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T-Mobile/Sprint Merger Could Fast-Forward Mobile Consumers to the 5G Future

by

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Buildout of nationwide 5G networks is critical to U.S. leadership in the future of mobile wireless technology. The proposed merger between T-Mobile US Inc. and Sprint Corp. would likely accelerate this buildout and the tremendous consumer benefits 5G will bring, including faster speeds, higher data capacity, and lower per-megabit data prices. It is important for members of Congress and for antitrust enforcers to focus on the valuable advantages of 5G that will be central to the review of the merger now underway at the Federal Communications Commission.

A combined T-Mobile/Sprint should satisfy the FCC's public interest standard and merit agency approval. The benefits resulting from more rapid 5G mobile network deployment appear substantial. And the competitiveness of the wireless market – and, indeed, of the broader multi-platform broadband market of which the wireless segment is part – makes it unlikely that outweighing harms would result to consumers.

Today's dynamic mobile wireless market provides all-important context to the proposed T-Mobile/Sprint merger. In the span of two decades, wireless has advanced from analog phone

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technologies and small brick phones to digital broadband technologies harnessed by smartphones with sophisticated apps and HD video capabilities. Having only recently deployed and upgraded nationwide 4G LTE networks, U.S. mobile providers are in initial stages of launching the next-generation of networks.

If approved, the combined T-Mobile/Sprint could catapult the mobile market into the 5G future. By joining Sprint's mid-band spectrum with T-Mobile's low-band spectrum and other assets, the combined T-Mobile/Sprint plans to roll out a robust 5G nationwide network over the course of three years. It's projected that average speeds for the new 5G network would climb to 444 megabytes per second in 2024, with peak speeds reaching up to 4.1 gigabytes per second.

T-Mobile/Sprint's 5G network also promises to have enhanced mobile data traffic capacity that will be essential to supply skyrocketing usage demands. The June 2018 Ericsson Mobility Report forecasts total a 43% compound annual growth rate in global data traffic for the next five years. It is projected that monthly data capacity of T-Mobile/Sprint's 5G network will reach 6.8 exabytes in 2021 and climb to 20.3 exabytes by 2024. The expanded data capacity will put downward pressure on prices, reducing per-megabit costs to consumers.

Importantly, it appears unlikely that T-Mobile and Sprint separately have spectrum and cell site resources needed to deploy 5G networks that keep up with market leaders AT&T and Verizon. T-Mobile lacks mid-band spectrum while Sprint lacks low-band spectrum. Alone, each provider would have reduced 5G network capacities and Sprint's coverage would be geographically limited. Also, both providers would need longer periods to transition existing spectrum resources from older-generation networks to 5G. Further, AT&T and Verizon have been investing significantly more in infrastructure than T-Mobile and Sprint, both in absolute terms and relative to market shares. T-Mobile and Sprint are the third and fourth largest nationwide providers, respectively. Absent a merger, they are likely to fall further behind.

FCC merger precedents, such as its 2016 Verizon/XO Order, expressly recognize "the rollout of 5G technology" is an "important Commission policy priority for the general benefit of all consumers." Indeed, speedy and capacious 5G networks will enable emerging "smart city" capabilities such as optimized public transportation and electric utilities. Likewise, 5G will enable increasing adoption by industrial and manufacturing sectors of internet of things services involving connected sensor-embedded equipment and smart devices.

By rapidly deploying a robust nationwide 5G network that supports smart city, IoT and other advanced capabilities, the T-Mobile/Sprint merger's public benefits likely outweigh any potential anticompetitive concerns. Indeed, FCC precedents such as its 2015 AT&T/DIRECTV Order recognize the benefits of new technologies and services enabled by mergers can outweigh the loss of a competitor.

Importantly, post-merger competition among three nationwide mobile service providers and new entrants likely would offset any incentives to impose sustained price increases above market levels. T-Mobile/Sprint's combined network and subscriber base would much more evenly match AT&T Inc. and Verizon Communications Inc. Significantly, Comcast Corp.'s Xfinity Mobile service launched in 2017 and now has nearly 600,000 subscribers, with future increases

expected. Charter Communications and DISH Network also have plans to enter the market. In short, the dynamic momentum of the mobile market will safeguard consumers.

Under T-Mobile/Sprint, consumers are likely to enjoy the benefits of 5G speeds, increased data capacity, and lower data prices more quickly. The FCC will closely scrutinize the proposed merger as it should. But just as T-Mobile/Sprint promises to fast forward mobile services to the next-generation, so also the merger deserves a swift review. Whatever the outcome, the commission's review should be completed within its 180-day shot clock.

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