

May 7, 2018

Makan Delrahim
Assistant Attorney General, Antitrust Division
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530

Ajit Pai
Chairman
Federal Communications Commission
445 12th St., SW
Washington, DC 20544

Dear Assistant Attorney General Delrahim and Chairman Pai:

We write to raise serious concerns regarding T-Mobile US, Inc.'s (T-Mobile) proposed acquisition of Sprint Corporation (Sprint). As more than three-quarters of American adults now own smartphones, including many who depend on these devices for their primary connection to the internet, an anticompetitive acquisition in the wireless market could result in higher prices for American consumers or force some people to forego their internet connection altogether.

It is for these reasons that we urge you to closely review this transaction to ensure that it does not threaten to harm consumers or competition in the wireless market. Specifically, we ask that you carefully consider: (1) the impact of reducing the number of national wireless carriers from four to three; (2) how the proposed merger would affect lower-cost options for wireless service; (3) whether specific regions, particularly rural areas, would be disproportionately affected by the proposed transaction; and (4) the proposed transaction's likely effect on innovation of wireless networks and other technologies.

This transaction would combine T-Mobile, the third-largest wireless carrier in the United States with over 72 million customers,¹ with Sprint, the fourth-largest wireless carrier with over 54 million customers,² reducing the number of wireless carriers from four national competitors to three. The Justice Department's Antitrust Division (DOJ) and Federal Communications Commission (FCC) have previously raised concerns regarding consolidation in the wireless market. Both agencies opposed AT&T's proposed acquisition of T-Mobile in 2011. Senior leaders at DOJ and the FCC have also previously raised concerns about this proposed merger and expressed skepticism for the very reason that reducing the number of wireless carriers from four

¹ T-Mobile Fiscal Year 2017 Fourth Quarter Results, (Feb. 8, 2018), <http://investor.t-mobile.com/Cache/1001231997.PDF?O=PDF&T=&Y=&D=&FID=1001231997&iid=4091145>.

² Sprint Fiscal Year 2017 Third Quarter Results (Feb. 2, 2018), <http://investors.sprint.com/news-and-events/press-releases/press-release-details/2018/Sprint-Reports-Highest-Retail-Net-Additions-In-Nearly-Three-Years-And-Raises-Adjusted-Free-Cash-Flow-Guidance-With-Fiscal-2017-Third-Quarter-Results/default.aspx>.

to three would adversely affect competition in the wireless market. Former Assistant Attorney General William Baer stated that “[I]t’s going to be hard for someone to make a persuasive case that reducing four firms to three is actually going to improve competition for the benefit of American consumers.”³ And former FCC Chairman Tom Wheeler said “[f]our national wireless providers are good for American consumers.”⁴ Now that T-Mobile and Sprint have formally signed an agreement to merge, we urge you to closely evaluate the parties’ arguments concerning the potential benefits of this merger, especially in light of your agency’s previous emphasis on the importance of maintaining four national competitors in the wireless market.

We also ask that both of your agencies carefully consider T-Mobile and Sprint’s direct competition against each other as the two lower-cost alternatives to AT&T and Verizon. T-Mobile and Sprint have led the way in offering wireless products and service options that are more appealing to lower-income consumers, including no contract plans,⁵ prepaid and no credit check plans,⁶ and unlimited text, voice, and data plans.⁷ These lower-cost options are especially important for Americans who rely on mobile broadband as their primary or only internet connection.⁸ Further concentration in the wireless market could also result in increased pricing network access for Mobile Virtual Network Operators, wireless providers who purchase wholesale wireless network access and offer low-cost wireless alternatives.

In addition to reviewing the nationwide impact of consolidation in the wireless industry, we urge your agencies to examine whether any regions will face disproportionate harm as a result of the proposed merger. In rural areas of the United States, access to reliable cell coverage has a significant impact on local economies and public safety. A review of the proposed merger should evaluate potential effects on competition and service access in rural areas, particularly those covered only by Sprint and T-Mobile. As the parties are reported to have already executed a roaming agreement that would expand coverage to their customers in the absence of the merger,⁹

³ Edward Wyatt, “Wireless Mergers Will Draw Scrutiny, Antitrust Chief Says,” THE NEW YORK TIMES (Jan. 30, 2014), <https://dealbook.nytimes.com/2014/01/30/wireless-mergers-will-draw-scrutiny-antitrust-chief-says/?mcubz=1>.

⁴ “Statement From FCC Chairman Tom Wheeler On Competition In the Mobile Marketplace,” FEDERAL COMMUNICATIONS COMMISSION (August 6, 2014), https://apps.fcc.gov/edocs_public/attachmatch/DOC-328687A1.pdf.

⁵ Jacob Kastrenakes, “Two-year phone contracts are now dead at all major US carriers,” THE VERGE (Jan. 11, 2016), <https://www.theverge.com/2016/1/11/10749160/sprint-kills-two-year-phone-contracts>.

⁶ Fionna Agomuoh, “‘Bad Credit’ Phone Plans: Verizon and ATT&T May Follow T-Mobile, Sprint as Carriers See Gold In Subprime Households,” INTERNATIONAL BUSINESS TIMES (January 27, 2015), <http://www.ibtimes.com/bad-credit-phone-plans-verizon-att-may-follow-t-mobile-sprint-carriers-see-gold-1793440>.

⁷ Cecilia Kang & Michael J. de la Merced, “How Would a T-Mobile-Sprint Merger Affect Your Cellphone Bill?,” THE NEW YORK TIMES (Apr. 30, 2018), <https://www.nytimes.com/2018/04/30/business/t-mobile-sprint-cellphone-bill.html>.

⁸ 2015 Census data indicated that 20 percent of U.S. households that use the internet at home relied exclusively on mobile connections to do so at that time. That figure jumped to 24 percent for households with incomes between \$25,000 and \$50,000, and a full 29 percent for online households with incomes below \$25,000. See Giulia McHenry, “Evolving Technologies Change the Nature of Internet Use,” NATIONAL TELECOMMUNICATIONS & INFORMATION ADMINISTRATION (Apr. 19, 2016), <https://www.ntia.doc.gov/blog/2016/evolving-technologies-change-nature-internet-use>.

⁹ Cecilia Kang & Michael J. de la Merced, “How Would a T-Mobile-Sprint Merger Affect Your Cellphone Bill?,” THE NEW YORK TIMES (Apr. 30, 2018), <https://www.nytimes.com/2018/04/30/business/t-mobile-sprint-cellphone-bill.html>.

it will be important to focus on the benefits that can only be achieved as a direct result of the merger.

Finally, the potential effects on wireless network innovation are an important aspect of this transaction. T-Mobile and Sprint claim that the proposed merger will allow them to more quickly build a nationwide 5G network. However, T-Mobile has shown that it is already capable of rapidly creating and expanding a nationwide network independently when it deployed nationwide LTE faster than Verizon and AT&T. The transaction would also eliminate Sprint as an independent force for innovation. In addition, we are concerned that the execution of this merger agreement may discourage near-term incentives to invest in research and development at T-Mobile and Sprint as the two companies focus on navigating the merger review process.

The Department of Justice and Federal Communications Commission must carefully consider whether the proposed transaction may lessen competition or harm consumers. Thank you for your attention to this matter.

Sincerely,



Amy Klobuchar
United States Senator



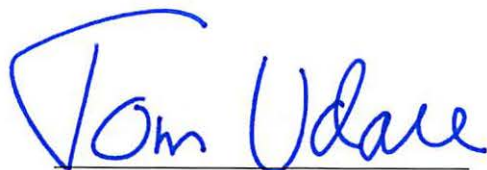
Richard Blumenthal
United States Senator



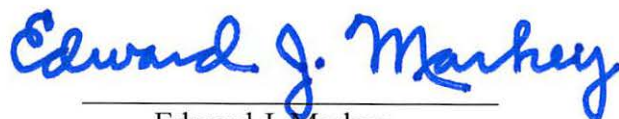
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