Introduction and Summary

On February 10, the U.S. District Court for the Southern District of New York issued a decision that vindicated the T-Mobile/Sprint merger. In a decisive victory for the New T-Mobile, the District Court concluded that the merger would accelerate 5G deployment beyond what either provider alone could achieve. It held that the New T-Mobile likely would realize efficiencies that would allow it to more effectively compete against AT&T and Verizon.

Now that the Federal Communications Commission, Department of Justice, the U.S. District Court, and all but one state public utility commission, have approved the proposed T-Mobile/Sprint merger, the lone remaining holdout, the California Public Utilities Commission, should sign off on the merger without further delay. The effect of further delay at this point is to postpone or diminish the consumer welfare benefits that, according to the courts and regulatory entities that have approved the proposed merger, are likely to result from the merger's consummation.
Judge Victor Marrero's decision in *New York v. Deutsche Telekom AG* convincingly rejected antitrust claims brought by the Attorneys General of 13 states to block the T-Mobile/Sprint merger. The District Court's decision astutely characterized the wireless market as competitively "exceptional" and concluded it was unlikely that the merger would have anticompetitive effects.

The most important public benefit offered by the T-Mobile/Sprint merger is that it will enable more rapid deployment of nationwide 5G network services. Pursuant to the merger, Sprint's 2.5 GHz spectrum will be combined with T-Mobile's nationwide 600 MHz spectrum and other assets. As the District Court explained, "undisputed evidence at trial" showed that this will multiply the combined 5G network's capacity beyond what either provider could deploy alone. As the Free State Foundation's comments submitted to the FCC in August 2018 explained, the 5G network enabled by the merger may have up to 30 times more capacity than T-Mobile's existing network. For consumers and business enterprise subscribers, 5G networks will provide increased capacity as well as average speeds 10 times faster than 4G networks and peak speeds up to 100 times faster.

T-Mobile's projections of $26 billion merger-related efficiencies in acquiring Sprint were persuasive with the District Court because T-Mobile's successful acquisition of MetroPCS accelerated deployment of 4G LTE network services beyond what was achievable by either of those providers alone. And the court credited witness testimony that the T-Mobile/Sprint merger will similarly enable more rapid deployment of 5G networks.

Although Attorneys General from 13 states argued that the lack of future direct competition from T-Mobile and Sprint would result in higher prices and harm consumers, the District Court found that much of the State AGs' case rested on unconvincing hypotheticals about how T-Mobile and Sprint might each acquire new spectrum capacity through future auctions, mergers with different entities, or by yet-to-be invented technological capabilities. As the District Court summed up: "[T]he alternatives they cite all present significant practical difficulties and do not promise nearly the same capacity benefits" of the T-Mobile/Sprint merger.

The District Court was blunt regarding Sprint's future prospects as a standalone mobile services provider. Consistent with the Free State Foundation's reply comments to the FCC in its T-Mobile/Sprint merger review proceeding, the District Court acknowledged that Sprint's lack of low-band spectrum limits its geographic reach for 5G. It similarly acknowledged Sprint's $37 billion debt and poor credit rating that prevents it from serious investment in 5G. Absent the merger, the District Court was "substantially persuaded" that Sprint "will in fact cease to be a truly national [mobile network operator]."

Under conditions for merger approval reached through a settlement with the U.S. Department of Justice, DISH Network will acquire Sprint's Boost Mobile brand and other assets, which DISH Network will be able to combine with its $22 billion worth of spectrum to deploy its own nationwide 5G network. Although the Free State Foundation's comments and reply comments to the FCC concluded that the types of divestitures demanded by the DOJ were not required from a competition standpoint, the conditions further lessen the likelihood of anticompetitive effects resulting from the merger. And the District Court persuasively found
that "the presence of DISH as a new entrant will constitute a substantial incentive to competition."

The Free State Foundation's comments to the FCC similarly emphasized that the wireless market's dynamism is critical to evaluating the likely competitive effects of the T-Mobile/Sprint merger. Consistent with FSF's comments, the District Court evaluated the T-Mobile/Sprint merger and its likely impact in light of that dynamism. According to the District Court: "[T]he particularities of the wireless telecommunications industry and its exceptional impact on the entire population of the country and on the national economy… create unusual precompetitive pressures and incentives while constraining anticompetitive forces." Those competitive and fast-changing particularities of the wireless market prompted the District Court to reject the State AGs’ claims that anticompetitive effects would result from a combination of T-Mobile and Sprint:

It is not likely, perhaps improbable or even not rational, that a major new or reinforced market participant, rather than vying aggressively to entice additional customers from competitors by introducing innovations, and investing more to protect and expand market share, would do the exact opposite, thereby risking harm to its customer base, weakening commercial reputation, and jeopardizing long-term revenues.

The District Court pointed out that the anticompetitive predictions of traditional antitrust models do not inevitably materialize, but rather require conscious business choices to implement. Given T-Mobile's real-life record and brand identity as a strong challenger to market leaders, the District Court found it unlikely that the New T-Mobile would significantly raise consumer prices or coordinate future price increases with rivals.

For its analytical emphasis on market dynamism, the District Court's opinion in *New York v. Deutsche Telekom AG* is highly instructive. It rightly recognized the centrality of rapid nationwide 5G deployment to wireless competition and consumer welfare. It stressed dynamic forces at work in the wireless market and continuity with T-Mobile's competitive track record over static market models and hypotheticals alternatives that involved reduced 5G capacities as well as unavoidable practical difficulties for a financially imperiled Sprint.

With the court case now concluded, the California Public Utility Commission poses the last regulatory obstacle to consummating the T-Mobile/Sprint merger. The District Court's analysis and decision, along with the approvals of the FCC and the Department of Justice, has now removed any pretense for the California PUC to delay any longer. The California PUC should promptly approve the T-Mobile/Sprint merger. American consumers stand to benefit from new high-capacity nationwide 5G networks and an even more competitive wireless broadband market.

**District Court: T-Mobile/Sprint Merger Will Accelerate 5G Deployment and Create Efficiencies**

In *New York v. Deutsche Telekom AG*, the District Court concluded that the T-Mobile/Sprint merger would accelerate the deployment of 5G network services faster than either mobile provider alone. As the District Court explained:
The **undisputed evidence** at trial reflects that combining Sprint and T-Mobile's low-band and mid-band spectrum on one network will not merely result in the sum of Sprint and T-Mobile's standalone capacities, but will instead multiply the combined network's capacity because of a technological innovation referred to as 'carrier aggregation' and certain physical properties governing the interaction of radios.\(^1\)

The District Court further held there was substantial merit to T-Mobile's claims that combining spectrum, retiring Sprint's network, and taking over 11,000 of Sprint's towers would create efficiencies of rightly $26 billion and thereby enable it to compete even more effectively against market leaders AT&T and Verizon. Those conclusions are consistent with comments filed with the FCC by the Free State Foundation in August 2018 regarding the proposed T-Mobile/Sprint merger. In those comments, we explained that the New T-Mobile would deploy a nationwide 5G network by combining Sprint's 2.5 GHz spectrum with T-Mobile's nationwide 600 MHz spectrum and other assets. This next-generation network enabled by the merger may have up to 30 times more capacity than T-Mobile's existing network. For consumers and business enterprise subscribers, 5G networks will provide improved reliability, higher capacity, and faster speeds – including average 5G speeds 10 times faster than 4G networks and peak speeds up to 100 times faster.

As FSF's comments submitted in the FCC's T-Mobile/Sprint merger review proceeding explained, the primary public benefit of a combined New T-Mobile would be a more rapid deployment of a nationwide 5G network than either provider alone could realize. While T-Mobile and Sprint have significantly trailed the two largest nationwide providers in terms of subscribers and revenues, our comments pointed out that the New T-Mobile would be a stronger match for market leaders AT&T and Verizon in today's robustly competitive mobile wireless services market.

**T-Mobile/Sprint Merger Bolstered by T-Mobile's Experience in Successfully Acquiring MetroPCS and Accelerating 4G LTE Deployment**

T-Mobile's projections regarding merger-related efficiencies were persuasive with the District Court because of T-Mobile's successful acquisition of MetroPCS. Comments filed with the FCC by the Free State Foundation in 2012 explained that a combined T-Mobile/MetroPCS would enable more rapid deployment of 4G networks. Those comments also pointed to T-Mobile's projections for merger-specific, efficiency-related cost savings of $6-7 billion. As the District Court pointed out: "T-Mobile actually underpredicted the efficiencies that would result from the MetroPCS merger: the merger resulted in network synergies of $9-10 billion rather than the $6-7 billion predicted. Those economies were realized in two years rather than the three predicted."\(^2\)

Post-merger, Metro subscribers more than doubled and its unlimited plan prices actually decreased from $60 to $50 per month. The District Court credited the testimony of multiple witnesses that "the integration of Sprint and T-Mobile would be very similar to the integration of T-Mobile and MetroPCS and could follow the same basic

---

2. Slip op. at 82.
organizational structure and strategy." Indeed, whereas T-Mobile/MetroPCS enabled more rapid deployment of 4G LTE network services than either provider alone, so also T-Mobile/Sprint will enable more rapid deployment of 5G networks.

**State AGs' Alleged Alternatives to T-Mobile/Sprint Were Speculative and Impractical**

The State AGs sought to prevent consummation of the T-Mobile/Sprint merger by bringing antitrust claims under Section 7 of the Clayton Act. The State AGs alleged that the merger would substantially lessen competition in the retail mobile wireless telecommunications (RMWTS) market, unless enjoined. They argued that lack of future direct competition from T-Mobile and Sprint would result in higher prices and harm consumers. According to the State AGs, there were alternative ways for T-Mobile and Sprint to acquire new spectrum and compete more effectively in the mobile market.

However, the District Court refused to accord serious merit to the State AGs' hypothetical scenarios by which T-Mobile and Sprint might each acquire new spectrum capacity through future auctions, future mergers with different entities, or by yet-to-be invented technological capabilities. It declined to put stock in speculation that either party would obtain the spectrum they would need for their own nationwide 5G networks by outbidding AT&T and Verizon in future auctions. And it similarly declined to take seriously speculation about a Sprint merger with DISH Network given that DISH previously rejected such a merger. As the District Court summed up: "[T]he alternatives they cite all present significant practical difficulties and do not promise nearly the same capacity benefits that the combination of T-Mobile and Sprint's spectrum assets onto one network would achieve." According to the District Court, the State AGs' scenarios were especially impractical in the short term, and the State AGs' "fail[ed] to adequately acknowledge that the standalone firms' 5G networks will be materially more limited in their scope and require longer timeframes to establish."

**Sprint's Future as a Nationwide Wireless Provider Was in Peril**

The District Court was particularly candid in its conclusions about Sprint's future limitations as a standalone mobile services provider. It acknowledged Sprint's lack of low-band spectrum that limits Sprint's geographic reach for 5G. Also, the District Court acknowledged Sprint's severe financial troubles, including a debt of $37 billion and poor credit rating. As the District Court observed, Sprint could not financially afford to participate in the FCC's last auction for low-band spectrum. That real-world fact did much to undermine the State AGs' speculations about Sprint winning future FCC auctions for low-band spectrum. It wrote: "[T]he notion that Sprint can acquire enough low-band spectrum to ameliorate its poor coverage seems speculative."

Recognizing Sprint's track record of annual losses, high churn, and lack of new subscribers, the District Court sensibly resisted wishful thinking that Sprint would obtain significant new investment backing and significant near-term increases in subscriber revenue to fuel future 5G.

---

3 Slip op. at 83.
4 Slip Op. at 69.
5 Slip Op. at 70.
deployments. Instead, the District Court was "substantially persuaded that Sprint does not have a sustainable long-term competitive strategy and will in fact cease to be a truly national [mobile network operator]."  

The District Court's assessment of Sprint's bleak outlook also was consistent with reply comments filed with the FCC by the Free State Foundation. Given Sprint's lack of low-band spectrum and other resources, our comments pointed out that the T-Mobile/Sprint merger was likely the only realistic path to a 5G network that could effectively compete with market leaders. And our September 2018 reply comments emphasized that, in light of Sprint’s recent financial history and analysts’ projections, a standalone Sprint would likely be less competitive and perhaps not even viable in the 5G era. The Free State Foundation's reply comments identified Sprint's substantial debt relative to its capitalization, assets, and cash flow as a major — if not insurmountable — obstacle to investment in 5G network infrastructure.

**Entry by DISH Network Will Provide Substantial Incentive to Wireless Competition**

Following legal precedents, the District Court analyzed the likely competitive effects of the T-Mobile/Sprint merger as it was subject to conditions by the FCC and the Department of Justice. Under those conditions for merger approval, DISH Network will acquire Sprint's Boost Mobile brand as a mobile virtual network operator (MVNO) that will operate using T-Mobile's network facilities. DISH Network also has the option of acquiring cell towers and retail stores that New T-Mobile is not interested in, which would allow DISH Network to fast-track deployment its own unique nationwide 5G network.

The District Court was "persuaded that the presence of DISH as a new entrant will constitute a substantial incentive to competition in the RMWTS Markets." It identified DISH's "large spectrum portfolio, which is worth roughly $22 billion and rivals Verizon's in size," and which "combines significant quantities of both low- and mid-band spectrum capable of supporting highly data-intensive consumer uses." And the District Court credited DISH's financial soundness over the prior decade, as well as its expressed desire and concrete plans, reaching back several years, to enter the mobile services market. Additionally, the District Court concluded that because DISH will acquire Boost and its approximately 9.4 million subscribers, there will be no loss of competition between New T-Mobile and "the most successful segment of Sprint's business."

The Free State Foundation's comments and reply comments submitted to the FCC concluded that the types of divestitures demanded by the Department of Justice were not required from a competition standpoint. Nonetheless, the District Court's conclusions that the merger's divestment and other conditions regarding DISH would further its prospects for entry – first as a nationwide MVNO via Boost and then as a facilities-based nationwide 5G provider – are persuasive.

---

7 Slip Op. at 100.
8 Slip op. at 108.
9 Slip op. at 108.
10 Slip op. at 143.
Wireless Exceptionalism: The District Court's Dynamic Market Analysis

Importantly, the District Court evaluated the T-Mobile/Sprint merger and its likely impact in light of the dynamism of the retail mobile wireless telecommunications network. As will be seen, the Free State Foundation's comments submitted to the FCC similarly emphasized that the wireless market's dynamism is critical to evaluating the likely competitive effects of the merger.

The District Court pointed to the dramatic changes in capacity, speed, quality, and efficiency of mobile networks over just the past few years, and the similarly significant developments in mobile device functionality and quality over that same time span. It observed that these developments have propelled wireless beyond just voice service to include a broad range of functions. The Free State Foundation's comments submitted to the FCC similarly identified the wireless market's "robust competition among mobile broadband service providers, heavy investment in infrastructure, rapid technological innovation, expanding data and pricing plans, continuously changing consumer habits, and consistently declining per-megabit prices."[11]

By virtue of the market's dynamism, the District Court recognized that today's functions and services may become obsolete in the near future. Accordingly, the District Court concluded that, for wireless providers, the market's dynamism "demand[s] ready access to large capital, exceptional technological innovation, and aggressive marketing" as well as "commercial acumen, speed, and agility in responding and adapting to the fast-paced and steadily shifting ground underpinning the industry."[12]

The District Court described the effect of the wireless market's dynamic conditions for analyzing competitive effects: "[T]he particularities of the wireless telecommunications industry and its exceptional impact on the entire population of the country and on the national economy… create unusual precompetitive pressures and incentives while constraining anticompetitive forces."[13] Significantly, the District Court observed that traditional antitrust models for static markets were inapplicable for purposes of merger analysis.

Contrary to the State AGs' claims that anticompetitive effects would result from the combination of T-Mobile and Sprint, the District Court concluded:

[I]n the intensely competitive and rapidly changing environment in which complex and dynamic markets operate, the anticompetitive business strategies and market effects Plaintiff States predict are unlikely. It is not likely, perhaps improbable or even not rational, that a major new or reinforced market participant, rather than vying aggressively to entice additional customers from competitors by introducing innovations, and investing more to protect and expand market share, would do the exact opposite, thereby risking harm to its

customer base, weakening commercial reputation, and jeopardizing long-term revenues.\textsuperscript{14}

By the same token, the Free State Foundation's comments submitted to the FCC concluded that the dynamic competitive conditions of the market it made it unlikely that consumer welfare would be harmed by the T-Mobile/Sprint merger.

Furthermore, the District Court emphasized that the anticompetitive predictions of traditional antitrust models do not inevitably materialize but rather require conscious business choices to implement. Thus, the District Court stressed continuity with real-world conduct in the wireless market and by T-Mobile over static predictors. Given the market's dynamism as well as T-Mobile's real-life record and brand identity as a strong challenger to market leaders, the District Court found it unlikely that the New T-Mobile would significantly raise consumer prices or coordinate future price increases with rivals. In response to the State AG's claims that the New T-Mobile would parlay the merger into a new strategy for refusing to lower prices when opportunity presented or as occasion to pull back from vigorous competition with AT&T and Verizon, the District Court concluded that "would not be rational in the near or long term. It would be at odds with predictions of what objectively reasonable individual and corporate behavior would embrace in a complex and dynamic market under the factual circumstances presented here."\textsuperscript{15} The District Court also found that the widespread popular demand for mobile services as well as FCC and DOJ oversight of the merger conditions rendered it even less likely that such anticompetitive conduct would spring directly from the merger.

**Hybrid Wireless-MVNOs and Cross-Platform Competition**

The Free State Foundation's comments to the FCC called on the Commission to analyze the T-Mobile/Sprint merger in view of the broader market for broadband services. As our comments explained: "Traditional market definitions, such as a 'mobile broadband' market, are now likely to be overly narrow when it comes to evaluating the market power of Verizon, AT&T, and the new T-Mobile."\textsuperscript{16} In particular, the speed and capacity of 5G networks will make mobile wireless broadband services more competitive with fixed wireline broadband services, "further blurring the distinction between the previously more distinct wireless and wireline market segments."\textsuperscript{17}

Since none of the parties in *New York v. Deutsche Telekom AG* disputed that retail mobile wireless telecommunications services (RMWTS) constituted the product market for antitrust analysis, the District Court accepted that narrower product definition. However, the increasing comparability between wireless and wireline – especially when it comes to 5G services – should at least be recognized as a dynamic condition that will further incentivize innovation and competition as well as constrain anticompetitive conduct.

\textsuperscript{14} Slip op. at 155.
\textsuperscript{15} Slip op. at 162.
\textsuperscript{16} Comments of the Free State Foundation, at 9.
\textsuperscript{17} Comments of the Free State Foundation, at 10.
Moreover, although the District Court's opinion places little weight on competition to the New T-Mobile from cable hybrid Wi-Fi/cellular mobile wireless services, there is reason to expect that Xfinity Mobile and Charter's Spectrum Mobile services will exert competitive pressures on the major nationwide mobile wireless providers in the future. Those two recent entrants finished 2019 with approximately 2 million and 1 million subscribers, respectively.\(^{18}\) By combining their broadband networks and Wi-Fi hotspots with leased spectrum capacity for out-of-territory voice and data transmissions, Xfinity Mobile and Spectrum Mobile are well positioned to operate as "mavericks" and significantly grow their subscriber bases. And the CEO of U.S. Cellular, the largest multi-regional wireless carrier, reportedly acknowledged publicly competitive pressures by cable wireless entrants.\(^{19}\) Additionally, Xfinity Mobile and Spectrum Mobile are both increasing data traffic offloads onto their cable Wi-Fi networks from leased Verizon network capacity to reduce lease payments.\(^{20}\) Both competing providers have plans to offer 5G wireless network services in the future.\(^{21}\) And both may participate in future spectrum auctions.\(^{22}\)

**Time for California Regulators to Approve the T-Mobile/Sprint Merger**

The U.S. District Court's decision in *New York v. Deutsche Telekom AG* follows sign-offs on the merger by the FCC, DOJ, and 18 state public utility commissions. However, the California Public Utility Commission still poses a regulatory obstacle to T-Mobile/Sprint. The California PUC has needlessly delayed taking final action in reviewing the merger. The effect of further delay at this point is to postpone or diminish the consumer welfare benefits that, according to the courts and regulatory entities that have approved the proposed merger, are likely to result from the merger's consummation. The District Court's decision has now removed any pretense for the California PUC to string things along. The California PUC should promptly approve the T-Mobile/Sprint merger.

**Conclusion**

*New York v. Deutsche Telekom AG* is a decisive victory for the New T-Mobile. It rejected antitrust claims brought by the Attorneys General of 13 states to block the T-Mobile/Sprint merger. The District Court correctly concluded that the merger would accelerate 5G deployment compared to what either mobile provider alone could achieve. And it held that the New T-Mobile likely would realize efficiencies that would allow it to more effectively compete against AT&T and Verizon.

---


\(^{21}\) Mike Dano, "Comcast, Charter to Offer 5G Via Verizon MVNO," *LightReading* (Aug. 23, 2019), at: [https://www.lightreading.com/mobile/5g/comcast-charter-to-offer-5g-via-verizon-mvno/d/d-id/753664](https://www.lightreading.com/mobile/5g/comcast-charter-to-offer-5g-via-verizon-mvno/d/d-id/753664)

\(^{22}\) See Jeff Baumgartner, "Charter to Add 5G to the Menu in Q1, Will ' Likely' Be a Participant in CBRS Auction," *LightReading* (Jan. 31, 2020), at: [https://www.lightreading.com/mobile/5g/charter-to-add-5g-to-the-menu-in-q1-will-likely-be-a-participant-in-cbrs-auction/d/d-id/757229](https://www.lightreading.com/mobile/5g/charter-to-add-5g-to-the-menu-in-q1-will-likely-be-a-participant-in-cbrs-auction/d/d-id/757229)
For its analytical emphasis on market dynamism, the District Court's opinion is exceptional. The District Court rightly recognized the centrality of rapid nationwide 5G deployment to wireless competition and consumer welfare. It stressed dynamic forces at work in the wireless market and continuity with T-Mobile's competitive track record over static market models and hypotheticals alternatives that involved reduced 5G capacities as well as unavoidable practical difficulties for a financially imperiled Sprint.

American consumers stand to benefit from the New T-Mobile's high-capacity nationwide 5G network and an even more competitive wireless market. But a large regulatory obstacle needlessly stands in the way. The California Public Utilities Commission has unduly delayed final action in reviewing T-Mobile/Sprint. Now that the FCC, Department of Justice, the U.S. District Court, and several state public utility commissions have approved T-Mobile/Sprint, the California PUC should sign off on the merger straightaway.

* Seth L. Cooper is Director of Policy Studies and a Senior Fellow of the Free State Foundation, an independent, nonpartisan free market-oriented think tank located in Rockville, Maryland.

**Further Reading**


Comments of the Free State Foundation – Communications Marketplace Report, Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion; GN Docket Nos. 18-231 and 18-238 (September 21, 2018).
Reply Comments of the Free State Foundation – Applications for T-Mobile USA, Inc., and Sprint Corporation For Consent To Assign or Transfer Licenses and Authorizations, WT Docket No. 18-197 (Sept. 17, 2018).

Comments of the Free State Foundation – Applications for T-Mobile USA, Inc., and Sprint Corporation For Consent To Assign or Transfer Licenses and Authorizations, WT Docket No. 18-197 (Aug. 27, 2018).


Randolph J. May and Seth L. Cooper, "T-Mobile/Sprint Merger Offers Public Interested Benefits; Likely Presents a Fast Track to 5G," Perspectives from FSF Scholars Vol. 13, No. 27 (Jul. 12, 2018).


Comments of the Free State Foundation – Applications of Deutsche Telekom AG, T-Mobile USA, Inc. and MetroPCS Communications, Inc. For Consent to Assign or Transfer Licenses and Authorizations, WT Docket No. 12-301 (Nov. 26, 2012).