

CWA Presentation on Proposed Sprint/T-Mobile Merger

March 6, 2019

Introduction

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1. Competitive Impacts of Proposed Merger

The proposed merger of T-Mobile and Sprint is “presumptively anticompetitive” under controlling antitrust case law and is “presumed likely to enhance market power” under the Horizontal Merger Guidelines

- Highly concentrated markets with high barriers to entry and expansion
- Merger significantly increases concentration
- Parties do not calculate HHIs, suggesting result is same regardless of how calculations are done
- HHIs are economically valid predictor of post-merger price increases, not just a “screen”

Defining Relevant Market

Mobile telephony/broadband services is a relevant market

- This market is comprised of mobile voice and data services, including mobile voice and data services provided over advanced broadband wireless networks
- Same product market defined in a series of recent transactions, including T-Mobile/MetroPCS and AT&T/T-Mobile
- Parties' Joint Opposition contains statements supporting this market definition (e.g., pp.73-74 & n.273, 99 n.373; see also declaration of Glenn Woroch p. 1)

Prepaid Wireless

Prepaid wireless retail services is a relevant market

- Differentiated products between prepaid and postpaid offerings
- Very high HHIs and potential impact on lower-income consumers warrant heightened antitrust scrutiny
- Relevant questions include whether prepaid plans are marketed and sold differently from postpaid plans (they are) and whether postpaid plans constrain pricing of prepaid plans (they do not)
- Woroch declaration is not to the contrary

Spectrum Concentration

Spectrum is an essential input for wireless carriers

- On a national basis, 92% of the population of the United States – or more than 284 million people – live in counties in which the spectrum screen would be exceeded post-merger
- On state-by-state basis, the percentage of the population living in counties in which the spectrum screen would be exceeded include:
 - California **99.2%**
 - Connecticut **100%**
 - Florida **94.0%**
 - Hawaii **80.0%**
 - Illinois **97.6%**
 - Massachusetts **96.3%**
 - New York **97.5%**
 - Tennessee **81.1%**
 - Virginia **91.7%**
 - Washington **98.6%**

Unilateral Effects

Unilateral anticompetitive effects are likely to be significant because products and services offered by T-Mobile and Sprint are very close substitutes for a large number of customers

- History of fierce head-to-head competition between T-Mobile and Sprint (examples are found in CWA Comments pp. 24-30)
- Not surprisingly, parties choose to ignore the long history of rivalry between Sprint and T-Mobile
- Repositioning by others is unlikely to counteract unilateral competitive effects
- Economists estimate that reduced competition would increase prices as much as 15.5% on the New T-Mobile's prepaid plans and as much as 9.1% for the postpaid plans.

2. Employment Impact of Merger is Part of Public Interest Analysis

- AT&T/T-Mobile Staff Report
 - “As part of the public interest analysis, the Commission historically has considered employment related issues such as job creation”
 - Lowering the number of representatives per customer and reducing service “are, of course” not a public benefit
- Puerto Rico/GTE Order
 - Finding that a no lay-off commitment serves the public interest
- AT&T/Bell South Order
 - Finding that repatriating offshore jobs serves the public interest

(See CWA Comments in this proceeding, pp. 3-4)

Summary of Estimated Job Losses from Proposed Merger

| Type of Work | Net Job Loss |
|------------------------------------|---------------|
| Retail-Postpaid (T-Mobile, Sprint) | 13,700 |
| Retail-Prepaid (Boost, MetroPCS) | 11,800 |
| Headquarters | 4,500 |
| Total | 30,000 |

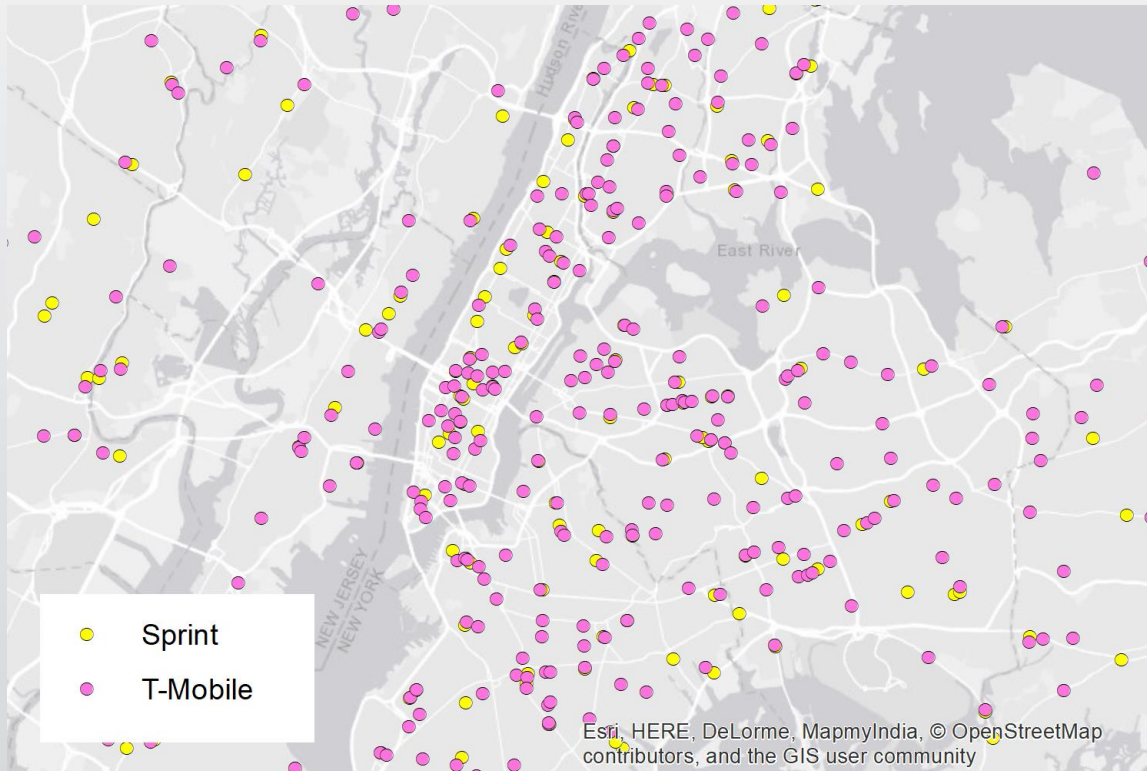
“
**There will be a
rationalization
of jobs in the
first year.**

”
– John Legere
June 2018

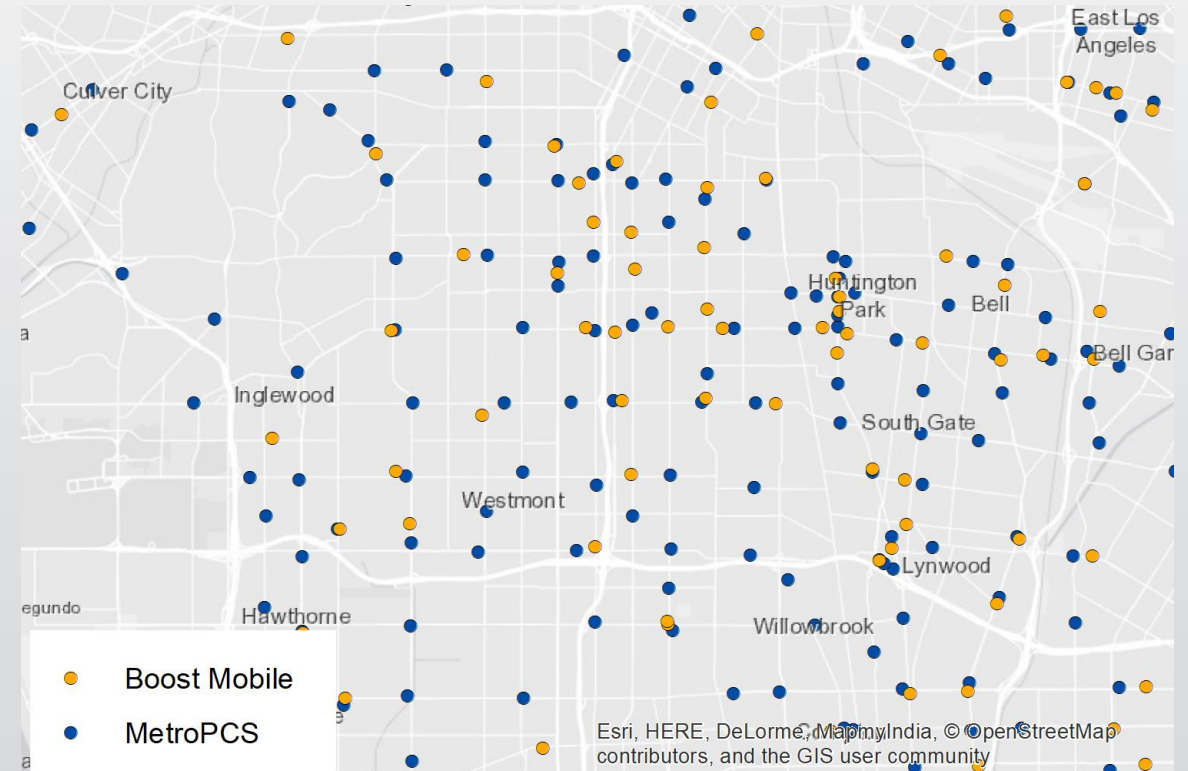
CWA

Retail Footprint Has Significant Overlap

New York City



Los Angeles (South)



3. Labor Market Impacts

THE
Nation.

Does Monopoly Power Explain Workers' Stagnant Wages?

As industries get more concentrated, workers have fewer employment options—and less leverage to get a raise.

By Bryce Covert 

FEBRUARY 15, 2018

The New York Times

Why Is Pay Lagging? Maybe Too Many Mergers in the Heartland

Consolidation is often seen as a consumer problem. But it may also reduce competition for workers, especially outside big cities, holding down wages.

Recent economic literature suggests:

- Labor markets in the U.S. are already highly concentrated.
- Workers are paid lower wages in more concentrated labor markets.
- Collective bargaining substantially reduces the negative effect of labor market concentration on wages.

Labor Market Concentration In Wireless Retail

- Highly concentrated labor market
- 4-3 merger increases wireless employers' power to set wages, absent collective bargaining
- Roosevelt Institute/Economic Policy Institute paper: T-Mobile/Sprint merger impact - \$3,276 (or \$520 under the smallest-magnitude specification) decrease in annual earnings.
- Decrease in earnings of U.S. wireless retail workers by \$543.6 million per year (or \$82.8 million under the smallest-magnitude specification).

4. T-Mobile and Sprint History of Violating Workers' Rights

- **T-Mobile is One of the Worst Labor Law Violators in the Nation:**
 - Found guilty of violating labor law six times since 2015 and subject to 40 Unfair Labor Practice charges since 2011
- Sprint's current and former employees have sued the company multiple times since 2007 for wage and hour violations affecting thousands of retail and call center workers

5. Rural Service Comparable Whether or Not Merger Happens

1. T-Mobile already holds low-band spectrum best suited for long distances in rural America, but not at high speeds
2. Sprint contributes very limited rural infrastructure
3. Sprint's mid-band spectrum, while very useful in urban and suburban areas, has shorter range and is easily obstructed by foliage and terrain

Therefore, for most of rural America, merged T-Mobile/Sprint will be almost the same as T-Mobile

Post Merger:

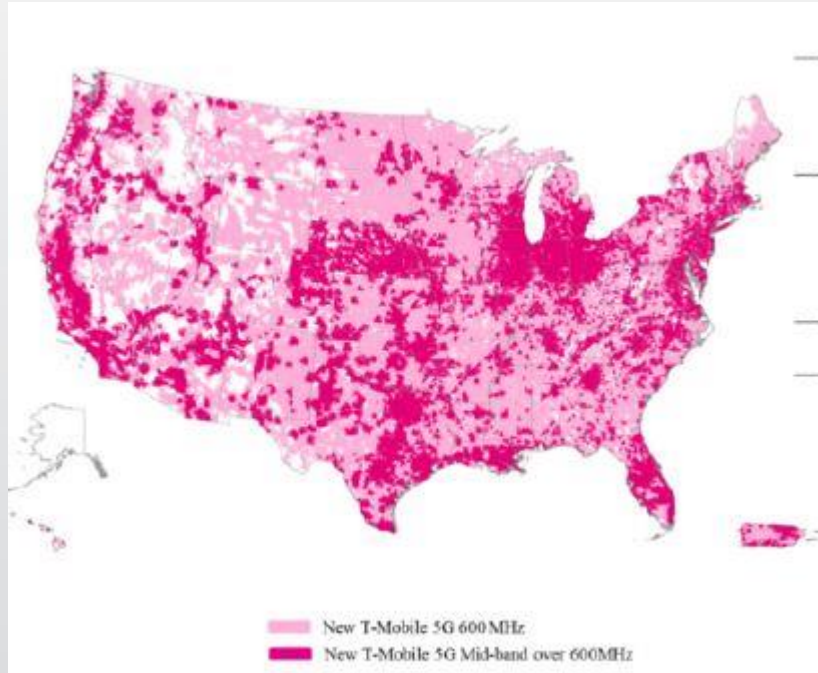
Most Rural Americans Only Have Low Band

| | | T-Mobile | Sprint | New T-Mobile | Conclusion |
|------|--------------------------|-------------------------|--------------------------|---------------------------|---|
| | Spectrum | Covered Pop (millions) | Covered Pop (millions) | Covered Pop (millions) | |
| 2021 | Mid-band (PCS & 2.5 GHz) | 74.6 (77% uncovered) | 174.7 (47% uncovered) | 240.9 (26% uncovered) | 84.6M no high capacity ALMOST ALL RURAL AREAS |
| | Low-band 600/700 MHz | 317.9 (2.9% uncovered) | 0 | 319.6 (2.4% uncovered) | Only 1.7 M additional coverage compared with old T-Mobile |
| 2024 | Mid-band (PCS & 2.5 GHz) | 173.2 (47.2% uncovered) | 194.0 (41% uncovered) | 282.2 (14% uncovered) | 45.9M no high capacity OVER HALF OF RURAL AREAS |
| | Low-band 600/700 MHz | 323.0 (1.4% uncovered) | 0 | 324.1 (1% uncovered) | Only 1M additional coverage compared with old T-Mobile |

Source: T-Mobile/Sprint Public Interest Statement, Table 9, p. 47 (CWA added column labeled “conclusions”).

Post Merger:

Most Rural Americans Only Have Low Band



- New T-Mobile 2024 mid-band service purple
- 45.9 million rural Americans unserved by mid-band
 - 13.5 million of these will receive speeds below 10 Mbps, compared to 500 Mbps in metro areas

Source: T-Mobile/Sprint Public Interest Statement, Figure 10, p. 46

6. Don't Need Merger for 5G

- In February 25, 2019, Sprint announced it will turn on its 5G network in 9 cities (Chicago, Atlanta, Dallas, Kansas City, Houston, Los Angeles, New York City, Phoenix, and Washington) during the first half of 2019.
- October 31, 2018 T-Mobile press release: “T-Mobile is building out 5G in six of the Top 10 markets, including New York and Los Angeles, and hundreds of cities across the U.S. in 2018. The network will be ready for the introduction of the first 5G smartphones in 2019. We plan on the delivery of nationwide 5G network in 2020.”

USA Today, Sprint's 5G network will go live this May in Chicago, Atlanta, Dallas and Kansas City, February 25, 2019, <https://www.usatoday.com/story/tech/2019/02/25/sprint-5-g-network-goes-live-in-may-in-four-cities/2973150002>.

T-Mobile Press Release, “T-Mobile Delivers Its Best Financials Ever and Strong Customer Growth in Q3,” at 5 (Oct. 30, 2018); Transcript, Sprint Corp., Q2 2018 Earnings Call, S&P Global (October 31, 2018).

7. Sprint is Not a Failing Firm

Sprint does not qualify as a failing firm

- Sprint is nowhere near meeting the stringent requirements for a failing firm defense
- Sprint's statements to investors and SEC paint a vastly different picture from the doom-and-gloom in its FCC merger-related filings

Current Financial Results Continue the Positive Trend . . .

Sprint President and CEO Michel Combes [Transcript, Sprint October 31, 2018 earnings call]:

“[W]e reached a major milestone by delivering year-over-year growth in wireless service revenue for the first time in nearly 5 years, and earlier than our commitments, to reach this milestone by the end of the fiscal year. We generated the highest adjusted EBITDA for the second quarter in 12 years, as we continue to execute on our cost reduction initiatives. Meanwhile, we delivered net income for the fourth consecutive quarter and operating income for the 11th consecutive quarter. Furthermore, we delivered positive adjusted free cash flow for the sixth time in the last 7 quarters.”

Sprint President and CEO Michel Combes [Sprint January 31, 2019 news release]:

“We delivered solid financials, increased network investments as we prepare for our mobile 5G launch, and continued the digital transformation of the company.”

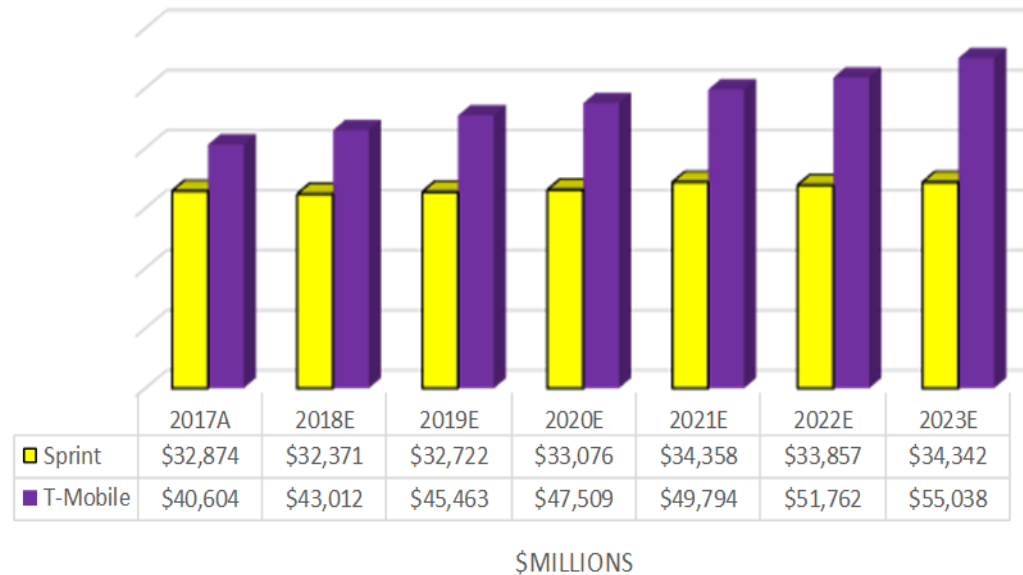
Sprint’s January 31, 2019 news release:

“The company also reported its 12th consecutive quarter of operating income and the highest fiscal third quarter adjusted EBITDA* in 12 years.”

Wall Street Analysts Project Sprint Revenues to be Steady Through 2023

CHART 1

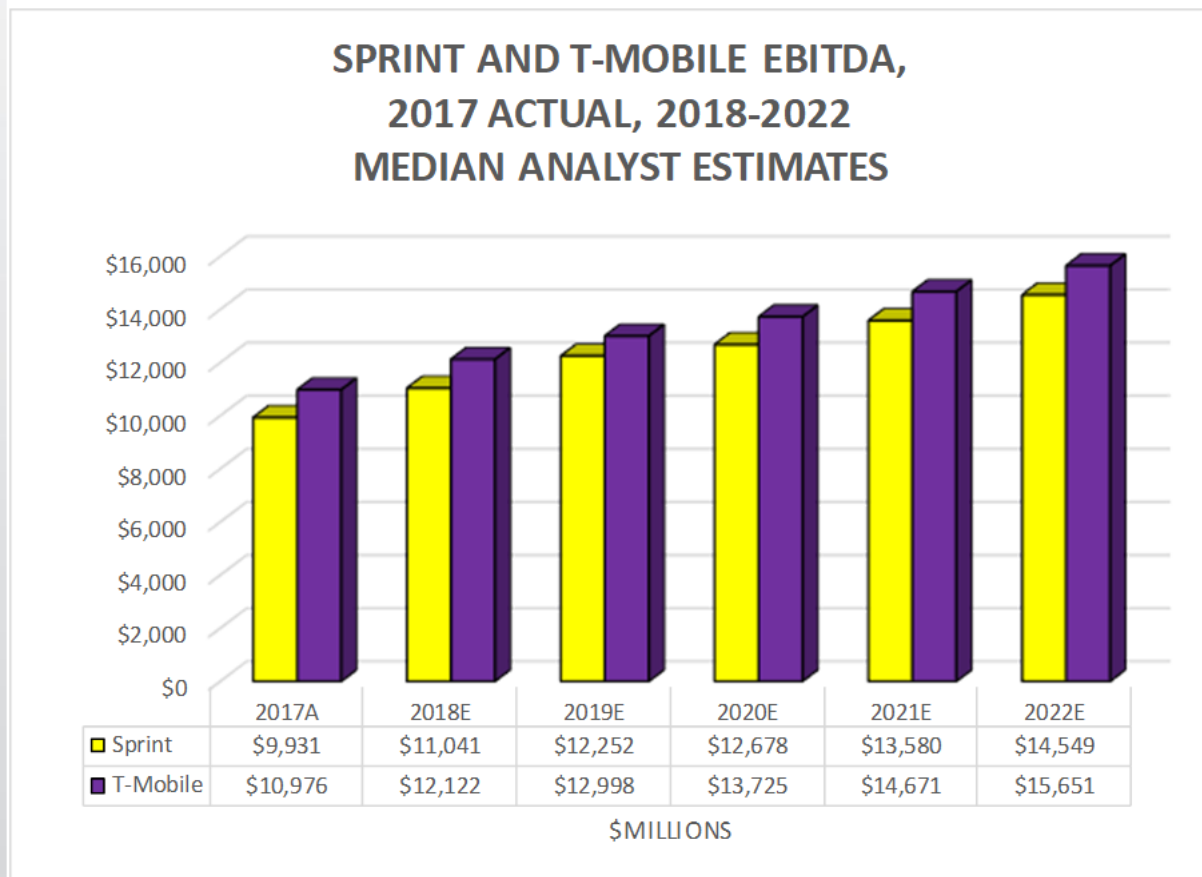
SPRINT AND T-MOBILE TOTAL REVENUES, 2017 ACTUAL, 2018-2023 MEDIAN ANALYST ESTIMATES



Source: S&P Capital IQ, Actuals and Analyst Estimates. Accessed August 14, 2018. Note that Sprint projections include small amounts associated with its Wireline operations

. . . But They Project Sprint's EBITDA to Rise in Step with T-Mobile's

CHART 2



Source: S&P Capital IQ, Actuals and Analyst Estimates. Accessed August 14, 2018. Note that Sprint projections include small amounts associated with its Wireline operations

Conclusions

- The proposed merger of T-Mobile and Sprint is anticompetitive
- The proposed merger is likely to result in retail job losses
- The proposed merger will result in a depression of retail wages
- Rural America would see few, if any, benefits from the proposed transaction
- The parties do not need to merge in order to provide 5G
- The parties' dim view of Sprint's prospects runs counter to Sprint's own current financial performance and its projected future performance under various metrics.