margins rather than investing in new networks and new technologies, and winning customers with lower prices and superior service. But everyone else would be a loser. In particular, the consumers and companies who want to see affordable, ubiquitous, high-performing wireless availability would not benefit, as a significant reduction in competition works against each of those goals. This merger is so harmful for the American public that the companies' own analysis confirms many of the arguments of the deal's critics, requiring the companies to scramble and improvise reasons why it should be approved nonetheless. The primary supposed benefit of this merger—increased 5G deployment—makes no technical or economic sense. Therefore we ask this Committee to support competition, not consolidation, in the wireless market as the engine that will power American innovation and economic leadership in the digital economy.

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<sup>34</sup> Assistant Attorney General Makan Delrahim Delivers Keynote Address at American Bar Association's Antitrust Fall Forum, Washington, DC (Nov. 16, 2017), <https://www.justice.gov/opa/speech/assistant-attorney-general-makan-delrahim-delivers-keynote-address-american-bar>.

Mr. DOYLE. Thank you.

With the conclusion of witness testimony we are now going to move to Member questions. Each Member will have 5 minutes to ask questions of our witnesses. And let me say to my colleagues that I love you all dearly and it pains me greatly to bring the gavel down when you have exceeded your 5 minutes. But the kindness that I showed last week resulted in many people going much, much over their 5-minute time.

So if you are near the very end, then you ask the question and it takes more than 5 minutes for the answer, we will certainly let that happen. But after 5 minutes, please no more questions, or I am going to have to enforce it with the gavel. So, and I will try to set an example by yielding myself 5 minutes and staying within the time.

So, Mr. Legere, I am going to ask you and Mr. Berenbroick the same question but a different way, and I am going to hold you each to 45 seconds because I have only got 5 minutes.

So tell me, Mr. Legere, why you think this merger is different than other mergers in the past in highly concentrated areas. Tell me why you think this isn't going to result in some of the things we have seen in other mergers where it did raise prices and it didn't bring competition. What is different about this?

Mr. LEGERE. Yes, thank you, Mr. Chairman. In general, the issue with mergers is that industries consolidate, supply goes down, prices go up, and jobs are eliminated. This is a unique merger where the outcome of this merger will be a significant increase in supply in the form of eight times the capacity that our network will make available.

It will bring an 87 percent decline in the price per gig of data and jobs will go up. So this is dramatically different. It is unique. It is the advent of 5G. The complementary nature of these networks increases supply significantly which will decrease prices. That is quite different.

Mr. DOYLE. Thank you. And that was within the 45 seconds. I appreciate it.

So, Mr. Berenbroick, tell me in the same amount of time why you think this merger is going to be the same as any other merger.

Mr. BERENBROICK. Thank you for the question. So this merger is remarkably similar to AT&T/T-Mobile. That merger was rejected by DOJ and the FCC in 2011. That deal would have led to, DOJ and the FCC found, higher prices, less competition to discipline the marketplace, less competition would also mean less innovation and service plans, less robust networks, lower customer service quality, less incentives to invest and deploy.

Those things are all true here, but in some instances this merger is actually worse. We are actually eliminating both of the smaller maverick competitors that challenge and discipline the behavior of the two larger companies in the marketplace. There are also increasing harms to the prepaid market, low-income consumers, the Lifeline marketplace, and then lastly, the roaming and MVNO marketplace. Those harms are exacerbated here compared to AT&T/T-Mobile.

Mr. DOYLE. Thank you.

Mr. Shelton, if a Sprint employee is working at a retail store and they lose their job because they are working across the street from a T-Mobile store, is the claim being made that that employee will get another retail job in that area or do you think, rather, it is potentially that these jobs will be displaced and at best replaced by different types of jobs in different communities?

Mr. SHELTON. First of all, it may not be a Sprint employee that loses their job, but that is kind of the problem with the numbers here. Most of the stores are independent contractors who don't have Sprint employees. But I don't see how even a Sprint employee, say, in Pittsburgh would lose their job in Pittsburgh because of consolidation of stores and end up in Pittsburgh. They might end up in Nebraska if Mr. Legere keeps his word and offers that employee a job. But I don't see how they are going to because of the concentration of stores. After this company merges, if it merged, they would have twice the number of stores that either AT&T or Verizon has now. So stores are going to be closed no matter what happens.

Mr. DOYLE. Thank you.

Mr. Berenbroick, what precedent is set by allowing competitors to merge to achieve an evolutionary step in technology? I mean, what happens then for 6G or 7G, and how did the Government view similar claims for 3G and 4G?

Mr. BERENBROICK. Yes, Congressman, that is a good question. So, as you will recall in AT&T/T-Mobile, one of the claims the companies made was that they couldn't deploy 4G LTE coverage to the entirety of their network footprints to the rest of the country if they didn't merge. The Government evaluated the evidence that was before it, they rejected that. They found that that was not credible. They found that competition was likely to lead to deployment not consolidation. The same is true here.

So essentially, if you buy into the argument that we need to allow these companies to merge for 5G—by the way that is directly contrary to the statements they have made to Wall Street and investors even, you know, very recently—you know, it essentially sets the precedent that whenever there is a need for these companies to invest in new infrastructure to employ 6G, 7G as you said, the gates are open to additional consolidation. Consumers need more competition for lower prices and better services, not fewer.

Mr. DOYLE. And I see I have 7 seconds left, and I am going to yield it back to set a good example for the rest of my colleagues. And I will now yield to the ranking member.

Mr. LATA. Well, thank you, Mr. Chairman. And thank you very much for yielding.

And, Mr. Brake, if I could start my questioning with you, my district is a microcosm of the country, going from Toledo to suburban neighborhoods all the way to small communities in sparsely rural counties. The State of New York is also well-known for being split between rural and urban communities.

What lessons can the committee draw from the New York Public Service Commission's approval of this merger last week in terms of benefits on both for the rural and urban communities?

Mr. BRAKE. Sure, yes. I thank you for the question, Mr. Latta. Yes, the New York Public Service Commission, I think the main

takeaway is that this Public Service Commission took a hard look at this merger, determined that it was in the public interest, and allowed it to go forward with minimal conditions, modest conditions related to jobs. It saw it was benefitting the State long term.

As far as your question regarding both urban and rural areas, I think the most important point again is this combination of complementary spectrum assets. You have the low band 600 megahertz that provides great coverage to a wider area but is relatively limited in the capacity it can offer compared to the 2.5 gigahertz spectrum assets that Sprint has ready to deploy for 5G which has a much greater capacity.

So with the two of those combined you get a much better network in terms of both coverage that can help provide, you know, maybe not the greatest capacity but a wider area in rural areas to provide much of the service of 5G, but also in urban areas you get a much greater capacity with a 2.5 gigahertz to see a more robust 5G network again than either company could provide on its own or even greater than the two individual companies combined, if you want to put it that way.

I would note, however, the jurisdiction of States is somewhat different than the review at the DOJ and the FCC. So if I may if there is time, one of the main issues that is unique to the State level jurisdiction is that of jobs. And so with any merger there are going to be jobs created and jobs destroyed, right. I mean that is inevitable. The companies say that, you know, they will be a job creator from day one and apparently the New York Public Service Commission was content with that assertion in addition to some commitments and I believe a call center being built in New York.

But, and this is a somewhat unpopular point particularly with politicians, but wireless services, this is not a jobs program, right. Again perhaps an unpopular point, but if the companies combined—not even specifically this merger but any companies—can provide a greater output, more capacity, greater services with fewer inputs including labor that is the definition of productivity. That is what drives economic growth in this country and should be a good thing. I recognize that is not a popular opinion and especially among politicians, but productivity growth is an important component for this—

Mr. LATTA. Thank you.

Ms. Bennet, would you like to comment on New York, right, would you like to comment?

Ms. BENNET. Well, I was just going to point out that the review by the New York Public Service Commission is not looking at—it is only looking at the jobs issue. It is not looking at the overall merger. That is regulated to the DOJ and to the FCC and they do not have jurisdiction over that.

I wanted to hop back to a point though that Mr. Legere made about 87 percent decline in prices per gig. I would like to see some of that pass through on the roaming rates because right now roaming rates are about 10 times to 15 times higher than the retail rates they offer their own customers.

So essentially that means they made that in a wholesale environment, the carriers are charging more than the retail environment. So the cost is definitely lower if they can pass on retail rates that

are lower than the wholesale rates. Sorry, not your question, but I just wanted to go back to that for a minute.

Mr. LATTA. Thank you.

Mr. BERENBROICK. Congressman, can I jump in for 1 second? I apologize.

Mr. LATTA. I am sorry. I am almost out of time here.

Mr. Legere, if I could, I have about 38 seconds left if you would like to comment.

Mr. LEGERE. Yes, I would like to comment. And I appreciate the comparison. Yes, the New York Public Service Commission is one of 16 States that has approved the merger and their review looked at all of the same issues, what it is going to mean for the State from the standpoint of 5G, median speeds of 450 megabits, the promise of 5G while having prices decline, having jobs go up, this was reviewed in total and all of the benefits that we preach about this merger New York saw and we committed with them to the things that are appropriate for them. And the promise of it is similar to the reviews that are taking place with the FCC and the DOJ.

Mr. LATTA. Well, thank you very much.

And, Mr. Chairman, I yield back.

Mr. DOYLE. Thank you.

The Chair now recognizes Mr. Pallone, the full committee chairman, for 5 minutes to ask questions.

Mr. PALLONE. Thank you, Chairman Doyle. It is no secret that unions are under attack. Corporations have sought to limit the power of unions which are fighting to make sure workers are fairly treated and get a livable wage, and what we are seeing is a growing disparity between the people at the top and the hardworking people like those in New Jersey, the folks who haven't seen a dime to the huge corporate profits in the Trump tax giveaways. And just this week, news reports highlighted that the average tax refund will be 8.4 percent less this year, so, so much for the GOP tax reform.

Now the CWA has argued that the merger of T-Mobile and Sprint could wipe out as many as 30,000 jobs, about 25,000 in retail and about 5,000 corporate. At the same time, T-Mobile has announced it will be opening five new customer experience centers if the merger is approved which will create up to 5,600 jobs by 2021. So I wanted to ask Mr. Legere about that.

In 2012, T-Mobile shut down seven call centers and allegedly sent the jobs overseas. But now, you know, you are saying that we are going to have these new customer centers. Is there anything in the law or any legally enforceable protections to ensure that these new center jobs are actually created? And, if those jobs are created, is there anything in the law or any legally enforceable protections to ensure that they wouldn't be outsourced in a few years to somewhere else?

Mr. LEGERE. Thank you, Congressman. A couple things I would like to insert is—and I am very proud of my tenure of being the CEO since the end of 2012. I would point out that the employees, badge-carrying T-Mobile employees since that time have gone up 250 percent. The employees of MetroPCS—

Mr. DOYLE. Mr. Legere, is your microphone on?

Mr. LEGERE. Yes.

Mr. DOYLE. OK.

Mr. LEGERE. OK, sorry about that.

Mr. DOYLE. Move that a little closer so we can hear you.

Mr. LEGERE. But I have had a 250 percent increase in employees, badge-carrying employees at T-Mobile since the time I have been CEO. I would also like to point out that I am very proud of the over 50 workplace awards that the company has worked to attain, including the 100 Best Companies Award for—

Mr. PALLONE. But, Mr. Legere, could you address the call centers? If not, I am just going to move on because I don't have that much time.

Mr. LEGERE. Yes. The call centers, they have 5,600 jobs including 2,000 additional, making it 7,500 to 7,600 jobs are a critical integrated part of our business plan, our filing with the DOJ, our support documentation to the FCC, and it is something that I am completely committed to.

Mr. PALLONE. All right.

I mean, Mr. Shelton, if I could ask you, does that comfort you, his response, or what is your take on how this merger would affect wages?

Mr. SHELTON. Our belief is that it will have a downward effect on wages. And we have a study from the Economic Policy Institute and the Roosevelt Institute that just like prices go up with less competition, wages go down with less competition for labor. The one exception is where you have collective bargaining, but T-Mobile and Sprint oppose collective bargaining.

And if I may, when T-Mobile laid off those 3,300 people, call center people in the past, they said that the work did not go overseas. The Labor Department did an investigation and found out that it went to the Philippines. So, you know, how do we take their word now? And if you look, not only has the workforce in the United States increased, but also the workforce in the Philippines and lots of other countries has increased by leaps and bounds.

Mr. PALLONE. All right, let me ask Mr. Legere, if I can, one more question about resiliency of the Nation's communications systems and public safety. My district was hurt probably more than any other district by Superstorm Sandy and we have done a lot since then on a bipartisan basis to try to address resiliency for the communications systems.

And I see that the FCC's 2017 Atlantic Hurricane Season Impact on Communications Report outlines a portion of the problem. It notes that in 2017 the U.S. experienced 16 natural disasters with costs totaling 360 billion. I would like Mr. Chairman to enter that into the record, if I could, that report.

Mr. DOYLE. Without objection, so ordered.<sup>1</sup>

Mr. PALLONE. But my worry is that consolidation of network infrastructure could prioritize cost savings over resiliency in the face of disasters. And I notice network resiliency wasn't addressed in your public interest statement at the FCC.

So, Mr. Legere, there is not much time. Can you explain why you chose to leave this issue out of that public interest statement, and

<sup>1</sup>The information has been retained in committee files and also is available at <https://docs.house.gov/meetings/IF/IF16/20190213/108895/HHRG-116-IF16-20190213-SD007.pdf>.

whether you had discussions with the FCC regarding how this deal will affect network resiliency and public safety?

Mr. LEGERE. Thank you for that important question, sir. I think the FCC's feedback on the increase in resiliency and the response to natural disasters in the last year or two by T-Mobile has been industry-leading and something that they are extremely proud of. Resiliency of our networks has been a critical priority and it is a critical priority of the New T-Mobile's network. And, you know, this infrastructure plan will significantly increase the resiliency of our network and it is part of the plan.

Mr. PALLONE. All right, thank you so much.

Mr. DOYLE. The gentleman yields back. The Chair now recognizes Mr. Walden, the full committee ranking member, for 5 minutes to ask questions.

Mr. WALDEN. Thank you, Mr. Chairman. And before I start I want to thank you for your concern about these jobs. You know, we had a hostile takeover here at this committee and we lost about half our staff. And I am just wondering, in this new spirit of protection of lost jobs could we get those back?

[Laughter.]

Mr. DOYLE. Yes. Were they reassigned to a different neighborhood?

Mr. WALDEN. Yes, you could say that.

I want to thank our witnesses for being here.

Mr. Berenbroick, I know Mr. Brake talked in his testimony about the number 4 carriers. Is there a magic to number 4 in terms of competition in this space? Is there some magic to four versus five versus three versus eight?

Mr. BERENBROICK. You know, it is a good question. The key as the Department of Justice and the FCC look at this deal isn't whether there is a magic number of firms in the marketplace. It is do the players in the marketplace, does the structure of the marketplace promote lower prices, more investment, better choices for consumers, better—more deployment of broadband services? And we believe, frankly, that when you take these two companies and you merge them together you eliminate the mavericks, the companies that have been the driving competitive forces in the industry.

So to answer your question directly, I don't believe there is a per se magic number, it is about market structure.

Mr. WALDEN. OK.

Mr. BERENBROICK. But this transaction has significant concerns.

Mr. WALDEN. Mr. Brake, do you want to comment on that briefly?

Mr. BRAKE. Sure. I mean as I mentioned, right, there is no real magic to the number 4, but it seems to be a lot of the folks pushing to preserve four seem to think that more is necessarily better, you know, why not five, why not six, why not seven? And the answer is clear. It is because then you end up with all of this duplication of infrastructure that leads to a fragmentation of market, increases costs that ultimately have to be borne by consumers of the network, right.

And so the question is, what is the optimal balance between, you know, competition that drives down prices, continues innovation but doesn't see these duplication of resources? Considering the lim-

ited cash flow and the high debt of Sprint, there is a good indication that that number, that optimal number is closer to 3 rather than 4.

Mr. WALDEN. All right. Thank you both. I appreciate your perspectives on that.

I want to turn to our other representatives here. Talk to me, Mr. Claire and Mr. Legere, about roaming rates and what we should anticipate, consumers. And about data, both data access and costs going to go up, going to go down? As you both know, my district is pretty enormous and gives new definition to rural and remote, and we are concerned about how these two would work.

And I don't know which among you wants to, between you wants to go first on that, but please, and thank you again for being here.

Mr. CLAIRE. Thank you, Congressman. One of the most important pillars of this merger is increasing capacity. Basically when you put these two networks together you are going to create eight times the capacity. So to put things in perspective, imagine if you had a stadium in which two thirds of it is empty. Pretty much you are going to be, you are going to have an economic incentive to basically reduce prices and find different people to fill this capacity.

This is why we have been very clear and we made a commitment to lower prices. Traditionally, most mergers, you don't find companies that go and make a voluntary filing to the FCC like John at T-Mobile did basically making a commitment that prices will remain the same or lower. It is a question of capacity. We are going to have more capacity than ever before, eight times capacity, so we have got to fill it and that is going to be filled by the different partners in the industry.

Mr. WALDEN. All right.

Mr. Legere, do you want to address those two issues as well?

Mr. LEGERE. Yes. Thank you, sir. I would first say, let's be clear. The wireless industry is a duopoly controlled by AT&T and Verizon who control over 80 percent of the profitability and 95 percent of the cash flow and after the merger they will still have almost 70 percent market share. What we have done for 6 years at T-Mobile as the uncarrier, the whole thesis of this transaction is to use this increase in supply, capacity, and decreased price to supercharge the uncarrier, to bring competition. You will see users have an 87 percent decline in the price per gigabit of data. You will have an eightfold increase. Users will go from ten gigs to eighty gigs and that is just in wireless.

We expect to take that competition also to the cable industry which is not only a duopoly, it is a monopoly. And most of America, 79 percent, have no more than one choice for high speed broadband access and we plan on entering that market, having as many as 9.6 million customers serving 50 percent of the geography of the United States and saving just in that part over \$13 billion a year to people on their cable and in-home broadband bills.

Mr. WALDEN. All right. I thank all of our witnesses for your comments. My time has expired. I yield back.

Mr. MCNERNEY [presiding]. Thank you.

I recognize myself for 5 minutes, but I first want to reiterate my colleagues and the panel on recognizing the leadership that John Dingell provided on a bipartisan way to get legislation done that

was sustainable in the long run, and hopefully we can continue in that tradition.

Many households in my district live paycheck to paycheck. More than a quarter have an annual income of less than \$35,000 a year. If these households are faced with even a couple more dollars each month it could mean they no longer have access to wireless service.

So, Mr. Legere, can you cite any recent example where a country went from four to three wireless carriers and prices did not increase?

Mr. LEGERE. Thank you very much for the question, sir. And the types of customers that you describe we are disproportionately serving both at T-Mobile and at Sprint and they disproportionately have benefitted from what we have done because they are the highest—

Mr. MCNERNEY. Which is why we are worried about the merger reducing competition to those, to that sector of the population.

Mr. LEGERE. Thank you, sir. Since we have acquired MetroPCS, the average price of a prepaid service to our customers has gone down four percent, but the data usage has gone up twelvefold.

Mr. MCNERNEY. But you really didn't answer my question. Any recent examples of countries that went from four to three and did not have prices increase?

Mr. LEGERE. I am not a study in the countries around the world, sir.

Mr. MCNERNEY. I understand.

Mr. Berenbroick, is it true that the three to four merger of T-Mobile Netherlands and Orange led to price increases in the Netherlands compared to other control countries?

Mr. BERENBROICK. Yes, Congressman, between 10 to 17 percent price increases.

Mr. MCNERNEY. Wow. And is it true that when Austria went from four to three wireless carriers the prices also increased?

Mr. BERENBROICK. Yes, sir, between 14 and 20 percent. And what is particularly important in that market is that one of the three remaining players is one of T-Mobile's sister companies, T-Mobile Austria.

Mr. MCNERNEY. Wouldn't this merger have an even greater impact on lower income people who depend on prepaid services since we would be moving from three to four facility-based prepaid providers?

Mr. BERENBROICK. Yes, sir. I believe it would. You know, in this marketplace in the prepaid market you tend to have only three players currently—T-Mobile, Sprint, who would merge, and AT&T. T-Mobile and Sprint would have a dominant position in that marketplace and have the power and incentives to raise prices on those prepaid customers who, you know, frankly, are likely to be lower income, likely to be mobile-only, likely to be consumers of color and, frankly, would have no other choices in the marketplace. So prices would go up on them and they would have nowhere else to turn.

Mr. MCNERNEY. Thank you.

Mr. Legere, I have a letter here from you to the Chairman of the FCC dated February 4th of this year in which you stated, "I want to reiterate unequivocally that New T-Mobile rates will not go up,

rather our merger will ensure that American consumers will pay less and get more.”

And I am going to submit this to the committee, without objection.

[The information appears at the conclusion of the hearing.]

Mr. MCNERNEY. Is it also correct that on the same day you submitted a letter, counsel for T-Mobile submitted an ex parte filing to the FCC, that further articulated this commitment?

Mr. LEGERE. Yes, sir.

Mr. MCNERNEY. And I am going to submit this to the committee, without objection.

[The information appears at the conclusion of the hearing.]

Mr. MCNERNEY. Mr. Berenbroick, I am curious to take into your opinion on this commitment.

Mr. BERENBROICK. Well, thank you for the question and this is an important issue. So the history of these merger conditions, behavioral merger conditions in concentrated markets, is not a positive one. We saw this with conditions on Comcast where it violated its merger conditions with regards to Bloomberg.

Mr. MCNERNEY. Well, let me ask you specifically, if a small amount of data is added to T-Mobile and Sprint legacy plans consumers could see an increase in the amount they pay for their plans; is that correct?

Mr. BERENBROICK. Yes, sir. Under the letter that was filed last week that appears to be the case.

Mr. MCNERNEY. Is it your opinion that under the proposed condition legacy Sprint and T-Mobile fees could be hiked and there would be nothing to stop that?

Mr. BERENBROICK. Yes, sir. And even if those fees were hiked and even if those were covered by the commitment that T-Mobile has said it has made, how are consumers supposed to enforce that? Are they supposed to, you know, come to the FCC which has forsworn rate regulation and ask it to step in and enforce this on T-Mobile? It just seems impractical and enforceable.

Mr. MCNERNEY. And yes or no, is it your opinion that under the proposed condition legacy Sprint and T-Mobile surcharges could be hiked and there would be nothing to stop that? Yes or no, please.

Mr. BERENBROICK. Yes.

Mr. LEGERE. Sir, could I respond to some of—

Mr. MCNERNEY. Yes, I am going to just wrap up here. I hope that your promise that the people will get more for what they are paying holds true. My concern is that many people won't even be in a position to take advantage of that promise because they might not be able to scramble the extra cash they need. Simply put, I am worried about many of the constituents that I have would be priced out.

And my time has expired and I yield to Mr. Shimkus.

Mr. SHIMKUS. Thank you, Mr. Chairman.

Mr. Legere, you can respond to that.

Mr. LEGERE. Yes. Thank you very much. And I, you know, with respect, my colleague continues to interpret what is taking place at the FCC through his interpretation of what the outcome is before their work is completed that I highly respect what is taking place.

Several things, I want to be clear. I have worked very hard to rid the lines between postpaid and prepaid such that—

Mr. SHIMKUS. Yes, let me ask because I was going to have that question anyway. I am old enough to know the Uncola. We are using the term “the uncarrier,” so describe “uncarrier.”

Mr. LEGERE. Yes. “Uncarrier” is a term that I coined. It was the thesis and the genesis of who we were going to be. And what it was, was we set out to fix a stupid, broken wireless, arrogant industry by listening to customers and solving all the pain points and removing those barriers.

Mr. SHIMKUS. Like what? Give me some quick examples.

Mr. LEGERE. We eliminated contracts, eliminated international data roaming, free, you know, free music streaming, et cetera. So things—

Mr. SHIMKUS. So let me follow up on this question. So if you enter as a more dominant competitor to AT&T and Verizon, wouldn't that uncarrier characteristics carry into that competitive marketplace, or are you going to jettison that?

Mr. LEGERE. Sir, my goal has been not just to differentiate myself by the changes but to force AT&T and Verizon to change, that the wireless industry would adapt. I have been successful in changing the industry, but I am not breaking through because I don't have the scale and the resource and capability. The goal here is to supercharge that uncarrier and force AT&T and Verizon to invest more in 5G, to lower prices, broaden services, go deeper into in-home broadband, and I believe that that is possible through this merger.

Mr. SHIMKUS. Yes, and I appreciate that.

And, Mr. Claure, kind of what is going to happen if the merger gets approved? You do bring something beneficial to this debate especially for the rural folks. Greg Walden represents rural America. I represent rural America, Billy Long. We have a lot of folks here that that is a concern. Is there a way to carry that roaming debate that Sprint trumpeted to this new merged company? Hit your mike.

Mr. CLAURE. Thank you for your question. Today, Sprint has contracts with most of the rural carriers and those are contracts. And I have been very clear with John that the New T-Mobile will plan to honor the contracts that Sprint has signed. What is important for most of you who have people in the rural part of the country, it is very simple. T-Mobile did not have 600 megahertz spectrum so T-Mobile couldn't basically build a nationwide coverage. Today they do. They like the capacity they can buy with our spectrum.

So we are going to bring 5G to every corner of America and that is going to be a huge differentiator. You have seen the lack of competition that exists today in rural America.

Mr. SHIMKUS. So, Mr. Legere, I would hope that that would be part of the new corporate culture as far as if this is a successful merged company. I think my folks in the rural wireless would like to see that too.

Mr. LEGERE. Yes, sir, a hundred percent. I would just like to point out that when you take the topic of rural there is two important components, the rural customer right now who is not being

served, does not have choice, and the rural carrier. Both of those carriers will be served greatly by this transaction.

I clearly have honored that I will, you know, commit to honor all of the agreements that Sprint has and I believe that we will be in a position to negotiate even better things for the rural players. And I believe that in that partnership we can be the rural players' partner to bring them to the 5G evolution and the winner will be the rural customer.

Mr. SHIMKUS. Thank you, Mr. Legere.

With my remaining time I want to try to get two things done. One is to remind my colleagues that this evening at 6:00 in the Rayburn Foyer, the Next Generation 911 has their awards ceremony. Especially if you are new on the committee and want to know 911, telecommunications, location, that is a good event to stop by and I want to encourage you to do that.

And, Mr. Berenbroick, I am sorry. In your comments in your testimony you lauded the Department of Justice on their decision on the T-Mobile—what was it—AT&T merger. Our point is you have the FCC and the Department of Justice making this ruling. Do you trust the DOJ to make the ruling without, as Ranking Member Walden said, political influence?

Mr. BERENBROICK. Thank you, Congressman. Yes, obviously that issue of political influence has come up with regards to merger reviews in the past. Yes, I do trust the staff at the Department of Justice to fully review the evidence before them, the staff at the FCC to fully review the evidence and to make those recommendations.

Mr. SHIMKUS. Thank you.

Thank you, Mr. Chairman.

Mr. DOYLE. Thank you.

The Chair now recognizes the gentleman from Iowa, Mr. Loeb sack.

Mr. LOEBSACK. Thank you, Mr. Chair. And I do thank the chair and the ranking member for having this hearing today and I want to thank all of you for being here as well. It has been pretty enlightening. I think it is an important hearing. I am happy to hear that there has been a lot of focus on rural areas. Both sides of the aisle, we represent, many of us on this committee represent significant rural areas.

So I am going to get right to my first question.

Ms. Bennet, your testimony you state that T-Mobile has, and I quote, "determined that it is better for its business to do without any coverage in rural areas," unquote. As a representative of a rural district—not as big as some of them but nonetheless pretty darn big, 12 to 13,000 square miles, 24 counties—where coverage can often be dismal or nonexistent, I get around my district all the time. I experience this whenever I am back. I find that particular assertion very worrying, as you might imagine. Can you clarify a little bit more on that point?

Ms. BENNET. Certainly and I appreciate the question. Our members who have built out the rural networks in their rural areas and it is not everywhere, to be clear it is only in the areas that they serve.

Mr. LOEBSACK. And you did mention Iowa in your testimony?

Ms. BENNET. Yes, yes. And what has happened is in negotiations with T-Mobile, T-Mobile elects not to—they lack-restrict. It is a technology that you can put in place so that their customers don't have access to those rural carriers' networks. So they have roaming agreements because under the FCC's rules they have to let the rural carriers' customers roam on their network but not the reciprocal. So that they choose not to do that and that is because they probably don't want to pay the roaming charges to the rural carriers.

Mr. LOEBSACK. Well, if T-Mobile and Sprint are combining services can T-Mobile make a structural commitment to use Sprint's rural carrier service model?

Ms. BENNET. Those are very hard to enforce after the fact. And to go back to the favorable agreements that we have with Sprint, right now those are expiring and we haven't been able to get any certainty from Sprint about whether those would continue regardless of whether the merger goes through. They just have been silent. They have gone silent on us and have told us that we have to wait until the merger is done—

Mr. LOEBSACK. OK.

Ms. BENNET [continuing]. Or not done.

Mr. LOEBSACK. Thank you.

My second question is for Mr. Shelton. CWA recently released a report on the impact in Iowa from T-Mobile's acquisition of iWireless which has been mentioned. One of the things that stuck out to me from this report was a dramatic decrease of T-Mobile's retail footprint in Iowa. Can you expand a little further regarding T-Mobile's acquisition of iWireless and how that reduced access in rural parts of my State and district?

Mr. SHELTON. Yes. When they bought the company in Iowa they closed down 90 percent of the stores. And now for a consumer in Iowa, in a rural place in Iowa, they have to drive 68 to a hundred miles to get to the nearest T-Mobile store in Iowa. And if you look at the company's plans, their own plans say that 46 million rural customers will not be served by their 5G network. So that does not bode well for Iowa.

And, actually, I know it is kind of difficult in this political environment to demonstrate fairness, but I am going to do it in this case, Mr. Legere. I am going to give you an opportunity to respond and make your case, because to be frank, Ms. Bennet's and Mr. Shelton's remarks leave me very concerned about the potential negative outcomes in Iowa. I know there are at least two sides to every story, so I want to give you a chance to respond to them. And in particular will T-Mobile make structural commitments to rural constituents in my State who may stand to lose jobs, coverage, or retail services?

Mr. LEGERE. Yes, sir. Thank you very much. And the facts associated with what is happening with Iowa Wireless I would be glad to submit after the hearing as well. But let's just be clear. There are a hundred more employees than there were a year ago in Iowa. There are 35 MetroPCS, Metro by T-Mobile stores equaling the number of what the stores were there before. And Iowa Wireless was a failing company stuck in 2G and 3G and we came in and

provided the investment. We spent \$70 million so far upgrading to the 4G and now moving to 5G network.

Mr. LOEBSACK. I am kind of running out of time here. I want you to address the structural agreement issue going forward.

Mr. LEGERE. I would be glad to look at ways to make that commitment. And I would point out that part of our plan is to cover 96 percent of the 62 million people in rural America with LTE coverage and 84 percent of all of rural America with greater than 25 megabits of in-home broadband.

Mr. LOEBSACK. And a group of politicians here, we make promises quite a lot. I would like this to be in writing. That is what I would like it to be. I would like to see you make that commitment, that structural commitment.

Mr. LEGERE. Yes, sir. It will be in my business plan as well.

Mr. LOEBSACK. To make sure we have that access here in Iowa. Thank you very much, Mr. Legere.

And I have 10 seconds left. I am going to yield back my time, Mr. Chair.

Mr. DOYLE. Thank you.

I now recognize my good friend from Ohio, Mr. Johnson, for 5 minutes.

Mr. JOHNSON. Well, thank you, Mr. Chairman. And I appreciate the panel being with us today.

Mr. Legere, historically, Sprint has been an effective partner with rural wireless providers—say that fast—allowing their customers to access Sprint's voice and data network when roaming. I represent a very, very rural district in Appalachia. Ms. Bennet has testified that T-Mobile has been unwilling to partner with rural providers or otherwise serve rural America.

Can you share what services the New T-Mobile intends to provide in rural America and if there are any plans to partner with rural providers? I know we have alluded to some of this already, but if you could do it for me I would appreciate it.

Mr. LEGERE. Yes, sir. Thank you very much for the question. I have two things I would like to point out. One is, historically, T-Mobile has not had the wherewithal to provide full capabilities in rural America. We were a very densely urban company with no low band spectrum that covered rural America and we only recently have that. New T-Mobile will have significantly more ability to do that.

Secondly, Sprint is not going away. This is a merger between T-Mobile and Sprint and all of the good of Sprint will be part of the integrated T-Mobile and we plan to carry those forward. And I believe that in addition to providing broader services to rural customers, better LTE coverage, in-home broadband, I believe that we have a great ability to be a partner with rural carriers. We need their help with last-mile access with capabilities and I think we can provide them with a pathway to 5G. So I think it is the best partnership for both rural customers and rural carriers.

Mr. JOHNSON. All right. Well, thank you for that. So specifically then, will the New T-Mobile continue to make wholesale agreements available that are in line with those currently made by Sprint or T-Mobile?

Mr. LEGERE. Yes, sir. And all wholesale agreements are currently contractual. We will honor those. I believe with the supply and capacity that the New T-Mobile will have that wholesale rates are only going to get better. In fact, carriers that have agreements with both Sprint and T-Mobile will be able to choose the better of those and the alternative that suits them as well.

Mr. JOHNSON. OK. Well, thank you.

Mr. Brake, Ms. Bennet's testimony indicates that the New T-Mobile would have zero incentive, quote, zero incentive to provide commercially reasonable roaming rates, terms, and conditions to RWA members. Although, aren't there rules at the FCC in place to ensure that carriers do just that and if they do not there are enforcement mechanisms that the FCC can take?

Mr. BRAKE. That is right. Thank you for the question. So the rural coverage is a multifaceted issue. This roaming issue is a narrow component of it. And I just want to be very clear about the sort of dynamic here, right. The members of the Rural Wireless Association enjoyed favorable negotiations with Sprint mainly because they had a very small network focused on cities and did not have the rural coverage. And so, and I don't mean to disparage the members, right. There is nothing more American than trying to, you know, serve your community with wireless services.

But this is a wildly inefficient system to have a bunch of small rural operators trying to negotiate with a small limited coverage nationwide carrier is not an efficient way to do things. We should have companies operating at scale, building out coverage into rural areas as best they can. It is better to do that at scale than to hamstring providers to have individual small companies in each pocket of rural America.

Mr. JOHNSON. All right. Well, thank you.

Ms. BENNET. I am sorry. I just have to interject here if I could have permission.

Mr. JOHNSON. No. I have got to move on because I am limited on my time.

Mr. Legere indicated in his testimony, in 2012 CWA claimed that the T-Mobile MetroPCS merger would destroy 10,000 jobs when that merger actually generated 12,000 new jobs following the transaction. So, Mr. Shelton, why should we believe CWA's claims that the current merger will result in 30,000 job losses, which incidentally exceeds Sprint's entire employee head count?

Mr. SHELTON. Well, in the first instance, we were concerned about call centers jobs because T-Mobile had just shut down seven U.S. call centers in the U.S. laying off 3,300 people and sending the work to the Philippines. MetroPCS outsourced its entire call center operation. If T-Mobile adopted MetroPCS' outsourcing model, then 10,000 T-Mobile call center workers' jobs were at risk at the time.

Mr. JOHNSON. OK, my time has expired. So let me ask Mr. Legere real quick if the chairman will indulge, do you want to respond to that as well?

Mr. LEGERE. Yes, I think what my colleague was attempting to explain is why his estimates were wrong and it didn't take place. I would also just like to submit that the CWA predicted that the AT&T/T-Mobile transaction that was disapproved would add 96,000

jobs. So I know what my business plan is and I am very clear jobs will be created.

Mr. DOYLE. The gentleman's time is expired.

The Chair now recognizes the gentleman from Virginia, Mr. McEachin.

Mr. MCEACHIN. Thank you, Mr. Chairman. And thank you for holding this hearing to help us better understand these very complex issues. As for me, I am particularly interested in how the T-Mobile/Sprint merger will affect market for low-income consumers with poor credit. The services you provide are absolutely essential in the vulnerable communities and that with reduced access this merger will have profoundly harmful effects. That is why I would like to talk about what this merger would mean for the prepaid market.

Now Mr. Berenbroick—did I say that right?

Mr. BERENBROICK. Close enough, sir.

Mr. MCEACHIN. Thank you. In your testimony you discuss the effects of this merger on these customers, that is again the prepaid mobile market. Can you expand on probably what this merger means for this customer base in terms of choice and price?

Mr. BERENBROICK. Yes, sir. And that is an important question. The prepaid market is, you know, right now it has about 97 million subscribers. I think that was the number at the end of 2017. And, you know, those nearly a hundred million people are more likely to be people who are low income, people who mobile is their only connection. They might not have a fixed broadband connection at home because it is too expensive. They are more likely to be young people or persons of color who maybe have bad credit or no credit.

This market drastically consolidates that marketplace. The HHI numbers that we talked about with the antitrust review are even higher for the prepaid marketplace, which means that the combined Sprint and T-Mobile in a duopoly market where only AT&T is there, is going to have the power and the incentives to raise prices on those consumers, consumers who, frankly, are reliant on that mobile connection and have nowhere else to go.

Mr. MCEACHIN. Now, Mr. Legere, you have suggested that the prepaid market would benefit from the merger and even made commitments to the FCC not to raise rates for these plans for 3 years. And we have already heard arguments that the spirit of those commitments may not really bind you in practice. I assume you are making this commitment in good faith, but business plans change. How can we be sure prices will not increase especially for low-income Americans? For instance, could consumers take you to court?

Mr. LEGERE. Thank you very much, sir. This whole topic is one that is extremely important. And what I have attempted to do and what T-Mobile has been successful in doing is blurring the lines between what is called postpaid and prepaid, such that it is almost a payment term. You pay on the first of the month or the last of the month, so that prepaid customers are not getting lesser capabilities or quality or data than previously.

We are very proud that we are a large provider second behind billionaire-backed TracFone in serving the prepaid market and that is very important to us. And our track record is that our prepaid customers over the last 5 years have had a four percent decline in

price, a 12 times increase in data, and I have implemented plans, by the way, to allow prepaid customers to create their own credit by their payment history with T-Mobile as opposed to their other forces and use that as a way if they choose to move to postpaid. And I have a migration of about 150,000 customers a quarter going from prepaid to postpaid very proudly and that will continue.

Mr. MCEACHIN. Mr. Berenbroick, I would like to give you the last word with my remaining time. Can you speak to Mr. Legere's comments that he just made?

Mr. BERENBROICK. Yes. I guess I just—I didn't know if there was a commitment there or a promise. But, you know, I think what the committee and I think what the Department of Justice and FCC should be looking at with this marketplace is are prices likely to go up? Does the combined firm and the other players left in the prepaid market have the power and have the incentives to raise prices?

And when you constrict this marketplace down to two facilities-based providers, New T-Mobile and AT&T, that is clear and evident. A duopoly market will result in higher prices for the people in the prepaid market who can least afford to pay those higher prices.

Mr. LEGERE. Sir, could I just emphasize the last word. I want to be very clear in any which way you would like to ask the question, prices will go down. Unit cost prices will go down. Absolute prices will go down. And the pricing commitment that I asserted on February 4th, I believe was the date, was not in response to a negative review process. It was an attempt to add another layer in addition to my business plan that says if you are concerned whether there was any trickery let me be clear, the rate plans will stay in place and customers that pay X today will not pay more. And that was a very clear attempt that I made.

Mr. MCEACHIN. Mr. Chairman, thank you. I yield back.

Mr. DOYLE. Thank you.

The Chair now recognizes the gentleman from Missouri, Mr. Long.

Mr. LONG. Thank you, Mr. Chairman.

And, Mr. Legere, in my district T-Mobile has a call center that employs nearly 1,000 employees. Since it opened in 2006, it has shown continuous improvement in employee retention and performance. And in 2006 and 2007 it was ranked number one by 417 Magazine as the best place to work in Springfield, Missouri, my hometown.

Can you talk about the New T-Mobile commitment of at least 600 new retail stores, five new customer experience centers, and 11,000 new employees on the ground in rural areas, small towns, communities that need them most? What affect will this merger have on jobs in my district?

Mr. LEGERE. Thank you, sir. I am very proud of the fact that a core component of the uncarrier and T-Mobile was even changing the definition of what is a call center, away from IVRs and robotic responses and taking and empowering those people like in Springfield, Missouri to own, personally, customers, called team of experts. And what I am doing with the merger is I am creating five

new, gigantic centers to deploy call of centers, a team of experts across what is going to happen with Sprint.

So there will be five major centers with 5,600 new employees. The existing centers will expand by 2,000 employees, meaning just in that area 7,600 jobs. Of the increase in jobs at T-Mobile, rural America will disproportionately benefit. There will be 600 new retail stores, 5,000 jobs. About 11,800 of the people that will do the integration and network deployment will be heavily in rural America and so there will be 5,000 retail jobs, over 7,600 customer care jobs, and thousands of jobs on network integration heavily all in rural America.

Mr. LONG. Thank you.

And, Mr. Claire, should we be concerned that these two companies once merged would hold a significant share of the prepaid market?

Mr. CLAIRE. Even after the companies are combined, market share will only be 38 percent and the biggest beneficiaries will be those prepaid customers that are going to have the same access today to the great network that we are going to go build. So we believe we have been very clear that everybody is going to benefit from this merger whether you are a prepaid, whether you are a postpaid. Sprint has a long history of serving all prepaid customers all the way down to Lifeline to our different brands that we have, Boost and Virgin. And we have decided that we are basically going to keep all the brands, so therefore want to continue to up the ante in the prepaid ecosystem.

Mr. LONG. OK, thank you.

Ms. Bennet, if you came down to Branson, Missouri and you went to the corner of Commercial Street and Main and on each corner there were different folks with carts selling Gala apples, apple company 1, 2, 3, and 4, selling edible apples, and one of those companies got to talking to the other one on a smoke break and said, hey, you know, we could combine and we could, you know, figure out how to grow more apples at less money, save on trucking expenses, bring them to the market at a smaller fee, do you think combining those two companies would affect the price of apples on that corner?

Can you turn your mike on there, please, and turn it up a little bit?

Ms. BENNET. Since we are talking apples I don't think that that would have an effect on the market because they are all the same.

Mr. LONG. OK. And—

Ms. BENNET. But the difference here is we are talking wireless and we are talking about wireless in rural America where both of these companies have had over 20 years to build out to rural America and Sprint tries a path of working with carriers. Mr. Brake over here just said, oh, that is a bad path to choose. Let's just eliminate all the rural carriers. There is your nail on the head on the antitrust concerns about here.

These two companies have worked to—if they are combined together we are going to have the New T-Mobile with Mr. Legere sitting at the head who has not made one iota to build out to rural America. I don't even know if Mr. Legere has been to rural America. But it is a very hard row to hoe as you know with your rural

constituents. It is a lot of work. It is a lot of money. It is a lot of fiber.

Mr. LONG. The four companies that are competing together regardless of the product that they are selling, if one of those combined with the other do you think that prices for their product would necessarily go up?

Ms. BENNET. If we are talking apples and they are all the same—

Mr. LONG. No, I didn't say we are talking apples.

Ms. BENNET. Your example was apples. Yes, I think the prices—

Mr. LONG. I moved on. I said we are talking about selling the same product.

Ms. BENNET [continuing]. Are going to go up because I think they are motivated to put other companies out of business, other small companies. And that is just what I heard Mr. Brake said.

Mr. LONG. You think prices would go up then if the two of them combined?

Ms. BENNET. I think prices will go up, yes.

Mr. LONG. OK. Now what if one of those companies just said this deal of selling whatever that service or product is, it is of equal value, maybe not apples but whatever that is, what if they said this is not as much fun as it used to be, you know, the competition has knocked us out, we are not making the profits, you know, for a shareholder, we are going to go out of business?

Ms. BENNET. I think there is a lot of that—

Mr. LONG. If they went away do you think that—let me finish my question, if you would. Do you think that that would also increase prices or would that lower prices if one of those three merchants went away? Four merchants, I am sorry.

Ms. BENNET. I think that others will step in and sell the apples.

Mr. LONG. OK, my time has expired. I yield back. Thank you.

Mr. DOYLE. Thank you.

The Chair now recognizes the gentleman from Florida, Mr. Soto.

Mr. SOTO. Thank you, Mr. Chairman.

I think we all understand this is a complex decision which is why I thank all of you for being here today. We are dealing with various interests like workers and consumers, advancing technology like 5G and broadband, rates and competition, and I think, overall, my broadest concern is will this merger create a synergy? Will the ultimate proposed company be greater than the sum of its parts or will it not?

Mr. Legere, first, you know, your company has a reputation of being a disrupter and that is a good thing, but it also draws concerns about whether that would continue obviously. We applaud your promise to have no rate increases for 3 years and have each worker have an opportunity to work somewhere else in the company. Would you also agree to have that as a condition of approval of the merger by the Federal Government?

Mr. LEGERE. Could you repeat the commitment, sir?

Mr. SOTO. There were commitments that there would be no job losses and that rates wouldn't go up for 3 years. And I was wondering if you all would be in agreement with that being a condition of approval of the merger.

Mr. LEGERE. Thank you very much, sir. All of my submissions of 24 million pages of documentation to the DOJ as well as all the work with the FCC makes it very clear that I am committing to prices declining and jobs increasing and I will make those commitments in any fashion that is necessary.

If I could real quickly point out that I spend a significant time in my life in rural America as all of my employees around the country would point out.

Mr. SOTO. Thank you, Mr. Legere. I am sorry. My time is limited. But I appreciate that.

Mr. CLAURE, would you also agree to these promises as a condition of approval of a merger by the Federal Government?

Mr. CLAURE. Mr. Legere is going to be the CEO running the company, but what I can tell you is before agreeing to merger companies we have had lengthy discussion in terms of how important it is going to be to increase the number of jobs and to bring prices down. If we tried to keep this extremely factually, we are going to increase our capacity by eight times. There is no other way to do it, bringing your customers down to lowering prices.

Mr. SOTO. Thank you, Mr. Claure. So I accept those as both yeses then. Thank you for that.

And, Mr. Shelton, can you go into what the current wages right now are at both Sprint and at T-Mobile versus other carriers and what your opinion is as far as how the merger would affect those wages?

Mr. SHELTON. Since we don't represent either Sprint or T-Mobile, I don't exactly know what the wages are in either of those companies. But I do know that when you decrease competition for labor, wage rates are going down no matter what you do. And the other problem that this merger would create is that by the companies' own admission there is \$43 billion in synergies here. And to me synergies is a word that has a synonym called job cuts. And if there is \$43 billion in job cuts, you know, you are going to decrease competition for labor, or increase competition for labor and therefore wages are going down. And they are not only going down in T-Mobile and Sprint, but they are going down in every wireless carrier in the country.

Mr. SOTO. Thank you.

Mr. LEGERE. Sir, could I provide some facts to this discussion?

Mr. SOTO. I assume that you disagree with that. I have some other—

Mr. LEGERE. That was a significant absence of facts. I can tell you that the average wages of a retail employee at T-Mobile are approximately \$50,000 a year. A customer care person makes about \$46,000 a year. Every single employee receives stock grants every year as well.

Mr. SOTO. Thank you, Mr. Legere. Thank you for that. And that is important to get—

Mr. LEGERE. And synergies are not in jobs.

Mr. SOTO. Thank you for getting that on the record too.

I want to end with Mr. Berenbroick. There is a public interest analysis that is done by the FCC. Obviously we are here in oversight of the FCC. Do you have any opinions on how this would

score and any predictions on the FCC's review of this potential merger?

Mr. BERENBROICK. Sure. And thank you for the question. So as you know the FCC's analysis is different from the Department of Justice's. They both look at competition harms, harms to consumers, antitrust type issues. The FCC also looks at issues like, you know, will Americans continue to have access to—

Mr. SOTO. Just if we could get to it, how do you think it will score? What is your prediction?

Mr. BERENBROICK. I think this merger has many of the same harmful characteristics, if not more, as the rejected AT&T/T-Mobile merger in 2011.

Mr. SOTO. OK. Well, thank you all for your opinions.

Mr. DOYLE. Thank you. The gentleman's time has expired. The Chair now recognizes the gentleman from Texas, Mr. Flores.

Mr. FLORES. Thank you, Mr. Chairman. And I appreciate the panel for joining us for today's hearing.

Mr. Legere, would you repeat the comments you made about the use of Huawei and ZTE technology in your opening statements, for the record?

Mr. LEGERE. Yes, sir. There is no Huawei or ZTE equipment in the network of T-Mobile. There will not be any. We will not be using any. In fact, we have had a litigious relationship with them and we are, frankly, very supportive of the United State Government's increased action against them.

Mr. FLORES. Glad to hear that. I spent 30 years of my life in business before I did this and 20 years of that was as a C-level person in companies and a big part of my portfolio had to do with M&A. And I had to look at every transaction as if there were only two outcomes because that is really the truth, either you are going to merge or you are not. The acquisition is going to happen or it is not.

So we have had a lot of comments from the panel today about what happens if we do this, both some good, some bad. What happens if it doesn't happen? So, Mr. Legere, if you would, spend about a minute to talk about the impact on T-Mobile's customers and employees and stakeholders if the merger doesn't happen.

Mr. Claire, we are going to go to you next.

And, Mr. Brake, we are going to ask you about the wireless ecosystem at large if the merger doesn't happen.

Mr. LEGERE. Yes, thank you. And I will try to be brief and pass to Mr. Claire. I will not be able to and the United States will not be able to enable its promise on building a world-leading 5G network. What we will create and Sprint will create along with AT&T and Verizon will be inferior to what is being created in China and in South Korea. That will lead to loss of jobs and economic impact in the country. I will not have the supply or the capacity to continue to supercharge the uncarrier. I will be able to move forward, but not in the same fashion creating competition. I will have limited if no ability to expand into the in-home broadband and provide Comcast and Charter the competition that they need.

Mr. FLORES. OK.

Mr. Claire, could you talk about Sprint's, if the merger fails, the impact on Sprint's customers, employees, and stakeholders.

Mr. CLAURE. Thank you. What I think that is important to reiterate is today we live in a duopoly. And you were a businessman and you know that if the duopoly, AT&T and Verizon, control over 93 percent of the cash flow that is generated it is impossible to compete. It is impossible to invest. So Sprint ain't going away, but what Sprint is going to be is going to be a very different type of company. It is going to be one that we can only invest in the traditional urban and suburban and we will bring a limited 5G.

Unfortunately, as you know Sprint doesn't generate any cash flow. And if we have got to build this network on our own we need to spend between 20 to 25 billion dollars. We are going to have to go to the banks, we are going to have to go to the bond markets, and we are going to have to borrow that money. In order for us to pay back the investment in 5G, unfortunately, Sprint is no longer going to be able to be the price leader. Prices will go up.

And I am going to reiterate one thing that we don't talk enough, 93 percent of the cash flow in this industry is being generated by AT&T and Verizon. That is exactly what as close to a monopoly or duopoly is in this country.

Mr. FLORES. OK, thank you, Mr. Claire.

Mr. Brake, if the merger fails what is the impact on the wireless ecosystem writ large?

Mr. BRAKE. Sure. Of course there will be a number of different impacts. But to my mind one of the most important impacts is you will see a much slower, more gradual transition to a 5G network. One of the main reasons for this merger is the synergistic spectrum that both T-Mobile and Sprint would combine. The low band spectrum and the mid band spectrum bring together coverage as well as capacity. Sprint with the limited cash flow is unlikely to be able to deploy, you know, a 5G network at the scale that would be needed to get the coverage out of the mid band spectrum. There is limited propagation.

And the FCC is trying to bring mid band spectrum available to market that T-Mobile may have the resources to acquire, but that would be years down the road and would take a much longer process. I could talk for a while about the benefits of 5G and why that is so important. It is anticipated to be a very flexible, adaptable network, right, that isn't just about phones. It is about integrating with business and the broader economy writ large.

So it is, I think, a strong national interest to make an accelerated transition to 5G. This combination is the most obvious, fastest way to get a good combination spectrum to see a really robust 5G network.

Mr. FLORES. Thank you for your responses.

Mr. Chairman, I am going to give you back 15 seconds.

Mr. DOYLE. I thank the gentleman.

The Chair now recognizes my good friend from California, Ms. Eshoo, for 5 minutes.

Ms. ESHOO. Thank you, Mr. Chairman. And I apologize to all of the witnesses for not being able to hear all of your testimony. But I did review it. We have another very important subcommittee that is meeting upstairs, and I chair that and that is the reason I wasn't here. But I am now. I want to use my time not to ask ques-

tions but to make a statement. And again thank you for appearing, all of you, and for the testimony that you have submitted.

I have had the opportunity to meet with various stakeholders of speaking to them and listening to them both pro and con about this merger. I have given a lot of thought to it. And as I said, I want to use this time to state my position. Since I first joined this subcommittee in 1995, only 5 minutes ago, my work has been guided by two overarching priorities: to create and maintain healthy competition in our country and to protect consumers.

Capitalism doesn't work without competition, and when markets don't work consumers are the first to lose. Competition is the lifeblood of our economy. It stimulates innovation, something that my district produces a great deal of, and it benefits consumers with more choices, lower prices, and better service.

Today, the top two wireless carriers in America control approximately two thirds of the market. They had roughly the same market share 5 years ago, 10 years ago, and 15 years ago. So this is hardly a competitive, dynamic market that we have. For all intents and purposes we have a duopoly in the country. Americans pay some of the highest prices for mobile wireless service in the developed world. They have fewer choices when it comes to providers, and the quality of service particularly in rural America leaves a great deal to be desired.

Both Sprint and T-Mobile challenged AT&T and Verizon in recent years and they have fought tooth and nail to gain market share while adopting proconsumer policies that have forced real change in the industry. I heard the chairman's opening statement, and he detailed that I think very well. I admire and respect what they have been able to do, but both companies are missing a crucial ingredient to become heavyweight competitors in the market.

T-Mobile has a strong track record as an aggressive competitor. That I think we can all stipulate to. But the company lacks critical midband spectrum to provide the network capacity it needs to compete more aggressively with the top two. And that is where Sprint come in. Spectrum is gold, and Sprint has it. But Sprint has something else. They have a \$40 billion debt that they are carrying and they can't make the kind of investments that are necessary to build out a network and compete with the top two carriers. Sprint's debt, I think, is unsustainable and I think it is difficult to stay afloat while carrying it. It really holds one back to say the least.

Now imagine if they go out of business, if they go bankrupt. This outcome would clearly, I think, be worse for the market for employees, for consumers, and I can just picture the Chairman of the FCC allowing the spectrum to go to the duopoly, so that is not a pretty picture either. I think it is something that we all need to consider.

Some have argued that consolidating the current market from four carriers to three will increase prices and harm consumers. I think this argument assumes that the new company will not compete to lure new customers away from its competitors. It just doesn't make sense. In reality, I think the merger will increase the new company's network capacity eightfold. New T-Mobile will have the resources and the capacity to grow its subscriber base and to do so it will need to aggressively compete. They are not going to

sit—why would someone buy and then sit on their oars and not try to attract new customers?

So, some have raised concerns that the merger will harm low-income consumers. The companies have sworn under oath and made commitments to continue participating in the Lifeline program that I have fought so hard for and will keep prices low in the prepaid market.

So I have more in my statement, Mr. Chairman, but I think each call center, all call centers are going to be coming back to the United States and new call centers are being added. That means more jobs. I know that one of the biggest rubs for my side of the aisle is that T-Mobile is not union. My personal preference is I wish they were, but they are not. But I think that competition and the protection of consumers is front and center in this and that is why I support the merger.

I thank the chairman for his patience with my overuse of my time. Thank you.

Mr. DOYLE. As usual. I thank my friend.

Ms. ESHOO. As much in as I can.

Mr. DOYLE. The Chair now yields to Mrs. Brooks.

Mrs. BROOKS. Thank you, Mr. Chairman. And thank you for holding this important hearing. I along with my colleague who could not be here today for obvious reasons, Debbie Dingell—and I just want to extend my sorrow to her and to her State and district and to those who served with Chairman Dingell—we formed a 5G Caucus last Congress. And Congresswoman Dingell and I have certainly been educated and believe that there needs to be significant education in the country about the importance of 5G.

And continuing to build on Congresswoman Eshoo's comments about the importance of competition, I got the sense, Mr. Brake, and would like because you were supporting this merger, but before I ask you about 5G, because I think you wanted to talk more about the importance of 5G, I would like to—I ask unanimous consent to enter into the record a letter dated September 17 of 2018 from the Indiana Chamber of Commerce. The vice president of environment and energy policy, Greg Ellis, Indiana Chamber of Commerce, submitted to the FCC a letter of support for this merger.

I will say that Indiana, specifically Indianapolis and Central Indiana, is the first site in the country to have the build-out by AT&T and Verizon of 5G. So we are the only community in the country where that is happening right now, and I find it interesting and ask unanimous consent to submit this letter to the record that our Chamber of Commerce is asking for more competition and they are asking that the FCC adopt the merger and approve of the merger for the New T-Mobile.

Mr. Chairman?

Mr. DOYLE. Without objection, so ordered.

[The information appears at the conclusion of the hearing.]

Mrs. BROOKS. Thank you.

Mr. Brake, on behalf of the Information Technology and Innovation Foundation, can you please talk with us about the importance of 5G? We need to do a better job educating everybody about 5G and the importance of how 5G, when we have rural communities still at 2G, 3G, 4G, we know there is a growing digital divide and

how important it is that we catch up with Japan, with Korea, with other parts of the globe that are right now beating us in 5G. Can you very briefly talk about the importance of 5G?

Mr. BRAKE. Right. Thank you very much, Mrs. Brooks, for the question. And thank you so much for your leadership with the 5G Caucus. We at ITIF are in strong agreement it is an incredibly important issue. So a lot to unpack with 5G, I will try to be as brief as possible. 5G in its sort of most capacious sense, right, the broadest sense of 5G is best understood simply by the specification, the technology defined by a standard-setting body, international standard-setting body called 3GPP.

This new radio standard unlocks a number of different capabilities, but its sort of defining hallmark is its flexibility, its adaptability, right. As I mentioned in my opening statement, this isn't just about faster downloads and more responsive interaction with your phone, though it is that and that is important. It brings real consumer benefit.

But there are a number of ways in which the technology can be, can adapt itself, for example, can radically simplify communications for IoT devices. So if something only needs to wake up, you know, once a day to send a little, you know, a few packets of information about the humidity on a farm or, you know, a water main leak or something like that, it can do so while maintaining extremely long battery life on the, you know, measured in the terms of years rather than days.

So all this is to say that 5G poses a unique opportunity to see a much greater innovation of wireless services with the broader economy and has the opportunity to greatly increase productivity overall for businesses throughout America. That is why we want to see a quick transition to 5G in a way that is both broad and deep, right, and that is where the specific spectrum combination at play here comes in.

Mrs. BROOKS. This is going to be revolutionary, the possibilities of what 5G will bring.

And so, Mr. Legere, I think the concern that you have heard about is how will this new network, how will the New T-Mobile, you know, help these untapped markets, these underserved areas, the rural areas? I represent both urban, suburban, and rural areas. How can we make it ensure that you are going to get there and that it is going to be more cost effective?

Mr. LEGERE. Yes, thank you for this extremely important topic. And very importantly, one of the reasons the Nation is lagging in 5G deployment is that Verizon and AT&T have been stuck in providing millimeter wave in very small geographic areas. And for the promise of 5G to be true, we need all spectrum bands across all of the Nation. Think about something like autonomous driving, something where a 10 millisecond delay is attained by the 5G networks and you are actually going to have autonomous driving cars. How would that work if it was only in one small geographic area?

T-Mobile and Sprint together are going to be the only full broad and deep 5G capability that is nationwide and that will spur AT&T and Verizon to broaden their views as well.

Mrs. BROOKS. Thank you.

My time is up. I yield back.

Mr. DOYLE. The Chair now recognizes the gentlewoman from California, Ms. Matsui.

Ms. MATSUI. Thank you, Mr. Chairman. And I also apologize for not being here to hear your testimony because I was also on the Health Subcommittee hearing also.

But I am curious. This is a very important topic and it is very important for the future of our country. Now I understand that Sprint is in the process of deploying massive MIMO radios to utilize its 2.5 gigahertz spectrum and complete the first 5G data transmission on a MIMO radio earlier this year. I realize it is technical, but I am leading to something here. As you know, band 41 was included in 3GPP's 5G new radio specification in late 2017. Of course, the benefits of these radios are that they enable both LTE and 5G transmission simultaneously and are software upgraded to the full 5G. This appears to offer a particularly promising path in the effort to deploy 5G.

Mr. CLAUDE, with Sprint already deploying this radio technology, is it necessary for the company to combine to deliver its next generation offering?

Mr. CLAUDE. Yes, thank you for your question. The important part when you build a 5G network is you want to be able to combine capacity, which is what Sprint has through massive MIMO and others, with coverage, which is what Sprint lacks. It will be no good for Sprint to offer just 5G in some specific neighborhood or some specific cities. What this is going to allow us to do when we merge with T-Mobile is we are going to be able to have the ultra-capacity that you have mentioned combined with T-Mobile's 600 megahertz spectrum that will give us the coverage.

So it is necessary in order for the U.S. to lead in 5G which is quite necessary for our country, the combination of our two companies, it is the only way that we are going to be able to build a 5G network that basically has capacity all over the U.S.

Ms. MATSUI. So what I get from that is that you are definitely going to, Mr. Legere, adopt this deployment strategy and the New T-Mobile will leverage these assets in a way that Sprint has not by the combination; is that correct?

Mr. LEGERE. Yes. Very importantly, and thank you for introducing 4x4 MIMO and carrier aggregation and 256-QAM which are the main characteristics of what AT&T is now falsely calling 5GE. We will put that in. One of the big issues with deploying a nationwide broad and deep network is the amount of sites and between T-Mobile and Sprint we have an inadequate set of network macro nodes.

The biggest improvement here is together we have 110,000 macro nodes. We will be able to pick 75,000 of them, build 10,000 more, and the decommissioning of 35,000 of those sites is actually going to provide the significant amount of this synergy. When you take that many sites and you get that extra spectrum per site and the spectral efficiency of 5G that is the magic that unloads, you know, the real promise of 5G.

Ms. MATSUI. Now Sprint acquired Nextel Communications in 2005, bringing with it a considerable amount of band 41 spectrum leases and significant groundwork put into IP-based mobile broadband technologies. And with Sprint's Clearwire acquisition,

the mobile broadband technology selected by both companies to leverage the spectrum assets for 4G was WiMax. However, Sprint began deploying LTE technology on its network in 2011 and the leap from third to fourth generation of mobile internet that WiMax was supposed to offer by utilizing Sprint's 2.5 gigahertz spectrum assets was not fully realized.

Mr. Claure and Mr. Legere, what lessons do you see as being learned from this effort and how do those lessons inform your companies' 5G strategies?

Mr. CLAURE. Thank you for the question. I think Sprint chose the wrong technology. WiMax was not the right technology. And what makes this merger unique is we are both choosing the exact same technology for 5G. And basically your complementary spectrum assets is what is going to allow us to go ahead and build the fastest—and we made both statements. I believe that we have a chance to build the world's best 5G network, as simple as combining the two spectrums that we have.

Mr. LEGERE. Congresswoman, if I could just add, with all the great work that T-Mobile has done I think it points out that when these generational shifts take place in wireless, whether it was 3G to 4G, 4G to 5G, with all the great work we have done a big enabler of our ability to deploy 5G happened to be the spectrum and the cash that came to T-Mobile from the failed AT&T merger as well as the acquisition of MetroPCS and the utilization of their capabilities. So it does take the kind of things that we are able to do in this merger to provide that complementary spectrum as well as the financing and the assets that we don't individually have.

Ms. MATSUI. OK, thank you.

And I ran out of time, I yield back.

Mr. DOYLE. I thank the gentle lady.

OK, let's see. Who is left over there? Mr. Walberg, you are up for 5 minutes.

Mr. WALBERG. I am looking around and I don't see anybody else, so it is a pretty good pick here. Thank you, Mr. Chairman. And thanks to the witnesses for being here.

Representing plenty of rural area in my district, this is an important hearing for me especially as a new Member to get up to speed, maybe at 1G or 2G, let alone 5G. But it is incredibly important to my rural district areas that we not be left behind as carriers move to 5G, but also probably more importantly that we get reliable wireless service to begin with, in the process.

So, Mr. Legere, you have talked a lot about the jobs that might result if your transaction were to be approved both in your announcements of the new retail stores in rural parts of the country where you hope to expand service, but also to the new customer experience centers. But taking a step back, as you would build out your new network, can you talk a bit more about the cascade of high-skilled jobs that may result, whether it is tower crews erecting new macro cell sites or other industries like agriculture and manufacturing that might be fueled by a better connectivity?

Mr. LEGERE. Yes. Thank you very much, sir, for the question. I would point out that the rural America has been left behind already. It is that divide that we need to cure. I am very proud of the fact that in the recent broadcast spectrum auction one of the

first times that low-bid spectrum was made available T-Mobile showed up and won the majority of the spectrum and has been deploying 600 and 700 megahertz now to 301 million people in the United States. So we are bridging that basic divide already.

Very importantly, CTIA has shown that the advent of 5G will mean three million jobs in the United States, \$275 billion worth of investment and half a trillion of economic benefits. So whether they are jobs associated with the impact of utilization of new applications in 5G or the onslaught of the utilization, for example, in rural farming applications, et cetera, it is three million jobs that are at stake and with the deployment of 5G rural America will benefit the most.

Mr. WALBERG. That is important to understand because it is rural America that is catching up and too often left behind in the thought process that we don't need it. I am looking forward to the first time I have broadband to my house. Or cable. Or anything to my house. My agricultural industry is way beyond now what the capabilities they have available to them in many places.

Mr. CLAIRE and Mr. Legere, there has been a lot of discussion today about the spectrum bands that would help a New T-Mobile be competitive and able to better serve rural America. But Sprint also has a widespread network of wireless assets that would be just as critical for connecting the new network to the backbone and ensuring Michiganders can get wireless broadband access.

Can you talk about—both of you—about these wireline components, while maybe not as exciting as the flashy 5G, how will those position your company to expand wireless connectivity to enterprises, customers both small and large?

Mr. CLAIRE. So thank you for the question and many times we don't talk enough of wireline, and wireline has been the backbone for wireless networks. The plan would be us to continue to invest in our wireline network and to continue to be able to compete against Verizon and AT&T who are even more dominant players in that wireline. And we are going to be able to do that through a different efficiency that we are going to have in this merger.

Mr. LEGERE. Sir, I would just add, the enterprise business is controlled 90 percent by AT&T and Verizon. T-Mobile and Sprint have 5 and 4 percent market share. We are going to add 1,100 jobs into the enterprise space and we plan to double our market share in the enterprise business.

Second part of building out this network, it is a bit of a build-it-and-they-will-come, and the fiber deployment associated with the backhaul required to build our network has been advancing greatly and about 86 percent of our build-out has been covered by that. So those are also good opportunities as well.

Mr. WALBERG. Thank you.

Ms. Bennet, can you describe for me how you plan to compete with the New T-Mobile if the transaction were to be approved? What would happen to your prices and what would your subscribers' choices look like?

Ms. BENNET. Our members are again concerned. We have been working with T-Mobile for the—or a form of T-Mobile before Mr. Legere joined. Back when we were trying to do 3G we tried to work—they had a big meeting. They brought all the carriers in.

They said they were going to work with us. They were going to get us equipment discounts, all kinds of things to be a great rural partner. That never came to be. It was another promise they made to us that they broke. Again that was not on Mr. Legere's watch. It was prior to him. Since he has been on board we haven't seen them looking to work with us.

So the concern is if T-Mobile wants to come out and build out and overbuild any of these rural carriers then we are there to compete. But for every cell site we have seen T-Mobile put up in a rural market we have at least 10 times the number of cell sites. So we live and work in those areas.

And I am sorry that you don't have service in your area. I wish one of my rural carriers was serving out there. I am betting they don't, but if they did you would have a gigabit of service. You would have fiber. You would have fiber in the backhaul. You would have wireless. You would have 4G and you would have the promise of 5G coming. So we would do it if we were there. Unfortunately, we are not everywhere.

And I think what T-Mobile probably fails to recognize is it takes a lot of work to build out a rural wireless network. We build out to where maybe only eight people will work a cell site. I don't think they are going to do that. So.

Mr. WALBERG. Thanks for the extra time.

Mr. DOYLE. The gentleman's time has expired. The Chair now recognizes Mr. Schrader.

Mr. SCHRADER. Thank you, Mr. Chairman, a good hearing. I appreciate the hearing.

Mr. Shelton, it doesn't seem like you are a big fan of this potential merger going forward. And I guess I have a question. My understanding was that CWA was a big fan of the AT&T/T-Mobile merger which would have consolidated the marketplace much more than what we are talking about here. So why was CWA in favor of one and not this particular merger?

Mr. SHELTON. During that merger we had a written, binding commitment for jobs and a binding promise not to interfere with our organizing at the new company. And that is why we were—

Mr. SCHRADER. Oh. Well, I understand that. That was to protect the union workers. But, you know, one can argue the consumers might have been terribly disadvantaged with that degree of consolidation. I just put that out there. I appreciate the work you are doing though very, very much on behalf of working men and women.

I guess for Mr. Legere, you know, T-Mobile has been, especially since your tenure, been very disruptive—I mean that in a positive way—very innovative, you know, coming up with new ideas for the marketplace. You know, once you and Sprint, you know, merge together, you become one of the big three, you know, obviously there is not a lot of incentive to do that anymore. Can consumers expect to see less innovation from the New T-Mobile?

Mr. LEGERE. Yes. Thank you very much for the question. Several pieces, in spite of how innovative we have been and the changes that we have been able to create, we have been unable to crack the share of the top two. They are fighting. We drag them kicking and screaming. But the capacity and the scale and the power of the net-

work that this will give us will really let me take it to them and bring competition in a way it hasn't been seen before. And I am salivating to take it to the cable players as well.

Suffice it to say, if in fact there was ever a fear that there would be a cozy side discussion of the apple vendors getting together, I am pretty sure these folks wouldn't speak to me if I was the last person in the room. So that is what this is about is creating scale and capacity to supercharge this uncarrier, bring the country to the forefront of 5G, and really drag these duopolists kicking and screaming to what they need to do for the consumer in wireless, I mean rural, as well as let's get into the in-home broadband market as well and make these cable guys start playing also.

Mr. SCHRADER. Pretty good.

Ms. Bennet, you have talked about the concern about low-income folks, the minorities, people that ostensibly don't have as easy access to, you know, internet services, broadband, and that the merger could be very detrimental to a lot of those folks that rely on some of the largesse from both Sprint and T-Mobile at this point in time.

The question I have is why are you so concerned about that but the U.S. Hispanic Chamber of Commerce, the Black Chamber of Commerce, the National Hispanic Caucus of State Legislators, National Rural Education Association, Puerto Rico Chamber of Commerce all think this is a good thing? Why the disparity?

Ms. BENNET. Well, first of all, I have been focusing on the rural carriers' perspective and we do have low-income folks in rural America that those carriers also serve. It is just a different position. I can't speak to why they are for it. It seems odd to me and I will just leave it at that.

Mr. SCHRADER. Well, that is very fair, very fair.

Mr. Legere, back to you, you know, while the market share may be small, a lot of the population in different areas seems to be concentrated in the Sprint/T-Mobile arena. With the merger, isn't this going to increase consolidation in the marketplace from a pure population standpoint and how do you respond to that as a problem, or?

Mr. LEGERE. Yes. Well, first of all, the wireless business is a national market. Our pricing is national, the programs are national, advertising is national and the share concentration that we have will still, you know, be small compared to AT&T and Verizon as well as the marketplace for what we are trying to do is broadening. And, you know, you need to look at what the cable players are doing and the in-home broadband market, et cetera. So I think there is plenty of room.

Mr. SCHRADER. All right, very good.

And I yield back, Mr. Chairman.

Mr. DOYLE. I thank the gentleman.

The Chair recognizes Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman, I appreciate it. And I want to thank the witnesses of course for being here today and testifying.

Mr. Brake, toward the end of your written testimony you mentioned costs associated with switching providers and number portability. Over the years we have all seen the commercials in the cell

phone market comparing rates, statistics, and data services. Can you further detail the ease, if it is easy, and costs of switching wireless providers, and do you have any information related to frequency a customer switches providers whether in the prepaid or postpaid market?

Mr. BRAKE. Sure. Thank you for the question. Right, so switching costs have historically played a very important role in competition in communications networks, I mean going far back beyond even the advent of wireless, right, for wired telephone service. Number portability played an important role. If you can't bring your own phone number that all of your friends know to a new network you have little incentive to change costs.

So there are a number of different tools that have made those switching costs lower and lower over time that makes it very easy for consumers to change providers. I think an important one going forward is this advent of the so-called eSIM, the electronic SIM card that allows for consumers to very easily change carriers and also plays an important role in the—or important future role in the MVNO market. When virtual providers can change the carrier that their consumers use it has an important role in maintaining competition in those markets.

Mr. BILIRAKIS. Well, thank you very much.

Mr. Legere, based on what you have heard, in a post-merger world if one of your competitors offers a great deal to new subscribers will a New T-Mobile be worried that it will lose users and feel pressured to offer a substantially similar deal to retain consumers in the marketplace?

Mr. LEGERE. Yes. Thank you very much for the question. I want to point out that T-Mobile has been one of the main reason that customers are able to switch. Amongst the first things that I did was separate the device in the rate plan so that customers would know which was which, eliminate all contracts, and then I instituted the payment called “contract freedom,” where I would pay any costs that would be required if you wanted to leave your carrier. We have also been a strong proponent of eSIM as well which allows customers to move freely between them.

I am not afraid of any kind of a competition from a standpoint of creating the value that customers would need to switch. And with the capacity that this network will bring and the scale and scope that I will be able to have and the unit cost, it is highly likely that I will be the one creating those offers that are going to cause people to think twice.

Mr. BILIRAKIS. Thank you. It sounds like there is decent competition within the marketplace; is that correct? I mean you just said that so I will assume that. Is that right?

Mr. LEGERE. Yes.

Mr. BILIRAKIS. Yes, all right.

Let's see. In closing, like Mr. Walden, I am wondering now is the process already in place for these types of mergers. The agency review process has been used successfully in the past to approve, conditionally approve and deny mergers. Like the sought-after mergers before this, I have full faith that the FCC and DOJ thoroughly review all the facts to determine whether it is in the public interest of course, the merger. Like the witnesses, I await the decision and

the reasoning for that conclusion from all the information in the record.

And I yield back, Mr. Chairman. Thank you for holding this hearing.

Mr. DOYLE. I thank the gentleman.

The Chair now recognizes Ms. Clarke.

Ms. CLARKE. Thank you very much, Mr. Chairman. I thank our ranking member, and our panelists for their testimony here today.

Speaking on behalf of my constituents in Brooklyn, New York, they care about creating and keeping good paying jobs particularly in New York City. However, they have grown quite weary and cynical of big corporations that seem to rake in money hand over fist while their hardworking neighbors have to pinch pennies to make ends meet or to even afford the corporate offerings that we hear about and that sound so great for the consumer. If T-Mobile and Sprint merge there is going to be one less employer in this particular labor market.

So my question, first, is to Mr. Shelton. And Mr. Shelton, I would like to know if at all how will losing one additional employer affect the wages of communication workers, even those that don't work for the new T-Mobile?

Mr. SHELTON. As I have said before, when you decrease competition for labor, wages go down. And that is what will happen and it will happen throughout the whole wireless industry if this merger takes place not only at T-Mobile and Sprint, but also at Verizon and AT&T and any other wireless carrier.

Ms. CLARKE. Now what makes you say that? I mean currently you have a baseline of wages and what would less competition do in terms of particularly those in unionized shops of impacting on their wages? I think it is important for the public to understand that.

Mr. SHELTON. Well, we believe that there will be substantially less employees working at T-Mobile/Sprint and therefore you will be flooding the labor market with people who know the wireless industry and know how to do the job at any wireless company. The only one that we really have protections because of collective bargaining is AT&T. So at Verizon and T-Mobile and Sprint you will have wages going down.

Ms. CLARKE. OK. Mr. Legere, would you care to respond to those concerns of—

Mr. LEGERE. Yes. Thank you very much. And I would say that I have already made my commitments very clear to the State of New York associated with what employment would be and that jobs will be going up after this transaction. Competition is clearly going to go up and I would actually welcome greatly that you walk around Brooklyn to the many stores and experiences—

Ms. CLARKE. They are all in my neighborhood. I don't have to walk because they are right there.

Mr. LEGERE. And I would say you are going to find a very happy, very well paid, highly compensated group of employees that are extremely excited about this merger and the future.

Ms. CLARKE. Well, let me ask another question. Given that Lifeline provides essential service including mobile broadband service, does the New T-Mobile intend to continue Sprint's existing commit-

ments to Lifeline and other contractual agreements that they have currently engaged in?

Mr. LEGERE. Yes. And thank you very much for that opportunity to discuss this because it has been a question.

Very clearly we are supporting the Lifeline agreements that Sprint has. And, frankly, you know, New T-Mobile will have a capability to support Lifeline that old T-Mobile didn't. So I think not only will we support all the agreements, but we will be a better Lifeline provider than we were before.

Ms. CLARKE. Very well. And then I would like to get a sense from you post-merger. What would be—well, what is the current and future racial and gender composition of your board of directors and executive management team? Can we get that information?

Mr. LEGERE. I would be glad to. Our employees are 62 percent diverse, but I would be glad to provide all that information.

Ms. CLARKE. Looking at particularly the board and management as well as currently with Sprint so we can see what this merger does in terms of inclusion and diversity at the leadership level.

Mr. LEGERE. I would be glad to include that.

Ms. CLARKE. Very well.

Mr. Chairman?

Mr. BERENBROICK. Congresswoman?

Ms. CLARKE. Oh, sure.

Mr. BERENBROICK. Can I jump in on the Lifeline question very quickly?

Ms. CLARKE. Would you, please, absolutely.

Mr. BERENBROICK. So, you know, as you know, and you have been a champion of the Lifeline program, it is the service that serves the most low-income segment of the population that absolutely needs that subsidy for basic connectivity.

Ms. CLARKE. Yes.

Mr. BERENBROICK. Sprint has been a great partner in the Lifeline program. And you just heard Mr. Legere fail to make any commitments that New T-Mobile will actually participate in the Lifeline program other than keeping Sprint's current commitments in the Lifeline program. There was no future commitment to Lifeline. And most importantly, Sprint is a wholesale provider to many of the wireless resellers that participate in the Lifeline program and serve 70 percent of that marketplace. There was no commitment to continue those relationships going forward as well.

Ms. CLARKE. Very well. My time is up. But Mr. Legere, my eyes are on you.

Mr. LEGERE. Yes, my microphone might have been off when I said we will honor all of the Lifeline commitments. We will be a good provider going forward and we honor all of the wholesale agreements that are in existence and look forward to extending those.

Ms. CLARKE. I yield back, Mr. Chairman. Thank you.

Mr. DOYLE. Thank you.

The Chair recognizes Mr. Veasey.

Mr. VEASEY. Thank you, Mr. Chair.

Mr. Legere, I wanted to ask you particularly about your economists. They told the FCC that this merger is in the public interest because consumers should be willing to pay more for a better prod-

uct. And I want to know, will low-income consumers be able to participate in this better product or will they be forced to endure second-tier service because they cannot pay for the more expensive product?

Mr. LEGERE. I appreciate the question, but I don't recall any time I have ever made a statement that customers should pay more for a better product. My whole philosophy has been to pay less and get more and that is the philosophy of the New T-Mobile as well.

Mr. VEASEY. If Sprint becomes your partner on this merger and it goes through, one of the areas that I would be interested in learning more about is if Sprint is not willing to make the commitment right now to build out their broadband and all the capacity that they have in that and expand upon that, why would they be willing to do it if there was a merger? If the investors that play a big part in T-Mobile and Sprint right now, many of them are the same investors, they have invested money in other adventures outside of the cell phone product.

Mr. LEGERE. Yes.

Mr. VEASEY. So I guess I am trying to figure out what is it about this merger that would actually make them want to invest money moving forward.

Mr. LEGERE. Yes, thank you. Thank you very much. It is a good opportunity to clarify. And I won't speak for the pace at which Sprint has invested, but I think Mr. Claure has been clear about the financial limitations that were put upon them. This transaction itself provides the financing that both of us need to do this build-out. And pinnacle to the whole thesis of this merger is an integrated network plan, you know, tens of millions of pages of documents and models that I have submitted to the DOJ as well as the FCC that show how at the time of merger moving forward we will fully integrate and build out these networks and how the \$43 billion worth of synergies, 26 billion of which are coming from the network integration, will provide the financing for \$40 billion worth of investment in the first 3 years in the 5G network.

So the transaction itself is not only the financing but it is the accelerant of the investment. And it won't be Sprint building out, the New T-Mobile will be doing the integration and the build-out of the network.

Mr. VEASEY. The investors have the money right currently now. Why are they not building out that capacity as we speak?

Mr. LEGERE. Again I think we have both been very clear that neither of us have the capital and the financing to do this 5G build-out. We have created a business plan and we have reviewed it with rating agents and we do have the ability to finance this through the New T-Mobile's company as well as the synergies that the deal will provide.

And I just want to point out that at some point synergies were referred to as job losses and they are not. They are coming in the form of decommissioning of sites, of things that are part of the network integration, so that is the funding mechanism for this transaction.

Mr. VEASEY. Thank you, Mr. Chair. I yield back.

Mr. DOYLE. I thank the gentleman.

The Chair recognizes the distinguished Minority Whip, Mr. Scalise.

Mr. SCALISE. I thank the gentleman.

Mr. DOYLE. And second baseman.

Mr. SCALISE. The second baseman in baseball, right? I thank the gentleman from Pittsburgh for yielding. The Pirates are represented very well with you.

And I appreciate the opportunity to talk about this merger, some of the things that could potentially be done to increase the ability for consumers to be able to experience 5G. You know, you look at the growth in the industry and just, you know, what we are seeing in terms of more wireless usage, connectivity, the devices that are able to be connected, you know, and of course you see trillions of megabytes of data being used by Americans and that number is increasing.

As people find out more uses it creates more jobs. It creates more opportunity. It creates more efficiencies and improvements in people's quality of life. And I do think that is an important point to talk about as, you know, as Americans use so many more devices and rely on that increased amount of data that they are able to access it does really improve their lives on a daily basis. There is things that I know I am able to do. You watch how it is able to allow people to do more things and in a much more effective way.

I know you have talked about the jobs. I think, to me, some of the things that the Department of Justice should be looking at is, you know, if this merger goes through would it help consumers? Will it help lower costs? Will it create more jobs? And I know you have talked about some of that in your testimony, Mr. Legere. So if you could first talk about the ability for consumers to have more competition and have access to lower costs for the increased amount of data that they are using.

Mr. LEGERE. Thank you very much for the question. There is so much in what you said that is extremely important including starting 5G. The promise of 5G is a hundred times the speeds, a hundred times the number of devices that can go on networks, 10 times the improvement in the response or the delay that is created. Our New T-Mobile will provide 15 times the speed that we have now, up to 450 megabits average speed across the U.S. and users will go from an average of ten gigs of data usage to 80 while the unit price will go down 87 percent. And the track record is there, especially with low-income users who have had a price decline and a disproportionate increase.

So that is what this transaction with the DOJ heavily is about, showing the network modeling that will take this industry and significantly increase capacity and provide a pricing decline, and because of that network integration how that will impact consumers, the offers that they have and the utilization. And that is what their whole transactions review has been about thus far.

Mr. SCALISE. Yes. I think the idea that not only can you see in your case 15 times the speed as well as lower costs, both of those are, I think, something that would be very attractive to consumers who shop around really good for all kind of products, but clearly data plans. You know, you watch the commercials and the reason there are so many commercials is because there is a competition

for consumers because everybody knows how important it is to be connected. And how you have talked about an integrated network plan, what these two companies can do to combine the resources that you have.

I think hopefully one day not too long from now that little circle that you see when you are waiting for something to download will become a relic that the Smithsonian Institute might hold because people won't have that problem anymore. You will have to Google that—well, what are you talking about? I don't know what that circle is you are referring to.

Mr. LEGERE. Sir, that will happen as soon as you switch to T-Mobile.

[Laughter.]

Mr. SCALISE. I see you are already well-branded.

Mr. LEGERE. Yes.

Mr. SCALISE. You know, it is a nice opportunity to give a plug for, you know, for your products. And again competition is what made this industry great. You know, when we look at what 5G can mean for consumers, because ultimately that is what, you know, we are trying to help make sure the consumers can have an even better experience, all this is coming from private investment and, you know, this isn't government that is spending billions of dollars to build out these networks. It is companies like yours and other companies.

And, you know, we know all the other players in this space, but, you know, here we are talking about this, you know, this potential merger and how, I know what you talked about is how you can make those synergies work to provide an even faster experience and help you invest billions more to build that 5G network.

Let's talk now about the jobs side of it. And I have heard numbers like 10,000 new jobs referenced. What kind of jobs are you talking about? I don't want to get into spectrum and some other things, but I am not going to have enough time to get into all of that. And maybe for the record later if you can let me know about some of the combined spectrum assets of the companies and how that would be good for more innovation and opportunities, but on the job side if you can touch on that is my last question.

Mr. LEGERE. Yes, I would be glad to. We have talked a bit today about customer experience centers which are one of the core jobs in our company now. There will be 5,600 new jobs, 2,000 expanded jobs in that, so about 7,600 in the customer experience centers. And those are good paying, 45-\$50,000 wage jobs. It would be about 11,800 people involved in network integration and deployment.

There will be 5,000 people in new retail stores especially in rural America. And there will be about 11,000 jobs created over the period for the new businesses we are going in—Internet of Things, video, broadband, et cetera, businesses that we aren't in now. So those are the key growth areas of new jobs.

Mr. SCALISE. Thanks, Mr. Legere. I appreciate your testimony.

Thanks for your discretion, Mr. Chairman. I yield back.

Mr. DOYLE. I thank the gentleman.

The Chair now yields to Mr. Luján.

Mr. LUJÁN. Thank you, Mr. Chairman.

Well, I appreciate the conversation today about 5G and what it will mean for our economy and our future. However, unfortunately, too many people where I live in a very rural State—my district is 47,000 square miles, it takes 8½ hours to drive across it—I have better connectivity over the State of New Mexico in many cases when I am on an airplane than when I am on the ground. I don't understand that.

There is a promise now that 5G is going to answer this problem for people like me that live in rural America, and that is where my questioning concentrates. As Mr. "Berenbroick"—did I pronounce that correct, sir?

Mr. BERENBROICK. Close enough, sir.

Mr. LUJÁN. Pronounce it correctly for me.

Mr. BERENBROICK. Berenbroick.

Mr. LUJÁN. Berenbroick notes in his testimony, this gap exists because low population density and high per-consumer costs means that rural areas have historically lacked the economies of scale needed to attract strong investment from major carriers.

Mr. Legere, in your testimony you insist that a merger will allow you to, quote, close the gaps in rural broadband access and increase outdoor wireless coverage to reach 59.4 million rural residents or 95.8 percent of the estimated 62 million rural residents. Mr. Legere, first, yes or no, do you agree with Phil's diagnosis of why rural communities have been left behind?

Mr. LEGERE. I apologize. I am not sure what the diagnosis was.

Mr. LUJÁN. The gap exists because low population density and high per-consumer costs means that rural areas have historically lacked the economies of scale needed to attract strong investment.

Mr. LEGERE. I would submit that that is an analysis that had to be have done by those that had the low band spectrum to cover those communities, which was AT&T and Verizon at the time. Right now that we have nationwide low band spectrum we are deploying quickly across all of rural America and it is our hope to cover every square inch.

Mr. LUJÁN. So do you agree with Phil's assessment?

Mr. LEGERE. I guess, sorry.

Mr. LUJÁN. I am going to say yes, unless I was told no.

Mr. LEGERE. I will make that a yes, sir.

Mr. LUJÁN. Second, yes or no, would you agree that the merger's stated benefits to rural Americans are an important aspect of whether it should be approved?

Mr. LEGERE. Yes.

Mr. LUJÁN. Then help me quickly understand how this merger specifically incentivizes this proposed New T-Mobile to better serve rural communities and when can my constituents expect to enjoy the wonders of 5G connectivity?

Mr. LEGERE. Thank you very much, sir. And yes, the rural divide is extremely important for us. One of the things that is very clear in the output of the models associated with the New T-Mobile is the deployment of the 5G capability will have a penetration across the country where 90 percent of every person in America will have greater than a hundred megabit speed and capacity by 2024. And I can break that down by rural community in any different part of the country.

Mr. LUJÁN. So what I will do is I will submit some questions for the record. Here is the question that I have is that T-Mobile's chief technology officer, Neville Ray, states in an article CNET authored February 6, Mr. Chairman, that I would ask unanimous consent to submit to the record.

Mr. DOYLE. Without objection, so ordered.

[The information appears at the conclusion of the hearing.]

Mr. LUJÁN. What Neville says is that we wouldn't go after 5G millimeter wave deployment in rural America. So help me understand what this comment means. Will my constituents not enjoy the same speeds as people living in urban and suburban communities?

Mr. LEGERE. That is a very good point, sir. And I would point out that that is probably more of a condemnation on the Verizon and AT&T deployment of 5G only in millimeter wave spectrum. Because the analysis would show that in order to use only millimeter wave to make a nationwide coverage it would need a site every thousand yards which would cost \$1.5 trillion.

So in order to deploy 5G nationwide you need to use millimeter wave, mid band, and low band across all frequencies so you have full geographic coverage. Nobody could cover the United States with millimeter wave spectrum. What is likely to happen is millimeter wave will be used in some densely populated urban areas and then enhanced with mid band and low band 5G coverage to make a broadband capability nationwide.

Mr. LUJÁN. So the concern that I have is we also don't have robust fiber in many parts of rural America, and that is where I point my question back to Phil to give you a chance to respond. I notice your testimony, you discuss how 5G networks will need backhaul support from fixed broadband networks. Does anything about this merger address that need?

Mr. BERENBROICK. Congress, it is a perfect question. That is absolutely right. For 5G, especially for 5G that you know, we are talking about to get the full benefits of 5G that Mr. Brake has walked us through, you essentially need fiber backhaul everywhere to connect to those cell sites and towers. The companies don't actually bring those assets to the table. They need to lease those assets, which that is not a merger-specific necessity. They can lease those assets today.

And T-Mobile, you know, has gone out on the marketplace and acquired 600 megahertz spectrum. You know, kudos to them for winning that spectrum at auction, and they have started to deploy it. They are making the case that their 5G deployment in rural America is based on that 600 megahertz spectrum. Those are assets they already have. That is not a merger-specific benefit of this deal.

Mr. LUJÁN. And, Mr. Chairman, I know my time has expired, but as a former regulator details matter. And when I am told the rural America is going to get these assets and things don't exactly add up, I have a lot more questions. And so I appreciate the importance of this hearing, Mr. Chairman. There is some important aspects that we need some answers to associated with the commitments with mapping and looking at rural deployment. So, thank you, Mr. Chairman.

Mr. DOYLE. The Chair recognizes Mr. Cárdenas.

Mr. CÁRDENAS. Thank you very much. Thank you very much, Mr. Chairman, and thank you so much for bringing this important hearing before the public.

Mr. Legere, I understand you have made commitments to continuing the Lifeline program. You used the word, "I will honor," just a few minutes ago. T-Mobile began withdrawing from the program in 2014 and no longer provides Lifeline services today. This service is extremely important where connectivity is basically required to survive both economically and when it comes to safety and education, et cetera.

What is your commitment to Lifeline and how long do you intend to continue offering Lifeline services should this merger go through? And when you say you will honor, are you talking about the person, current CEO Legere, or are you talking about the New T-Mobile will commit to that in writing and make it real beyond your tenure?

Mr. LEGERE. That would be the person and the New T-Mobile will put in writing and commit to honoring the Lifeline agreements that Sprint through assurance has. And I would point out that T-Mobile didn't withdraw from the Lifeline market, we moved to being a wholesale provider of it. But yes, the commitment is from the New T-Mobile and very willing to put it into any form.

Mr. CÁRDENAS. Well, thank you for clarifying. I wouldn't want to mischaracterize your business practices. But when you look at Claire, his Sprint is more robustly involved in the Lifeline program. What I would love to see is a future if this merger goes through, a future organization, the New T-Mobile as some people are calling it, to actually be more like Sprint.

So, Mr. Claire, what would the New T-Mobile have to do in order to adopt and expand on what you have been able to do with your company?

Mr. CLAIRE. Thank you for the question. The New T-Mobile has made a commitment and they are doing it in writing, and we have taken one step above what was required from us and that is make a voluntary filing to the FCC that includes Lifeline. Nobody asked us to do that. We thought it was the right thing to do to take—

Mr. CÁRDENAS. On that point, is the New T-Mobile willing to do exactly what Mr. Claire just described should this merger go through?

Mr. CLAIRE. Let me have one quick thing and that is we have always got to look at, yes, Mr. Legere is the CEO and there will be a New T-Mobile, but what is important to know is the new network we are going to build is going to have eight times the capacity that we have today. So therefore we have an economic incentive to bring as many customers as we can whether they are Lifeline, whether they are prepaid or they are postpaid. So yes, we made commitment. but in addition we have an incentive to do that just to fulfill our business plan.

Mr. CÁRDENAS. Without—now my question to you, Mr. Legere, about following suit with what Sprint has done to actually file a commitment in writing, is the New T-Mobile ready to do that?

Mr. LEGERE. Yes. Just to clarification, sir, it was me that made the filing—

Mr. CÁRDENAS. OK.

Mr. LEGERE [continuing]. On behalf of the New T-Mobile. And again I want to reiterate we are merging with Sprint. Sprint is not going away. So all of the good characteristics and behaviors of Sprint we are adopting into the New T-Mobile, and this is one of them. And I will make the commitment in Lifeline in whatever form is needed.

Mr. CÁRDENAS. Mr. Berenbroick, are you familiar with that submission in writing that they are referring to?

Mr. BERENBROICK. Yes, sir. I am.

Mr. CÁRDENAS. Is it what I seem to be describing or is it a little bit less nuance than that and is it—what is it?

Mr. BERENBROICK. It is heavily caveated.

Mr. CÁRDENAS. There you go.

Mr. BERENBROICK. Sir. And, you know, like many of the commitments that we have seen here today, you know, I think Congresswoman Clarke asked questions about Lifeline too and the commitments were to honor existing commitments. There were no commitments to honor participation in the Lifeline program as the combined company going forward.

Ms. Bennet has spoken about, you know, the high costs likely going up for roaming partners and in the MVNO market. That is a huge problem for Lifeline subscribers who may see costs go up and the commitments of these companies go down. Those issues all do need to be explored.

Mr. CÁRDENAS. And another thing, look, Mr. Legere, I have heard a lot of wonderful things about you and how you have really changed in a positive way T-Mobile. I commend you for that American business.

Also, Mr. Claire, I followed your career as well.

One of you guys wears tennis shoes. The other guys wear hard shoes to work. Apparently the tennis shoes guy is going to stick around as a CEO, likely, and then the hard shoes guy is going to probably remain on the board because of the shares that Sprint has or what have you. But what I have found when it comes to Lifeline specifically, I like the hard shoes guy and what he has been doing as CEO rather than the tennis shoes guy.

So what are we going to expect to see from the New T-Mobile when it comes to really adhering to this opportunity when you very clearly pointed out the market share opportunity for the New T-Mobile is going to be amazing especially when it comes to your positioning to be able to provide 5G which is the future of any provider?

Mr. LEGERE. Yes, sir. I can only reiterate the New T-Mobile's commitment to Lifeline and I will follow up in any form necessary after this hearing to make sure that that commitment is clear.

Mr. CÁRDENAS. Thank you, Mr. Chair.

Mr. DOYLE. Right.

The Chair recognizes Mr. Welch.

Mr. WELCH. Thank you for the hearing, Mr. Chairman. I am going to make a few comments that express what I consider to be major concerns about rural America. We do not have good coverage in Vermont. And the assertion that both gentlemen are making is that this will be tremendous for rural America. I would like to be-

lieve that is true, but I have an apprehension that it won't necessarily occur.

You know, last February Congress passed and the President signed some bipartisan legislation that I worked on with David Young improving rural call quality. And it turned out that shortly after that bill became law, T-Mobile and Sprint—the FCC announced that T-Mobile agreed to pay \$40 million in a fine for violating FCC rules with a practice of faking ringtones. I mean this is a big deal for us in Vermont. Dakin Farms in the Christmas season depends on those calls. Camel's Hump School gets the word out that it has been canceled because of weather.

And in the settlement, T-Mobile acknowledged it had injected false ringtones in hundreds of millions of calls. I mean, that is really upsetting to us. And I am struggling to see how this past gives me confidence about the future. So, Mr. Legere, can you explain how T-Mobile did fail to abide by the basic call quality standards in not connecting hundreds of millions of calls in rural America? But very briefly because we don't have much time.

Mr. LEGERE. Yes, sorry. You know, the details associated with the settlement associated with that action are far more complex, and I am not sure we could go into the process here.

Mr. WELCH. Well, maybe offline we could do that.

Mr. LEGERE. I would be glad to.

Mr. WELCH. Because that is—what you are admitting to, or T-Mobile admitted to, was that it actually had the system false ringtones.

Mr. LEGERE. Yes, there was no admission to a willingness of participation in any kind of fraud.

Mr. WELCH. Well, that is—I mean you, and I both know that is sort of the deal, but it happened. And then this brings me to my point about wireless coverage, and I am a little skeptical about the deployment promises in rural areas.

Mr. Chairman, we have got a map of T-Mobile coverage in Vermont, and it looks pretty good. It is pretty much the whole State. But the Burlington Free Press had somebody get in a car and travel the roads, the main roads, for 6,000 miles, and take signal coverage over 6 weeks this fall. And as I mentioned, it was only on the main roads and it was covering about 65 percent of the buildings in Vermont.

And its results contradict many of what the assertions that are made by T-Mobile and Sprint. The data on T-Mobile and Sprint, T-Mobile covers 22 percent of the area tested in the State with 5 megabits per second or greater speed. T-Mobile has no service or spotty service in 62 percent of the areas. Sprint has no service or spotty service in 50 percent of the areas. And when I sit here and hear what I believe is your sincere goal to serve rural America and bring 5G to rural America, in a lot of Vermont we have no G and these maps don't correspond to what the Burlington Free Press found.

So I am a skeptic, all right. And I guess I am going to ask both of you, Mr. Legere and Mr. Claire, when you use your maps you are saying it is 96 percent coverage? These maps are bogus. I mean, they just don't work. So are you going to redo your mapping

so that what we are talking about is apples and apples and not apples and oranges, briefly?

Mr. CLAURE. Thank you. I will take the answer. Today, Sprint has a very limited coverage, and we rely mainly on AT&T and Verizon to be our roaming partners outside of core zone. So we are basically replicating what the maps of AT&T and Verizon—

Mr. WELCH. Well, they are no good.

Mr. CLAURE. What is that?

Mr. WELCH. These are no good. These are phony maps.

Mr. CLAURE. But the problem that we have today is a very serious problem. The two spectrum holders have been AT&T and Verizon, and they have failed to serve rural America. The commitment that we are making is to build a nationwide coverage—

Mr. WELCH. Right.

Mr. CLAURE [continuing]. Because we just got 600 megahertz just a couple of years ago, and we are going to deploy it as fast as we can.

Mr. WELCH. Well, I mean, if you were sitting where I am and getting the calls I am getting from Vermonters who have a map that says they have fantastic service and they can't get a dial tone, you would share my skepticism. This is a big deal.

Mr. LEGERE. Sir, your concerns are very real. And the commitments and the filings that we have made are about the network we will create, and we have a strong commitment to cover rural America. Thank you.

Mr. WELCH. OK. Mr. Chairman, I would like to submit for the record these documents that I referred to.

Mr. DOYLE. Without objection, so ordered.

[The information appears at the conclusion of the hearing.]

Mr. WELCH. I yield back.

Mr. DOYLE. And now we come to our final witness, Mr. O'Halleran. You have got 5 minutes.

Mr. O'HALLERAN. Thank you, Mr. Chairman. I am sorry I didn't make it on time today. I had a commitment at the other side of town. But, boy, I have sat here through this hearing and listened intently on issues about rural America and I have heard time and time again that they will be treated differently from now on.

That doesn't seem to be the case. They are still going to be at the low end of the pole. They are going to be down there with the lack of ability to compete, lack of ability to make sure the families of rural America have the health care necessary through telemedicine, the need for our businesses to be able to expand and economic development to expand and all of a sudden we are back to the same old thing. We are back to the cities and everybody else getting the higher amount of coverage than rural America. That is unacceptable.

I have a map just like the gentleman from Vermont had and I travel. My district is 58,000 square miles. Half the time that map says I should be covered. Half the time I am not, by anybody. And so there is a lot of work to do. And what I have also heard today are semi-commitments, you know, we are looking into it. I mean if—and I have also heard that it is about productivity.

Mr. Brake, I understand productivity. I also understand the needs of the citizens of rural America and the needs of the citizens

for everywhere to be competitive with the rest of the world. We understand that. But I really am concerned with the type of information I heard today.

Mr. Legere, and you have indicated very much that on the Lifeline and Tribal Lifeline program that you are—are you committed? Are you going to ensure, are you going to guarantee that those programs will be completed, completed and stay, and how are you going to do that? What is the plan, the real plan of how, and be specific as you can.

Mr. LEGERE. Yes. Sir, on—thank you very much and I appreciate your patience. On Lifeline it is very clear Sprint is a big provider of Lifeline services and we will honor their commitments and move forward providing Lifeline in the fashion that they do. And the 5G capabilities that we have will make us an even better Lifeline provider.

Second, sir, I would submit to you—

Mr. O'HALLERAN. Just a second. I want to make sure that—their commitment, honor what they do, for how long?

Mr. LEGERE. For as long as the contracts are available.

Mr. O'HALLERAN. So how long are those contracts available for?

Mr. CLAURE. Those are contracts that self-renew. And we have, as part of the merger we have discussed that the New T-Mobile will basically honor all the commitments and we will continue to be a fierce competitor in the Lifeline the same way as Sprint has been.

Mr. O'HALLERAN. So as long as the contracts go. It is not into the extended future, it is just the contract life of that particular contract.

Mr. LEGERE. Sir, could we be clear? The New T-Mobile is—

Mr. O'HALLERAN. And just a second, I am sorry. It is my time.

Mr. LEGERE. OK. Sorry, sir.

Mr. O'HALLERAN. I just, as somebody that represents Tribal nations, 12 of them, as somebody that represents vast amount of towns in rural America, I am really concerned from what I have heard. And, Mr.—I am going to try to get your name right, but I know I am not going to do it—Berenbroick—no, never mind. What do you anticipate this merger's impacts could be on the tribal Lifeline program and do you anticipate the FCC and DOJ will meaningfully enforce any conditional commitments made as part of an approval, and anything that we talked about here if you have comment on that?

Mr. BERENBROICK. Sure. And thank you for the question. This is an important line of questioning and I am glad the committee has gotten into this. So, you know, as you know tribal lands are some of the most underserved areas of the country. You know, facilities-based providers often provide wholesale service to resellers that serve the tribal Lifeline marketplace. One big concern in this merger that we have talked about here is we are consolidating that MVNO, or sorry, that wholesale marketplace under only three providers who have fewer incentives to provide a low-cost wholesale access. And Carrie, Ms. Bennet has spoken to this a little bit.

So what we think that means is the incentives in the marketplace will be to increase the costs that those resellers have to—that those tribal resellers have to pay for Lifeline, those resellers that

serve tribal lands pay for Lifeline driving up the costs in the Lifeline marketplace, potentially driving some of those resellers that serve those communities that you care about out of the market entirely, potentially leaving those consumers without any Lifeline provider.

Mr. O'HALLERAN. Thank you.

And thank you, Mr. Chairman.

Mr. LEGERE. Mr. Chairman, could I make a final comment, please, shortly, which is just that with all the concerns about rural America, this transaction is the best path forward for this country to solve the issues of rural America. So I vehemently believe that is the best path forward.

Mr. DOYLE. OK. All time is expired. I request unanimous consent to enter the following documents into the record: A map from CWA of Sprint and T-Mobile's retail distribution for Newark, New Jersey; an op-ed by former Reps Waxman and Tauzin; a statement for the record from Consumer Reports; a blog post from INCOMPAS; a report from the Vermont Department of Public Service; a map of T-Mobile's U.S. wireless coverage; a report from the Democracy Reform Task Force; a report by GSA Inspector General; a letter from Representative Cárdenas, et al, to John Legere; a letter from the National Diversity Coalition; a letter from CASE; a letter from J. Kenneth Blackwell; a letter from Let Freedom Ring; a letter from Consumers' Research; a letter from Americans for Limited Government; a letter from Americans for Tax Reform; a letter to the FCC and DOJ from Members of Congress; and last, but not least, a letter from coalition members. Without objection, that is so ordered.<sup>2</sup>

Mr. DOYLE. Well, I want to thank the witnesses for their participation in today's hearing. And I want to remind Members that, pursuant to committee rules, they have 10 business days to submit additional questions for the record to be answered by the witnesses who have appeared. I ask each witness to respond promptly to any such questions you may receive. At this time, the subcommittee is adjourned.

[Whereupon, at 1:08 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

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<sup>2</sup>The information appears at the conclusion of the hearing. The Democracy Reform Task Force and GSA Inspector General reports have been retained in committee files and also are available at <https://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=108895>.

VIA ELECTRONIC FILING

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554

**Re: Applications of T-Mobile US, Inc. and Sprint Corporation, WT Docket No. 18-197**

Dear Ms. Dortch:

This letter is in regards to T-Mobile's merger with Sprint. I support the merger because I feel strongly that a 5G network will positively benefit rural communities such as mine in Missouri.

Attached, please find a copy of an Op-Ed I wrote that was published in May by *The Missouri Times*. It details how I believe the merger will be a positive for rural areas. Whether it's the ability to successfully deploy and use Internet of Things (IoT) devices for agricultural purposes or to better equip our emergency first responders, the merger (and the 5G network it will bring) is important to Missouri.

This merger will significantly improve the lives of rural Missourians, and I am hopeful that it will be approved quickly.

Please feel free to contact me with any questions.

Sincerely,

Andrea Rice  
Missouri Farm Bureau

Attachment

cc: (via email)

Chairman Ajit Pai  
Commissioner Michael O'Rielly  
Commissioner Brendan Carr  
Commissioner Jessica Rosenworcel

Andrea Rice  
Member, Missouri Farm Bureau  
Op-Ed as Published in *The Missouri Times*  
May 24, 2018

*OP ED: Rural Missourians to benefit from T-Mobile and Sprint combining*

The announcement of the T-Mobile and Sprint merger should bring excitement and a sense of innovation – especially for the people of rural Missouri and emergency responders. The new T-Mobile will lead the creation of a nationwide 5G network with the scope needed to develop massive improvements for the United States, with an extra glimmer of hope felt by families living in rural areas.

I'm thankful to live on a farm in rural Missouri with my husband and three children. Although we enjoy the tranquil atmosphere associated with our rural lifestyle, there is still much need for access to technology. It isn't uncommon for livestock to be equipped with tags allowing for farm-to-table data or precision practices for row crop production. This gives farmers the ability to use natural resources to their maximum potential while respecting their limitations. There is no sign of this relationship between production agriculture and technology changing any time soon, especially with the implementation of a nationwide 5G network.

For example, there are already pilot programs for "smart farming" and agricultural IoT (internet of things) devices, which would provide better measurement of production on a day-to-day basis. This could be in the form of sensors communicating moisture, fertilization and nutrient levels or predicted data for weather patterns to improve crop management and livestock analysis. This all requires a broadly available nationwide network – not one isolated to hotspots or in urban areas only. Smart farming will be absolutely necessary in order to assist farmers in feeding an ever-increasing population and combatting the unknown stresses of weather.

In addition, businesses and families in these rural communities rarely have the opportunity to choose from more than one or two wireless, broadband or cable providers. However, with the combination of T-Mobile and Sprint, the possibility of more robust competition is becoming a reality. Competition that will be created by having a stronger wireless company providing more rural coverage means a better product at a better price.

With a nationwide 5G network in place, emergency responses and patient care should also experience benefits. In situations where every second counts, technology could dramatically improve patient care in rural areas. With 5G networks, improved mapping and real-time data will lead to decreased emergency response time. Also, patient data could be transmitted, allowing doctors in the emergency room to have a visual of the patient while in transport. For example, a doctor could request and view a CT scan before the patient arrives, allowing the medical team to prepare accordingly.

It is not uncommon for people in rural areas to travel over 60 miles to a hospital or 200 miles for a healthcare specialist. 5G technology could also be utilized for rural clinics to provide accurate information to specialists. With 5G networks, it could be possible for patients to wear medical sensors remotely with vital signs transmitted to their respected health care providers.

There are already doctors utilizing consultations with the use of webcams and 5G technology would take this to the next level.

The combination of T-Mobile and Sprint will take today's wireless technology from Ford's Model T to Tesla's Model X. With the new T-Mobile, resources will be available that should provide consumers with lower prices, higher quality products and increased competition. Rural Missourians will benefit greatly with more options for broadband and improved emergency services. The combined company will be a win-win and should be approved by all necessary parties.



February 4, 2019

Chairman Ajit Pai  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, DC 20554

**Re: Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorizations; WT Docket No. 18-197**

Dear Mr. Chairman:

Now that the United States Government has reopened, we at T-Mobile are eager to have the Commission move forward expeditiously in its review of our merger with Sprint. I am looking forward to personally meeting with you and your Transaction Team to discuss all of the enormous benefits that New T-Mobile will deliver for consumers. I am very confident about what the New T-Mobile will do to ensure the United States is No. 1 in 5G. All of us at T-Mobile and Sprint are particularly pleased that our merger has completed national security review and that Team Telecom has notified the Commission that it has no objection to grant of our transaction. We are ready and eager to take the next steps and meet with you and your team.

Critics of our merger, largely employed by Big Telco and Big Cable, have principally argued that we are going to raise rates right after the merger closes. I want to reiterate, unequivocally, that New T-Mobile rates are NOT going to go up. Rather, our merger will ensure that American consumers will pay less and get more.

We are the Un-carrier. If we broke faith by raising rates and cutting back benefits, we would lose our loyal customers and destroy the future of our brand. I want to assure you that we would never do this. My management team and I can make this personal commitment because we believe in delivering on our promises, and we know if we do not, we will lose credibility and the trust of our customers. Our business plan and our future success are centered around building a world class 5G network for everyone and delivering more to consumers for less.

To remove any remaining doubt or concerns about New T-Mobile's prices while we are combining our networks over the next three years, T-Mobile today is submitting to the Commission a commitment that I stand behind – a commitment that New T-Mobile will make available the same or better rate plans for our services as those offered today by T-Mobile or Sprint. We believe this merger makes consumers better off, and we're willing to put our money where our mouth is. Period.

I would be pleased to discuss the details of this price commitment and its implementation with you when we meet.

Sincerely,

A black rectangular redaction box covering the signature of John Legere.

John Legere



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February 4, 2019

VIA ECFS

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, DC 20554

**Re: Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorizations; WT Docket No. 18-197**

Dear Ms. Dortch:

Pursuant to Section 1.1206(b) of the Commission's Rules, 47 C.F.R. § 1.1206(b), notice is hereby provided of a written *ex parte* presentation in the above-referenced docket. T-Mobile US, Inc. ("T-Mobile") and Sprint Corporation ("Sprint", and collectively with T-Mobile, "Applicants") have stated in the Public Interest Statement, and reiterated repeatedly since, that the merger will ensure that "American consumers will pay less and get more".<sup>1</sup> Our merger will enable the deployment of a world-class nationwide 5G network with massive capacity and lower marginal costs per customer, with the result that customers get better service and more data at the same or lower prices.<sup>2</sup> The Applicants' representation that consumers will pay less as a result of the merger is supported by the New T-Mobile business plan,<sup>3</sup> declarations from T-Mobile

<sup>1</sup> See, e.g., *Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of the Licenses and Authorizations*, WT Docket No. 18-197, Description of Transaction, Public Interest Statement, and Related Demonstrations at i (June 18, 2018) ("Public Interest Statement"); *Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorizations*, WT Docket No. 18-197, Joint Opposition of T-Mobile US, Inc. and Sprint Corporation at i (Sept. 17, 2018) ("Joint Opposition").

<sup>2</sup> Public Interest Statement at 51.

<sup>3</sup> *Id.*



Ms. Marlene H. Dortch  
 February 4, 2019  
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executives,<sup>4</sup> merger simulations focused on New T-Mobile prices,<sup>5</sup> and economic work showing all wireless consumers will benefit from a decrease in price per GB due to competitive responses from AT&T and Verizon.<sup>6</sup>

The Public Interest Statement also provided further assurances to existing customers of T-Mobile and Sprint that prices will not go up following the close of the merger. Specifically, the Applicants stated that “New T-Mobile will guarantee each [Sprint] customer a rate plan that is equal or better than the plans they currently enjoy with Sprint.”<sup>7</sup> The Applicants also noted the T-Mobile Un-contract rate promise to their customers and that it would be extended to Sprint customers post-closing.<sup>8</sup> These assurances were intended to address any concerns about post-closing price increases and they are fully consistent with the New T-Mobile business plan.

Despite all this, merger opponents tried to raise questions about New T-Mobile’s pricing incentives during the three-year period from merger closing until completion of the network combination and customer migration. The Applicants believe that the myriad showings on the record fully answer those questions. However, to remove all doubt and simplify the Commission’s review of the merger, the Applicants are providing the following statement to remove any doubts, concerns or ambiguity:

*New T-Mobile will make available the same or better rate plans as those offered by T-Mobile or Sprint as of today’s date for three years following the merger.*

T-Mobile and Sprint legacy rate plans will continue as New T-Mobile plans for three years after the merger or until better plans that offer a lower price or more data are made available,

<sup>4</sup> Public Interest Statement, Appx C, Declaration of G. Michael Sievert, President and Chief Operating Officer, T-Mobile US, Inc. at ¶21; Public Interest Statement, Appx. D, Declaration of Peter Ewens, Executive Vice President, Corporate Strategy, T-Mobile US, Inc. at ¶8 (“Ewens Decl.”).

<sup>5</sup> Joint Opposition, Appx. F, Declaration of Compass Lexecon, Mark Israel, Michael Katz, and Bryan Keating at ¶6; John Asker, Timothy F. Bresnahan, and Kostis Hatzitaskos, *Economic Analysis of the Proposed T-Mobile/Sprint Merger*, Cornerstone Research at 1-6 (Nov. 6, 2018).

<sup>6</sup> Public Interest Statement, Appx. G, Declaration of David S. Evans, Market Platform Dynamics, “Economic Analysis of the Impact of the Proposed Merger of T-Mobile and Sprint on the Deployment of 5G Cellular Technologies, the 5G App Ecosystem, and Consumers, Enterprises, and the Economy,” at ¶¶220-44.

<sup>7</sup> Ewens Decl. at ¶8.

<sup>8</sup> *Id.*



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whichever occurs first.<sup>9</sup> The retained legacy rate plans may be adjusted to pass through cost increases in taxes, fees and surcharges as well as services from third party partners that are included in the rate plans, as these increased costs are not within the control of New T-Mobile. The legacy plans may also be adjusted to modify or discontinue third party partner benefits based on changes in the terms of the offering initiated by the third party partner, as this is also not within the control of New T-Mobile.<sup>10</sup>

As New T-Mobile CEO John Legere has said, we would be pleased to discuss the details of this commitment with the Chairman, Commissioners and Transaction Team. As noted, this representation is fully consistent with the New T-Mobile business plan and responsive to merger-specific questions that have been raised. For those reasons, the Applicants have no objection to this representation being included as a formal merger condition in the order approving the transaction.

Please direct any questions regarding the foregoing to the undersigned counsel for Deutsche Telekom and T-Mobile.

Respectfully submitted,

**DLA Piper LLP (US)**

*/s/ Nancy Victory*

Nancy Victory  
Partner

cc: Chairman Ajit Pai  
Commissioner Michael O'Rielly  
Commissioner Brendan Carr  
Commissioner Jessica Rosenworcel  
Commissioner Geoffrey Starks  
David Lawrence  
Kathy Harris  
Linda Ray  
Kate Matraves

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<sup>9</sup> When a better post-merger plan is offered, New T-Mobile may discontinue a less appealing legacy plan.

<sup>10</sup> Device/handset offerings are not included in this pricing commitment.



Ms. Marlene H. Dortch  
February 4, 2019  
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Jim Bird  
David Krech



September 17, 2018

VIA ELECTRONIC FILING

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554

**Re: Applications of T-Mobile US, Inc. and Sprint Corporation, WT Docket No. 18-197**

Dear Ms. Dortch,

The Indiana Chamber of Commerce ("Chamber") is the state's largest broad-based business advocacy organization. The Chamber has served Indiana's business community since 1922. The Chamber now serves over 26,000 members and customers annually. The Chamber advocates on behalf of its members in matter affecting Indiana's business climate. I urge you to support T-Mobile's merger with Sprint. Approval of this merger will encourage the deployment of a nationwide 5G network which will fuel greater economic growth across the country.

The potential benefits of a 5G network cannot be overemphasized. 5G will revolutionize communication, business activities, and pave the way for the expanded "Internet of Things." This will foster economic growth nationwide. Economic growth driven by wireless technology is well documented. Just take the creation of 4G, which helped pave the way for the shared economy and brought us companies like Uber, Venmo, and Airbnb. Direct investments in wireless networks lead to job creation in adjacent sectors. To meet growing demand for equipment and ultra-fast connectivity, firms supporting relevant global supply chains will need to employ more people. The enhanced technological capabilities provided by such networks also create opportunities for new, unforeseen products and services.

New research shows T-Mobile's faster and broader deployment of 5G infrastructure will stimulate and accelerate billions of dollars of economic benefits and tens of thousands of jobs. According to the companies' public interest statement, one economic study shows that almost 25,000 new American jobs will be generated by 2023, directly because of the merger.

The New T-Mobile will provide the speeds and coverage needed to fuel economic growth. I hope you will recognize the benefits that the T-Mobile Sprint merger will bring to Indiana and the rest of the country, and I hope that you will approve this merger swiftly. Please feel free to contact me with any questions.

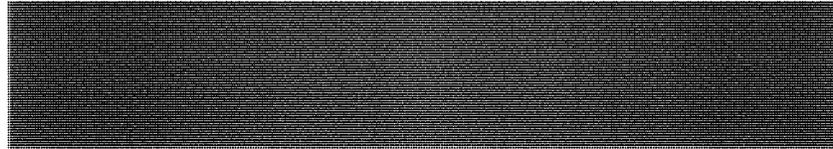
Respectfully submitted,

  
Greg Ellis  
Vice President, Environment and Energy Policy

cc: Chairman Ajit Pai  
Commissioner Michael O'Rielly  
Commissioner Brendan Carr  
Commissioner Jessica Rosenworcel

**Indiana Chamber of Commerce**  
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## Why 5G is out of reach for more people than you think

5G promises to revolutionize mobile, but those super-fast speeds will be hard to get in rural America.

BY SHARA TIBKEN | OCTOBER 25, 2018 5:01 AM PDT



*This is part of CNET's "Crossing the Broadband Divide" series exploring the challenges of getting internet access to everyone.*

I sit in a massive green tractor, called a sprayer, as we drive down the field. A tablet in the machine's cabin shows a map with blue rectangles marking where we've applied chemicals. Soon, I can see another

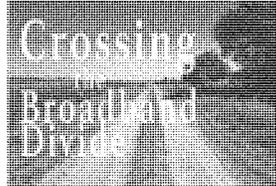
2/13/2019

Why 5G is out of reach for more people than you think - CNET

sprayer pop up on the map, with the ground another farmer has covered highlighted in a different shade of blue.

When my machine gets near the other farmer's area, my sprayer automatically turns off to avoid overlapping and wasting chemicals. A third farmer in a remote office is able to monitor our progress on an iPad.

What I'm demoing is John Deere's technology that lets machines talk to other machines, part of an industry-wide push that's known as "precision agriculture." That particular Deere feature, called Section Control, can be found in sprayers and tractors for planting seeds. It lets farmers run multiple machines in the same field, saving time and chemicals. It reduces costs for farmers, lowers the environmental impact and makes everything more efficient.



James Martin/CNET

But that -- and the countless other smarts now in farming equipment -- is pointless if there's no connectivity.

"All of that stuff is useful information that needs to be available in real time," Jeremy Thompson, chief architect for John Deere's intelligent solutions group, tells me at his company's test farm outside Des Moines, Iowa. "Without connectivity, you're kinda flying in the dark."

Smart farming is one of the prime examples of an area that could stand to benefit from ultra-responsive and speedy 5G networks. The technology is on the cusp of reality, and with speeds up to 100 times faster than today's mobile connections, it could radically change our lives.

But the reality for rural America is that many areas are in the dark when it comes to wireless connections. The vast majority of Americans -- 95 percent -- now own a cellphone of some kind, and 77 percent have smartphones, according to a Pew Research report from earlier this year. But only 70 percent of rural areas have 10 Mbps LTE download speeds, compared with 91 percent in urban areas, according to the most recent Federal Communications Commission report, which is based on 2016 data.

“  
If we were talking about a digital divide before, now

2/13/2019

Why 5G is out of reach for more people than you think - CNET

## we're talking about a digital divide on steroids.

Steven Berry, CEO of the Competitive Carriers Association

So while the US carriers are making their big 5G push now, with providers in Korea, Japan and China to follow in the next 12 months, don't expect the technology to revolutionize rural America anytime soon.

Some experts expect 5G to eventually be a boon for rural parts of the US, including areas that still lack home broadband connections of at least a 25 Mbps connection. But others warn it could take several years or more -- if ever -- for carriers to actually deploy 5G in more remote, sparsely populated parts of the country.

The reason rural areas may miss out on 5G, at least for now, is a combination of technology, geography and finances. The key spectrum needed for 5G only covers short distances, runs into problems when there's even a tree in the way and requires lots of expensive towers installed close to each other.

"If we were talking about a digital divide before, now we're talking about a digital divide on steroids," says Steven Berry, CEO of the Competitive Carriers Association, which represents nearly 100 smaller wireless companies, including T-Mobile and Sprint.

### So what's 5G anyway?

I hold a rectangular Qualcomm chip in my hand. This little thing, able to pick up new, high-frequency radio airwaves, including so-called millimeter-wave spectrum, is key to letting smartphones tap into 5G.

Many of the key benefits of 5G come from those high-frequency airwaves, since the higher the band, the higher the speeds and capacity.

"The extent of the coverage in 5G is really dictated by the spectrum," says Dean Brenner, Qualcomm's senior vice president of spectrum strategy and tech policy.



Watch this: How to solve the rural broadband problem?  
Fix the maps

5:13

The promise of 5G is that it can use higher-frequency bands, called millimeter wave, to send data faster than ever before. Those signals operate on frequencies of 24GHz or higher, compared with the 600MHz to 5.8GHz used for 4G today. They promise speeds of up to 5Gbps, though the more realistic speed you'll see in phones is closer to 1.4Gbps, according to Qualcomm. That's much faster than today's 4G, which is about 70Mbps (on an ideal day).

2/13/2019

Why 5G is out of reach for more people than you think - CNET

Another variant of 5G will use sub-6GHz spectrum, the lower-frequency airwaves that are more stable but slower than millimeter wave. Those likely will top out of speeds of 400Mbps to 500Mbps, Qualcomm says.

**Read more about the nuances of 5G technology.**

Sub-6GHz is nowhere near as fast as millimeter wave, and it's not what many people think of when they picture true 5G. It also can't handle as much capacity as millimeter wave, which makes it ill-suited for crowded cities. But it can travel much longer distances, and it's more stable than the higher-frequency airwaves. Another benefit is that carriers can use spectrum they already own to set up sub-6GHz 5G networks. Overall, it's much cheaper to deploy.

"5G is a real revolution," says Stephen Douglas, lead of solutions and technical strategy at Spirent, a company that works with everyone from chip companies to wireless carriers to test communications networks. It's likely the sub-6GHz variant of 5G that will serve rural areas, at least at first, he and other experts say.

"Rural communities will definitely get better service than they see today, but I don't think they will see the panacea urban communities get out of 5G unless there's some new business opportunities in those areas," Douglas adds.

**But when?**

For many, the question is when sub-6GHz 5G connections will come to rural areas.

T-Mobile, for one, aims to power its 5G network in rural areas using a swath of its even lower-frequency 600MHz spectrum. It has committed to building a nationwide 5G network by 2020 and aims to make speeds of 100 megabits a second or faster available to 90 percent of Americans. By 2024, customers will see average speeds jump 15 times over current speeds. That means average speeds of 450Mbps, with some areas exceeding 4Gbps -- though it's unlikely rural areas will see those peaks.

"We wouldn't go after 5G millimeter wave deployment in rural America," says T-Mobile Chief Technology Officer Neville Ray.

 Iowa-cornfield

Many parts of rural America, including sections of Iowa, lack reliable, fast Internet connections.

Share Token/CNET

Verizon and AT&T, meanwhile, will first focus on millimeter wave for big cities, even though it doesn't have great range. Verizon plans to launch its mobile 5G network earlier next year, while AT&T says it plans to launch the first mobile 5G network by the end of this year. AT&T expects to have 5G in 12 cities by the end of 2018 and seven more in the first half of 2019.

2/13/2019

Why 5G is out of reach for more people than you think - CNET

It hasn't yet said when it will expand to rural areas, but Gordon Mansfield, AT&T's vice president of converged access and device technology, said it's reasonable to aim for the 2020 to 2021 time frame as 5G adoption moves at a faster pace than previous generations.

"I don't want to suggest every square mile of the US will ultimately be covered," Mansfield says. "Honestly, that's a very difficult value proposition."

Ted Rappaport, a professor of electrical and computer engineering at New York University's Tandon School of Engineering who conducted some of the early research into 5G, projects there will be major urban rollouts of 5G in 2019 and 2020, followed by midtier markets in 2021. 5G will likely come more broadly to rural areas in 2022 to 2023, he estimates.

#### Wonky ways to get connected

Late last year, AT&T started trials on an important project in rural Georgia. It had spent years developing its new AirGig technology that would deliver ultra-fast internet service over power lines. Now it needed to see how AirGig worked in the real world.

So AT&T installed special antenna modules on about a dozen electric poles in Enigma, Georgia. For the next six months, AT&T monitored the systems to be sure they didn't hurt the electrical service for 2.5 million Georgia Power customers across the state. It hoped to roll the technology out within a few years but had to see if it really worked first.

"Our goal is to connect people wherever we can, as far as we can," says Andrew Spence, assistant vice president of corporate strategy for AT&T. "AirGig is potentially one way that we can more cost-effectively extend our broadband footprint."

AirGig is one of the many technologies that companies are experimenting with to bring high-speed connectivity to rural and even suburban locations. As long as a home is near a power line, it could have speeds as fast as 1 Gbps with AirGig.

SEE ALSO

**In farm country, forget broadband. You might not have Internet at all**

**AT&T AirGig could mean 100-megabit rural broadband in 2021**

**Why rural areas can't catch a break on speedy broadband**

The technology is aimed more at fixed wireless service -- in other words, a replacement for your home broadband, and not service for your smartphone on the go. AirGig doesn't connect directly to houses, though. Instead, it sends data skipping from power pole to power pole so it can travel long distances. For that final communication link to a house, AT&T will use more conventional wireless equipment like 5G mobile networks.

2/13/2019

Why 5G is out of reach for more people than you think - CNET

AirGig also doesn't require a direct electrical connection to the power line, and the technology can be "clamped on by trained electrical workers in just a few minutes," Georgia Power says. It would remove the need to build new cellular towers or bury cables to serve homes and mobile users, and it has the potential to deliver speeds of well over 1 Gbps using millimeter wave technology.

Georgia Power Chief Executive Paul Bowers said during a video at an AT&T event last month that it could reach "almost everywhere in our state" and "usher in a new era of connectivity for millions of customers."

AT&T now has started working with equipment manufacturers to build more refined hardware for a [new round of AirGig testing most likely in 2019](#). It aims to [launch the technology in 2021](#).

Others have looked at deploying [drones](#) or balloons to beam out high-speed signals. [Google's Project Loon](#) aimed to deliver internet to remote locations using a high-altitude balloon network, and Facebook wanted to [use drones and lasers](#) to give users high-speed internet connections.

Balloons and drones have been used in response to natural disasters but aren't seen as the most practical way to bring 5G and broadband internet speeds to rural America. Facebook said in June that it would [no longer build and design aircraft like Aquila](#), a giant drone with the wingspan of a Boeing 737, but that it would continue to work with partner companies like the aerospace manufacturer Airbus to invest in that kind of technology.

#### Trucking along with 4G

This summer, my mom called me to tell me about a segment she saw on RFD-TV, a rural news channel. In it, an expert said 5G would never come to rural areas. She wanted me to tell her whether that was really true -- though she had a sneaking suspicion it was.

My mother, who lives in rural Iowa, isn't alone in wondering if 5G will ever serve rural areas. In August, Sen. Jon Tester, a Democrat from Montana, spoke at a [Senate Commerce, Science and Transportation Committee hearing](#) about the FCC. He too expressed doubts about 5G ever serving his constituents.

"I am happy that 5G, that Verizon is going into Indianapolis," he said. "I am very concerned that it will never come to Montana. We have advocated to put 5G in our biggest town, Billings, yet we have gotten no response whatsoever."

 20180712-john-deere-tractors-iowa-01

More and more John Deere equipment, like the combine on the left and the sprayer in the center, use wireless connectivity to talk to other machines.  
Shara Tibken/CNET

As Tester noted, parts of Montana, much like other areas of the rural US, have no cell service at all, let alone 4G LTE or 5G.

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"I think the primary challenge ... [is] what are we going to do about communities that are at risk of falling behind?" says FCC Commissioner Jessica Rosenworcel. "In rural America and urban America, too, we've got some places ... that don't have the service they deserve."

At the same time carriers are deploying their 5G networks, they're still building out their 4G LTE networks in rural areas and constructing public safety wireless networks. Qualcomm's latest 4G modems support 2GB LTE speeds, and carriers keep adding new regions. One thing working to 5G's advantage: The same backbone technology used for 4G LTE works for 5G.

"It's easy to upgrade from 4G LTE into 5G," says Erik Ekudden, chief technology officer at networking equipment maker Ericsson.

But that's moot if there's not even 4G LTE in an area.

Back at John Deere's farm outside Des Moines, I learn more about the company's push with precision agriculture. Farming has gotten smarter, with tractors able to drive themselves and combines able to track the yield and ground conditions of fields.

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The aim with precision agriculture is to know, down to the individual plant, what's happening with a crop during planting, the application of fertilizer and harvest. Data is seen as key to the farms of the future, helping farmers predict the best way to run their operations.

But the information is useless if the farmers can't actually access it. Today, if workers don't have connectivity, they often have to load data onto a USB flash drive that they can download onto a computer. But farmers, like everyone else, want more. They want to access data remotely, checking in on employees out in the field or using drones to monitor their plants. All of that would be a lot easier with 5G.

For now, John Deere will keep designing its technology to work on slower 3G connections.

"For rural, [5G] is going to be important, just like everywhere else," Deere's Thompson says. "But today, [even with] 3G, there are a lot of places that still don't have connectivity."

*CNET's Roger Cheng and Maggie Reardon contributed to this report.*

5G is your next big upgrade: Everything you need to know about the 5G revolution.

NASA turns 60: The space agency has taken humanity farther than anyone else, and it has plans to go further.

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## Mobile Wireless in Vermont

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*January 15, 2019*



**Mobile Wireless Coverage in Vermont**

In October and November of 2018 The Department of Public Service (PSD) conducted a drive test of the state of mobile wireless coverage in Vermont. The initiative was undertaken primarily to demonstrate that good cause exists to expand the territory in the state that is deemed eligible for forthcoming federal grants. When the test results were completed and submitted to the Federal Communications Commission (FCC), the PSD analyzed the results to derive insights about mobile wireless service in the state. This report describes the drive test process, provides a summary of the results, and explains how the information was assessed by the FCC for the grant process.

**FCC Mobility Phase II program**

The FCC, through the Mobility Phase II program, intends to direct up to \$4.53 billion in support through reverse auctions to bidders that commit to offer mobile wireless service in eligible areas throughout the nation. When the program was announced only a small amount of territory in Vermont was eligible for this funding. Under the FCC rules for the program, areas without access to wireless service providing 5 Mbps will be eligible for the grants. To identify these areas, the FCC directed service providers to submit information, on a confidential basis, depicting the area where they believe consumers have access to service with at least 5 Mbps. The FCC identified the eligible areas as those areas where no company asserted that it offers service at 5 Mbps or better. This process resulted in only 1,310 square kilometers of eligible areas in Vermont, out of a total territory of approximately 25,000 square kilometers.

The FCC also authorized a process by which states could challenge asserted wireless coverage in ineligible areas. After reviewing confidential maps submitted by providers that purport to show the extent of coverage it was clear that many of the areas purportedly served in fact very likely lacked service. The PSD undertook a test of all major roads in the state to determine where mobile wireless service is actually available from a consumer perspective. The data gathered by the Department through its participation in the challenge could render significantly more territory in Vermont eligible for this grant process.

**Drive Test Methodology**

Because the primary purpose for the Department's drive test effort was to participate in the FCC challenge process, the PSD developed a methodology to generate data that would meet the rigorous specifications laid out by the FCC for a challenge. The FCC developed a map that divides each state into thousands of one-kilometer square blocks. In order to successfully challenge coverage in a block, a challenger was required to submit results of download speed tests conducted within that block which demonstrate speeds below 5 Mbps. Separate results had to be submitted for each provider that allegedly serves that block, within the part of the block they purportedly serve. Moreover, the FCC specified that to successfully challenge service in a block, a challenge must encompass 75% of the test area, where each test point was afforded a radius of 400 meters.

Some states prepared challenges by reviewing the confidential maps submitted by the providers and targeting testing in small areas. Other participants chose to challenge service for only individual providers in select areas. Analysis of initial proof-of-concept tests showed that a drive test sticking to main roads would not be very efficient at meeting the FCC requirement to test 75% of the territory of a block. Meeting the 75% threshold would require several tests at least 400 meters apart within each block. This could be met if the route went directly through the middle of a block. In most cases however, the main roads transect the blocks obliquely, that is, along a side or a corner. In these blocks, a

drive test would not meet the 75% requirement. The PSD lacked time or budget to conduct a test thoroughly enough to meet the 75% threshold on a wide basis. The PSD considered testing only small targeted areas with a goal of testing on side roads to meet the 75% threshold in those areas. Ultimately, the PSD decided that the results of a drive test throughout the state could provide insight beyond the challenge process. Therefore, the PSD determined that it would conduct a drive test of all major roads (roads that receive federal aid) even though only a portion of the transected blocks would reach the 75% threshold.

The PSD identified an Android smartphone application, G-NetTrack, that recorded the results specified by the FCC. An initial review demonstrated that while the app recorded results for the three required parameters (latency, signal level, and download speed) each was recorded with a different timestamp and location. It would be difficult to put this information in the format required by the FCC for the submission. PSD staff contacted the app developer who agreed to update the app to include all three parameters in a data sequence with a single timestamp and location in the results log file. Deployment of the app required the assistance of the Vermont Agency of Digital Services (ADS). ADS configured an Internet server to host a file containing thousands of pictures. The app on the smartphones was configured to attempt to download this file and record the results at set intervals.

The PSD configured the application to conduct a test sequence lasting 20 seconds, consisting of a 10 second download test, 5 second ping test, and a 5 second pause. The PSD acquired handsets and service for each of the six facilities-based providers that asserted service in the state: AT&T, Sprint, T-Mobile, US Cellular, Verizon Wireless, and VTel Wireless. The PSD configured the app to continually repeat the test sequence on each handset while the drive tests were underway. With an average speed of 40 Miles per hour (18 meters per second), the test every 20 seconds produced data with about 360 meters between result locations. The product of this effort is a set of 187,506 download speed test results at locations along all of the major roads in the state.

#### Statewide Results

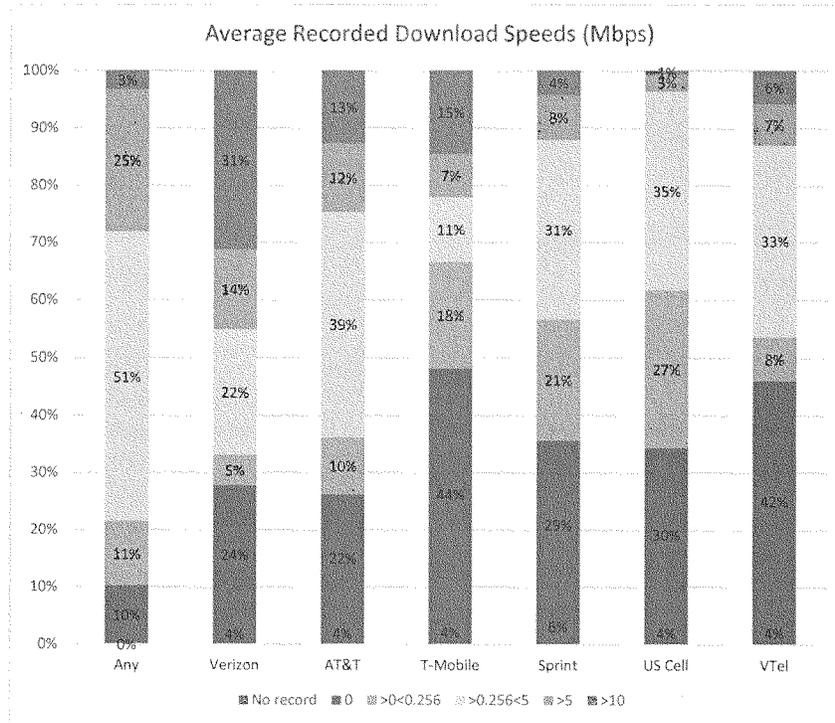
The Department employed the one-kilometer square blocks developed by the FCC to generalize the results. This generalization is helpful for analysis and to view the information in maps at large scales, such as for a statewide view. For each carrier, the PSD determined the average download speed recorded in each block using the following five-tier classification system:

-  No service, text, voice, and data not available
-  Spotty service, under 256 kbps, text may be possible, voice not likely
-  OK service, up to 5 Mbps, voice, text and email likely, web browsing may be possible
-  Good service, 5 Mbps to 10 Mbps, voice, text and web browsing likely, streaming may be possible
-  Great service, more than 10 Mbps, voice, text and video streaming likely

It is important to keep in mind that while this generalization is indicative of the coverage, it is not meant to assert the availability of such coverage throughout each block. In fact, there can be significant

variation in coverage within any block. Users should refer to the individual download speed tests visible on the interactive maps for more precise information.

The chart below compares the average download speeds obtained by each carrier in the tests. For each carrier, the chart lists the percentage of blocks where the average recorded download speed falls into five different speed tiers.



Analysis of this data shows these key findings:

- The two largest carriers, AT&T and Verizon, have a similar number of blocks where they have at least some service: 72% for Verizon and 74% for AT&T;
- 65% of the tested blocks have service from both AT&T and Verizon;
- 54% of the tested blocks are served by both AT&T and Verizon at speeds better than 0.256 kbps;
- 15% of the tested blocks have no service from either AT&T or Verizon;
- Verizon has the largest number of blocks with the highest speeds, 31% for Verizon vs. 13% for AT&T and 15% for T-Mobile;
- There are 106 blocks served only by VTel Wireless, including 47 where the download speed was less than 0.256 kbps.

Blocks where there is no recorded speed test for that carrier are the result of the nature of the drive test. While the drive test recorded data for all carriers along the same routes, the tests were not exactly synchronized, so not all carriers have results in all blocks.

#### Vermont FCC Challenge Submittal

The FCC employed an automated process to review the results of the drive test submitted by the PSD. In order to challenge service in a given one-kilometer block, challengers were required to submit download speed tests within the asserted coverage area in that block for each carrier that asserted coverage. The process identified 4,186 blocks where the challenge was successful. Of these, 789 blocks met the requirement to test 75% of the block. In another 3,397 blocks, the challenge was only provisionally accepted because the tests submitted covered less than 75% of the block. The process rejected the challenge in 1,879 one-kilometer blocks. Of these rejected blocks, 1,607 were apparently rejected because all of the tests for all carriers that asserted service in that block exceeded 5 Mbps. Another 272 blocks had tests that demonstrated less than 5 Mbps, (including 194 blocks showing no service at all) but were rejected because the specific location of the tests fell outside of the company's asserted coverage area. Many of these rejected blocks are adjacent to the identified Eligible Area.

The table below depicts the quantity of blocks and the quantity of E-911 Business and residential buildings within these blocks for different categories of blocks.

Category	Blocks	PCT	Buildings	PCT
Challenge accepted (75% tested)	789	3%	23,087	8%
Challenge provisional (<75% tested)	3,397	13%	102,770	34%
Challenge rejected	1,879	7%	68,993	23%
Not tested	19,373	76%	108,985	36%
Total	25,438		303,835	

Analysis of this information shows these key findings:

- The drive test transected only 23% of the blocks in the state, but these blocks contain 65% of the buildings in the state;
- The challenge in 30% of the transected blocks were rejected, largely because the service recorded exceeded 5 Mbps;
- Only 13% of the transected blocks met the 75% threshold;
- Testing the 70% of the blocks that the drive test did not transect would require a significant effort, and only a small portion would meet the 75% threshold.

### Interactive Map

The Department prepared an interactive map service depicts mobile wireless coverage for each of the six facilities based providers operating in Vermont: AT&T, Sprint, T-Mobile, US Cellular, Verizon Wireless, and VTel Wireless. The map is accessible on the Department website.

Use the two buttons in the upper right to navigate the site:

-  Layer button, to select between providers
-  Legend button, an explanation of the colors

The layer for each provider includes two maps: a coverage map with information prepared by the service provider, and the results of a drive test conducted by the Vermont Department of Public Service in October and November, 2018.

**COVERAGE MAP:** The coverage maps, shown in pink, were submitted by the provider to the Federal Communications Commission and indicate where the provider believes consumers should expect to receive data service with at least 200 kbps, as of December 31, 2017. This publicly available information was downloaded from the FCC website; it was produced by the individual providers and the PSD makes no claim about its accuracy. For VTel Wireless, users may optionally enable the VTel Wireless ARRA service territory map by clicking Layer button, then the right arrow next to VTel.

**DRIVE TEST MAP:** PSD staff employed the android smartphone application G-NetTrack to conduct download speed tests at approximately 300 meter intervals along all federal-aid highways. The results of the drive tests are show with five colors, as follows:

-  No service, text, voice, and data not available
-  Spotty service, under 256 kbps, text may be possible, voice not likely
-  OK service, up to 5 Mbps, voice, text and email likely, web browsing may be possible
-  Good service, 5 Mbps to 10 Mbps, voice, text and web browsing likely, streaming may be possible
-  Great service, more than 10 Mbps, voice, text and video streaming likely

The drive test data is presented in two formats, depending on the scale of the map (how far the user zooms in or out):

- **DATA TEST POINTS:** When zoomed-in to a neighborhood scale, the service depicts the results of the 187,000 individual data tests. Clicking on an individual point will provide the information from that test, including the timestamp, the download speed (in Mbps), the latency (the round-trip time for a request to a website, in milliseconds), and the signal strength (RSRP in dBm).
- **AVERAGE SPEED BLOCKS:** When zoomed-out beyond the neighborhood scale, the map depicts blocks, one kilometer square, that show the average of the download speeds recorded within that block. This generalization of information provides users an indication of coverage in a neighborhood when viewed at different scales. **THIS DOES NOT INDICATE SERVICE THROUGHOUT A BLOCK.** Users should zoom-in to view the individual download speed test points and judge accordingly.

In addition to the data for each individual provider, the Layer button  allows users to select two additional views:

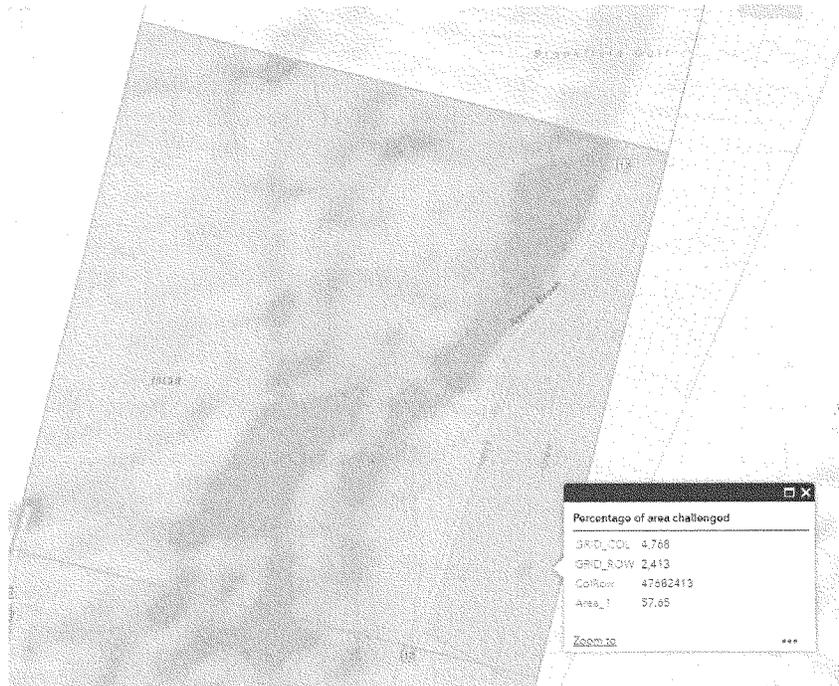
The COMPOSITE layer depicts the blocks that contain download tests, color coded by the average of all of the tests, for all carriers, conducted in that block. This includes data for all carriers, and thus masks variation in coverage between individual providers. Clicking on an individual block will show the average results for each provider in that block. Results listing "999.000" indicate no test was conducted for that carrier in that block.

The CHALLENGE layer depicts the status of each block in the submission of the PSD in the FCC Mobility Fund Phase II Challenge process. Blocks are depicted in one of three colors. Blue blocks are where the challenge was rejected, either because a.) the block is already largely eligible, or b.) because no tests below 5 Mbps were submitted. Blocks that are red and pink were accepted because tests with results less than 5 Mbps for each carrier that asserted coverage were submitted. Blocks in red met the requirement for testing 75% of the block. The challenge for the blocks in pink may be considered but did not meet the 75% territory requirement. This layer also includes the original "eligible area" in purple, areas where no carrier asserted that it provides service.

**Difficulty meeting the 75% threshold:**

Of the 4,186 tested blocks, 3,397 did not meet the 75% threshold. Here are some examples that demonstrate the difficulty of meeting this requirement.

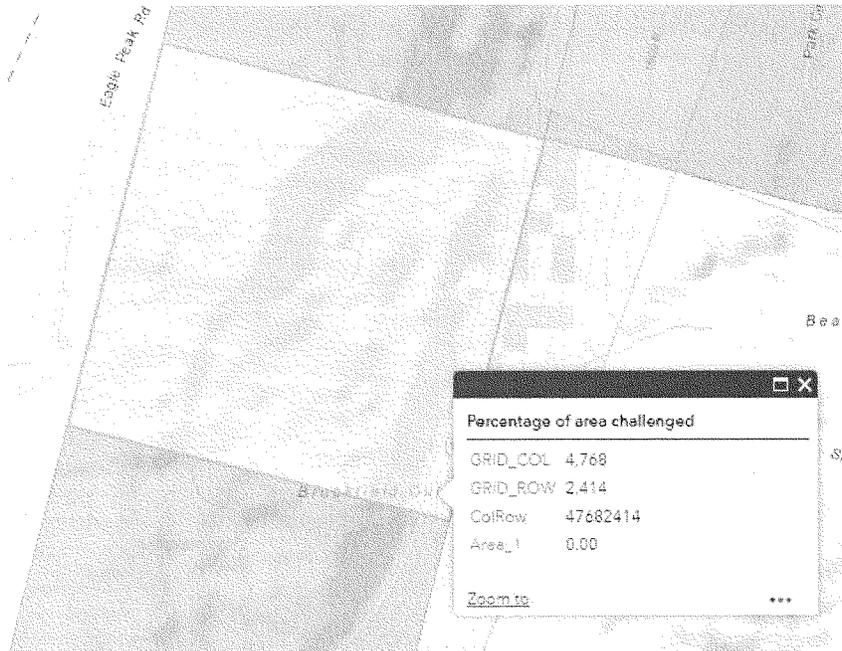
For instance, see Grid\_Col 4,768 / Grid\_Row 2,413. The PSD challenge for this block was accepted and the challenged area was calculated to be 57.65%. The PSD tests were all along the main road, Route 12. There are no other roads in this block, and the steep terrain would make additional testing in this cell by hiking treacherous. Moreover, the buildings in the area would be along the roads, so testing the area of the block lacking roads is highly inefficient.



**Blocks rejected because the tests were "Outside Challengeable areas of a block"**

Of the 1,879 blocks where the tests were deemed invalid, 194 were blocks where the tests demonstrate no service from any carrier, and 78 show service less than 5 Mbps from any carrier. These were likely rejected because the tests were not conducted within the "challengeable" area of a block. That is, the tests need to be conducted not only within the block, but for each carrier, the test must be conducted within the portion of the block that the carrier claimed it served. This is problematic if the carrier asserts that it serves a part of a block with no roads.

For example see Grid\_Col 4768 / Grid\_Row 2414. Most of the cell is allegedly served, and is thus ineligible, with just a few pixels that lack asserted coverage. By chance the PSD tests in this cell fell within these few pixels.



As an another example, see the four blocks around Grid Col 4753, Grid\_Row 2408. The tests were all along the roads in Eligible areas, while the area with asserted coverage lies in the roadless areas on the hills above.



2/12/2019

4G LTE Coverage Map | Check Your 4G LTE Cell Phone Coverage | T-Mobile

(<http://www.t-mobile.com>)

[http://myt-mobile.com/home.html?kcid=WMD\\_TMNG\\_HMPGRDSGNU\\_S6FV9B](http://myt-mobile.com/home.html?kcid=WMD_TMNG_HMPGRDSGNU_S6FV9B) **MENU**

LEGEND

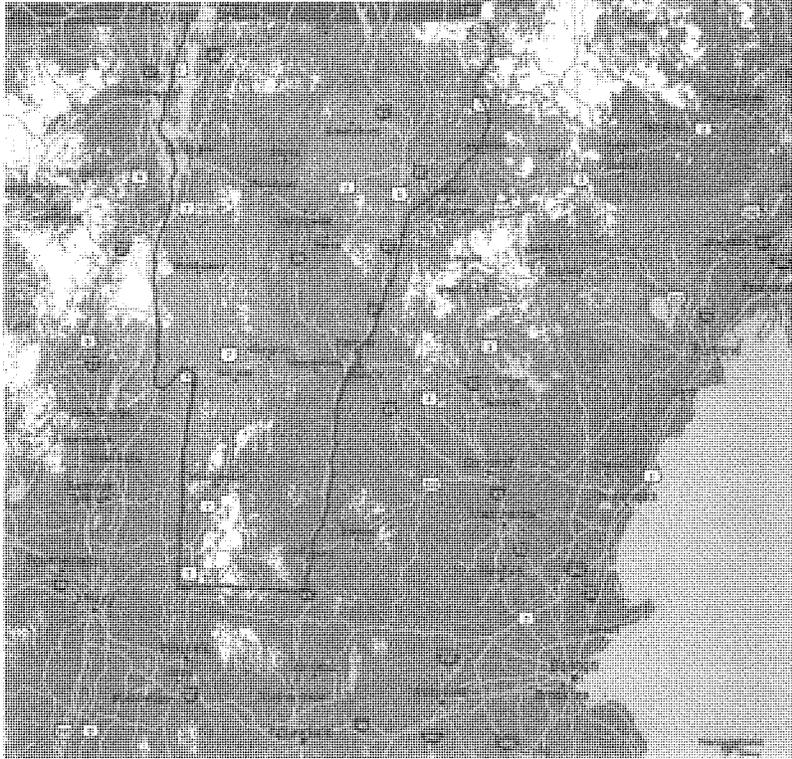
United States



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Please enter a valid address.



Map

20 km

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<https://www.t-mobile.com/coverage/coverage-map>

1/1

<https://www.burlingtonfreepress.com/story/news/local/vermont/2019/01/24/vermont-cell-phone-coverage-maps-dead-zone-verizon-att/2467205002/>

## VT officials suspected cellphone coverage maps were too good to be true. They were right.

April McCullum, Burlington Free Press Published 7:00 a.m. ET Jan. 24, 2019



Sean Hood of Burlington checks his cell phone on the Church Street Marketplace in Burlington in 2016. (Photo: ZACH DESPART/FREE PRESS)

Cell carriers claim that you should be able to stream online video on your cellphone almost anywhere in Vermont.

But in some places in the state, it's not even possible to make a phone call.

A Vermont Department of Public Service official spent about six weeks last fall proving that point to the federal government. Corey Chase, the department's telecommunications infrastructure specialist, drove around Vermont with six cellphones, each connected to a different carrier.

The phones were constantly trying to download a massive file full of images from the Hubble space telescope, and Chase used an app to collect data on their progress.

The result is the first independent map of Vermont cell service that's rooted in experience (A previous effort by a state contractor used computer models to create maps of likely coverage). The new map shows that cell carriers have overstated their coverage in large swaths of Vermont.

"It's pretty different — actual experience versus modeled experience," Chase said.

Representatives from Verizon, AT&T and an industry group that represents cell carriers did not immediately respond to requests for comment Wednesday.

Verizon is the top cell phone provider in Vermont, serving about 47.5 percent of cell phone users, according to a state-commissioned survey of Vermonters conducted in October and November 2017. AT&T follows with 31.8 percent of the market.

### **Is this the worst place for cell service in Chittenden County?**

The new map shows that even Vermont's most populous county has dead zones.

A stretch of Vermont 128 in Westford, from the Essex town line to the Westford town center, had the worst service in all of the Chittenden County tests. In this area — including the road just behind the Westford School — you'll be lucky to be able to make a phone call with any carrier.

"Why there's no service is really a question for the providers," Chase said. "I can tell you generally, providers build towers and direct their service to areas where they believe their customers demand service."



Principal Marcie Lewis greets students at the Westford Elementary School in May 2015. (Photo: GLENN RUSSELL/FREE PRESS)

AT&T and Verizon claim to cover the entire stretch, according to maps submitted to the FCC. T Mobile, VTel and Sprint say they cover parts of that area of Westford.

### **Vermont's goal: Make more areas eligible for FCC grants**

Vermont created the new cell coverage map in an attempt to make more areas of the state eligible for grants from the Federal Communications Commission.

The FCC's initial maps, based on information from the carriers, showed that about 5 percent of the state would be eligible for cell carriers to apply for federal grants to improve service. Those were the areas where no company claimed to offer service of at least 5 Mbps or better.

The Department of Public Service decided to challenge the information that cell carriers had submitted to the FCC.

Vermont's new data from the drive test helped the state to successfully challenge the FCC maps in some areas.

People in 36 other states also submitted challenges, and the FCC announced in December that the agency was investigating whether "one or more major carriers" submitted inaccurate coverage maps.

"A preliminary review of speed test data submitted through the challenge process suggested significant violations of the Commission's rules," FCC Chairman Ajit Pai wrote in the Dec. 7 statement. "That's why I've ordered an investigation into these matters. We must ensure that the data is accurate before we can proceed."

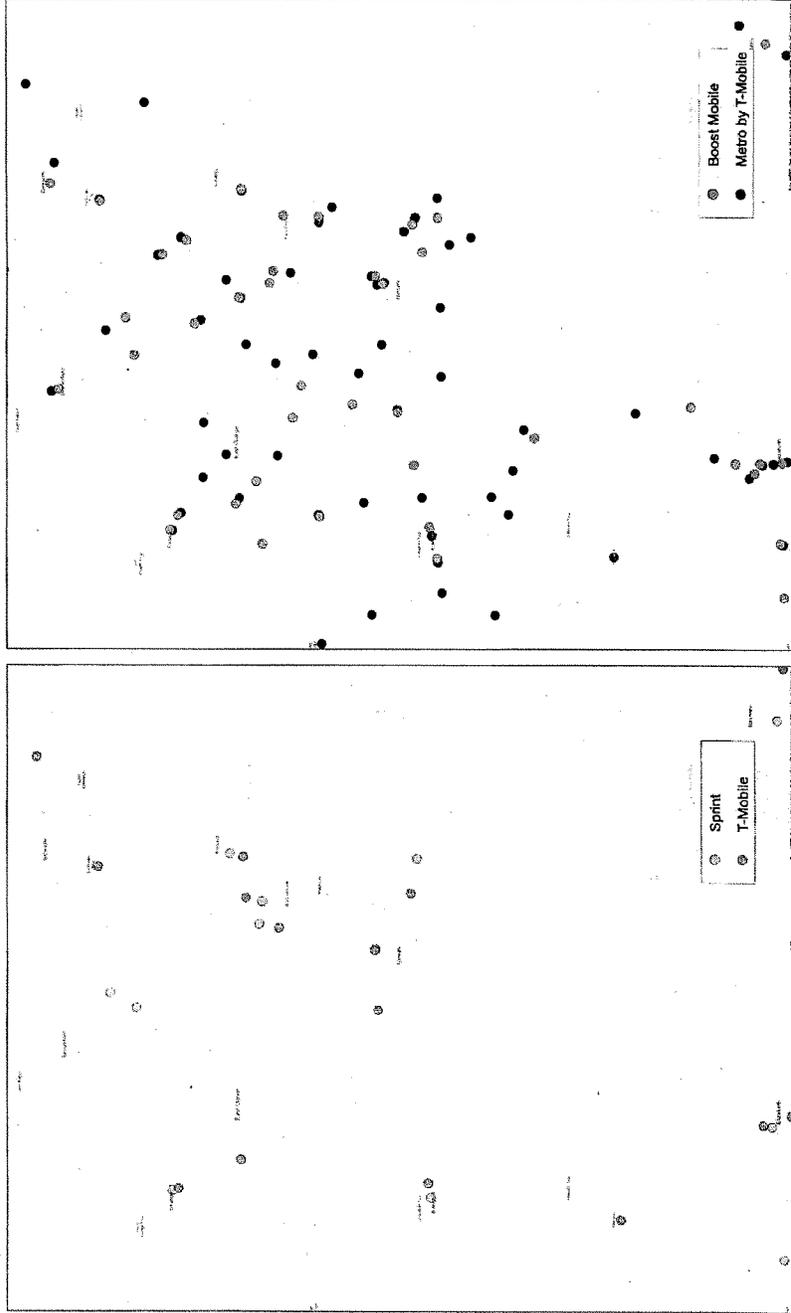
### **Call for stories: How's your cell service, Vermont?**

The Burlington Free Press is interested in hearing from Vermonters about how lack of cell service affects their lives.

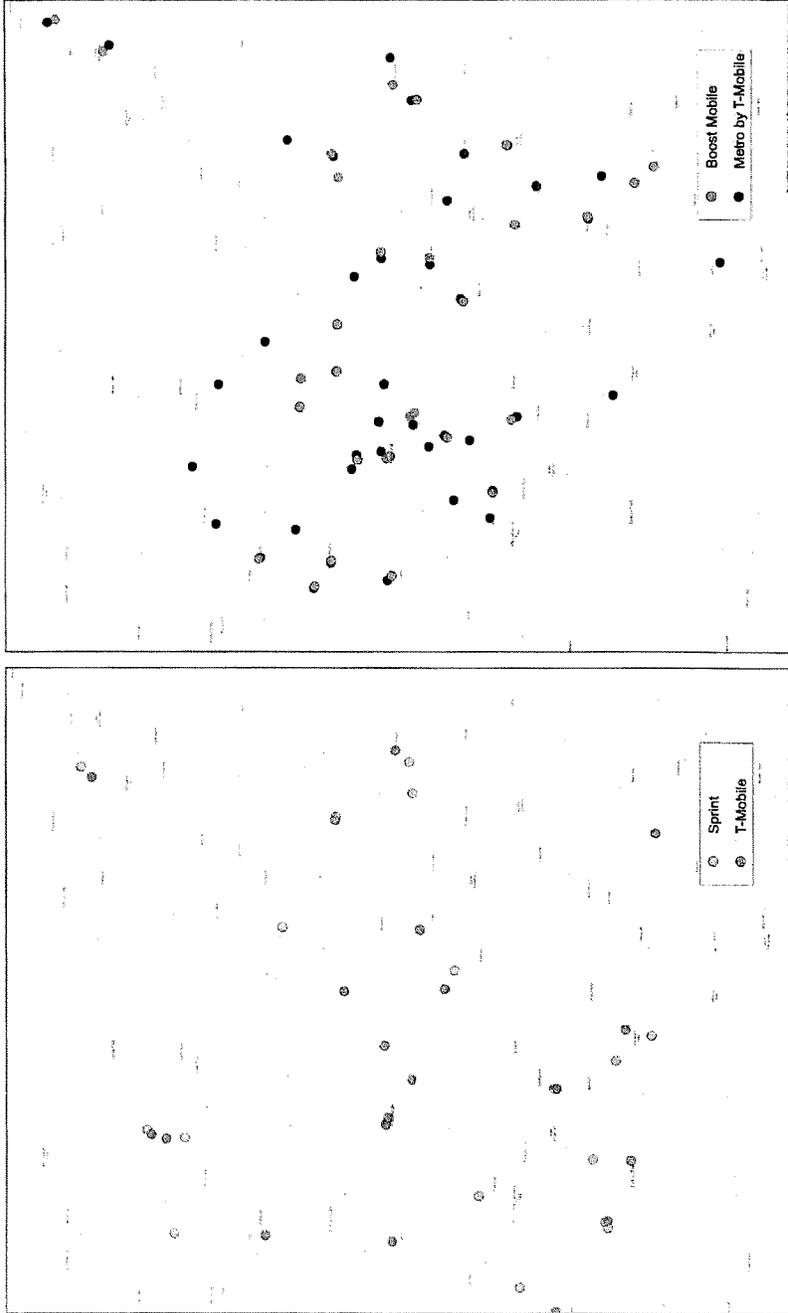
Email comments to reporter April McCullum at [amccullum@freepressmedia.com](mailto:amccullum@freepressmedia.com) or call 802-660-1863. Comments may be used in future coverage.

*Contact April McCullum at 802-660-1863 or [amccullum@freepressmedia.com](mailto:amccullum@freepressmedia.com). Follow her on Twitter at [@April\\_McCullum](https://twitter.com/April_McCullum).*

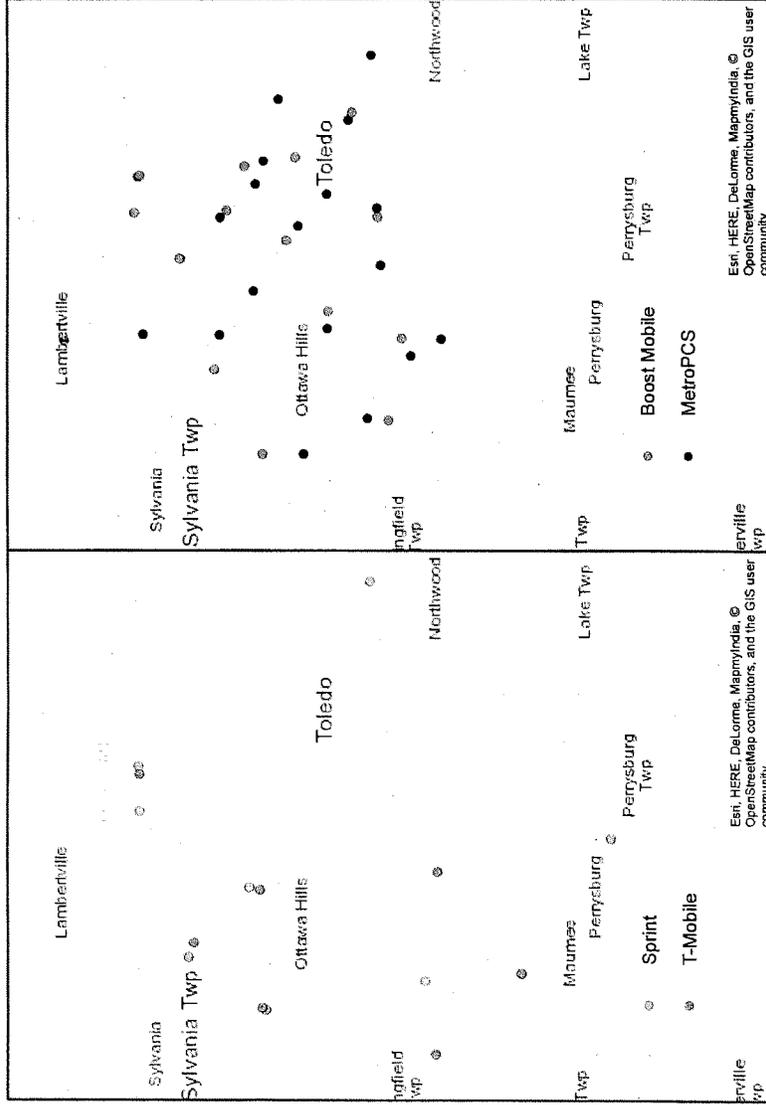
### Distribution of Sprint and T-Mobile's postpaid and prepaid stores - Newark, NJ



**Distribution of Sprint and T-Mobile's postpaid and prepaid stores - Pittsburgh, PA**

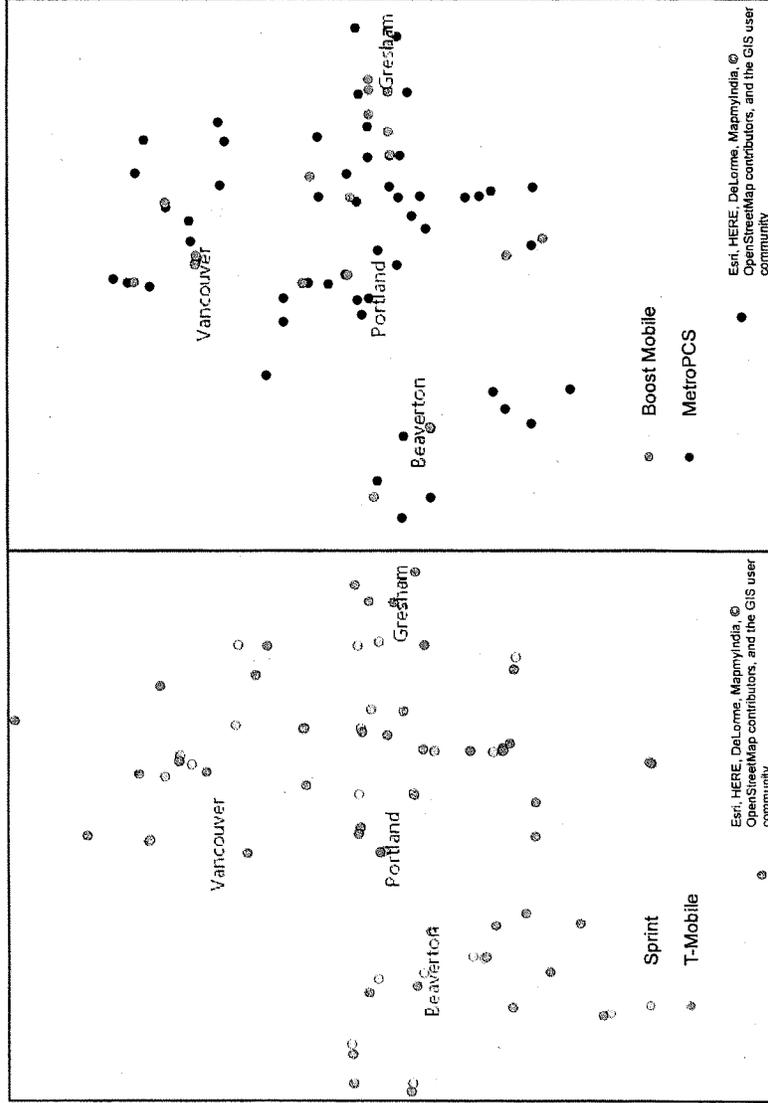


Distribution of Sprint and T-Mobile's postpaid and prepaid stores - Toledo, OH



Source: Data retrieved from each company's websites in April and May 2018.

Distribution of Sprint and T-Mobile's postpaid and prepaid stores - Portland, OR



Source: Data retrieved from each company's websites in April and May 2018.

 **MORNING CONSULT****T-Mobile's Compelling Case For Driving Innovation And Competition**

By: Henry Waxman And Billy Tauzin, February 11, 2019

Among the most critical responsibilities given to the United States Congress is oversight of government and industry, aimed at protecting and advocating on behalf of the American public. As former chairs of the House Energy and Commerce Committee, we took this responsibility seriously, making genuine efforts to seek accountability where it was merited and bring a critical eye to both the intended and unintended consequences of policy decisions. Despite serving on opposite sides of the aisle, we shared the belief that this approach contributed to better public policy and more effective regulation.

This week, the leadership of T-Mobile and Sprint will have an opportunity to testify before the House Energy and Commerce and Judiciary committees to articulate the public benefits of the New T-Mobile. Telecommunications and technology innovators know all too well that they must be responsive to the changing needs and priorities of their customers and the communities they serve if they want to thrive in the competitive American marketplace. We believe they bring a compelling case that together, they can better serve the public and create a more robust telecommunications sector overall.

The New T-Mobile has the potential to boost competition, create jobs, accelerate innovation, and put downward pressure on the price of broadband.

T-Mobile has succeeded by putting customers first. As customers grew frustrated with the limitations of provider contracts, T-Mobile was the first company to do away with mandatory two-year contracts. The company also recognized that wireless service should travel seamlessly with customers across borders, which led them to include international data service in its most popular plans — at no extra cost. As others followed suit, these steps and many others changed industry standards and customer expectations for the better.

This disruptive approach reflected a customer-driven strategy focused on delivering results to consumers, rooted in a belief that responsiveness and innovation always have the greatest potential to take companies, their customers, and the user experience to new levels. And it's this approach that will continue to drive the decision making and success of the New T-Mobile.

Leveraging the integration of Sprint's networks, the New T-Mobile has committed to investing nearly \$40 billion in infrastructure and services to create the first nationwide 5G network, using both companies' complementary assets to rapidly deploy a 5G network. Truly, both companies' networks will be stronger together, and by 2024, they will be able to deliver nearly three times the capacity and four-to-six times the speeds than they could achieve independently.

Access to broadband is critically important to ensure no community is left behind as we move into the 5G future. 5G is coming — the question is who will have access and when. The New T-Mobile will enable the creation of a broad and deep nationwide 5G network more efficiently and more quickly than otherwise possible, opening it up to a greater number of communities. That is critical, because the 5G future must be inclusive. Whether it's allowing students in California to access advanced online tools through a fast and reliable internet connection or giving farmers in rural Louisiana the ability to leverage precision agriculture technologies to boost crop yields, creating an accessible 5G connection is essential to maintaining American leadership and competition.

But what good is a network if there's a chance the merger could discourage competition?

While critics argue this combination will decrease competition by lowering the number of wireless competitors from three to four, extensive research demonstrates the New T-Mobile will dramatically increase capacity in the marketplace, placing more pressure on its competitors. As a result, the per gigabyte price for consumers could drop as much as 55 percent, while wireless data supply could increase by as much as 120 percent. Moreover, in a letter submitted to the Federal Communications Commission, the New T-Mobile committed to making the same or better rate plans available for services as those offered today by T-Mobile or Sprint.

To deliver on these commitments, retain customers, and attract new customers, the New T-Mobile will also create new jobs. It's anticipated that the infrastructure buildout required on both the technical and service sides will require thousands of additional workers. And T-Mobile recently announced that, following the merger, they will be building five new customer experience centers across the country, creating 5,600 jobs by 2021 to help to ensure a smooth transition for customers. Ultimately, these new team members are only part of the New T-Mobile's plans to create more than 11,000 jobs at T-Mobile—jobs necessary to stay competitive and deliver on their commitments.

We know the responsibility lawmakers feel to protect the interests of their constituents and the public at large. And we believe that members of Congress, once they fully examine the merits of this proposed transaction, will support the New T-Mobile and the innovation, broadband access, and opportunity that will come with it.

*Billy Tauzin is a former U.S. representative from Louisiana's 3rd District and served as chairman of the House Energy and Commerce Committee from 2001-2004. Henry A. Waxman served as chairman and ranking member of the House Energy Committee while in his role as a U.S. representative for California's 33rd District. Both authors currently serve as advisers to T-Mobile.*

<https://morningconsult.com/opinions/t-mobiles-compelling-case-for-driving-innovation-and-competition/>



**STATEMENT FOR THE RECORD OF**

**GEORGE P. SLOVER  
SENIOR POLICY COUNSEL**

**JONATHAN SCHWANTES  
SENIOR POLICY COUNSEL**

**CONSUMER REPORTS**

**BEFORE THE**

**SUBCOMMITTEE ON COMMUNICATIONS AND TECHNOLOGY  
HOUSE COMMITTEE ON ENERGY AND COMMERCE**

**ON**

**PROTECTING CONSUMERS AND COMPETITION:  
AN EXAMINATION OF THE  
THE T-MOBILE AND SPRINT MERGER**

**FEBRUARY 13, 2019**

Consumer Reports submits this statement to assist the Subcommittee in its examination of the proposed merger of T-Mobile and Sprint, explain our concerns regarding how the merger would impact the hundreds of millions of American consumers who increasingly rely on access to mobile phone service to conduct their lives, stay in touch with friends and family, get information they need, find goods and services, and get help in an emergency.

Since our founding more than 80 years ago, Consumer Reports has worked to ensure that the marketplace works for consumers. One key to that is ensuring that consumers get the benefit of competition that empowers them with meaningful choice, so businesses are motivated to provide more affordability, better quality, and new innovative thinking, in response to consumers' wants and needs. That is why, from our founding days, we have been strong supporters of the antitrust laws, including effective merger enforcement as an essential protector of competition.

Cell phones are now virtually ubiquitous – 95 percent of American adult consumers have a mobile phone, and 77 percent of them have a smart phone.<sup>1</sup> One in five of them use their phones for all their internet access.<sup>2</sup>

The wireless marketplace is dominated by four giant nationwide carriers: Verizon, AT&T, T-Mobile, and Sprint. The Big Four account for over 98% of the market.<sup>3</sup> Still, with these four alternatives, and especially with the maverick pressure flexed by T-Mobile and Sprint, consumers are currently benefiting from a substantial amount of competition.<sup>4</sup> This merger would significantly curtail this competition, leaving consumers paying more and getting less.

By the usual measurements, the proposed merger of Sprint and T-Mobile is presumptively anti-competitive in violation of the Clayton Act. Under the Herfindahl-Hirschman Index calculation – widely used for half a century in merger investigations – taking the sum of the squares of all the market shares, a number above 2500 shows the market is highly concentrated – the highest designation the agencies use, short of absolute monopoly. The wireless telecommunications market is already above 2800. In a highly concentrated market such as this, any merger that would increase that number by more than 200 is presumed to cross the line. This merger would increase the number by more than twice that amount – by more than 400.<sup>5</sup>

The merging corporations are attempting to overcome that strong presumption by explaining why those numbers don't really tell the story. And that's what T-Mobile and Sprint

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<sup>1</sup> Mobile Fact Sheet, Pew Research Center, Feb. 5, 2018, <http://www.pewinternet.org/fact-sheet/mobile/>.

<sup>2</sup> *Id.*

<sup>3</sup> <https://www.statista.com/statistics/199359/market-share-of-wireless-carriers-in-the-us-by-subscriptions/>.

<sup>4</sup> U.S. Wireless Price Wars Having A Big Impact On Consumers, Forbes, June 27, 2017, <https://www.forbes.com/sites/greatspeculations/2017/06/27/u-s-wireless-price-wars-having-a-big-impact-on-consumers/#56ec136a60ca>.

<sup>5</sup> See Horizontal Merger Guidelines, section 5.3, <https://www.justice.gov/atr/filc/810276/download>.

are attempting to do, with the Justice Department, the Federal Communications Commission, this Subcommittee, and the public.

Typically, the claims of merging corporations fall into five or six categories:

- First, that their merger will provide important new benefits to the marketplace – ultimately, to consumers.
- Second, that their merger will create cost-saving efficiencies – or, as merging companies often refer to them, synergies – that they say will flow, ultimately, to consumers.
- Third, that unless their merger is allowed, one or both of the companies is going to fail and go out of business anyway, so allowing or denying their merger will not ultimately make any difference in the amount of competition;

Or a variation on (3), that other market players are so big and so dominant that these two firms also need to get bigger in order to stay in the game.

- Fourth, that even after the merger, the market will remain open to new competition that will come from others, as yet unseen.
- And fifth, that the market is actually bigger, and the market shares actually smaller, because consumers have other choices that are not being taken into account, or other competitors are poised to jump in and offer meaningful new choices.

Or a variation on (5), that there is actually vigorous competition that defies the usual real-world experience reflected in the high market share numbers, and that that vigorous competition will survive the merger, and will not be harmed by the further market concentration that will result.

And indeed, Sprint and T-Mobile have been making all of these claims. But their claims need to be held up to scrutiny – with a healthy skepticism that recognizes that a corporation is ultimately in business to make profits, and that increasing profits is its objective in seeking a merger. Under its obligations to shareholders, that has to be its objective in any business decision. That motivation is not inappropriate for a business; but it needs to be taken into account in evaluating the claims being made by Sprint and T-Mobile.

We'll briefly address each of these claims.

**Promised benefits are uncertain, and may not require the merger, and the harm to competition seems all-too-clear.**

First, promised benefits always lead the justifications that are put forward for a merger under scrutiny. But the promises need to get a hard look. To begin with, there needs to be a hard look at whether these promised benefits really cannot be achieved without the merger. The bedrock premise of the Clayton Act, and of market competition, is for companies to strive independently. A merger can be a convenient shortcut for the companies, but it comes at the expense of eliminating one of those independent strivers.

And here the loss to competition seems clear. Sprint and T-Mobile have by turns spurred rivalry that eventually spread as the other of them, and then Verizon and AT&T, were forced to respond. Just two years ago, for example, in August 2016, T-Mobile jumped out in front to offer unlimited voice, text, and data plans. The very next day, Sprint upped the ante with its own unlimited voice, text, and data plan, priced at \$100 for two lines. Six months later, Verizon and AT&T began offering similar plans.<sup>6</sup>

As the Horizontal Merger Enforcement Guidelines explain, in a competitive marketplace, companies are always watching each other in assessing whether they need to adjust and offer a better deal to keep the customers they have and try to get even more. Their hope is that they don't have to adjust too much; but competition generally pushes them to go further, and offer more, than they would. But as the number of major competitors gets down small enough, the actions and reactions of the handful of companies gets easier for each other to predict, and anti-competitive coordination begins to kick in, through what the Guidelines refer to as "accommodating reactions."<sup>7</sup> When Sprint and T-Mobile no longer have to watch each other, the rewards of becoming an accommodating reactor will get stronger, and harder to resist.

We can see real-world evidence of this playing out just across our northern border, in Canada, where three wireless companies, Bell, Telus, and Rogers, dominate the market, with a combined 89 percent market share.<sup>8</sup> And there are strong indications of competitive complacency and "accommodating reactions." Canada's mobile phone rates are among the highest in the world.<sup>9</sup> And when Bell hiked its monthly plans by \$5 per month in January 2016, Telus and Rogers followed suit with their own hikes within a week – the opposite of what we saw happen in our country.<sup>10</sup> As one tech analyst put it, the Canadian carriers raise prices "because they can."<sup>11</sup>

<sup>6</sup> Cecilia Kang and Michael J. de la Merced, How Would a T-Mobile-Sprint Merger Affect Your Cellphone Bill?, NY Times, Apr. 30, 2018, <https://www.nytimes.com/2018/04/30/business/t-mobile-sprint-cellphone-bill.html>; see also FCC 19th Annual Wireless Report, <http://wireless.fcc.gov/competition-reports/mobile-wireless/mw-19/index.html>.

<sup>7</sup> See Horizontal Merger Guidelines, section 7.

<sup>8</sup> <https://www.statista.com/statistics/460099/total-number-of-mobile-subscribers-by-provider-canada/>.

<sup>9</sup> <https://mobilesyrup.com/2017/12/12/international-telecom-pricing-study-shows-canadians-still-pay-more-than-everyone-else/>.

<sup>10</sup> <http://nationalpost.com/news/canada/why-canadian-cell-phone-bills-are-among-the-most-expensive-on-the-planet>.

<sup>11</sup> *Id.*

The big benefit Sprint and T-Mobile are promising with this merger is development and deployment of 5G wireless network technology. But that's just the latest shiny new object. And it's far from clear that Sprint and T-Mobile need to merge in order to give it to us. AT&T and T-Mobile gave the same pitch for why they needed to merge in 2011 – except then it was 4G. The merger was challenged, and dropped, and as we know, 4G ended up being built anyway – not only by AT&T, and Verizon, but by T-Mobile and Sprint.

Furthermore, a merger is forever. Consumers need the benefits of competition in spurring the development of future innovations – 6G, 7G, and beyond.

**Cost-saving efficiencies are uncertain and may not be shared.**

Second, the cost-saving efficiencies that Sprint and T-Mobile are envisioning may not be so easy to achieve. Completely integrating two separate networks into one presents a lot of technological challenges that can be all-too-easily discounted in the corporate boardroom until the actual hard work has to begin. Sprint has had a similar experience with the challenges and frustrations of integrating two networks, following its 2005 merger with Nextel, later referred to in hindsight as the “deal from hell.”<sup>12</sup> Sprint eventually had to write off nearly \$30 billion in relation to those integration costs, essentially the entire price it paid for Nextel.<sup>13</sup>

But even assuming some – or even all – of the efficiencies envisioned are actually achieved, who benefits from that besides Sprint/T-Mobile? Why would any of those savings be shared with consumers, unless competition forces that?

Although efficiencies are recognized in the Merger Guidelines as potentially relevant, rarely if ever in practice are they deemed sufficient to justify a merger that would otherwise harm competition in violation of the Clayton Act.

For one thing, the antitrust agency has to be persuaded that the efficiencies are real. And for another, that the merger is the only way to achieve them.

And for another, it must be persuaded that net benefits will actually reach consumers. That means more than just that consumers will get some short-term cost savings – and even that won't happen unless there is still enough effective competition for consumers to have leverage. But it also means there must be broader, enduring benefits for consumers in the post-merger marketplace, into the future.

<sup>12</sup> Heidi N. Moore, Sprint Nextel: Officially a ‘Deal From Hell,’ Wall St. J., Feb 28, 2008, <https://blogs.wsj.com/deals/2008/02/28/sprint-nextel-officially-a-deal-from-hell/>.

<sup>13</sup> *Id.*

Efficiencies are easy to claim, but hard to substantiate.

And it should be noted that here, a substantial part of the supposed efficiencies are cost savings resulting from eliminating jobs that T-Mobile and Sprint expect to become redundant after the merger. But those jobs are not “redundant” in any sense that resonates with either consumers or competition. In fact, the opposite is true. The jobs in question are an essential manifestation of the existence of two companies competing with each other. The jobs can be eliminated only as a by-product of eliminating that competition and harming consumers.

**Sprint and T-Mobile are not headed for failure, and do not need to get bigger to provide attractive choices to consumers.**

Third, neither of these companies is headed for imminent failure. They have both been competing fiercely, and setting the bar for Verizon and AT&T. They each have tens of millions of subscribers, and assets valued at tens of billions of dollars.

In fact, neither seems to be seeking to actually revive T-Mobile’s claim in 2011 that it needed to merge (then, it was a merger with AT&T) in order to survive. Making such a claim would be quite a stretch. And even if a claim of imminent demise could be proved, merging with a competitor would not be automatically justified; it would have to be a last resort, after proving that every less harmful option was attempted.

So instead of claiming that they need to merge in order to survive, Sprint and T-Mobile are making a variation on that claim, that they need to merge in order to *thrive*, that they are stuck in a 4G world, and are going to be left behind in the race to 5G, unless they can combine assets and forces.

But both carriers have made clear that they are each independently committed to building a full 5G network. In fact, their plans are already well underway.<sup>14</sup> They don’t need to combine forces to do that.

Granted, doing it together might give them a convenient shortcut to create wider 5G coverage faster – or it might not, depending on whether the integration challenges turn out to be a bigger impediment than they expect. The T-Mobile and Sprint claims about the limits of their current spectrum and other assets, why combining them would speed up the 5G process, and how

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<sup>14</sup> See, e.g., Kris Holt, Sprint is bringing 5G to New York, Phoenix and Kansas City in 2019, The first wave of Sprint’s 5G rollout will now extend to nine cities, Engadget, May 15, 2018, <https://www.engadget.com/2018/05/15/sprint-5g-new-york-phoenix-kansas-city/> (Sprint’s announced initial 5G rollout now includes Atlanta, Chicago, Dallas, Houston, Kansas City, Los Angeles, New York, Phoenix, and Washington, D.C.; T-Mobile’s announced plans to launch 5G service in Dallas, Las Vegas, Los Angeles, and New York City in early 2019).

the integration would be managed, are being held up to scrutiny by other technical experts. The Justice Department and the FCC will ultimately decide if those claims hold any water.

But regardless of their accuracy as a technical matter, that still leaves the question about whether the two of them combining in order to get a more rapid and robust deployment of 5G is of as much importance to consumers as it is to their own business plan. It's not clear that consumers need or want their wireless carrier to have 5G coverage – much less to pay extra for it.

Sprint and T-Mobile might want it. But the whole premise of merger enforcement under the Clayton Act is that it is better for consumers, and for the economy, for companies who want it to *build* it, not *buy* it – to *compete* with each other, not to *combine* with each other. Making a company stronger faster does not justify making the marketplace weaker.

From the competition perspective, T-Mobile and Sprint do not have to be as big as AT&T and Verizon in order to have a significant impact in the marketplace. Both have nationwide networks and, as we have seen, each of them can – and has – forced AT&T and Verizon to pay more attention to consumers and to offer better and more affordable service. And each has been a competitive spur to the other.

**We can't assume we can count on new competition coming; we need to keep the competition we've got.**

Fourth, instead of resting our hopes on new competition appearing later, better to keep what we've got. If these two giant companies, who have the experience and know-how that comes from competing in the wireless marketplace for many years, tell us that it's just too hard to make a go of it on their own, how can they say we should expect a new upstart to start from scratch and climb up to where they already are?

Sprint and T-Mobile say a revolutionary market convergence is upon us, with tech giants poised to enter and completely upend mobile phone service as we know it. "Here comes Comcast! And Google!" Maybe. Let's see. We've heard those same kinds of confident predictions offered to justify telecom mergers at various times over the past 30 years. Some of those predictions have come to pass, though generally not on the predicted schedule.

We should not let go of the bird in hand of competition we *are* benefitting from now, for the speculative prospect of convergence that *could* bring new competition should it arrive sometime in the future. Better to wait till that future is here, or is close enough that it is no longer speculative. It seems premature to count on it now.

Moreover, any new competitor that might arrive at some point would need to connect with and make use of the existing national networks, especially in getting off the ground. That

will be far more difficult – and less likely – to accomplish if there has been a major reduction in the networks available to provide competing options.

Again, the understandable desire of Sprint and T-Mobile to get bigger and stronger, and deliver more for their shareholders, does not necessarily translate into benefits for consumers, or for the marketplace and the economy as a whole.

**The market is four wireless carriers; there is no substitute for mobile phone service.**

And fifth, we know the metes and bounds of this market. There is no substitute for mobile phone service. And we know that even with Sprint and T-Mobile both aggressively looking for new plays, competition is not always as vigorous as we'd like, and it would only be harmed by the exit of one of the four main choices now available.

Other potential providers of equivalent service may be coming. As just explained, it is premature to count on that now; and this merger would make that development more difficult, and more unlikely.

**Special concerns about harm to prepaid wireless consumers.**

Alongside the broader concerns about harm to wireless competition generally, the impact on prepaid service consumers would likely be particularly severe. There are roughly 50 million of these consumers. Many of them have trouble affording the cost of a regular monthly mobile phone plan, and depend on the lower cost of prepaid service with limited use. The resellers, referred to as “mobile virtual network operators,” or MVNOs, buy network access from the Big Four carriers at negotiated wholesale rates.

Sprint and T-Mobile are the lowest-cost sellers of network access to MVNOs, and also the dominant sellers, with almost 60 percent market share between them. Currently, they compete vigorously in the prepaid market. For example, Sprint's own Boost Mobile MVNO recently offered two months' free service to any customer of T-Mobile's MetroPCS MVNO who switched. Hours later, MetroPCS made the same offer.<sup>15</sup>

AT&T and Verizon have shown to be not as interested in pursuing the prepaid resale market, which means that, perhaps even more than with monthly plans, Sprint and T-Mobile are each other's main competitors. If they merge, that would be expected to sharply reduce incentives to offer low wholesale rates.<sup>16</sup>

<sup>15</sup> Edward C. Baig, Boost Mobile founder is against the T-Mobile-Sprint merger: Here's why, USA Today, May 22, 2018, <https://www.usatoday.com/story/tech/columnist/baig/2018/05/21/boost-mobile-founder-and-ex-ceo-says-no-t-mobile-sprint-merger/624708002/>.

<sup>16</sup> See Capitol Forum, T-Mobile/Sprint: Deal Would Raise Prices in Wholesale Markets, MVNO Executives Say, May 22, 2018,

**Conditions are not likely to be effective.**

Finally, we don't see how the serious competitive concerns with this merger can be addressed with pledges that a merged New T-Mobile will refrain from using its new power to raise prices to consumers or harm competition and consumers in other ways. What matters is not what T-Mobile and Sprint will promise, even if we grant them the best of present intentions. What matters is what the merged corporation's inherent incentives would be – how they would be altered by the merger from what they are now. And that change will be deep, and enduring.

As Assistant Attorney General Makan Delrahim has noted – and he was far from the first – when there are significant concerns with a merger, expecting that imposing behavioral requirements can fix those concerns unrealistically depends on the merged corporation making daily business decisions, day in and day out, and over the long haul, that run counter to its profit-maximizing incentives – that run counter to its basic business DNA.<sup>17</sup> That's simply not sustainable.

**Conclusion**

Vigorous competition from – and between – Sprint and T-Mobile have brought tremendous benefits to consumers, in greater choice and affordability. We want to preserve and protect that.

T-Mobile and Sprint describe a number of supposed benefits they see coming from this merger. And those claimed benefits are being weighed carefully by the FCC and the Antitrust Division, and a number of State AGs, in the course of a thorough investigation – against the backdrop of a presumptively unlawful merger. To us, it has become increasingly evident that the claimed advantages from giving Sprint and T-Mobile a shortcut to increased capabilities are not enough to overcome the harms to competition and consumers that would result.

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<http://thecapitolforum.cmail20.com/t/ViewEmail/j/65DA39A25D6324622540EF23F30FEDED/6061584FF3F54908A0F01D70678E0DEE>.

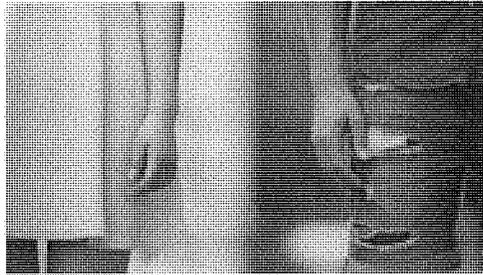
<sup>17</sup> <https://www.justice.gov/opa/specch/assistant-attorney-general-makan-delrahim-delivers-keynote-address-american-bar>.

## Why INCOMPAS is Opposing the Merger Between T-Mobile and Sprint



Chip Pickering [Follow](#)  
Feb 12 · 4 min read

Wholesale: Competition's Unsung Hero



By Chip Pickering

Renewed interest in the competition conversations in recent years is a good thing. Mega mergers have profound impacts on our choices, our jobs, and our wallets. But each merger is unique, and each merger deserves rigorous scrutiny.

T-Mobile and Sprint are asking policymakers to bless the marriage of the nation's third and fourth largest wireless providers. After careful consideration, if the minister were to ask if anyone objects to this union as presented, my hand would have to go up.



The trade association I run, INCOMPAS, is the leading voice for network competition. From wired to wireless and streaming, we strongly support eliminating barriers to fiber and wireless solutions that are critical for winning the race to 5G.

We have a long history of fighting for the little guy and gal's ability to break into a market and innovate. We were founded to help break up one of America's oldest and most entrenched monopolies, AT&T, in 1981. Back then we called ourselves the Association of Long Distance Telephone Companies (ALTEL). Sprint was a founder of ALTEL, and has been a cherished member of our association. Many of the competition policies that helped unleash the technology revolution can be attributed to Sprint's advocacy.

T-Mobile is not currently a member, but has joined our ranks from time to time, helping on battles to increase spectrum and bring more competition to wireless markets. I am personally a huge fan of CEO John Legere. Under his creative leadership, we've seen industry-wide change that help consumers—including lower prices and the end of unfriendly contract agreements that locked up subscribers. I'm also a big fan of his [cookies](#).

But today, INCOMPAS is announcing our opposition to the merger between our friends T-Mobile and Sprint. As currently proposed, the merger threatens to undercut the competitive wireless ecosystem that has been the shining star for competition and choice.

Here's why: wholesale = competition.

While consumer groups and public interest advocates have warned about price increases on consumers and significant job losses, the T-Mobile Sprint merger could damage competition in the burgeoning wholesale ecosystem. There are dozens of smaller companies—including wireless, fiber, and fixed wireless providers—serving niche markets, such as low-income and senior consumers. In addition many serve, in diverse geographic areas that currently rely or will rely on wholesale roaming and/or what's known as a Mobile Virtual Network Operator (MVNO) arrangement. Both types of arrangements allow for more competitive choices for consumers and small businesses—which will also drive 5G deployment and competition.

Wholesale is not only an incentive for smaller providers, it should entice more companies—including cable, co-ops rural and fiber—to compete for your wireless dollars. That is a good thing, as these potential new entrants are well-positioned to innovate on pricing, service plans, and products.

Last week, T-Mobile tried to ease consumer concerns by declaring they would not raise rate plans on retail customers for 3 years. Consumer groups have questioned the details of this pledge, but what might have sounded like wedding bells to some was actually an alarm bell to us.

You see, T-Mobile's pledge to honor its current legacy rate plans would not prevent the company from *increasing* wholesale prices for its smaller resale partners. And it is easy to foresee a situation where the new T-Mobile raises its wholesale prices as a way to offset revenue lost as a result of this pledge.

Think about it, this means customers who choose not to use T-Mo/Sprint, and go with another service provider, could actually be paying for this merger. That's not right.

Also, T-Mobile has not committed to supporting roaming or MVNOs beyond current contract deadlines. We fear that merging with Sprint and removing a viable wholesale partner from the market would give T-Mobile less incentive to work with companies it considers to be competitors.

Competition in the wireless space didn't happen by chance. In the 1990's a bipartisan group of policymakers made a deliberative choice to incent competition. Through competitive licensing and auctions, roaming, interconnection and interoperability—the wireless space has been a hot bed for innovation, helping usher in choices at lower costs to consumers.

Policymakers from Capitol Hill to the FCC have showered praise on the current wireless marketplace and its four major providers, rightly urging that other markets—including broadband and cable—must emulate its success.

The fight for more competition is a real fight. It's one we must win, or the 5G future will be nothing more than a marketing gimmick. Building 5G networks should create competition and jobs for hundreds of US companies, not just large wireless providers. T-Mobile and Sprint have been important soldiers in these battles for more competition, and while I understand their desire to wed, I believe consumers want them to keep playing the field.

**INCOMPAS**  
THE FUTURE OF COMPETITION



**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-0529

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February 12, 2019

Dear John Legere and Michel Combes:

As you continue to seek approval on the proposed merger of T-Mobile US, Inc. ("T-Mobile") and Sprint Corporation ("Sprint"), we write to emphasize the importance of the Universal Service Fund's Lifeline program and request information about the new T-Mobile's future participation in Lifeline if regulators approve the merger.

We write to you as Members of Congress who have long supported the federal Lifeline program. As you know, Lifeline has helped low-income Americans work through challenging times since 1985. Lifeline is a public-private partnership that provides discounted communications services to low-income Americans so that they can find jobs, stay connected with family and access critical emergency services. Importantly, people who rely on Lifeline can use the discount to purchase mobile services, which is indispensable in the 21<sup>st</sup> century connected economy. As of 2017, Lifeline helped more than 12 million Americans.

Lifeline has recently come under attack by Federal Communications Commission (FCC) Chairman Pai. Over the past two years, the number of participants in the program has decreased precipitously by almost 25 percent. The proposals introduced by the FCC would eliminate services for about 70 percent of current participants, particularly mobile services, restrict voice services to participants in rural areas, and create an arbitrary cap that would impose additional barriers for millions of veterans, seniors, and single mothers to obtain the service during times of economic insecurity. The proposals would also eliminate the ability of resellers to participate in the program, which would significantly reduce

competition and limit consumer choice. Given that the FCC has been severely undermining this necessary program, we are concerned about the future of Americans who rely on the service for their basic needs.

Furthermore, while we strongly supported the creation of the National Lifeline Eligibility Verifier, we are concerned that its implementation by the Universal Service Administrative Company ("USAC") could create additional barriers that prevent eligible consumers from learning about, applying for, or receiving the service. Recent changes announced by USAC, such as the discontinuation of SNAP Electronic Benefit Transfer (EBT) cards or Medicaid enrollment cards as acceptable proof of eligibility for the Lifeline program, could severely undermine the ability of those who actually qualify for the services from receiving them. Given these ongoing assaults, we are concerned about the viability of the program and the ability for those in need of the Lifeline services to obtain them.

We are encouraged by T-Mobile and Sprint's voluntary commitment to continue providing Lifeline services should the merger be approved. However, given that the FCC can no longer be relied upon as a champion for the Lifeline program, we seek more details about your commitment. According to your Public Interest Statement filed with the FCC on June 18, 2018, the newly formed company that would result from the merger's approval, or "New T-Mobile," will "continue the Lifeline services currently provided by T-Mobile and Sprint."<sup>1</sup> Sprint has demonstrated a commitment to the Lifeline program, having urged the FCC to "avoid policies and rules which could undermine this critical program and threaten affordable access to vital voice and broadband services by low-income Americans."<sup>2</sup> Currently, Sprint is the only facilities-based wireless provider to offer Lifeline wireless services in California. While T-Mobile was a participating provider, in 2014, the company began to withdraw from participation in the Lifeline program in most of the states.

As you continue to seek the merger's approval, please provide responses to the following questions concerning the companies' commitment to the federal Lifeline program going forward:

1. Should the merger be approved, for how long will the new company be committed to providing Lifeline services?
2. Should the merger be approved, in which states will the new T-Mobile commit to offering Lifeline services? Will the company expand beyond the current level of participation by Sprint?
3. If the merger is approved by regulators, will there be any disruption in Lifeline services while the two companies transition to a single entity?
  - a. If yes, what steps will you take to mitigate those disruptions?
4. Given that the addition of the new Lifeline National Eligibility Verifier is fundamentally changing how eligible consumers learn about and apply for Lifeline services, what steps will the New T-Mobile take to ensure consumers are made aware of the program and their eligibility to participate through advertising or other means?

<sup>1</sup> Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of the Licenses and Authorizations, WT Docket No. 18-197, Description of Transaction, Public Interest Statement, and Related Demonstrations (June 18, 2018).

<sup>2</sup> Comments of Sprint Corp., Bridging the Digital Divide for Low-Income Consumers, Fourth Report and Order, Order on Reconsideration, Memorandum Opinion and Order, Notice of Proposed Rulemaking, and Notice of Inquiry, FCC 17-155, 2017 WL 6015800 (Feb. 21, 2018).

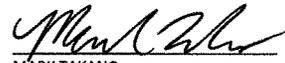
Please provide a written response to this letter by March 8, 2019. We appreciate your public commitments to continue providing affordable services to consumers and look forward to your responses regarding the federal Lifeline program.

Sincerely,

  
TONY CÁRDENAS  
Member of Congress

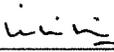
  
JANICE D. SCHAKOWSKY  
Member of Congress

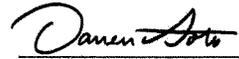
  
ELIOT L. ENGEL  
Member of Congress

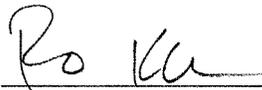
  
MARK TAKANO  
Member of Congress

  
JAMES P. MCGOVERN  
Member of Congress

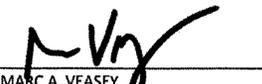
  
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Member of Congress

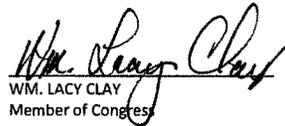
  
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MARC A. VEASEY  
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Member of Congress

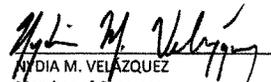
  
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AL LAWSON  
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ALAN S. LOWENTHAL  
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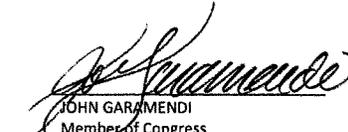
  
VERONICA ESCOBAR  
Member of Congress

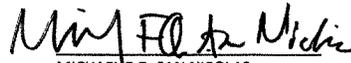
  
NYDIA M. VELÁZQUEZ  
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NANETTE DIAZ BAÑAGÁN  
Member of Congress

  
HENRY CUELLAR  
Member of Congress

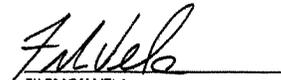
  
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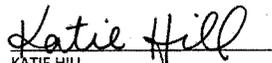
  
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FILEMON VELA  
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KATIE HILL  
Member of Congress

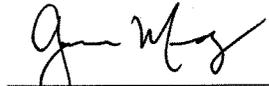
  
JOSE E. SERRANO  
Member of Congress

  
BARBARA LEE  
Member of Congress

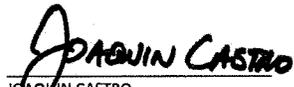
  
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Member of Congress

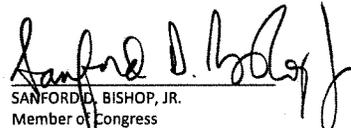
  
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Member of Congress

  
KURT SCHRADER  
Member of Congress

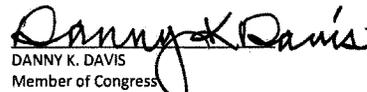
  
GRACE MENG  
Member of Congress

  
STEVEN HORSFORD  
Member of Congress

  
JOAQUIN CASTRO  
Member of Congress

  
SANFORD D. BISHOP, JR.  
Member of Congress

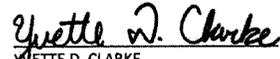
  
STEVE COHEN  
Member of Congress

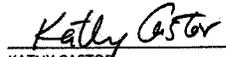
  
DANNY K. DAVIS  
Member of Congress

  
JIMMY GOMEZ  
Member of Congress

  
DAVID J. TRONE  
Member of Congress

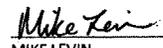
  
JESÚS G. "CHUY" GARCÍA  
Member of Congress

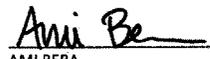
  
YVETTE D. CLARKE  
Member of Congress

  
KATHY CASTOR  
Member of Congress

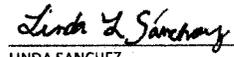
  
PRAMILA JAYAPAL  
Member of Congress

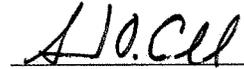
  
VICENTE GONZALEZ  
Member of Congress

  
MIKE LEVIN  
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AMI BERA  
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SALUD O. CARBAJAL  
Member of Congress



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DIVERSITY  
COALITION**

**National Diversity Coalition**

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Riverside Charitable Corp.

Santa Maria Group

Small Business Development

Corp of Orange County

Southern California CDC

The Network of Myanmar

(Burmeses)

American Association

Vasquez & Company, LLP

Youth Business USA

**The Honorable Frank Pallone, Jr.**

Chairman

U.S. House Energy and Commerce Committee

2125 Rayburn House Office Building

Washington, DC 20515

**The Honorable Greg Walden**

Ranking Member

U.S. House Energy and Commerce Committee

2322A Rayburn House Office Building

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**The Honorable Michael Doyle**

Chairman

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2125 Rayburn House Office Building

Washington, DC 20515

**The Honorable Bob Latta**

Ranking Member

U.S. House Energy and Commerce Subcommittee on Communications and Technology

2322A Rayburn House Office Building

Washington, DC 20515

RE: [NDC Support for T-Mobile Sprint Transaction](#)

Dear Chairman Pallone, Ranking Member Walden, Subcommittee Chairman Doyle and Ranking Member Latta:

The National Diversity Coalition (“NDC”) and its more than thirty (30) member organizations encourage the Federal Communications Commission (“FCC”) to authorize the merger of Sprint and T-Mobile (“**New T-Mobile**”). We believe the proposed transaction will deliver better-quality mobile broadband service, help to bridge the digital divide, and create new opportunities for the low-income and minority communities we represent throughout the country.

NDC includes many of our nation’s leading African American, Asian, and Latino advocacy and civic organizations, as well as major minority and women-oriented national non-profits and faith-based organizations, who have worked tirelessly to advocate for greater economic opportunity, empowerment, and equality for low-and-moderate income and minority communities.

Our work has allowed us to provide a voice to “voiceless communities” before governmental bodies such as the FCC and the California Public Utilities Commission, while also exploring strategic partnerships with corporations to advance our communities’ goals, such as improving digital and broadband literacy, increasing access to affordable healthcare, and expanding corporate supplier diversity programs.

NDC recognizes that it cannot achieve substantial social impact without corporate partners. Therefore, we believe that aside from calling out companies that exhibit negative business practices, it is equally important to support companies that have a strong record of social responsibility – such as New T-Mobile.

For instance, New T-Mobile has demonstrated its commitment to diversity and inclusion, including supporting minority-owned businesses, which is outlined in the recent Memorandum of Understanding 15 Southgate Avenue, Suite 200, Daly City, California 94015 | Phone (650) 952-0522 | [nationaldiversitycoalition.org](http://nationaldiversitycoalition.org)

(MOU) between the NDC and T-Mobile.<sup>1</sup> If the merger is approved, the memorandum commits the combined company to two important, complementary goals: (1) raising its diverse spending targets, and (2) establishing an advisory body that will ensure diverse voices have a direct line of communication to corporate leadership as they develop and implement strategic plans greater equality and opportunity in the business.<sup>2</sup> In our view, the MOU embodies New T-Mobile's commitment to maintaining Sprint's and T-Mobile's strong track record of supporting business opportunities for minority groups and offers a promising sign for the future.

Our diverse communities will also benefit from New T-Mobile's improved network and expanded service offerings. We understand for example that the New T-Mobile network will have three times the amount of 5G capacity versus the two standalone companies put together in 2024.<sup>3</sup> The combined network will cover over 200 million people with service capable of average speeds of 500 Mbps or faster in the same year – compared to neither company covering a single person with similar network throughput by that time.<sup>4</sup> Widespread deployment of next-generation services will help ensure all Americans—including minorities—share in the socioeconomic benefits of the digital revolution, such as new job creation, telehealth applications and distance learning opportunities, just to name a few. New T-Mobile also intends to offer in-home fixed wireless broadband service using its increased network capacity.<sup>5</sup> New T-Mobile's plan to aggressively compete on price to win new fixed broadband customers will lead to greater adoption of this service by communities that have traditionally been unable to afford it.

Indeed, the merger of T-Mobile and Sprint will help to bridge the digital divide for Americans who have fallen behind in broadband access and adoption and increase opportunities for diverse communities. For these reasons, the proposed merger will promote the public interest and deserves the FCC's swift approval.

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<sup>1</sup> See Press Release, National Diversity Coalition, NDC and T-Mobile Sign Momentous MOU (Jan. 31, 2019), <https://bit.ly/2DQJ07> (last accessed Feb. 6, 2019).

<sup>2</sup> *Id.*

<sup>3</sup> See *Description of Transaction, Public Interest Statement, and Related Demonstrations, Applications of T-Mobile US, Inc. and Sprint Corp. for Consent to Transfer Control of Licenses and Authorizations*, WT Docket No. 18-197 at 101 (filed June 18, 2018) (“Public Interest Statement”).

<sup>4</sup> *Id.* at 27.

<sup>5</sup> See *id.* at S8-64.

Sincerely,



Faith Bautista  
*Chief Executive Officer*  
National Diversity Coalition  
*President & Chief Executive Officer*  
National Asian American Coalition



Jin Sung  
*Board Chair*  
National Diversity Coalition  
*Founder & Executive Director*  
Oasis Center International



Richard Ramos  
*Board Vice-Chair and Secretary*  
National Diversity Coalition  
*Founder, President-CEO*  
Latino Coalition for Community Leadership



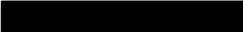
Gilbert Vazquez  
*Board Director*  
National Diversity Coalition  
*Managing Partner*  
Vasquez & Company, LLP



Rev. Everett Bell  
*Board Director*  
National Diversity Coalition  
*Founder & Executive Director*  
Impact Southern California CDC



Regina Grant Peterson  
*Board Director*  
National Diversity Coalition  
*Executive Director*  
Macedonia CDC



Rev. Dr. Charles Dorsey  
*Board Director*  
National Diversity Coalition  
*Founder*  
The Dorsey Group LLC CA



Jack Miranda  
*Board Director*  
National Diversity Coalition  
*Program Director*  
Jesse Miranda Center for Hispanic Leadership



Cora Oriol  
*Board Director*  
National Diversity Coalition  
*President*  
Asian Journal Publications, Inc.



Martha Montoya  
*Board Director*  
National Diversity Coalition  
*Publisher*  
El Mundo



Theresa Martinez  
*Board Director*  
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Norma Gomez  
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Regeanie Corona  
*Founder & CEO*  
Advancing the Seed, Inc.



Gerry Palon  
*President*  
Coalition of Filipino American Chambers of Commerce



George Enriquez  
*Senior Pastor*  
Episkiazo Christian Church



Giancarlo Pacheco  
*CEO & Co-Founder*  
Plan C Agency



James Santa Maria  
*President & Founder*  
Santa Maria Group



Dr. Tess Mauricio, MD FAAD  
*Founder*  
M Beauty Clinics



Alex Anderson  
*Executive Director*  
AG Venture Partners



Michelle Banks  
*Executive Director*  
African American Fire Fighter



Dennis Huang  
*Executive Director & CEO*  
Asian Business Association



Ariel Meza  
*President & Executive Director*  
Boys of Color of Santa Ana



Eunice Song  
*Executive Director*  
Korean American Coalition LA



Claudia Viek  
*Founder/Catalyst*  
Invest in Women Entrepreneurs Initiative



Reclinda Shafer  
*Deputy Executive Director*  
Riverside Charitable Corp.



Mike Ocasio  
*President & CEO*  
Small Business Development Corp of Orange County



Silverio Robledo  
*President*  
Southern California CDC



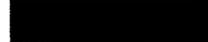
Aung Naing  
*President & Co-Founder*  
The Network of Myanmar (Burmese) American Association



Bo Ghirardelli  
*CEO*  
Youth Business USA



Mina Hong  
*Chief Financial Officer*  
Abacus Capital, Inc. (Island Pacific Supermarket)



Mary Hewitt  
*Executive Director*  
Los Angeles County Alliance for Boys & Girls Clubs



The Honorable Frank Pallone, Jr.  
Chairman  
U.S. House Energy and Commerce Committee  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Greg Walden  
Ranking Member  
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Chairman  
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Washington, DC 20515

The Honorable Bob Latta  
Ranking Member  
U.S. House Energy and Commerce Subcommittee on Communications and Technology  
2322A Rayburn House Office Building  
Washington, DC 20515

**February 12, 2019**

Dear Chairman Pallone and Ranking Member Walden,  
Chairman Doyle and Ranking Member Latta,

On behalf of millions of U.S. consumers already counting on the boundless promise of 5G technology to revolutionize our lives and spark our economy with billions of dollars in new investment, CASE urges you to thoughtfully consider the overwhelming benefits to both people and technology by supporting the proposed merger between wireless carriers Sprint and T-Mobile.

It is no secret that in the race to 5G, America's position as the world leader in technology is being challenged. Nations in Asia and Europe are investing billions into 5G with the aim of gaining an advantage in proprietary technologies which will determine future economic winners and losers in the digital economy. Such advantages, in the form of patents, licenses and industry standards will reap untold rewards both in economic power and technological dominance for foreseeable generations. In order for our nation to secure and strengthen our economic future, it is absolutely critical that America win the race to 5G, just as we won past races involving 4G LTE and 3G technologies.

The key to winning this crucial race is investment in technology and infrastructure. The proposed merger between Sprint and T-Mobile brings over \$40 billion in proposed investment into building a national 5G network to the U.S. market, complete with network and mobile technologies that will make 5G a reality in America faster than could otherwise be achieved. By combining the complementary wireless bandwidths of each company, this sizable investment presents a tremendous opportunity for consumer choice, economic expansion, and leadership in burgeoning digital technologies.

This merger further empowers consumer choice by creating a third national carrier to compete with the current duopoly of Verizon and AT&T, each of which now has a larger subscriber base than Sprint and T-Mobile combined. The joining of two smaller carriers into a true nationwide carrier challenges the status quo, leading to more competition, greater choice, and downward pressure on prices for data and wireless service for U.S. consumers.

As you are aware, the proposed merger has already been thoroughly scrutinized by top level cabinet agencies with respect to national security, including "Team Telecom" review collectively by the Department of Defense, the Department of Justice, and the Department of Homeland Security, none of whom offered security-related objections to the proposed merger. The deal also earned the approval of the Committee on Foreign Investment in the U.S. (CFIUS), sending another strong signal that this merger poses no threat to U.S. economic or security interests. On the state level, 16 of the 19 required state utility commissions needed for approval of this merger have given their stamp of approval, including New York.

Concerns this merger will harm workers or consumers remain largely unfounded. A private investment of \$40 billion is a direct injection of economic stimulus into the critical innovation sector of our economy that will create thousands of new, high-skilled jobs. The companies have further announced plans to build five additional customer service centers across the nation, in essence putting the "now hiring" sign up front and center.

The significant investment at stake will lead to further creation of countless other new jobs that arise indirectly from this investment. The companies have taken the issue of worker concerns head-on, allaying fears of job losses by pledging to keep combined employment at current levels or higher for at least three years after the merger is complete. If anything, this proposed merger can't be considered as anything other than a job creator.

It should give comfort to the Committee that T-Mobile has pledged to keep consumer costs – those within its control -- at current levels for three years after the merger receives final approval. This is an unprecedented step and a powerful show of confidence by a company over which state and federal regulators will retain significant leverage after the merger is complete. This pledge on prices signals the sincerity of corporate efforts to retain and affirm their "uncarrier" label by which their customers have come to know them.

To conclude, the proposed merger of Sprint and T-Mobile exemplifies the change that is happening across the digital economy, and how companies are forging innovative deals to stay competitive and serve public and national interests. Much is at stake, both here at home and globally as America strains every muscle in the race to win 5G. Through months of scrutiny and analysis, it is clear the investment at stake and combined assets involved in the making of the New T-Mobile advances the interests of consumers, workers, and our nation.

In a rapidly changing world of technological innovation, there is much that we cannot control. What is within our control is to give America every advantage to succeed and retain our global leadership in creativity and innovation. Now is not the time to stand still. We urge you to embrace the many benefits and unbounded opportunities that the creation of a new T-Mobile will bring for consumers and our nation.

Sincerely,

Matthew Kandrach, President



Gerard Scimeca, Vice President



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Consumer Action for a Strong Economy (CASE)  
2221 S. Clark Street  
Arlington, VA 22202  
[info@CASEforConsumers.org](mailto:info@CASEforConsumers.org)



The Honorable J. Kenneth Blackwell  
801 G St. NW, Washington, DC 20001

February 12, 2019

The T-Mobile/Sprint merger is a unique opportunity to benefit consumers and give America's businesses a competitive edge in the global marketplace.

T-Mobile has pledged to spend nearly \$40 billion to build a world-class delivery system for 5G in the first three years, which will generate countless thousands of American jobs, both directly and indirectly. And they are pledging to do all of this while guaranteeing customer plan prices will remain the same or lower for the next three years.

The robust new network would provide access to world-class technology to even the most rural consumers. To improve the rural customer experience, T-Mobile has also pledged a minimum of 600 new stores and five state of the art customer experience centers located to serve rural areas and small towns. Two centers have already been announced in Overland Park, KS and Greater Rochester, NY.

Each of the new customer experience centers will create an average of 1,000 new jobs and, cumulatively, up to 5,600 additional American jobs by 2021. Every American deserves access to the personal and economic benefits of this exciting new technology.

Since 5G would eliminate the speed difference between mobile and in-home wired internet, millions of Americans would be free from the traditional and monopolistic local broadband providers. No longer will you or I have to deal with the only cable company in town, with high prices, inconvenient appointment windows, and terrible customer service.

However, the possibilities of 5G technology are beyond the imagination of myself or any government regulatory body. This isn't just about internet surfing and video streaming at lightning-fast, instantaneous speeds. It's about building intelligent cities, smart home appliances, cars which drive themselves, robotic automation, life-saving advances in medical technology, and other technological marvels that would sound today like "fake news."

Wireless internet development is one area where the economy needs more competition. If T-Mobile and Sprint are allowed to merge, there will be a company that competes with other tech giants - such as Verizon and AT&T - on a level playing field to ensure consumers from

coast-to-coast get the best high-speed wireless internet at the lowest possible prices. T-Mobile has always determined its marketing and prices to be the disruptive "Un-carrier," but it needs this additional scale to continue providing value to consumers.

This new technological environment will also increase the competition needed to encourage development toward greater high-band spectrum speeds.

America cannot afford to cede global leadership on 5G and the associated 5G-dependent technology. To ensure America's economic success, regulators simply have to step out of the way.

Respectfully Submitted,

A black rectangular redaction box covering the signature of J. Kenneth Blackwell.A small, handwritten mark resembling a checkmark or a stylized 'U' located below the redacted signature.

J. Kenneth Blackwell



February 12, 2019

The Honorable Frank Pallone, Jr.  
 Chairman  
 U.S. House Energy and Commerce Committee  
 2125 Rayburn House Office Building  
 Washington, DC 20515

The Honorable Greg Walden  
 Ranking Member  
 U.S. House Energy and Commerce Committee  
 2322A Rayburn House Office Building  
 Washington, DC 20515

The Honorable Michael Doyle  
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 U.S. House Energy and Commerce Subcommittee on Communications and Technology  
 2125 Rayburn House Office Building  
 Washington, DC 20515

The Honorable Bob Latta  
 Ranking Member  
 U.S. House Energy and Commerce Subcommittee on Communications and Technology  
 2322A Rayburn House Office Building  
 Washington, DC 20515

Dear Chairman Pallone and Ranking Member Walden, Chairman Doyle and Ranking Member Latta,

As a longtime Sprint mobile service subscriber, I am writing today in favor of the proposed merger between Sprint and T-Mobile.

Most of the arguments against it claim that it will reduce competition in this dynamic market by reducing the number of major competitors from four to three. I think such objections are short-sighted. Not approving the merger could very well result in reducing the number of major competitors from four to two, which would almost certainly be less in the public interest.

As you know, there are four major players in the mobile communications market at this time: Verizon, AT&T, T-Mobile and Sprint. The first two are each more than double the size of the third and fourth. If Sprint and T-Mobile do merge, their merged customer base would still be in third place, but of a similar order of magnitude.

One of the major future events in the mobile communications market is the adoption of 5G technology. Implementing it will require enormous amounts of capital. While Verizon and AT&T can be expected to meet that high capital cost, Sprint and T-Mobile as smaller independent entities may well take longer to

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raise the necessary capital. If they are unable to satisfy their customer base by implementing the latest technology as quickly as Verizon and AT&T, they could both lose market share, further widening the size gap between them and the big two and even become takeover targets, ultimately resulting in only two surviving major carriers. Two competitors can easily degenerate into a duopoly in which the public benefits of competition are minimized. Therefore, I believe three competitors are the practical minimum for a competitive marketplace.

Combining Sprint and T-Mobile increases the likelihood that the merged third competitor could hold its own against the two market leaders; in fact, both have shown a competitive aggressiveness that I would call "feisty." They don't compete with each other so much as they compete with the two bigger players. Combining them, therefore, makes all the sense in the world to me.

As I have thought further, there's another aspect of the proposed merger that benefits the public good: the probability of increased service to presently under-served areas.

Deploying 5G technology will almost certainly depend upon the likelihood of profitability on an area-by-area or tower-by-tower basis. In an under-served area, the two smaller carriers may well conclude that a given area is unlikely to be incrementally profitable. However, on a combined basis, that same under-served area might well meet the threshold test for capital investment. That would be in the public interest, and provides an additional, but little-discussed, benefit to the mobile communications consumer population at large.

I hope that you, as Members of the House Energy and Commerce Committee, find these simple arguments from a single but avid mobile phone user to be of some help as you conduct hearings on this proposed merger.

Very truly yours,

A large black rectangular redaction box covering the signature of Colin A. Hanna.

Colin A. Hanna  
President



Beau Brunson  
Consumers' Research  
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(202) 898-0542  
bbrunson@consumersresearch.org

February 12, 2019

The Honorable Frank Pallone Jr.  
Chairman  
U.S. House Committee on Energy and Commerce  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Greg Walden  
Ranking Member  
U.S. House Committee on Energy and Commerce  
2322A Rayburn House Office Building  
Washington, DC 20515

The Honorable Michael Doyle  
Chairman  
Subcommittee on Communication and Technology  
U.S. House Committee on Energy and Commerce  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Bob Latta  
Ranking Member  
Subcommittee on Communication and Technology  
U.S. House Committee on Energy and Commerce  
2322A Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Pallone Jr., Ranking Member Walden, Subcommittee Chairman Doyle, and Subcommittee Ranking Member Latta:

Consumers' Research appreciates the opportunity to comment for the upcoming hearing, hosted by the House Committee on Energy and Commerce Subcommittee on Communication and Technology, which will discuss the proposed merger between T-Mobile and Sprint ("Protecting Consumers and Competition: An Examination of the T-Mobile and Sprint Merger"). Consumers' Research<sup>1</sup> is a 501(c)(3) organization advocating for the general interests of consumers. Accordingly, this comment does not represent the views of any affected party or special interest group. It is intended to assist the Subcommittee in its effort to examine the consumer benefits of a merger between T-Mobile and Sprint.

It is the view of Consumers' Research that allowing the T-Mobile and Sprint merger would be in the best interest of consumers. Enclosed, Members of the Subcommittee will find two documents produced by Consumers' Research staff arguing in support of the merger.

The first document ("Let 'Em Merge! Why Regulators Should Approve T-Mobile-Sprint Merger") is an op-ed written by Kyle Burgess, Executive Director of Consumers' Research, which was published by Investor's Business Daily on Sept. 28, 2018.

The second document is a comment submitted to the Federal Communications Commission (WT Docket No. 18-197). This comment, sent Sept. 17, 2018, analyzes the merger through the lens of consumer welfare. Ultimately, it weighs the evidence in favor of the merger based in part on the merger's expected accelerating effect on the general roll out of 5G services for consumers.

Consumers' Research hopes these documents will aid the Committee in its consideration of the merger of T-Mobile and Sprint. Again, thank you for allowing Consumers' Research the opportunity to comment.

Sincerely,



Beau Brunson  
Senior Policy Advisor

---

<sup>1</sup> Founded in 1929, Consumers' Research is the nation's oldest consumer affairs organization. Consumers' Research aims to increase the knowledge and understanding of issues, policies, products, and services of concern to consumers and to promote the freedom to act on that knowledge and understanding.



## Let 'Em Merge! Why Regulators Should Approve T-Mobile-Sprint Merger

**IBD**

Kyle Burgess / September 28, 2018

Federal regulators approved a merger between AT&T and Time Warner earlier this year, a deal that will benefit the industry and its customers. On deck for major telecommunication mergers are Sprint and T-Mobile, who want to consolidate as "New T-Mobile."

The Federal Communications Commission recently paused the 180-day "shot clock" on its review of the proposed merger so that it can consider new submissions regarding the companies' business, economic, and engineering modeling. If American consumers want higher quality cell service, they should cross their fingers for another federal stamp of approval.

As officials at the FCC and Department of Justice consider this merger, they should keep in mind [a few important points](#).

First, worries about the creation of a so-called "super-company" are misplaced. A superficial look at the U.S. telecommunications market might identify four strong competitors — [AT&T](#), Verizon, T-Mobile and Sprint — surrounded by a host of relatively small providers that rely on the big four for infrastructure. But a closer look at the large providers' market valuations reveals the truth: AT&T (\$334 billion) and Verizon (\$313 billion) dominate the industry, and third place doesn't even come close to contention. Combined, the value of T-Mobile and Sprint (\$146 billion) would not amount to half that of either of the two front-runners.

Subscriber numbers tell a similar story. At the end of last year, Verizon had 150.5 million subscriptions followed by AT&T's 141.6 million, T-Mobile had 72.6 million, and Sprint supported 54 million. If combined, T-Mobile and Sprint still would trail Verizon by 23.9 million subscribers and AT&T by 15 million. There are already two "super-companies" in the telecommunications market: They are Verizon and AT&T.

### BIGGER CAN BE BETTER

Another thing officials should remember is that when it comes to the number of players in a market, quantity does not necessarily mean quality. A commonplace assumption is that more competitors in telecommunication would achieve

stronger competition, benefiting customers through lower prices and better services.

According to this logic, the creation of New T-Mobile would remove a competitor from the market, weaken competition, and harm consumers. But that argument wrongly assumes that all the telecommunications companies can apply adequate competitive pressure on the industry leaders. Investing in telecommunications infrastructure is expensive. In the race to upgrade their networks, the carriers with less capital will have trouble keeping up.

The merger of T-Mobile and Sprint would actually make the market more competitive by creating a strong rival to the duumvirate status quo. Separately, the two companies do not seriously threaten Verizon or AT&T and have little hope of doing so without a merger. Sprint, in particular, faces uncertain prospects if regulators obstruct its ability to effectively serve consumers.

### ROBUST COMPETITION

Together, however, T-Mobile and Sprint would have the requisite size, money, and spectrum licenses to compete with Verizon and AT&T in pushing forward the industry's technological capabilities. By allowing the two carriers to join forces, the FCC and the DOJ would empower a third, robust competitor to vie with telecommunications front-runners. In that race, cellular customers win.

"Winning," in this case, means broader access to 5G, or "fifth generation," wireless networks, which leads to the final point that the FCC and DOJ must remember: [Stronger competition](#) will be a boon not only to individual customers but also to the country's technological infrastructure. Advances in cellular network technology have made video streaming on laptops and mobile devices available almost anywhere in the country.

As 4K resolution quality becomes standard, however, current infrastructure will struggle to meet consumer demand. In creating their own 5G networks, which they will begin connecting customers to in the next few months, AT&T and Verizon last year invested \$22 billion and \$17 billion, respectively. New T-Mobile has proposed to invest [\\$40 billion in 5G development](#) over the next three years — an investment that is dependent on the approval of its merger by federal regulators.

The New T-Mobile merger is pro-competition and pro-consumer. If regulators want as many Americans as possible to have expedient access to cutting-edge cellular tech at competitive prices, [they should approve](#) the Sprint/T-Mobile merger.



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September 17, 2018

**By electronic delivery to:**

<https://www.fcc.gov>

Secretary Marlene H. Dortch  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

**Re: Consumers' Research Comment on Federal Communications  
Commission WT Docket No. 18-197**

Dear Secretary Dortch:

Thank you for giving Consumers' Research the opportunity to comment on Federal Communications Commission WT Docket No. 18-197. Consumers' Research<sup>1</sup> is a 501(c)(3) educational non-profit advocating for the general interests of consumers. This comment does not represent the views of any affected party or special interest group and is intended to present a consumer-oriented discussion of issues in the proposed T-Mobile-Sprint merger application.

In practice, a Federal Communications Commission (FCC) review of a merger includes traditional antitrust principles, as well as "the broad aims of the Communications Act," including whether the proposed merger would protect quality for consumers, accelerate deployment of advanced telecommunications services, and ensure diversity of information sources and viewpoints.<sup>2</sup> Under the FCC's longstanding statutory standard of "Public Interest, Convenience and Necessity," all of these considerations weigh in favor of a FCC grant of the proposed merger.<sup>3</sup>

<sup>1</sup> Founded in 1929, Consumers' Research is the nation's oldest consumer affairs organization. Consumers' Research aims to increase the knowledge and understanding of issues, policies, products, and services of concern to consumers and to promote the freedom to act on that knowledge and understanding.

<sup>2</sup> The antitrust source, August 2016, Page 3

[https://www.americanbar.org/content/dam/aba/publishing/antitrust\\_source/aug16\\_mattias\\_8\\_5f\\_authcheckdam.pdf](https://www.americanbar.org/content/dam/aba/publishing/antitrust_source/aug16_mattias_8_5f_authcheckdam.pdf)

<sup>3</sup> The diversity considerations are more applicable to issuance of a TV or radio license, as there are no issues as to assuring access to diverse points of view in this merger, since telecommunications companies are common carriers and, unlike radio and TV stations, do not express a particular point of view as a part of their business.

**The New T-Mobile merger creates a viable competitor to AT&T and Verizon in provision of 5G service**

Fifth Generation Wireless (5G) is the next iteration of wireless technology. 5G is expected to increase both the speed of transmission and the data processing capacity (by volume) many times over current 4G system's capabilities.<sup>4</sup> It is also expected to open the way for major new applications that either do not work on existing infrastructure or place too much strain on current networks. There is general agreement that 5G deployment is a critical next step forward in communications technology, with debate only about whether it is a significant evolution or whether it is truly transformative.<sup>5</sup> There is vigorous competition between countries to be the first to market with 5G and legitimate concern that China may overtake the United States in the race to deploy a 5G network.<sup>6</sup>

The German company Deutsche Telekom, which controls T-Mobile, will have a 42 percent interest in New T-Mobile, and the Japanese company Softbank, which controls Sprint, will have a 27 percent interest in New T-Mobile.<sup>7</sup> Together, these two companies will own a controlling majority interest in the merged company.<sup>8</sup> By agreement, Deutsche Telekom will have de facto control of New T-Mobile, as Softbank has entered into a proxy agreement that allows Deutsche Telekom to vote its shares for this purpose.<sup>9</sup> New T-Mobile will have its two headquarters in the United States, and its development and deployment of 5G will be in the United States. As both T-Mobile and Sprint are already majority-controlled by Deutsche Telekom and Softbank, respectively, there is no substantive increase in foreign control of U.S. telecommunications companies.<sup>10</sup> Accordingly, the FCC should extend waivers of the 25 percent limit on foreign control of telecommunications companies for Sprint and T-Mobile and approve majority foreign ownership of New T-Mobile. Since the primary challenge to the U.S. position in the 5G race comes from China, concern about New T-Mobile's German ownership is

<sup>4</sup> <https://www.pcmag.com/article/345387/what-is-5g>

<sup>5</sup> Institute of Electrical and Electronics Engineers (IEEE) 5G: The Future of Communications Networks, March 1, 2017 by Kathy Peretz <http://theinstitute.ieee.org/technology-topics/communications/5g-the-future-of-communications-networks>

<sup>6</sup> Stratfor, April 3, 2018, The U.S., China and others race to develop 5g mobile networks <https://worldview.stratfor.com/article/us-china-and-others-race-develop-5g-mobile-networks>

<sup>7</sup> T-Mobile agrees to acquire Sprint, Reuters, April 29, 2018 <https://www.reuters.com/article/sprint-corp-ma-t-mobile-us/t-mobile-agrees-to-acquire-sprint-idUSL1N1S607W>

<sup>8</sup> Sprint Description of Transaction, Public Interest Statement and related Demonstrations Exec. Summary, Page 6 <http://d18m0p25nwr6d.cloudfront.net/CIK-0000101830/2b9a1a2b-6310-415a-bb08-f455fe418d17.pdf>

<sup>9</sup> Id. Page 8.

<sup>10</sup> Id. Pages 8-9.

misplaced. Because New T-Mobile's deployment of 5G will benefit American consumers, Deutsche Telekom's control of New T-Mobile does not affect the value of the New T-Mobile merger in strengthening the U.S. position in the 5G race.

In their submission to the FCC, Sprint and T-Mobile argue that New T-Mobile will have the resources to build a highly competitive nationwide 5G network that neither Sprint nor T-Mobile would have as separate entities. Sprint states that the two companies will achieve \$43.6 billion in net present value savings through 2024 through synergies between the Sprint and T-Mobile networks.<sup>11</sup> With these savings, New T-Mobile will commit \$40 billion to the development of its 5G network, estimated to be three times the amount T-Mobile would have committed on its own.<sup>12</sup>

Furthermore, the merger makes available to New T-Mobile a very extensive and complementary combination of existing spectrum, sites, and equipment currently divided between Sprint and T-Mobile. These combined resources will be much more effective in delivering a broad range of consumer services via 5G than either company would be able to deliver separately, even if they had the resources to begin such an initiative on their own.<sup>13</sup>

Based on these facts, Sprint and T-Mobile make a sound case that the merger would not merely be additive, but also creative, in enabling the deployment of new 5G services for consumers. Irrespective of the accuracy or relevance of claims that New T-Mobile would "leapfrog" AT&T and Verizon, this merger would enable New T-Mobile to compete effectively in 5G with AT&T and Verizon, potentially allowing the combined entity to be the first to introduce new 5G services in at least some parts of the United States.

A May 2018 New York Times article on this merger provides independent support for the argument that neither Sprint nor T-Mobile has the resources to compete independently with AT&T and Verizon in a national 5G initiative. The article notes that in 2017, the combined network investments Sprint and T-Mobile made came to only \$6 billion, while AT&T invested \$22 billion and Verizon \$17 billion. Estimates indicate that 5G deployment will be extremely costly. Verizon is expected to spend about \$35 billion over the next five years to reach 20 percent of

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<sup>11</sup> *Id.* pages 15

<sup>12</sup> *Id.* pages 15-16

<sup>13</sup> *Id.* page 16

the U.S., highlighting the relevance of New T-Mobile's commitment to a \$40 billion 5G investment.<sup>14</sup>

This merger advances the adoption of 5G technology in the U.S., generally accepted as the next significant step in technological advancement in telecommunications. Neither T-Mobile nor Sprint would have the resources to provide a nationwide 5G network effectively as a solo outfit, but a merged New T-Mobile would have both the resources and the complementary spectrum to proceed rapidly and effectively in deploying 5G.

**This merger promotes competition because it consolidates two smaller competitors into a viable competitor to AT&T and Verizon**

Verizon and AT&T are much larger than either T-Mobile or Sprint, both in the number of subscribers and in the value of the competing companies. AT&T and Verizon have nearly the same amount of customers with about 150 and 142 million subscribers, respectively. While T-Mobile and Sprint are far behind separately, New T-Mobile's 127-million-person subscriber base would be closer to, though still lagging behind, its two rivals if the merger were approved.<sup>15</sup> Financially, AT&T is valued at about \$334 billion and Verizon at \$313 billion. The two leading telecommunication companies would still be far ahead of New T-Mobile's value of about \$146 billion, but the difference would be far less than the gap that currently exists between the leaders and the two smaller companies.<sup>16</sup> Concerning pricing, the default, but potentially misguided assumption, is that four competitors are likely to keep prices lower than three. However, New T-Mobile may put more competitive pressure on AT&T and Verizon to hold or even reduce their service prices. The real question is whether three strong competitors are more or less competitive than two strong competitors and two weaker ones.

**Without this merger, consumers may suffer from a less competitive market, particularly regarding access to nationwide 5G**

Sprint is \$32 billion in debt, exceeding the company's total value of \$26 billion.<sup>17</sup> It has had a long history of losses, though it did achieve some improvement, posting a small profit in the first three months of 2018 and gaining 39,000

<sup>14</sup> T-Mobile's 5G Argument to Regulators Is Compelling – Jennifer Saba, *New York Times*, May 3, 2018

<https://www.nytimes.com/2018/05/03/business/dealbook/t-mobile-5g-regulators.html>

<sup>15</sup> <https://www.record.net/2018/4/30/17300652/tmobile-sprint-att-verizon-merger-wireless-subscriber-chart>

<sup>16</sup> <http://fortune.com/2018/04/29/t-mobile-sprint-merger-deal/>

<sup>17</sup> Op. Cit Reuters, T-Mobile agrees to acquire Sprint, Paragraph 9.

subscribers, somewhat mitigating a loss of 118,000 subscribers in 2017.<sup>18</sup> Despite this recent improvement in profitability, Sprint's total operating revenue is marginally down in the last quarter, and its stock price is down nearly 10 percent for the year. Overall, its prospects remain uncertain if this merger is not approved.<sup>19</sup> Should Sprint's position in the market weaken further, the company may not be able to raise the capital required to continue significant 5G investment, leaving the race for standalone nationwide 5G to three competitors, one of which may have insufficient spectrum to effectively compete without this merger. If the overall competitiveness of this market diminishes, consumers may suffer in terms of choice and prices.

#### **Qualitative competition from a strong third competitor will benefit consumers**

Consumer benefits should not be measured exclusively in terms of price competition. Consumers also benefit from qualitative competition to provide access to a greater variety of new, advanced services. In this area, Sprint and T-Mobile make a strong argument for the merger. First, with the combined resources of Sprint and T-Mobile, New T-Mobile will be able to compete with AT&T and Verizon nationwide on reasonably even terms for the introduction of nationwide 5G services. Secondly, T-Mobile and Sprint may be ahead of AT&T and Verizon in some aspects of the race to develop and deploy 5G networks because of combined spectrum. New T-Mobile will be able to offer 5G services to substantially more consumers than T-Mobile and Sprint could separately.

#### **Conclusion**

Based on the statutory goals of the Communications Act, the FCC should approve this merger. Blocking this merger in order to conform to an arbitrary maximum foreign ownership standard or to preserve the number of competitors in the marketplace prioritizes immaterial factors over the strength of competition in the marketplace will only hurt the American consumers whom the FCC is charged to protect in this matter. New T-Mobile will have the capacity and funding to be a third viable competitor to AT&T and Verizon in the development of nationwide 5G. The additional competitive pressure New T-Mobile brings to the marketplace will benefit consumers with competitive, high quality services.

Sincerely,

<sup>18</sup> <https://www.reuters.com/article/us-sprint-corp-results/sprint-reports-quarterly-profit-vs-year-ago-loss-idUSKBN1132TW>

<sup>19</sup> <https://www.cnbc.com/2018/08/01/reuters-america-update-3-sprint-beats-profit-estimates-says-higher-prices-could-affect-growth.html>



John C. Meyer, Senior Researcher



## AMERICANS FOR LIMITED GOVERNMENT

10332 MAIN STREET, BOX 326, FAIRFAX VA 22030 · WWW.GETLIBERTY.ORG

February 12, 2019

The Honorable Frank Pallone, Jr.  
Chairman  
U.S. House Energy and Commerce  
Committee  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Michael Doyle  
Chairman  
U.S. House Energy and Commerce  
Subcommittee on Communications and  
Technology  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Greg Walden  
Ranking Member  
U.S. House Energy and Commerce  
Committee  
2322A Rayburn House Office Building  
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The Honorable Bob Latta  
Ranking Member  
U.S. House Energy and Commerce  
Subcommittee on Communications and  
Technology  
2322A Rayburn House Office Building  
Washington, DC 20515

To whom it may concern,

Ahead of the Feb. 13 hearing of the U.S. House Energy and Commerce Subcommittee on Communications and Technology on the proposed merger of T-Mobile U.S., Inc. and Sprint Corporation, Americans for Limited Government expresses support for the merger and hopes that the committee will see fit to endorse it as well.

To get to 5G, the U.S. needs to allocate a lot of spectrum. Approval by the Federal Communications Commission and the U.S. Department of Justice Antitrust Division of the proposed merger helps achieve that goal by ensuring that T-Mobile and Sprint together can utilize their respective 600 MHz and 2.5 GHz spectrum across the low and medium bands, making it easier to handle high-band spectrum above 3 GHz in the near future.

The merger of T-Mobile and Sprint will be a boon to the U.S. economy. Accenture has estimated that 5G will create 3 million new jobs in the U.S. and boost the economy by more than \$500 billion. <sup>1</sup>[1]

FCC Chairman Ajit Pai has described the necessity of U.S. leadership in 5G as a “national imperative for economic growth and competitiveness.” While China races ahead in 5G with its

command and control economic approach, threatening U.S. intellectual property, the U.S. has continued to achieve unparalleled innovation over the past century through robust competition. T-Mobile and Sprint joining forces will create more competition in the 5G market versus AT&T-Time Warner and Verizon — helping the U.S. to stay ahead of its foreign adversaries.

This approach also benefits consumers by creating more competition with direct-line broadband, allowing those who want to cut the cord to utilize wireless Internet on their cellular plans. This will help expand high-speed Internet access into more rural areas and help bring down prices, too. It's a win-win for U.S. consumers.

T-Mobile and Sprint together is a part of how the U.S. is going to lead the world into the 5G future, making the Internet of Things, smart cities, driverless vehicles and robots all possible by combining each company's spectrum assets. 5G is an area where more competition is urgently needed, and together T-Mobile and Sprint will help the U.S. realize its 5G potential — and all that it means for the future.

Sincerely,



Richard M. Manning  
President  
Americans for Limited Government

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2[1] [https://www.accenture.com/t20170222T202102\\_w\\_us-en\\_acnmedia/PDF-43/Accenture-5G-Municipalities-Become-Smart-Cities.pdf](https://www.accenture.com/t20170222T202102_w_us-en_acnmedia/PDF-43/Accenture-5G-Municipalities-Become-Smart-Cities.pdf)

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## AMERICANS FOR TAX REFORM

Grover G. Norquist  
*President*

February 13, 2019

The Honorable Mike Doyle  
United States House of Representatives  
306 Cannon House Office Building  
Washington, DC 20515

The Honorable Bob Latta  
United States House of Representatives  
2467 Rayburn House Office Building  
Washington, DC 20515

Dear Representatives Doyle, Latta, and Members of the House Energy & Commerce Committee:

**I write in opposition to any government intervention in the merger between T-Mobile US, Inc. and Sprint Corporation. Companies should be able to merge or split without government permission.** Doom and gloom rhetoric should not stand in the way of innovation and job creation.

**T-Mobile and Sprint's histories show that the companies innovate without government instruction.** They have lowered prices and offered innovative services. T-Mobile was the first company to get rid of phone contracts and contract penalties – without the government telling them to do it.

Because America deployed 4th generation wireless technology first, American innovation exploded across the globe. Jobs around App creation were unforeseen and allow more Americans to work for themselves. Video or photo blogging is a career choice because of 4G and the devices that run on it. **5G will create new industries and employment opportunities because of enhanced connectivity.**

Having additional robust, cheaper and widely available 5G offerings will also pressure today's wireline providers to improve service, and to invest more heavily in building their own wireless networks to offer customers the mobility they increasingly demand. This will make the wireless market even more dynamic than it would have been without the merger.

**The merger is poised to create thousands of new jobs.** To sustain the combined infrastructure and expansion, the company needs employees. Some speculate that combining the two companies will result in a loss of 28,000 jobs and claims Sprint's Kansas City headquarters will be eliminated. Sprint alone has roughly 30,000 employees. If the New T-Mobile eliminated 28,000 jobs, the it would not be able to sustain the combined infrastructure and expansion that the merger would require. Instead of closing the doors on the current Sprint headquarters, the New T-Mobile will expand it with 5,600 new customer care jobs.

**While I do not believe any merger or split needs to be blessed by government, the action plan set out by T-Mobile and Sprint, stating how jobs will be created and competition increased, should give regulators more certainty that the New T-Mobile will benefit Americans.**

If you should have any questions or comments, please contact me or Katie McAuliffe by phone, 202-785-0266, or email, [kmcauliffe@atr.org](mailto:kmcauliffe@atr.org).

Onward,



Grover G. Norquist

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

January 25, 2019

The Honorable Ajit Pai, Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street, NW  
Washington, D.C. 20554

The Honorable Makan Delrahim  
Assistant Attorney General, Antitrust Division  
U.S. Department of Justice  
950 Pennsylvania Avenue, NW  
Washington, D.C. 20530-0001

Dear Chairman Pai and Assistant Attorney General Delrahim,

We're writing to express our support for, and encourage your prompt consideration of, the proposed merger of T-Mobile U.S., Inc. and Sprint Corporation. We believe this merger will foster greater competition and consumer choice in the wireless market, preserve jobs, and help ensure the U.S. remains a world leader in next-generation wireless broadband technology.

The proposed merger of T-Mobile and Sprint will allow the third and fourth largest wireless carriers in the U.S. to combine their spectrum resources to deliver a more robust wireless broadband network for consumers, drive innovation and investment, and better compete with the top two wireless providers. We believe the new company will be better positioned to deploy a nationwide 5G network and invest in a next-generation wireless broadband network to reach underserved communities and help close the digital divide.

As your agencies consider the state of competition, we urge you to recognize that the U.S. telecommunications market has changed dramatically in recent years. Intermodal competition has become a new reality as companies in the cable, satellite, wireline, and wireless industries now compete fiercely for broadband consumers. Additionally, companies in this space are reliant upon a limited amount of available spectrum. We therefore ask that you carefully examine all dimensions of competition in this market, including investment, innovation, spectrum resources, the evolving nature of the wireless industry, and the prospect of expanded broadband deployment.

We anticipate that the combination of T-Mobile and Sprint, complete with the respective resources and strengths of each, will help to preserve the jobs of workers at each company. This holds the potential new demand for workers as a result of a more broadly robust, innovative, and thriving wireless telecommunications sector.

We believe the proposed merger between T-Mobile and Sprint will transform the wireless industry, drive innovation, help close the digital divide and provide consumers with more choices at lower costs. Accordingly, we hope that the Commission and Department will give its full and fair consideration to this merger.

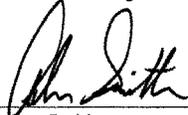
Sincerely,



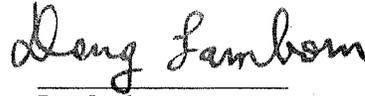
Anna G. Eshoo  
Member of Congress



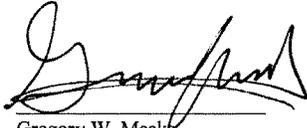
Billy Long  
Member of Congress



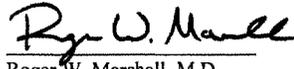
Adam Smith  
Member of Congress



Doug Lamborn  
Member of Congress



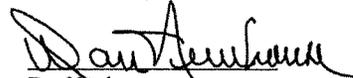
Gregory W. Meeks  
Member of Congress



Roger W. Marshall, M.D.  
Member of Congress



Suzan DeBene  
Member of Congress



Dan Newhouse  
Member of Congress



Anthony G. Brown  
Member of Congress



Ron Estes  
Member of Congress

  
Mike Thompson  
Member of Congress

  
Blaine Luetkemeyer  
Member of Congress

  
Kurt Schrader  
Member of Congress

cc: Commissioner Michael O'Rielly  
Commissioner Jessica Rosenworcel  
Commissioner Brendan Carr  
Commissioner Geoffrey Starks

February 13, 2019

The Honorable Mike Doyle  
United States House of Representatives  
306 Cannon House Office Building  
Washington, DC 20515

The Honorable Bob Latta  
United States House of Representatives  
2467 Rayburn House Office Building  
Washington, DC 20515

Dear Representatives Doyle, Latta, and Members of the House Energy & Commerce Committee:

We understand that House Communications Subcommittee will hold a hearing on February 13 on "Protecting Consumers and Competition: An Examination of The T-Mobile and Sprint Merger." **We believe that the proposed transaction between T-Mobile US, Inc. and Sprint Corporation is consistent with existing antitrust law because it will be greatly beneficial to consumers. We therefore favor the transaction's completion.**

This merger will promote healthy competition for broadband across the board, both wireless and wireline, in terms of prices, customer service, and deployment of the Fifth Generation (5G) wireless network. This administration has its eye on a nationwide 5G network, and the best way for America to regain its lead is through competition.

**Americans can look forward to more competitive pricing for mobile broadband.** T-Mobile has a history creating pressure in the wireless market to lower prices and improve service offerings. Without government instruction, they lowered prices and offered innovative services. It was the first company to get rid of phone contracts and contract penalties. The company offers customers choice with unlimited data plans, and video and music streaming as part of its service, while keeping retail costs low.

The New T-Mobile will continue this trend as it competes for subscribers. In a letter to the Federal Communications Commission, Legere explained that "New T-Mobile will make available the same or better rate plans for our services as those offered today by T-Mobile or Sprint."<sup>1</sup>

**Their combination bolsters competitiveness in the wireless industry.** While both T-Mobile and Sprint would, without the merger, continue to serve their customers; upgrade their networks; and, push towards 5G service, they will be nowhere near as effective without combining their assets. The combined company plans to invest almost \$40 billion between 2019 and 2021 to construct its post-merger 5G — three times as much as T-Mobile could have invested alone.<sup>2</sup> According to the companies: "By 2024,

<sup>1</sup> John Legere to FCC Chairman Ajit Pai. February 04, 2019. <https://ecfsapi.fcc.gov/file/10204163125179/Legere%20Pricing%20Commitment%20Letter%202002.01.2019.pdf>.

<sup>2</sup> Public Interest Statement of T-Mobile US, Inc. and Sprint Corporation (June 18, 2018) at 15, available at <https://goo.gl/7OeHaJ>.

the New T-Mobile network will have approximately double the total capacity and triple the total 5G capacity of T-Mobile and Sprint combined, with 5G speeds four to six times what they could achieve on their own.”<sup>3</sup>

Currently, T-Mobile and Sprint rank 3rd and 4th respectively for wireless subscribers. A post-merger T-Mobile will have 126 million subscribers, making it a closer competitor to Verizon’s 150 million subscribers and AT&T’s subscribership of 142 million.

Having more robust, cheaper and widely available 5G offerings will also pressure today’s wireline providers to improve service, and to invest more heavily in building their own wireless networks to offer customers the mobility they increasingly demand. This will make the wireless market even more dynamic than it would have been without the merger.

**We encourage you to assess the broadband market holistically.** Wireless 5G and even the current 4G LTE services, are competitive with wireline broadband services. We can expect the speed, capacity, and low consumer cost for 5G service to accelerate “cord-cutting,” as Americans increasingly opt for mobile broadband. 5G wireless services promise speeds over 100 Mbps. The combined company plans to provide this kind of service to 90 percent of the country by 2024, but with the two companies trying to deploy two separate networks, reaching that goal would cost an additional \$43.6 billion<sup>4</sup> — making this timeline impossible. Combining the two companies’ spectrum assets, tower locations and investment in network upgrades will allow the network to have the breadth and depth necessary to deploy 5G throughout the country – in rural and urban areas.

**Increased competition among wireless and wireline broadband providers will produce enormous customer benefits.** The industry competitive response is expected to result in as much as a 55 percent decrease in price per GB and a 120 percent increase in cellular data supply for all wireless customers. As a result, Americans will not only benefit from better service, but also by paying lower prices for that improved service. In addition, T-Mobile will launch innovative services to serve business, home, and the IoT markets.

In general, when private businesses decide to join forces, government should not stand in the way — absent compelling evidence of actual demonstrable harms to consumers.

**The proposed combination will bring undeniable benefits to customers, increase competition for broadband of all kinds, and help maintain America’s global leadership in mobile broadband. Thus, the merger should be approved without conditions and without delay.**

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<sup>3</sup> *Id.* at 72.

<sup>4</sup> *Id.*

Regards,

Americans for Tax Reform  
President  
Grover G. Norquist

James L. Martin  
Founder  
60 Plus Association

Saulius "Saul" Anuzis  
President  
60 Plus Association

Steve Pociask  
President  
American Consumer Institute  
Center for Citizen Research

Thomas Schatz  
President  
Citizens Against Government Waste

Andrew F. Quinlan  
President  
Center for Freedom and Prosperity

Jeffery Mazzella  
President  
Center for Individual Freedom

Olivia Grady  
Senior Fellow  
Center for Worker Freedom

Katie McAuliffe  
Executive Director  
Digital Liberty

Adam Brandon  
President  
FreedomWorks Foundation

George Landrith  
President  
Frontiers of Freedom

Pete Sepp  
President  
National Taxpayers Union

Mary Adams  
Chair  
Maine Center Right Coalition

Paul Gessing  
President  
Rio Grande Foundation

David Williams  
President  
Taxpayer Protection Alliance

Berin Szoka  
President  
TechFreedom

**Attachment—Additional Questions for the Record**

Mr. Marcelo Claure, Executive Chairman, Sprint Corp.

**The Honorable Yvette D. Clarke (D-NY)**

1. **Increasing diversity on corporate boards is not just about fairness; it's also in the economic interests of companies themselves. Corporate leaders who better reflect the consumer base can offer new perspectives and act as a failsafe against groupthink. Unfortunately, people of color and women remain significantly underrepresented on corporate boards and in senior management positions.**

**In your testimony before the Committee, in response to my questioning, you promised to provide my office with a detailed analysis of the diversity of the boards of T-Mobile and Sprint, as well as the likely racial and gender composition of the board of a future New T-Mobile.**

- a. **In addition to supplying specific racial and gender information about the current T-Mobile board, current Sprint board, and future New T-Mobile board, will you commit to increasing diversity in senior management positions at each of these entities?**

**Response:** If the merger is approved, John Legere will be the CEO of the combined company. Accordingly, I defer to Mr. Legere about the current makeup of the T-Mobile board and the future New T-Mobile board.

I have been an outspoken proponent of enhancing Sprint's diversity at all levels of the company—including management—because I think it makes us more competitive and better able to meet the needs of our customers. The Sprint board currently includes a woman and three people of color, including myself. Sprint's senior executive ranks include eight women and six people of color. Sprint is always looking for ways to recruit talented individuals from all backgrounds to serve our customers. Sprint understands the value of having varied experiences and perspectives contribute to any decision-making process.

2. **In order to maintain our innovation edge, it is critical that America intensify our efforts to deploy 5G. Proponents of this deal have argued the merger will enable the combined company to make these investments. But in 2011, after T-Mobile sought to merge with AT&T and the Obama Administration rejected the deal on antitrust grounds, T-Mobile soon thereafter made a multi-billion dollar network upgrade, while also lowering prices.**

- a. **If the merger is rejected, what approach will each of your companies take towards 5G deployment?**

**Response:** It is critical for America to aggressively support the deployment of 5G in order for this country to maintain its technological and innovative edge. China and other countries are investing heavily in 5G because they understand how important it is to their economies and their global leadership. When America leads in the deployment of cutting-edge technology, Americans reap the benefits of explosive job growth and increased economic productivity and entrepreneurship. The impact of the deployment of 4G/LTE proves this fact: Some of the world's most valuable companies were born because of the revolutionary 4G networks American wireless companies built.

5G will provide an entirely new standard of connectivity that will change the way Americans live and work, and will spur new technology like autonomous driving, telemedicine, and smart farming. But the full potential of these innovations will only be unlocked if America has a truly nationwide 5G network. Unfortunately, that kind of nationwide network cannot be built by Sprint or T-Mobile alone.

It is important to recognize that T-Mobile's multi-billion dollar investment in its 4G network was enabled by the money and significant spectrum assets that T-Mobile received as a break-up fee following the rejection of the proposed AT&T / T-Mobile merger. Sprint, by comparison, does not stand to receive any such benefits if this proposed merger is rejected.

Sprint has already hit significant milestones in its plans for 5G deployment. If it remains a standalone company, Sprint will continue to pursue the deployment of 5G, but our limited spectrum assets and our financial difficulties will mean that the geographic reach of our network will be concentrated in large cities and suburban areas. And to build even this type of 5G network, we will need to spend between \$20 and \$25 billion and will have to borrow additional funds to do so, leading to higher prices for our customers.

**Attachment—Additional Questions for the Record**

Mr. John Legere, Chief Executive Officer and President, T-Mobile US

**The Honorable Jerry McNerney (D-CA)**

**1. Mr. Legere, I wanted to give you an opportunity to respond to the questions that I raised during the hearing regarding the pricing commitment noted in the letter that you sent to FCC Chairman Pai on February 4, 2019 and in the ex parte filing that your company's counsel filed with the FCC on February 4, 2019.**

**a. Under the proposed commitment, if a small amount of data is added to the T-Mobile and Sprint legacy plans, could consumers see an increase in the amount they pay for their plans?**

**Response:** No, New T-Mobile will either add the data at no additional charge or it will have the option of creating a new plan with more data while maintaining the legacy plan with the old data amount at the same price. The terms of the Pricing Commitment allow New T-Mobile to replace a legacy rate plan only after it introduces “better plans that offer a lower price or more data,” and defines a better plan as either (1) the same plan with a lower price, (2) the same plan with more data for the same price, or (3) the same plan with a lower price *and* more data. Therefore, a legacy plan can be replaced by a new plan only if the new plan provides all of the same features with a lower price, all of the same features with more data at the same price, or all of the same features with both a lower price and more data.

**b. Under the proposed commitment, could legacy T-Mobile and Sprint fees be hiked?**

**Response:** No rate plan fees under New T-Mobile's control can be increased. T-Mobile's “Taxes and Fees Included” program is included in the Pricing Commitment. The Taxes and Fees Included rate plans in effect as of February 4, 2019 will continue with no added charge for post-merger increases in taxes or fees. The taxes and fees costs in retained legacy rate plans without Taxes and Fees Included can be adjusted under the existing terms of those plans only “to pass through cost increases in taxes, fees and surcharges” that are initiated by the government or by third parties, whom New T-Mobile cannot control.

**c. Under the proposed commitment, could legacy T-Mobile and Sprint surcharges be increased?**

**Response:** No rate plan surcharges under New T-Mobile's control can be increased. T-Mobile's “Taxes and Fees Included” program is included in the Pricing Commitment. The Taxes and Fees Included rate plans in effect as of February 4, 2019 will continue with no added charge for post-merger increases in taxes or fees. The surcharge costs in retained legacy rate plans without Taxes and Fees Included can be adjusted under the existing terms of those plans

only “to pass through cost increases in taxes, fees and surcharges” that are initiated by the government or by third parties, whom New T-Mobile cannot control.

Mr. John Legere, Chief Executive Officer and President, T-Mobile US

**The Honorable Yvette D. Clarke (D-NY)**

- 1. Increasing diversity on corporate boards is not just about fairness; it's also in the economic interests of companies themselves. Corporate leaders who better reflect the consumer base can offer new perspectives and act as a failsafe against groupthink. Unfortunately, people of color and women remain significantly underrepresented on corporate boards and in senior management positions.**

**In your testimony before the Committee, in response to my questioning, you promised to provide my office with a detailed analysis of the diversity of the boards of T-Mobile and Sprint, as well as the likely racial and gender composition of the board of a future New T-Mobile.**

- a. In addition to supplying specific racial and gender information about the current T-Mobile board, current Sprint board, and future New T-Mobile board, will you commit to increasing diversity in senior management positions at each of these entities?**

**Response:** T-Mobile's board currently consists of 12 members. A quarter of the members of the board consists of people of color or women. These members also hold key positions on major board committees. The board has an African-American member who is also chair of the Compensation Committee, an Asian-American who is chair of the Audit Committee, and a woman who serves as the Lead Independent Director and the chair of the Nominating & Corporate Governance Committee. The members of the board of New T-Mobile have not yet been specifically identified, other than for four prospective members that include an Asian and Latino. Over time, New T-Mobile's goal is to increase the diversity of the members of its board to better represent its customer base and the communities in which it operates, and T-Mobile will evaluate the makeup of its board on an ongoing basis.

T-Mobile embraces diversity and inclusion. When senior management positions open, T-Mobile actively seeks to identify, recruit, and promote qualified minority and women candidates. The company also devotes significant resources to the career development of employees that will enable the company to eventually achieve greater diversity in senior management roles. Today, T-Mobile has four women or people of color in senior management positions, including roles such as EVP for customer care, EVP of communications, EVP of integration, and EVP of human resources. New T-Mobile will retain a Vice President of Diversity and Inclusion who will have primary responsibility for implementing the company's Diversity Strategic Plan.

T-Mobile recently signed a memorandum of understanding with the National Diversity Council in which New T-Mobile committed to evaluate the makeup of its board on an ongoing basis, consider a diverse pool of board candidates, and hire a Vice President of Diversity and Inclusion who will have primary responsibility for implementing the company's Diversity Strategic Plan.

**2. Together, T-Mobile and Sprint control 60% of the pre-paid cell phone market. Specifically, Metro and Boost are currently operated by T-Mobile and Sprint, respectively. For many constituents of mine who are unable to afford traditional cell service, these alternatives can be critical. In response to questions from the FCC, I understand T-Mobile promised to not eliminate any of its prepaid brands. But there is a difference between eliminating brands and eliminating competition.**

**a. What assurances can you make that if Metro and Boost share common ownership, they will continue to compete with each other on price, quality, and service?**

**Response:** Following the merger, New T-Mobile plans to maintain the existing Sprint and T-Mobile prepaid brands, including Boost and Metro, and will position these brands to serve different customers with different prepaid plan preferences. T-Mobile's Pricing Commitment applies to prepaid services (as well as postpaid) and provides that all rate plans offered by Metro and Boost will continue to be made available for three years following the merger. Therefore, the prices set by their existing competition remain available to customers. In addition, like postpaid customers, all prepaid customers under these rate plans will receive the benefits of New T-Mobile network improvements, including the 5G network's increased network capacity, broader coverage, and higher speeds at no extra charge. In particular, Sprint customers on prepaid plans will quickly experience significant improvements in coverage on the New T-Mobile network, as those with compatible handsets will for the first time enjoy domestic data roaming that fills in coverage gaps, and Boost customers will benefit from access to a deeper and much larger (approaching ten times greater) handset ecosystem that will provide better functionality.

Respectfully, there is no separate "pre-paid cell phone market" and the FCC has consistently found that both prepaid and postpaid wireless services fall within a combined mobile telephony/broadband services product market. Furthermore, T-Mobile and Sprint together do not have 60 percent of pre-paid subscribers. And following the merger, there will continue to be significant competition in prepaid. This competition will apply pricing pressure on the New T-Mobile prepaid brands, further ensuring that they keep prices low. For example, Tracfone, the largest provider of prepaid mobile service today with nearly 22 million customers, will continue to exert significant competitive pressure on New T-Mobile after the merger, as will AT&T's Cricket and Verizon's prepaid brand. Moreover, the distinction between prepaid and postpaid has all but disappeared. By lowering prices and forcing competitors to do away with key segment differentiators such as long-term service contracts, T-Mobile has helped make postpaid service accessible to more and more consumers.

**b. Have you discussed the possible divestiture of either of these brands, with assurances of continued network access, as a condition of the merger?**

**Response:** Our business plan is to retain all T-Mobile and Sprint prepaid brands post-merger. This merger will provide New T-Mobile the scale and resources to take the Un-carrier movement

to the next level and into new market segments. The combined company will have lower costs and the incentives to engage in aggressive pricing to expand its LTE customer base and ultimately its 5G customer base as the industry continues its major transformation towards 5G.

**3. In order to maintain our innovation edge, it is critical that America intensify our efforts to deploy 5G. Proponents of this deal have argued the merger will enable the combined company to make these investments. But in 2011, after T-Mobile sought to merge with AT&T and the Obama Administration rejected the deal on antitrust grounds, T-Mobile soon thereafter made a multi-billion dollar network upgrade, while also lowering prices.**

**a. If the merger is rejected, what approach will each of your companies take towards 5G deployment?**

**Response:** T-Mobile will, of course, continue our Un-carrier strategy absent the transaction, but our ability to provide the cost-saving plans and disruptive changes consumers appreciate will be more constrained.

Current standalone plans are to continue 5G deployment on 600 MHz. Such a 5G network will be significantly weaker than the 5G network possible as New T-Mobile. Low-band spectrum, such as T-Mobile's 600 MHz spectrum, can provide only limited capacity, meaning that standalone T-Mobile will offer only a relatively thin layer of 5G service. While standalone T-Mobile will eventually migrate its mid-band spectrum to 5G, that spectrum is currently being used to provide LTE service. T-Mobile cannot migrate that spectrum to 5G quickly without degrading the experience on its LTE network, which the company will not do. T-Mobile also hopes to be able to deploy 5G on millimeter wave ("mmWave") spectrum, but we only have mmWave spectrum in select areas, and its propagation characteristics, particularly limited range and in-building penetration, considerably limit the commercial viability of deploying mmWave outside of dense urban environments.

Thus, while T-Mobile is in the process of launching a 5G network, without the merger, it will not be able to provide a broad and deep nationwide 5G network anytime soon. In contrast, by bringing together complementary spectrum assets and creating a lower cost structure, the merger will provide New T-Mobile with the capability and incentive to accelerate the transition to 5G.

Mr. John Legere, Chief Executive Officer and President, T-Mobile US

**The Honorable Tom O'Halleran (D-AZ)**

- 1. What areas of Arizona does T-Mobile cover today with its own network? Are there any planned changes to that coverage? How will the merger affect coverage in Arizona?**

**Response:** T-Mobile has good coverage throughout major corridors and population centers in Arizona and has been expanding coverage with our 600 MHz low-band spectrum, as it becomes available. New T-Mobile would not only expand this coverage but would greatly strengthen capacity and speed. T-Mobile is building out its 600 MHz low-band spectrum now with 5G-capable equipment and plans on turning on 5G later this year with nationwide coverage expected in 2020. However, while our 600 MHz spectrum provides good coverage, the capacity provided by our 600 MHz holdings is relatively thin. The merger combines T-Mobile's low-band band spectrum with Sprint's mid-band 2.5 GHz spectrum to accelerate deployment and provide a massive increase in speed and capacity. Consumers will begin experiencing benefits in terms of speed and coverage nearly from day one as we integrate the networks. By 2021 well over 95 percent of Arizona residents will enjoy 5G coverage and by 2024 nearly 100 percent of the population will be covered by 5G at average speeds in the 100s of Mbps. In addition to the build out across the state and in rural areas, T-Mobile will also be adding six new retail stores by 2020.

- 2. I am concerned about what I have heard about the ramifications of four-to-three wireless mergers in countries around the world.**

- a. Why won't prices increase as a result of this transaction?**

**Response:** Mobile broadband prices are falling similarly in countries with four mobile network operators and in countries with three mobile network operators. See Empirica and TÜV Rheinland, *Mobile Broadband Prices in Europe 2018* (Feb. 25, 2019), <https://bit.ly/2HrX8JF> ("2019 EC Report"). Other studies, including reports by the International Center for Law and Economics reach the same conclusion. See Letter from International Center for Law and Economics to Hons. Jerrold Nadler, et al., House Judiciary Committee (Feb. 28, 2019), available at <https://bit.ly/2FM3kcX>. The 2019 EC report even characterized three-operator countries such as Italy, France, Austria, and Germany as "inexpensive" or "relatively inexpensive" for mobile broadband prices. In Europe and around the world, greater scale by wireless operators can—and has—led to consumers paying less and getting more.

In our case, New T-Mobile's business plan is to use the combined company's increased capacity and reduced costs to dramatically lower prices to aggressively compete with AT&T, Verizon, and other competitors. This plan, which was presented to investors to receive financing for the transaction, recognizes that the merger will provide New T-Mobile with the needed resources to continue and supercharge the Un-carrier strategy that transformed the wireless industry for the better.

T-Mobile's engineers and outside economists demonstrated how the merger will lower prices and increase consumer welfare by modeling the transaction using a series of conservative assumptions that validate the business plan. Notably, Dr. David Evans has estimated that as a result of the merger, price per GB of data will decline by nearly 55 percent. Indeed, this economic work is conservative in that it does not consider the damage to the T-Mobile brand that would result from a price increase. We owe our success to being a consumer-friendly and disruptive force in the wireless industry. Suddenly shifting course by increasing prices would severely tarnish the brand we have worked so hard and invested so much to build, likely leading to a substantial loss in consumer appeal and substantial increase in churn.

In addition, the transaction will lower prices for broadband service by creating new competition to the Big Cable monopolies. By 2024, the competition and new alternatives created by this merger will save as much as \$7 to \$13 billion *annually* in lower broadband prices.

**3. I am concerned about the potential impact this merger could have on the Lifeline and Tribal Lifeline Program, which is critical to many Arizonans in my rural district.**

**a. What would this merger mean for New T-Mobile's long-term commitments for servicing these programs in Arizona?**

**Response:** This merger will offer a huge boost to Lifeline and Tribal Lifeline participants, as New T-Mobile's Lifeline customers will enjoy the same improved network as all subscribers. Barring material changes to today's Lifeline program, New T-Mobile is committed to maintaining the Lifeline services of Sprint and T-Mobile indefinitely. And within just six months, New T-Mobile expects to cover many more census blocks than Sprint does today. New T-Mobile will avoid disruption to Lifeline customers (or any other customers) during the migration of subscribers to the combined network. Following closing, New T-Mobile will rely on a brief transition period of no more than six months to implement the necessary changes to activate new Assurance Lifeline customers on the New T-Mobile platform. During this time, new Assurance Lifeline customers will receive a free handset at the time of enrollment that is compatible on both the New T-Mobile and the Sprint networks, but their service will continue to be activated on the Sprint network. Similarly, existing Assurance Lifeline customers will be migrated to the New T-Mobile network on a schedule and on terms comparable to those offered to legacy Sprint customers with similarly incompatible equipment.

**b. How would a combined T-Mobile/Sprint plan to work with the FCC in supporting the Lifeline and Tribal Lifeline Programs across rural America?**

**Response:** T-Mobile is 100% committed to the principle of universal service. Our goal is to ensure that New T-Mobile can service all areas of the country and to further the Administration's goal of bridging the digital divide. New T-Mobile expects to leverage Sprint's Lifeline expertise to use a combination of in-person and digital advertising to increase consumer awareness of Lifeline and to encourage Lifeline participation.

Mr. John Legere, Chief Executive Officer and President, T-Mobile US

**The Honorable Ben Ray Luján (D-NM)**

**1. In my home state of New Mexico, only 44% of the population has access to 10 Mbps LTE download speeds. In rural communities, that number is 16 percent.**

**a. Historically, T-Mobile's service has not extended to many rural areas, including New Mexico. How does this merger specifically incentivize this proposed new T-Mobile to better serve rural communities like mine? Why does T-Mobile plan to prioritize rural communities?**

**Response:** The merger gives us the assets and means to dramatically expand our ability to serve rural communities with broader coverage, faster speeds, better quality, and in-home broadband. Neither T-Mobile nor Sprint could do that on their own. While T-Mobile is already committed to building out coverage to rural areas, the spectrum assets Sprint brings with it will dramatically improve the 5G service that New T-Mobile can offer in rural areas. Our business is banking on expansion into rural areas to meet New T-Mobile's goals. That's why we will be adding at least 600 new retail stores located to serve small towns and rural areas to attract and service customers in those areas. In New Mexico, we will be adding five new retail stores by 2020.

**b. If this merger is approved, when can my constituents expect to enjoy 5G connectivity? If the merger is rejected, how would this impact T-Mobile's timeline? What would cause this delay?**

**Response:** T-Mobile is building out its 600 MHz low-band spectrum now with 5G-capable equipment and plans on turning on 5G later this year with nationwide coverage expected in 2020, including in your district. However, while our 600 MHz spectrum provides good coverage, the capacity provided by our 600 MHz holdings is relatively thin. The merger combines T-Mobile's low-band spectrum with Sprint's mid-band 2.5 GHz spectrum to accelerate deployment and provide a massive increase in speed and capacity. Consumers will begin experiencing benefits in terms of speed and coverage nearly from day one as we integrate the networks. By 2021 well over 95 percent of New Mexico residents will enjoy 5G coverage and by 2024 nearly 100 percent of the population will be covered by 5G at average speeds in the 100s of Mbps. Without the merger, the speed and capacity of T-Mobile's 5G service will be greatly reduced compared to the capabilities of New T-Mobile's 5G network.

**c. In his testimony, Mr. Berenbroick notes the importance of backhaul support from fixed broadband networks for 5G. How will the new T-Mobile address this issue as it seeks to deploy its 5G network?**

**Response:** T-Mobile presently has substantial high-speed backhaul capabilities for its rural facilities and has concrete plans in place to further increase bandwidth to meet the performance requirements of the New T-Mobile network.

A large majority of T-Mobile's rural sites have high speed backhaul and those few that do not use temporary circuits and satellite connections to transport backhaul, while awaiting contracted fiber build-out.

Among those rural sites with high-speed backhaul, the overwhelming majority use fiber backhaul and the others currently use high speed microwave backhaul with upgrades beginning in 2019 to multi-gigabit links.

**2. Another important part of connecting rural communities is the roaming agreements that regional carriers depend on. Ms. Bennett with the Rural Wireless Association notes that Sprint typically provides commercially reasonable roaming rates and terms.**

**a. Is T-Mobile willing to strike roaming agreements with rural carriers?**

**Response:** Yes. T-Mobile already has agreements with more than thirty rural wireless carriers. And T-Mobile pays rural carriers the same rates to roam on their networks that T-Mobile receives when they roam on ours. T-Mobile paid rural carriers \$25 million more last year for roaming than they paid to roam on T-Mobile's network.

New T-Mobile will honor the existing roaming agreements of either Sprint or T-Mobile and will continue the long history of T-Mobile and Sprint partnering with rural carriers to further wireless deployments in rural areas. New T-Mobile will also offer to become the Preferred Roaming Partner for rural carriers, providing long-term roaming access to the robust New T-Mobile network at industry-leading terms. New T-Mobile will also cooperate with rural partners on their 5G roll-out, including providing technical assistance and advice on 5G deployments.

**b. Will T-Mobile offer rates and terms similar to what Sprint has historically offered?**

**Response:** We do not know what rates Sprint offers today, but we have already committed to honoring Sprint's existing roaming agreements including their rates. And, as mentioned before, we have more than 30 roaming agreements with rural carriers that enjoy the use of the T-Mobile network already, at industry leading terms and are open for business for all other carriers as well. We are a member of the CCA (Competitive Carriers Association) and have a great relationship with CCA and their members and offer a competitive roaming program through their HUB.

Mr. John Legere, Chief Executive Officer and President, T-Mobile US

**The Honorable Kurt Schrader (D-OR)**

- 1. Will New T-Mobile build new call centers in the United States, and keep those jobs in the United States long term? What commitments has New T-Mobile made in this regard, and what commitments is it willing to make? What about existing call centers?**

**Response:** New T-Mobile will open up to five new customer care centers, including one each in California, New York, and Kansas. Those new call centers alone will create approximately 5,000 new jobs.

- 2. How will this transaction affect network resiliency? What is T-Mobile doing now to improve network resiliency, and how will this merger change or otherwise affect those efforts?**

**Response:** The merger will enhance the resiliency of New T-Mobile's network as it will massively expand the company's capacity and ability to address increased traffic, particularly during times of disaster, etc. The additional capacity that 5G technology will create will more efficiently handle peak or excessive calling periods, such as those that may be experienced immediately prior to and after a hurricane, while ensuring that data communication continues to function. New T-Mobile's 5G network will leverage "low band" frequencies, which means that the company's coverage for 5G will be expansive. Thus, while some towers may suffer damage as a result of a disastrous event, the surrounding towers can be optimized by leveraging the "low band" frequencies to create a blanket layer of coverage more quickly -- enhancing restoration efforts. Further, our increased scale from the merger will offer even greater opportunity to invest in network hardening and reliability.

T-Mobile is continuously investing in additional network enhancements to improve resiliency. Over the years, we have added network capacity to anticipate the future needs of consumers. In addition, we have engaged in extensive planning around equipment and asset pre-staging and deployment, placement of permanent back-up power solutions at tower locations, investments in fiber backhaul solutions, as well as use of satellite-enabled rapid response infrastructure to help minimize impactful disruptions to the network. We conduct regular year-round testing of our incident command system and an annual planning exercise. Our hardening efforts have not only been focused on the tower infrastructure, but have included our Mobile Switching Offices and data centers, which contain much of T-Mobile's core network infrastructure that will serve 5G networks. This investment in data center hardening ensures that we have tertiary layers of redundancy in terms of back-up power and fully redundant and diversely routed backhaul traffic for voice, text and data locations. In 2019, we are further investing in network hardening initiatives, expanding our response fleet and broadening logistical vendor support. This commitment to resiliency will continue with the New T-Mobile

and the greater resources and network density of the combined companies will strengthen our efforts beyond what is possible for T-Mobile as a stand-alone company.

**3. Please explain the elements of the transaction that will benefit rural America and why New T-Mobile plans to invest in rural networks, stores, and jobs.**

**Response:** The merger gives us the tools to dramatically expand our ability to serve rural communities with broader coverage, faster speeds, better quality, and in-home broadband. Neither T-Mobile nor Sprint could do that on their own. While T-Mobile is already committed to building out coverage to rural areas, the spectrum assets Sprint brings with it will dramatically improve the 5G service that New T-Mobile can offer in rural areas. Our business is banking on expansion into rural areas to meet on New T-Mobile's goals. That's why we will be adding at least 600 new retail stores located to serve small towns and rural areas to attract and service customers in those areas.

New T-Mobile will bring more than 12,000 new jobs to rural America to work in these new stores, up to five new customer care centers, and to build out the combined companies' new infrastructure across the country.

**4. Historically, T-Mobile's service has not extended to many rural areas. How is that changing today and why? What difference will the merger make in covering rural America? If the merger is approved, will you commit to making rural coverage a priority?**

**Response:** Prior to 2017, T-Mobile didn't have the low-band spectrum resources to deploy competitive service in rural America. The 600 MHz auction changed that, giving T-Mobile a nationwide footprint of low band spectrum. Some of that 600 MHz spectrum is still encumbered by television stations in many areas so deployment is being done in phases.

Historically for standalone T-Mobile, the higher costs of building out rural areas, with fewer potential subscribers and comparatively stronger Verizon and AT&T incumbent presence, has been a practical deterrent to rural expansion. However, New T-Mobile will have the improved financial metrics, larger customer base, and more powerful network, to make an aggressive rural push not only feasible, but also profitable. Today, T-Mobile is committed to expanding coverage in rural America, and this merger will combine T-Mobile's growing rural network with Sprint's complementary assets to deliver a true nationwide 5G network to rural areas, that will provide broader coverage, faster speeds, higher quality, and enable in-home broadband for many rural households.

**5. How do rural roaming agreements work? Is T-Mobile willing to strike roaming agreements with rural carriers?**

**Response:** T-Mobile is absolutely willing to strike roaming agreements with rural carriers, and in fact, T-Mobile already has agreements with more than thirty rural wireless carriers. More than 70 percent of those roaming agreements are bilateral, meaning T-Mobile customers can roam on the rural carrier's network, and the rural customers can roam on T-Mobile's network. These

roaming agreements also feature a single, reciprocal roaming rate. Having a single price for network access means that T-Mobile pays rural carriers the same rates to roam on their networks that T-Mobile receives when they roam on our network. All told, rural carriers collectively earn \$25 million more from T-Mobile per year than T-Mobile makes from the rural providers under these reciprocal roaming arrangements.

**6. What does this merger mean for rural roaming? Are there any technological compatibility regulatory issues such as e911 that limit T-Mobile's ability to offer bilateral roaming agreements with particular rural carriers?**

**Response:** Rural America deserves to have great 5G. We are going to continue our relationships with rural carriers, honor existing agreements, and work with them to transition to new technologies. New T-Mobile will offer to become the Preferred Roaming Partner for rural carriers, providing long-term roaming access to the robust New T-Mobile network at industry-leading terms. This merger will give New T-Mobile's rural roaming partners access to the same nationwide 5G network that New T-Mobile's customers will enjoy, which will bring even more rural consumers into the 5G world.

New T-Mobile will also cooperate with rural partners on their 5G roll-out, including providing technical assistance and advice on 5G deployments.

Compatibility issues caused by rural carriers relying on outdated technology can sometimes prevent T-Mobile from entering into bilateral roaming agreements with those carriers. However, more than 70 percent of T-Mobile's roaming agreements are bilateral, and rural carriers collectively earn \$25 million more from T-Mobile per year than T-Mobile makes from the rural providers under these reciprocal roaming arrangements.

Mr. John Legere, Chief Executive Officer and President, T-Mobile US

**The Honorable Steve Scalise (R-LA)**

- 1. You have often said that Sprint and T-Mobile hold complementary spectrum assets in the 2.5 GHz and 600 MHz bands. What efficiencies are associated with these particular spectrum assets? How does that translate into more innovation and opportunities for consumers?**

**Response:** The merger will allow New T-Mobile to use the two firms' spectrum holdings collaboratively, which will put the available spectrum to its most efficient use, especially for 5G service. This efficiency will allow New T-Mobile to roll out better 5G more quickly and cheaply.

A full range of spectrum for 5G is important to guarantee a robust 5G network. Low-band spectrum, such as T-Mobile's 600 MHz spectrum, can provide broad coverage, both in-building and in rural areas, but only has limited capacity. By contrast, mid-band spectrum, like Sprint's 2.5 GHz spectrum, provides significant capacity but has more limited coverage and less-favorable in-building propagation characteristics than low-band spectrum. High-band spectrum provides significant capacity, but has extremely limited range, making it uneconomical except in dense urban areas. T-Mobile currently has significant holdings of low-band spectrum and some high-band spectrum, but lacks mid-band spectrum unencumbered by LTE. As a result, standalone T-Mobile's 5G network will have "broad" coverage but relatively "thin" capacity. By contrast, Sprint has large holdings of 2.5 GHz spectrum, but lacks low-band spectrum. Standalone Sprint's 5G network will thus have geographically "narrow" coverage but "deep" capacity.

New T-Mobile, however, will be able to deploy 5G on low-band, mid-band, and high-band spectrum. On T-Mobile's 600 MHz, it will continue existing deployment plans. T-Mobile's limited mid-band spectrum will be used to provide customers with uninterrupted LTE connectivity, while Sprint's more robust mid-band spectrum will be used to deploy 5G. Other capacity efficiencies will free up the AWS and PCS spectrum, for use in intermediate ranges. Using spectrum more efficiently translates into creating more capacity with the same amount of spectrum. Creating more capacity on its 5G network sooner will incentivize New T-Mobile to push handset makers and subscribers to adopt 5G more quickly. As subscribers do transition, they will move off of New T-Mobile's LTE network and thus allow more spectrum of all types to be transitioned to 5G. This creates a virtuous cycle of capacity improvement that will further accelerate the transition to 5G.

The accelerated transition to 5G and the associated increase in wireless capacity will also incentivize application developers to more quickly develop new applications enabled by 5G. For instance, applications that require or are made far more valuable by higher screen resolutions (e.g., 1080p or 4K) will be more viable on 5G networks that carry far more capacity. Augmented and virtual reality applications will also become increasingly more feasible with the capacity and lower latency 5G networks will bring. Importantly, these are just known examples.

Just as how 4G and LTE made unforeseen applications like Uber possible for wireless networks, so will 5G bring unforeseen innovations. The merger will bring both known and unknown applications to market more quickly and help push the United States to center of their development.

**2. I understand the 600 MHz repack process is nearing completion of Phase 2 of its 10 planned phases. I was also pleased to hear Chairman Ajit Pai declare at a speech in February of this year that the repack is ahead of schedule. However, there is still a lot of work to be done in order to get this spectrum into the commercial market. The United States is committed to winning the race to 5G, and rapid deployment of the 600 MHz spectrum is an important component of ultimately winning that race. Will you please comment on the importance of keeping the 39-month repack timeline on schedule and what that means for the deployment of 5G services in Louisiana and across the country?**

**Response:** The 600 MHz band is critical for T-Mobile's strategy of bringing 5G to all of America. There are portions of the country with low population densities, including Louisiana, where T-Mobile lacked the low-band spectrum necessary to construct a competitive wireless network. The 600 MHz auction allowed T-Mobile to purchase a nationwide footprint of low-band spectrum that allows for cost-effective deployment in less densely populated areas of the United States.

The 600 MHz low-band spectrum T-Mobile acquired is not available for use until incumbent television operators exit the band. Therefore, keeping the television broadcasting transition on track is critical to T-Mobile, and we have partnered with over 100 broadcast stations to help them move early. With the completion of Phase 2, more than 400 broadcasters have vacated their old channel assignments, allowing T-Mobile to deploy over 6000 sites using the 600 MHz spectrum for 4G, and eventually 5G, to bring competition to tens of millions of people living in rural America. And this site count is increasing by the hour.

In Louisiana specifically, several broadcasters just transitioned out of the 600 MHz in the past few weeks allowing T-Mobile to begin turning on 600 MHz sites. T-Mobile has brought more than 50 sites on air in Louisiana and has even begun extending 600 MHz service to the outlying waters off the coast that serve the oil industry. We have plans to turn on hundreds of more sites by the end of 2019, which averages to more than one new 600 MHz base station every day of the year.

T-Mobile has worked constructively with broadcasters and the broadcasting ecosystem to bring more resources to bear on the transition, including more tower crews and additional equipment. While hiccups are inevitable in large projects of this sort, the transition is progressing more rapidly and smoothly than some parties predicted. T-Mobile will continue work with the FCC and the broadcasting industry to bring the 600 MHz transition to a timely conclusion.

## Attachment—Additional Questions for the Record

Mr. Chris Shelton, President, Communications Workers of America

The Honorable Billy Long (R-MO)

1. **CWA supported AT&T's proposed merger with T-Mobile in 2011 based in part on an Economic Policy Institute (EPI) study claiming that the merger would create up to 96,000 job-years of work. EPI used an input-output analysis to derive its estimate. Dr. Jeffrey Eisenach conducted a similar study of the Sprint/T-Mobile merger using the same input-output methodology and determined that the merger would create 117,500 job-years from 2021-2023. In response, CWA has called the predictive value of an input-out model "speculative." Is CWA's position that EPI used bad methodology in 2011? Should the Committee discount any other labor-related studies from EPI based on CWA's claims that EPI used bad methodology in its 2011 study?**

**Response:** Congressman Long distorts CWA's statement regarding the validity of input-output economic analysis and attempts to disparage the Economic Policy Institute, a highly respected economic analysis research organization. As CWA explained in our FCC Reply Comments in the T-Mobile/Sprint proceeding, the predictive value of an input-output model "depends upon the accuracy of the underlying economic data used to calculate the changes in economic activity." The Committee should evaluate any input-output model by this same criteria: the accuracy of the underlying economic data. (See CWA Reply Comments, WT Docket No. 18-197, Oct. 31, 2018 p. 10, fn. 37.)

2. **CWA accused T-Mobile of being a serial violator of labor laws. But CWA's record of labor violations is concerning. As one example, the National Labor Relations Board issued a complaint against CWA Local 1109 officials in 2017 after they attempted to illegally fine two Verizon workers nearly \$40,000 when those employees chose to resign their union membership and go back to work following a coordinate strike across the eastern seaboard. How many members has CWA attempted to compel to remain members of the union through fines?**

**Response:** Unfortunately, Congressman Long's second question rests on a false premise and a misunderstanding of how strikes work. He asks: "How many members has CWA attempted to compel to remain members of the union through fines?" The short answer to Congressman Long's question is: zero. CWA does not attempt to compel any person to remain members of the union through fines.

Congressman Long's preface for the question cites a matter involving two Verizon employees during the last Verizon strike. In 2016, CWA members went on strike when bargaining with Verizon broke down over key issues, especially the issue of jobs and offshore outsourcing. For 45 days, nearly 40,000 workers gave up their paychecks, walked picket lines, attended rallies, and engaged the public about keeping good, middle-class jobs in the United States. The striking

CWA members won a groundbreaking contract for American workers. The strike forced Verizon to reverse outsourcing initiatives and create new field technician jobs. The strike convinced Verizon to add 1,300 new call center jobs that otherwise may have been filled overseas. These wins increased our members' job security and created middle-class job opportunities for the broader community. On top of these gains, the final agreements provided for a 10.9 percent wage increase, signing bonuses, healthcare reimbursement accounts, pension increases, and more. These achievements were only possible thanks to the solidarity, commitment, and sacrifice of the strikers.

During this strike, there were only isolated instances of members who crossed the picket line. The case cited by Congressman Long involves two such members.

When anyone joins an organization, a condition of membership is that you will follow the rules of the organization. If the rules are broken, there must be consequences. I'm sure organizations to which members of the Committee belong, whether it is a House party caucus or conference, or a chamber of commerce, or a union or professional association, have membership rules and ways of enforcing them. In the case cited by Congressman Long, I understand a union local undertook efforts to enforce its membership rules. Promulgating and applying such internal rules is completely lawful. While enjoying the rights and privileges of being a CWA member, two individuals crossed the picket line of a duly authorized strike. Per the rules, a member may be fined for such a violation. Of course, a member is free to resign his or her membership. If they resigned, they would no longer be subject to the rules of membership, though they would still owe any amounts incurred during their time as members. The issue in this case turned out to be whether and on what date did they resign their membership.

Per my understanding, both individuals in this case admitted that they crossed the picket line before they resigned. So a violation had occurred, and a penalty was perfectly legal and necessary. As I understand it, fines were issued against these two individuals because the union local did not receive their resignation letters. The individuals claimed to have mailed the resignation letters to the union local. The U.S. Post Office was consulted to determine what happened with those letters. In one case, there was no record of any attempt at delivery. In the other case, there was an attempted but unsuccessful delivery. In this dispute over when exactly the resignations were effective, the parties ultimately reached a settlement agreement, with each individual agreeing to pay some portion of the fine they incurred for crossing the picket lines. Neither individual was ever "compel[led] to remain members of the union through fines," as Congressman Long incorrectly suggests in his question.

Strikes only work when workers stand together collectively to withhold their labor. I am proud and grateful that nearly every single member did so in the 2016 strike. If more had crossed picket lines, the strike would not have been won, and there would be fewer Verizon jobs in the United States and lower pay for the jobs here. Instead, the strikers held strong, and the country is better for it.

One of the reasons that T-Mobile employees have been trying to organize a union with CWA is our track record of fighting offshore outsourcing, like we did in the Verizon strike. Even though they were not members, in recent years we assisted T-Mobile call center workers in winning

Trade Adjustment Assistance after T-Mobile sent their jobs overseas. Accordingly, a strong union at T-Mobile would, for example, fight to keep the work at the Springfield, Missouri, call center in Congressman Long's district from being sent to places like the Philippines. A T-Mobile executive was recently videotaped at a company event in the Philippines saying there were a thousand employees there "that didn't exist 11 months ago." In the Philippines, workers' rights are in serious crisis, with employers utilizing short-term contractualized labor to circumvent labor laws and the government turning to arrests to crush organizing drives and strikes.

I urge Congressman Long to ask T-Mobile tougher questions about offshoring – and ensure written enforceable rules or agreements against such offshoring – since so many constituents rely on those call center jobs in his district.

Not long after the subcommittee hearing, T-Mobile employees delivered a petition to the Federal Communications Commission, signed by nearly 1,000 T-Mobile and Sprint workers from across the country, including workers at the Springfield call center. The petition reads:

As front-line workers in retail sales and call centers, and as telecommunications technicians, we are concerned that the proposed merger between T-Mobile and Sprint will mean the loss of many American jobs, cuts in wages and commissions and a corresponding reduction in quality to our customers.

Before approving the proposed merger, we ask you to require solid and verifiable assurances that the new company will not discard the front-line workers who have made T-Mobile and Sprint so successful. The companies must commit to:

- \* Secure our jobs without cuts to compensation,
- \* Bring back outsourced jobs from overseas and in the USA, and
- \* Respect our rights on the job by putting an end to labor law violations.

Without guarantees that our jobs will be protected, this merger should be rejected.

I urge members of the Committee to take these concerns from working people into account as you consider the merits of the Sprint-T-Mobile merger.

- 3. According to The Center for Union Facts, a 501(c)(3) nonprofit organization that fights for transparency and accountability in America's labor movement, CWA is the target of many unfair labor practice allegations. The watchdog group records 995 allegations of breach of the duty of fair representation, 930 coercive actions, 914 refusals to bargain or bad faith bargaining, and 859 cases of repudiation or modification of a contract. Explain why the Committee should share CWA's purported concern for workers when CWA's track record of labor law violations is so abysmal.**

**Response:** This question relies on the website of an organization called The Center for Union Facts (CUF). While Congressman Long asserts that CUF "fights for transparency," the organization itself has not been transparent about its funding. CUF is virulently anti-union and

promotes extremist legislation that would deny workers the right to organize and collectively bargain.

In any event, the CUF website has successfully misled Congressman Long. I appreciate Congressman Long bringing this page to CWA's attention.

Congressman Long says that, according to CUF, "CWA is the target of many unfair labor practice allegations." The CUF website which Congressman Long references does indeed have a page entitled "Communications Workers of America," which says:

Unionized employees, business owners, managers, and others often bring labor law charges against unions. The National Labor Relations Board (NLRB) oversees the process [sic] of determining if the union violated the National Labor Relations Act.

The site then lists "Unfair Labor Practice (ULP) Allegations" by various classifications, with numbers of each such classification purportedly filed (over what time period is unclear). This appears to be purposefully designed to mislead the reader into thinking that these charges are all unfair labor practice allegations against CWA, especially judging from how Congressman Long reads the site. So the ruse worked. **But the vast majority of the charges listed on the page referenced by Congressman Long were filed by CWA against employers, regarding violations committed by companies, not the other way around.** For example, the "930 coercive actions" mentioned in Congressman Long's letter actually refer to 930 unfair labor practice charges listed on the CUF website filed by CWA because of employers' coercive actions against employees.

Clicking the hyperlink on this CUF page for the more specific list of the coercive action ULPs against employers reveals little detail other than the case number, the employer involved, and the fact that each of these charges involved "8(a)(1)." You need to be familiar with U.S. labor law to know that when the charge cites 8(a) in any fashion, the charge involves employer – not union – misconduct.

Indeed, in CUF's list of "coercive actions," you will find some, but not all of the charges filed against T-Mobile. So I'm not sure how CUF selected which charges to include. Missing from the list, for example, are a number of charges filed involving the Wichita, Kansas, T-Mobile call center. Those charges resulted in the following conclusions by an Administrative Law Judge in 2016:

- Respondent [T-Mobile USA Inc.] violated Section 8(a)(1) of the Act by disparately enforcing its Acceptable Use Policy, Enterprise User Standards, and No Solicitation rules against Union activity.
- Respondent [T-Mobile USA Inc.] violated Section 8(a)(1) of the Act by promulgating and maintaining "mass communication" prohibitions, no talking rules, and restrictive social media policies, because employees engaged in Union activity.
- Since June 2, 2015, Respondent[T-Mobile USA Inc.] violated Section 8(a)(1) of the Act by promulgating and maintaining overly broad "mass communication" prohibitions, no talking rules, and restrictive social media policies.

- On June 2, 2015, Respondent [T-Mobile USA Inc.] violated Section 8(a)(1) of the Act by telling employees they could not send “mass emails” about the Union.
- On June 2, 2015, Respondent [T-Mobile USA Inc.] violated Section 8(a)(1) of the Act by telling employees that they could not discuss the Union in working areas despite permitting discussions of other topics in the working areas.
- On June 2, 2015, Respondent [T-Mobile USA Inc.] violated Section 8(a)(1) of the Act by telling employees they could not use their work email to send any messages about the Union.
- On June 4, 2015, Respondent [T-Mobile USA Inc.] violated Section 8(a)(1) of the Act by surveilling employees in a nonwork area during nonworking time to discover their Union or protected concerted activities and sympathies.
- On June 4, 2015, Respondent [T-Mobile USA Inc.] violated Section 8(a)(1) of the Act by interrogating its employees about their Union or protected concerted activities and sympathies.
- Respondent [T-Mobile USA Inc.] violated Section 8(a)(1) of the Act by interrogating its employees about their friendship with known Union adherents to determine employees’ Union activities and sympathies.
- Respondent [T-Mobile USA Inc.] violated Section 8(a)(1) of the Act by telling employees that it was creating a seating chart to isolate employees because of their Union activities and sympathies.
- Respondent [T-Mobile USA Inc.] violated Section 8(a)(3) of the Act by creating and maintaining a seating chart to isolate employees because of their Union activities and sympathies.
- Respondent [T-Mobile USA Inc.] violated Section 8(a)(1) by coercively threatening employees with loss of corporate awards in order to persuade them to cease engaging in union or other protected concerted activities, telling employees that it is disappointed because they engaged in Union or other protected activities, and telling employees to makes their lives easier in order to persuade them to cease engaging in Union or other protected concerted activities.
- On December 21, 2015, Respondent [T-Mobile USA Inc.] violated Section 8(a)(1) of the Act by creating an impression of surveillance and interrogating employees about their Union activities and sympathies.

*T-Mobile USA Inc.*, Case Nos. 14-CA-155249, 14-CA-158446, 14-CA-162644, 14-CA-166164 (ALJ Decision, June 28, 2016). As you can see from this example, 8(a)(1) coercive actions are propagated by companies, not unions. T-Mobile has appealed these findings, leaving the violations unremedied in the meantime.

I’m sure Congressman Long would agree that citing a list of charges filed against T-Mobile and other corporations for the proposition that *CWA* has an “abysmal” record of labor law violations, as Congressman Long put it, is a terribly dishonest argument. I do not blame Congressman Long for this dishonesty. I blame the misnomered “Center for Union Facts.” Congressman Long may want to address this matter directly with CUF to ensure that no one else is misled by this organization. If a sitting Congressman can be misled, imagine how many unsuspecting individuals who are not responsible for making law and policy have incorrectly thought they could rely on something called the “Center for Union Facts” for facts about unions.

In any event, I do not want this separate CUF matter to distract from the subject of the hearing: the Sprint-T-Mobile merger and the threat it poses to American jobs and wages. Again, we estimate that the merger will result in 30,000 jobs lost and drive down wages of American workers in the wireless retail market by as much as \$3,000 per year. This is why the Energy and Commerce Committee's oversight of the merger is so critically important.

**4. Unionized employees have petitioned to decertify CWA as their union 111 times according to [UnionFacts.com](http://UnionFacts.com). A significant number of workers in the telecommunications industry believe that CWA does not have their best interests at heart. How do you explain this large number of decertification's?**

**Response:** The final question from Congressman Long also relies on data from the "Center for Union Facts." Congressman Long asks about 111 decertification petitions listed on CUF's website. This list of petitions is offered for the proposition that "a significant number of workers in the telecommunications industry believe that CWA does not have their best interests at heart," per Congressman Long.

Yet CWA is the only organization consistently fighting to save U.S. telecommunications jobs, bring telecommunications jobs back to the U.S., and raise wages and improve working conditions for all telecommunications workers. We do this because we are a union of workers, with democratically elected leadership from shop stewards to the national president, accountable every single day to the members. The end result is a worker organization capable of raising questions about complicated corporate transactions like Sprint-T-Mobile, which, again, we estimate will result in the loss of 30,000 American jobs and lower wages for workers in the wireless retail market.

Congressman Long asks me to explain "the large number of decertification's."

CUF, whose reliability was demolished by Congressman Long's previous question, does not explain what happened with those 111 purported petitions – whether they were withdrawn, dismissed, or resulted in elections or what the outcome of the election was. Anyone in a bargaining unit can file a decertification petition. What happens next is what matters. I clicked on the first petition listed on the CUF web page, involving a non-telecommunications employer named New Concepts for Living, Inc., and found that the petition had been withdrawn.

Nevertheless, per the CUF website, over an 11 year period, 111 petitions were filed. CWA represents thousands of bargaining units. Of those thousands of bargaining units with workers represented by CWA, per the CUF website, about 10 filings happen each year, which may or may not be supported by any significant number of workers within that bargaining unit. This seems like extremely poor support for the Congressman's proposition about how significant numbers of telecommunications workers feel.

Every week, workers sign cards to join CWA. They do this despite the systematic attacks on workers' rights perpetrated by companies like T-Mobile. To put a finer point on my testimony, some of the most infamously anti-union large employers in the United States have included Wal-

Mart, Amazon, McDonald's, and FedEx. Yet, our review of these big businesses' records on the NLRB database found that, on a per employee basis, between 2009 and 2016, T-Mobile surpassed them all in terms of unfair labor practice charges filed against the company. T-Mobile's hostile attitude toward workers' rights will leave workers and their families especially vulnerable following any merger, without the ability to collectively bargain and take other collective action to save jobs and protect their wages and benefits.

Again, we estimate the Sprint-T-Mobile merger will result in the loss of 30,000 American jobs and drive down wages of American workers in the wireless retail market by as much as \$3,000 per year.

## Attachment—Additional Questions for the Record

Ms. Carri Bennet, General Counsel, Rural Wireless Association, Inc.

**The Honorable Billy Long (R-MO)**

1. Press reports indicate President Trump will soon sign an Executive Order that, once adopted, will ban U.S. wireless carriers from using 5G telecommunications equipment manufactured in certain adversarial countries. The Executive Order is aimed primarily at Huawei and ZTE equipment. Does RWA support an executive order prospectively banning the use of Huawei-manufactured 5G network equipment in the U.S.? Why or why not?

**Response:** RWA has not seen the purported Executive Order and cannot comment on text that it has not reviewed. To date, none of RWA's members have purchased or installed 5G equipment from *any* vendor, and RWA will support what is in the best interests of the United States.

2. At the hearing T-Mobile CEO John Legere said that T-Mobile has not deployed Huawei or ZTE network equipment and committed to ensuring New T-Mobile will not use this equipment either. Please explain how this merger creates national security risk when the New T-Mobile network will not include any Huawei or ZTE equipment.

**Response:** T-Mobile US, Inc. is owned by Deutsche Telekom AG (a German company) and Sprint Corp. is owned by Softbank Group Corp. (a Japanese company). Deutsche Telekom<sup>1</sup> and Softbank<sup>2</sup> both deploy Huawei equipment in Europe and Asia, respectively. These same mobile networks are interconnected with T-Mobile and Sprint in the U.S., and U.S. embassies and military bases located in foreign countries may be utilizing these networks. To the extent that New T-Mobile will potentially be 69% owned and controlled by foreign companies, promises made today to not use equipment banned in the U.S. does not mean that those promises can be enforced two, three or more years down the road. Additionally, to the extent the New T-Mobile network is interconnected to foreign networks that utilize Huawei and/or ZTE for the delivery and receipt of voice and data calls, there remains a risk to U.S. national security.

<sup>1</sup> "Deutsche Telekom, Intel and Huawei Achieve World's First 5G NR Interoperability in Operator Environment," Deutsche Telekom Press Release (February 20, 2018); see <https://www.telekom.com/en/media/media-information/archive/dt-and-partners-achieve-5g-nr-interoperability-515364> ("The text is based on Huawei's 5G commercial base station... and [i]t is a critical step towards the early deployment of full commercial 5G equipment in 2019, accelerating the 5G ecosystem.").

<sup>2</sup> "Softbank and Huawei's X Labs Sign Connected Robot MoU to Explore New Cloud Robotics," Huawei Press Release (November 24, 2017); see <https://www.huawei.com/en/press-events/news/2017/11/Huawei-Wireless-XLabs-SoftBank-MOU> ("SoftBank and Huawei's Wireless X Labs recently signed a memorandum of understanding (MoU) regarding connected robots. SoftBank plans to offer Cube and Kibako (automated cubed robots), while Huawei provides 5G wireless networks. Joint efforts will be conducted to implement 5G-based smart service robots by 2018.").

- 3. RWA provides a partial list of “some of [its] members” on its website but has not publicly disclosed a full list of its members. Please provide a complete list of RWA’s current members (including carrier members, supporting members and associate members) so that the Committee can better understand who RWA represents.**

**Response:** RWA’s membership list is only available to RWA members. RWA’s members are made up of small, rural carriers, each of which serves 100,000 or fewer subscribers. Many of RWA’s members fear retaliation by nationwide companies when RWA takes positions in opposition to those companies. Throughout the merger process, T-Mobile has made it very clear to many of RWA’s members that it does not appreciate the position RWA has taken on the proposed merger with Sprint. Indeed, RWA’s members have specifically requested that RWA not identify them because of this fear. To the extent that the Committee still desires to have a list of RWA members, RWA will consider providing one under a properly executed non-disclosure agreement wherein the Committee does not disclose its members.

- 4. Nine directors on RWA’s Board represent wireless carriers according to RWA’s website; the tenth Board member is a Vice President of Sales for Huawei. Can you confirm that the current list of Board members on RWA’s website is accurate? How long has a representative of Huawei sat on the RWA Board? What role do members of the Board play in deciding which policy positions RWA will adopt?**

**Response:** RWA has nine members on its Board of Directors.<sup>3</sup> Of these, seven are wireless carrier members who each have a vote.<sup>4</sup> Additionally, RWA has two Associate Members on its Board of Directors who are not allowed to vote. Bill Levy, a U.S. citizen who is the Vice President of Sales for Huawei, has held one of the two non-voting Associate Member seats since October 1, 2016, and his term will expire on September 30, 2019. With respect to RWA’s advocacy, its members - through the Public Policy Committee – determine the issues and positions that RWA undertakes. Huawei is not represented on any of RWA’s committees.

- 5. Did RWA decide to oppose the T-Mobile/Sprint merger before or after T-Mobile said it would not purchase any Huawei gear?**

**Response:** RWA does not have any knowledge of T-Mobile’s decision on whether it should purchase Huawei equipment or the timing of that decision. RWA decided to oppose the proposed Sprint/T-Mobile merger after the deal was publicly announced (on April 29, 2018). After consultation with its members and Public Policy Committee, RWA’s Board of Directors formally voted to oppose the merger in May of 2018.

<sup>3</sup> The following individuals currently serve on RWA’s Board of Directors: Mike Kilgore (Sagebrush Cellular/NEMONT), Bert Potts (STRATA Networks), Jana Wallace (Panhandle Tel. Coop), Jake Baldwin (Bravado Wireless), James Dunn (Copper Valley Telecom), Todd Housemann (United Wireless), John Nettles (Pine Belt Wireless), Bill Levy (Huawei), and Roger Schmitz (Telsasoft).

<sup>4</sup> Per RWA’s Bylaws, the association’s immediate past-President and Chief Executive Officer (currently Brian Woody, Union Wireless) serves “as an Ex Officio member of the Board with no voting authority” and no set term limit.

6. According to RWA's website the organization has several membership categories and each category contributes a set amount of dues to the association. Please provide the Committee with the current number of carrier members (including Carrier 1, Carrier 2 and Carrier 3 members), supporting members and associate members of RWA. Additionally, please disclose any deviations from the publicly disclosed dues amounts (e.g., has RWA either discounted dues for any entity (other than the special introductory rate for carriers advertised on the website) or accepted from one or more members "dues" in excess of the published dues amounts)?

**Response:** RWA invoices its membership dues on a fiscal year basis (October 1 thru September 30). As with many trade associations, not all membership dues are paid on or before the current fiscal year commences. RWA Carrier Members pay annual dues based on their number of subscribers, between \$3,450 - \$11,500. Promotional introductory membership rates are offered at a lower membership rate. Supporting members and associate members who do not have voting rights pay membership dues at lower rates. Huawei is an associate member and has paid dues of \$2,500 or less than one-percent of the total amount of dues invoiced to all RWA members.

7. How is RWA funding its advocacy against the Sprint/T-Mobile merger? Has RWA charged any of its members any special assessments or received any funding outside the organization's ordinary course for use (in whole or in part) in its opposition to the deal? If so, please disclose the source(s) of any such funding and the amounts paid.

**Response:** RWA is funding its advocacy on the proposed merger through its dues and a special Carrier Member assessment assessed only on its Carrier Members.

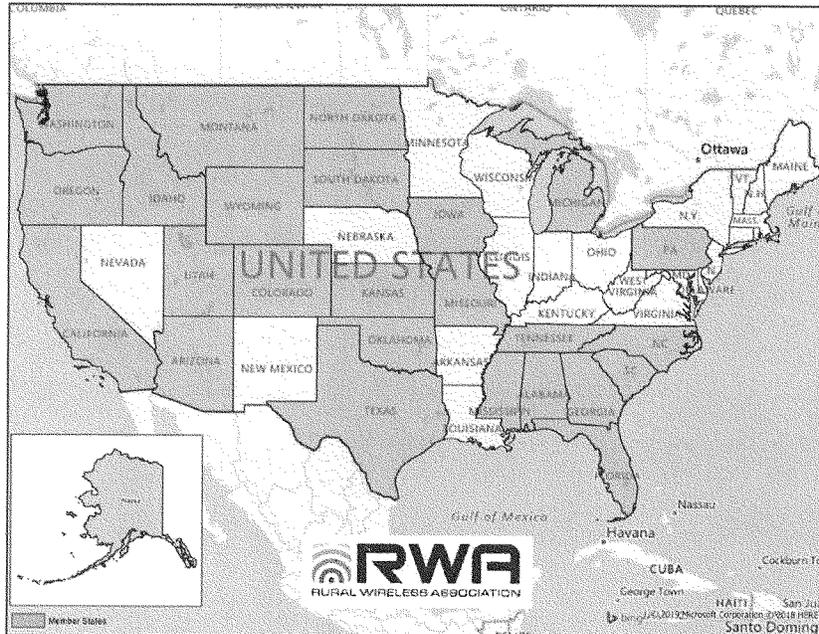
8. T-Mobile testified that its merger with Sprint will result in nearly \$40 billion in investments over the next three years. How does T-Mobile's anticipated investment compare to recent network investments of RWA's members? Please provide the total amount of network capital expenditures of RWA's members in 2018 and the amount of network capital expenditures by individual RWA member.

**Response:** RWA does not track this information.

9. The internet offers little information on RWA's members and the areas they serve. Please provide coverage maps for each RWA member networks (or the collective area served by RWA's members' networks), including information on where RWA's members provide 4G LTE coverage versus 2G or 3G network connectivity.

**Response:** RWA does not have coverage maps for its members. RWA members provide 2G, 3G, and 4G LTE coverage, or hold FCC licenses, in the following states: Alabama, Alaska, Arizona, California, Colorado, Florida, Georgia, Idaho, Iowa, Kansas, Michigan, Mississippi, Missouri,

Montana, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington, and Wyoming. See map below.



10. RWA cited many benefits of rural wireless service providers' networks in its testimony, including increased innovation and economic development. Low-band spectrum (which can be thought of as spectrum below 1 GHz) has unique propagation characteristics and competitors need access to this critical input to deploy wireless network service in rural America. Do RWA's members have licenses for low-band spectrum (i.e., spectrum below 1 GHz)? If so, then how many megahertz of low-band spectrum do RWA members hold on average? How does the size of RWA's members' low-band spectrum holdings compare to T-Mobile's low-band spectrum holdings?

**Response:** RWA does not have information concerning the details of its members' low-band spectrum holdings. RWA members hold "low-band" spectrum in the following bands: 600 MHz Band, 700 MHz Band, and 850 MHz (Cellular) Band. A review of the FCC spectrum license database (Universal Licensing System)<sup>5</sup> would provide the Committee with a better

<sup>5</sup> See <https://www.fcc.gov/wireless/systems-utilities/universal-licensing-system>.

response as to which companies hold which low-band, mid-band, and high-band spectrum in specific areas of the country. RWA notes that T-Mobile holds significant low-band spectrum in the 600 MHz Band and that AT&T and Verizon dominate in the 700 MHz and 850 MHz Bands, with US Cellular and C-Spire coming in a distant fourth and fifth place, respectively. US Cellular and C-Spire are not RWA members as they serve greater than 100,000 subscribers each.

- 11. T-Mobile recently acquired licenses for low-band spectrum through the FCC's 600 MHz incentive auction. T-Mobile has built-out service to more than 2,700 U.S. cities and towns using 600 MHz band spectrum since acquiring the licenses in 2017. Many of the locations where T-Mobile has deployed 600 MHz spectrum are in rural areas. For how many years have RWA's members held licenses to low-band spectrum? For those of your members acquiring 600 MHz licenses, how many cities and towns have they deployed service in using 600 MHz spectrum? Have RWA's members consistently met the FCC's buildout deadlines associated with their low-band spectrum holdings?**

**Response:** RWA does not track this information for its members.

- 12. At our hearing you claimed that T-Mobile "has consistently refused to enter into reciprocal roaming agreements" with rural carriers. But many rural operators disagree. Viera Wireless, for example, told the FCC that T-Mobile "has been a long-term roaming partner for approximately 20 years" and "has been a good roaming partner and has always negotiated reasonably for rates and spectrum." Why is there such stark disagreement between RWA and other rural operators, such as Viera, who until very recently was listed as a member of your organization?**

**Response:** Viera Wireless joined RWA on July 20, 2017 and remained a carrier member through the end of 2018. Viera Wireless, which has deployed Huawei throughout its network, apparently has been supportive of the proposed merger since the beginning, and it is an anomaly among the RWA membership. It should be noted that Viera is the beneficiary of *multiple* long-term spectrum leases with T-Mobile.<sup>6</sup> The fact that Viera is one of the few rural carriers supporting the merger speaks volumes to the rest of the 80 plus rural wireless carriers in the U.S.

- 13. Smith Bagley, Inc., a small carrier in northeast Arizona that operates the most extensive mobile wireless network serving the Navajo Nation, recently told the FCC that it serves its customers despite its limited footprint because of its long-term roaming agreement with T-Mobile. Smith Bagley's submission flatly contradicts RWA's claim that T-Mobile refuses to negotiate roaming arrangements with rural carriers. What is your response to this evidence of T-Mobile's willingness to negotiate reciprocal roaming agreements in the areas where it makes good business and technical sense to do so?**

<sup>6</sup> See e.g., <https://wireless2.fcc.gov/UlsApp/UlsSearch/leaseMain.jsp?parentKey=8921&licKey=3602601>

**Response:** Smith Bagley, Inc. is not an RWA member. Smith Bagley filed a letter of support of the proposed merger with the FCC on February 19, 2019 in which it admits that it has both a long-term roaming agreement *and* a long-term spectrum lease with T-Mobile.<sup>7</sup> These two facts immediately distinguish Smith Bagley from RWA carrier members.

**14. Are there any technical reasons why T-Mobile may restrict its customers from roaming on certain rural carriers' networks? My understanding is that T-Mobile's 3G network is based on the Global System for Mobile (GSM) standard, which is different from most rural carriers' Code-Division Multiple Access (CDMA) 3G standard. What do these different technical standards mean for T-Mobile subscribers roaming onto rural carriers' networks? For example, would T-Mobile subscribers be able to simultaneously make a voice call and initiate a data session on their phones while roaming on an RWA member's CDMA-based network?**

**Response:** RWA members operate both GSM and CDMA networks for 3G voice and data services. For 4G LTE data roaming and Voice-over-LTE (VoLTE) roaming, the historic issue of network incompatibility is no longer applicable. Yet, RWA members cannot get LTE and VoLTE roaming agreements in place with T-Mobile. Historically, the 2G/3G GSM networks that RWA members operate have not posed an incompatibility issue for T-Mobile. Instead, the higher prices set by T-Mobile in negotiations has been a bar to workable roaming agreements, as has the location area code (LAC) restrictions T-Mobile imposes to keep its own customers from accessing fully-compatible rural carrier networks.

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<sup>7</sup> See [https://ccfsapi.fcc.gov/file/102202190706120/2019%200219%20SBI\\_%20TM-Sprint%20Merger\\_Ltr%20to%20FCC%20FINAL.pdf](https://ccfsapi.fcc.gov/file/102202190706120/2019%200219%20SBI_%20TM-Sprint%20Merger_Ltr%20to%20FCC%20FINAL.pdf)

## Attachment—Additional Questions for the Record

Mr. Phillip Berenbroick, Senior Policy Counsel, Public Knowledge

The Honorable Yvette D. Clarke (D-NY)

**1. In order to maintain our innovation edge, it is critical that America intensify our efforts to deploy 5G. Proponents of this deal have argued the merger will enable the combined company to make these investments. But in 2011, after T-Mobile sought to merge with AT&T and the Obama Administration rejected the deal on antitrust grounds, T-Mobile soon thereafter made a multi-billion dollar network upgrade, while also lowering prices.**

**a. Does history, and the failed AT&T deal in particular, actually support the companies' argument that the deal is essential to increasing network investment, and 5G deployment in particular?**

**Response:** No. While investment is driven by many factors, a key one is competition. A merger that lessens competition reduces the inventive companies have to invest, and makes parallel behavior (e.g., under-investment) more likely.

In the failed AT&T/T-Mobile merger, AT&T made many of the same arguments T-Mobile and Sprint make now – namely that the transaction was necessary for deployment of a competitive next-generation wireless network. In 2011, AT&T and T-Mobile claimed to the Department of Justice (“DOJ”), the Federal Communications Commission (“FCC”), and policymakers that neither company had a path to deploy a nationwide 4G LTE network. AT&T and T-Mobile argued that their merger was a prerequisite for building such a network. In reality, after the transaction was denied by the DOJ and the FCC took steps to effectively block the deal, both AT&T and T-Mobile successfully built out 4G LTE networks that surpassed even the network deployment commitments in the parties’ merger advocacy.

The DOJ Complaint to block the AT&T/T-Mobile merger explained that allowing the wireless market to consolidate from four to three national carriers would likely lessen competition due to an enhanced risk of anticompetitive coordination by the three remaining firms. As a result, the reduction in competition would likely lead to higher consumer prices and “reduce the competitive incentive to invest in wireless networks to attract and retain customers.”<sup>1</sup> Additionally, the DOJ found that contrary to the claims of the parties about the benefits of their complementary spectrum assets, increased scale, and network deployment plans, the merger would not produce any cognizable merger-specific benefits that would offset any of the likely harms identified by the government.<sup>2</sup>

<sup>1</sup> Complaint, United States v. AT&T, Case 1:11-cv-01560 16-18 (Aug. 31, 2011), <https://www.justice.gov/atr/case-document/file/487776/download> (“AT&T-T-Mobile Complaint”).

<sup>2</sup> *Id.* at 20.

Today, T-Mobile and Sprint make similar unverifiable and non-merger specific claims about the purported benefits of their merger. Both companies have claimed, in the context of the merger, that they will be unable to deploy standalone nationwide 5G networks without merging. However, numerous statements from executives of both T-Mobile<sup>3</sup> and Sprint<sup>4</sup> directly contradict their merger advocacy and demonstrate that both firms have made commitments to deploy robust nationwide 5G networks, and that the firms have the assets necessary to do so.

The history of the abandoned AT&T/T-Mobile merger illustrates that competition, not consolidation, drives prices down, provides incentives for companies to innovate with new pricing plans and business models, and to invest in next-generation network architecture. Enforcement agencies and policymakers are correct to be skeptical of claims that consummating a merger is a necessary prerequisite for network deployments.

<sup>3</sup> See e.g., Alex Scroxton, MWC 2018: 5G Collaboration Dominates Agenda at Annual Mobile Fair, Computer Weekly.com (Feb. 28, 2018), <https://www.computerweekly.com/news/252435888/MWC-2018-5G-collaboration-dominates-agenda-at-annual-mobile-fair> (quoting T-Mobile Chief Technology Officer Neville Ray), “T-Mobile will be the first to give customers the truly transformative, nationwide 5G network they deserve[.]” Press Release, Nokia, *Nokia and T-Mobile Leading the way with Nationwide 5G Multi-band Network Rollout Across the United States*, (Feb. 27, 2017), [https://www.nokia.com/en\\_int/news/releases/2018/02/27/nokia-and-t-mobile-leading-the-way-with-nationwide-5g-multi-band-network-rollout-across-the-united-states](https://www.nokia.com/en_int/news/releases/2018/02/27/nokia-and-t-mobile-leading-the-way-with-nationwide-5g-multi-band-network-rollout-across-the-united-states) (comments of T-Mobile Chief Technology Officer Neville Ray), “T-Mobile customers will get 5G in more places than anyone else. Working together with Nokia, the Un-carrier will be the first to roll out a nationwide 5G network. Our customers already have the fastest LTE network, and it will work simultaneously with 5G to bring even faster speeds.” *T-Mobile Q4 2017 Earnings Call* (T-Mobile Chief Operating Officer G. Michael Sievert), “So we’re going nationwide coast-to-coast, and we’ll be the first one with a national 5G deployment because of that. Well, our competitors just simply can’t do that.” Neville Ray, *5G Reality vs 5G Hype: The Un-carrier vs the Carriers*, T-Mobile Blog (Jan. 16, 2018), <https://www.t-mobile.com/news/5g-ccs-wrap-uphttps://www.t-mobile.com/content/t-mobile/corporate/news/archive.html>, “T-Mobile is **STILL** the **ONLY** wireless company committed to deploying a nationwide 5G network.” (emphasis in original).

<sup>4</sup> See e.g., Transcript, *Sprint’s Management Presents at Deutsche Bank 2018 Media, Telecom & Business Services Conference* (Mar. 7, 2018), <https://seekingalpha.com/article/4154284-sprints-management-presents-deutsche-bank-2018-media-telecom-and-business-services?page=2> (comments of Sprint President and Chief Financial Officer Michel Combes), “I have never seen a company with such a rich spectrum which is a sweet spot for 5G, I guess that gives us a tremendous opportunity for the years to come. So that’s really the good timing to join Sprint, because the platform is great with this 5G spectrum.” *Id.* “[W]e will have the first national wireless 5G network in 2019.” Sprint Corp., Q3 2017 Earnings Call Transcript (Feb. 2, 2018), [http://s21.q4cdn.com/487940486/files/doc\\_financials/transcripts/S-US-20180202-2039822-C.pdf](http://s21.q4cdn.com/487940486/files/doc_financials/transcripts/S-US-20180202-2039822-C.pdf) (Sprint CEO Marcelo Claure), “Sprint is the only carrier that doesn’t have to compromise what 5G can deliver because we can deliver the superwide channels of more than 100 MHz while still delivering mid-band coverage characteristics.”