

**Assessing the Sprint-T-Mobile Merger:
Consumers, Competition and the Future of 5G
The U.S. Capitol Visitor Center
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**Opening Statement
of
Robert M. McDowell**

Thank you for that introduction. There's a lot to cover, and I have only ten minutes, so I'll just jump right into it.

First, the merger is not a matter of four to three; it is two to three. It strengthens competition and is in the public interest.

Second, approval of the merger will help deliver America's 5G future faster by creating efficiencies through the combination of the two networks and other assets, making it possible to finance a new \$40 billion 5G network over three years. This will simply not happen as quickly or as broadly without the merger.

Third, simple economics tell us that prices will go down, not up, because of the vast amount of new supply and capacity created by the power of 5G, plus the competitive response the merger will elicit from Verizon and AT&T. Consumers will get more for less.

Fourth, the merger will *create* jobs, not destroy them.

Fifth, the New T-Mobile will become a fierce competitor *against cable* for in-home broadband.

Sixth, the New T-Mobile will bring true mobile broadband to *rural* America – in many cases for the *first* time.

Points Numbers One and Two: The merger is two to three, not four to three; and the combination will help propel America to our 5G future *faster*. Last week, I was at the Mobile World Congress and I met with dozens of wireless experts from all over the globe including with government officials from 13 countries representing five continents. I can guarantee you that every region of the planet wants to be the first to develop a 5G economy, with the likely leaders being Europe, Asia or the U.S. The race is on and the outcome is uncertain. Since 2015, China has built about 350,000 cell sites compared with fewer than 30,000 in the U.S.¹ China United and China Telecom may soon merge to create a 5G machine for China. And

¹ 5G: *The Chance to Lead for a Decade*, DELOITTE 1 (2018), <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/technology-media-telecommunications/us-tmt-5g-deployment-imperative.pdf>.

Japan promises to make the Tokyo Olympics *next year* a showcase for *its* 5G prowess.² Knowing this, the deal's opponents are essentially arguing for America to remain *complacent*. But the reality is that the countries that build 5G networks first will be better able to invent and deploy tomorrow's technologies. America's rivals want to displace America's tech leadership. But the combination of T-Mobile and Sprint will accelerate the creation of America's 5G economy.

Here's why: Currently, the U.S. wireless market place is frozen in two tiers: In the top tier are Verizon and AT&T; and in the second tier are *all other* carriers, including Number Three – the disruptive “Uncarrier” - T-Mobile, and number four Sprint. Combining numbers three and four will create a supercharged maverick, which will still be only Number Three. The stronger maverick will be better able to compete against the top two - which combined have 93% of the free cash flow in the wireless market.³

Here's how *specifically*: the merger will create \$43.6 billion in net present value cost savings by 2024 by combining networks, cell sites and duplicative advertising and marketing costs.⁴ These savings will allow the New T-Mobile to nearly \$40 billion to build its new 5G network.⁵ It's simple math. The two stand-alone companies do not have the nationwide reach or financial strength to compete as first-tier 5G carriers and will forever remain in the second-tier, unless they combine. Sprint alone increased its debt load from \$32 billion as of last June,⁶ to \$40 billion by the end of December.⁷ Sprint has lost \$25 billion over the past decade. Although Sprint is trying to build very limited 5G facilities, listen to the sworn Congressional testimony of its CEO, Marcelo Claure, “Sprint will be able to deliver 5G only in limited areas. ... [A]s a standalone company[,] Sprint cannot fully seize the tremendous opportunity that 5G creates.”⁸ To survive on its own, Sprint would have to borrow another \$25 billion – a situation which its

² Aicha Evans, *Intel 5G Technology at the 2020 Tokyo Olympics to Play a Transformative Role from Sports to Transportation*, INTEL (Feb. 25, 2018), <https://newsroom.intel.com/editorials/intel-5g-technology-olympic-games-tokyo-2020-play-role-transforming-everything-sports-transportation/#gs.55fupu>.

³ Monica Allevan, *New T-Mobile will be in the Market for More Spectrum: Legere*, FIERCE WIRELESS (Mar. 13, 2019), <https://www.fiercewireless.com/wireless/new-t-mobile-will-be-market-for-more-spectrum-legere> (citing oral testimony of Marcelo Claure during *Examining the Impact of the Proposed Merger of T-Mobile and Sprint on Consumers, Workers, and the Internet: Hearing Before the Subcommittee on Antitrust, Commercial and Administrative Law of the U.S. House Committee on the Judiciary*, 116th Cong. (2019)).

⁴ Description of Transaction, Public Interest Statement, and Related Demonstrations, T-Mobile US, Inc. and Sprint Corp., WT Docket No. 18-197, at 5-6 (filed June 18, 2018) (“Public Interest Statement”).

⁵ *Id.* at 15.

⁶ *Game of Phones: Examining the Competitive Impact of the T-Mobile – Sprint Transaction: Hearing Before the Subcommittee on Antitrust, Competition Policy, and Consumer Rights of the U.S. Senate Committee on the Judiciary*, 115th Cong. 2 (2018) (statement of Marcelo Claure, Executive Chairman, Sprint Corp.).

⁷ *The State of Competition in the Wireless Market: Examining the Impact of the Proposed Merger of T-Mobile and Sprint on Consumers, Workers, and the Internet: Hearing Before the Subcommittee on Antitrust, Commercial and Administrative Law of the U.S. House Committee on the Judiciary*, 116th Cong. 2 (2019) (statement of Marcelo Claure, Executive Chairman, Sprint Corp.).

⁸ *Protecting Consumers and Competition: An Examination of the T-Mobile and Sprint Merger: Hearing Before the Subcommittee on Communications and Technology of the House Committee on Energy & Commerce*, 116th Cong. 3 (2019) (statement of Marcelo Claure, Executive Chairman, Sprint Corp.).

CEO calls “unsustainable.”⁹ If the deal’s opponents have their way, T-Mobile and Sprint *may* invest *some* in 5G, but it will be extremely limited and much slower than if the deal is approved.

In sum, it’s two to three. The deal’s opponents are essentially arguing for *less* competition against the top two.

My Third Point: Simple economics tell us that prices to consumers will continue to go down, not up. By 2024, the New T-Mobile will have *three times more* 5G capacity than what the two companies would have standing alone.¹⁰ It will also have a unique complementary blend of low-band, mid-band and high-band spectrum allowing for powerful new services across urban, suburban and rural America. 5G can provide up to *100 times* more capacity¹¹ and speed than 4G.¹² As a result, 5G’s deployment will dump a *massive* amount of *new supply* of *expanded* wireless capacity into the market place. And this is perhaps the most important point: No other industry produces exponentially more *supply* of a superior and more efficient version of its product every few years the way that wireless will with 5G. That is what makes this merger one-of-a-kind at this point in history, at the dawn of the Age of 5G. Vastly more supply creates *downward* pressure on prices. It’s that simple.

In plain terms, after spending more than \$40 billion on a new 5G network, the New T-Mobile will have *no choice* but to aggressively compete on price and quality in order to attract enough customers to pay for its new network and to fill up its new 5G capacity. What would happen if the New T-Mobile were to raise prices? Consumers would *flee* to the other carriers, which – obviously – creates a strong disincentive to raise prices in the first place.

And T-Mobile has been the leader in innovative and aggressive pricing by eliminating term contracts, removing data caps, moving to flat rates and giving its customers 37% more data per dollar while lowering the prices of its increasingly more robust service packages.¹³ The opponents’ criticism of T-Mobile’s pricing model can only produce the results they erroneously allege by *ignoring* two fundamental aspects about this merger: 1) the cost savings produced by the combination, and 2) the new efficiencies produced by 5G. They ignore both of these key but inconvenient facts. Still, on top of that, T-Mobile has made explicit a pricing commitment to offer the customers of each company the *better* of *either* the T-Mobile or Sprint plans for three years, or until even better plans are made available.¹⁴

⁹ *Game of Phones: Examining the Competitive Impact of the T-Mobile – Sprint Transaction: Hearing Before the Subcommittee on Antitrust, Competition Policy, and Consumer Rights of the U.S. Senate Committee on the Judiciary*, 115th Cong. 2 (2018) (statement of Marcelo Claure, Executive Chairman, Sprint Corp.).

¹⁰ Public Interest Statement at 18.

¹¹ Washington Bytes Contributor, *The Dawn of 5G: Will Wireless Kill the Broadband Star?*, Forbes (Sep. 22, 2017), <https://www.forbes.com/sites/washingtonbytes/2017/09/22/the-dawn-of-5g-will-wireless-kill-the-broadband-star/#617343ecfd7f>.

¹² Elliot Bentley & Sarah Krouse, *How Fast 5G Mobile Internet Feels*, THE WALL STREET JOURNAL (Feb. 22, 2019), <https://www.wsj.com/graphics/how-fast-5g-mobile-internet-feels/>.

¹³ Public Interest Statement at 51-52.

¹⁴ Letter from John Legere, Chairman and CEO, T-Mobile US, Inc. to Ajit Pai, Chairman, Federal Communications Commission (Feb. 4, 2019); Letter from Nancy Victory, Counsel to T-Mobile US, Inc. to Marlene H. Dortch,

But T-Mobile is about as likely to end its Uncarrier posture in the market as John Legere is to get a haircut and start wearing pinstripes and wingtips.

Point Four: The merger will create jobs, not destroy them. Through its investment in the new network, the work involved with integrating the two networks and related tasks, the New T-Mobile will create about 12,000 jobs between 2019 and 2023. Add to that the expansion of U.S.-based customer care teams, growth in its new enterprise sales force, and expansions into rural areas, and the net jobs added come to 24,000, including 12,000 in rural areas.¹⁵

When it comes to job creation, the critics ignore the fact that \$40 billion will be spent in new cap ex – which *will create thousands of indirect jobs*. In fact, opponents allege **30,000** in job losses, which is simply not credible because that is more than the entire work force of all of Sprint.¹⁶ But don't take my word for it. Let's look at T-Mobile's history of job creation. Prior to 2013, when I was still at the FCC, the same critics said that T-Mobile's purchase of MetroPCS would destroy **10,000** jobs.¹⁷ T-Mobile promised a better jobs picture than that. But you're right, David, T-Mobile was wrong back then. Their jobs numbers were far too ... *pessimistic*. T-Mobile expanded Metro into new markets *ahead of schedule* and *under budget*, increased its number of retail stores by 50%, and tripled, yes *tripled*, the number of employees and contractors – creating a net **12,000 - New Jobs**.¹⁸ By the way, Metro's prices to consumers went *down*, network build out *surged*, and so did the number of Metro subscribers - as well as *customer satisfaction*. All contrary to the naysayers' predictions. You're right, David, that mere promises are not enough. The best predictor of future behavior is past behavior, and the trajectory of the T-Mobile/Metro merger foretells a fantastic result when it comes to the New T-Mobile.

Running short on time, so putting **Points Five and Six together: The New T-Mobile will bring true broadband to rural America - and it will be a fierce competitor to cable.**

The blend of TMo's 600 MHz spectrum with Sprint's 2.5 GHz licenses will enable the new company to blanket more of the U.S. than either company could do alone. Outdoor wireless coverage will surge from reaching 59.4 million rural people of 62 million – or 95.8% of rural residents over two million square miles.¹⁹ Indoor and in-home wireless coverage will reach 31

Secretary, Federal Communications Commission (Feb. 4, 2019); Letter from Nancy Victory, Counsel to T-Mobile US, Inc. to Marlene H. Dortch, Secretary, Federal Communications Commission (Feb. 12, 2019).

¹⁵ *Creating Thousands of Jobs from Day One*, T-MOBILE U.S. AND SPRINT Corp., <https://newtmobile.com/our-plan-to-create-jobs/>.

¹⁶ Comments of Communications Workers of America, WT Docket No. 18-197, at 54 (Aug. 27, 2018).

¹⁷ Dan Meyer, *CWA Claims T-Mobile USA/MetroPCS Deal Could Cost 10,000 US Jobs*, RCRWireless (Nov. 27, 2012), <https://www.rcrwireless.com/2012/11/27/carriers/cwa-claims-t-mobile-usametropcs-deal-cost-10000-us-jobs>.

¹⁸ *Protecting Consumers and Competition: An Examination of the T-Mobile and Sprint Merger: Hearing Before the Subcommittee on Communications and Technology of the House Committee on Energy & Commerce*, 116th Cong. 3 (2019) (statement of John Legere, Chief Executive Officer and President, T-Mobile US); Public Interest Statement 39-41, 82.

¹⁹ Public Interest Statement at 65-66.

million rural Americans.²⁰ Up to twenty-five percent of its in-home coverage will be in 2 million rural homes as the result of opening 600 new stores and five new customer care centers in rural America (which also creates thousands of new jobs there).²¹ And speaking of competition against the cable industry, the New T-Mobile will offer in-home broadband by 2024 to more than 64% of Charter's territory and 68% of Comcast's.²² It is projected that the New T-Mobile's in-home broadband will save consumers up to \$50 per month.²³ See the new FCC filing for more!²⁴

Conclusion: It's two to three. We get to our 5G future faster. Investment, innovation and jobs surge. America wins. The merger will strengthen competition, enhance consumer welfare and is in the public interest. And John Legere's hair won't get shorter. This deal should be approved as quickly as possible.

Thank you.

²⁰ *Id.*

²¹ *Creating Thousands of Jobs from Day One*, T-MOBILE U.S. AND SPRINT Corp., <https://newtmobile.com/our-plan-to-create-jobs/>.

²² Joint Opposition of T-Mobile US, Inc. and Sprint Corp., WTB Docket No. 18-197, at Appendix A 3 (Sept. 17, 2018).

²³ *Id.* at Appendix J 6.

²⁴ Letter from Nancy Victory, Counsel to T-Mobile US, Inc. to Marlene H. Dortch, Secretary, Federal Communications Commission (Mar. 6, 2019);