

April 15, 2019

**REDACTED – FOR PUBLIC INSPECTION**

*Via Electronic Filing*  
Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, D.C. 20554

Re: *Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorizations*, WT Docket No. 18-197

Dear Ms. Dortch:

Sprint Corporation (“Sprint”) hereby responds to the filing of Altice USA, Inc. (“Altice”)<sup>1</sup> and the declaration attached thereto of two economists affiliated with the Brattle Group, Michael Cragg and Eliana Garcés, (collectively, “Brattle”).<sup>2</sup>

This filing contains information designated as “Highly Confidential” pursuant to the Protective Order in this proceeding.<sup>3</sup> Accordingly, pursuant to the procedures set forth in the Protective Order, a copy of the Highly Confidential Filing is being provided to the Secretary’s

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<sup>1</sup> *Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorization*, Responses of Altice USA, Inc. to the Federal Communications Commission’s October 4, 2018 Information and Document Request, WT Docket No. 18-197 (Jan. 28, 2019) (“Altice Submission”).

<sup>2</sup> Altice Submission, Declaration of Michael Cragg and Eliana Garcés, Brattle, Exhibit 1 (“Brattle Submission”).

<sup>3</sup> *Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorization*, Protective Order, DA 18-624 (rel. Jun. 15, 2018) (“Protective Order”).

Office. In addition, two copies of the Highly Confidential Filing are being hand delivered to Charles Mathias (in Kathy Harris's stead), Wireless Telecommunications Bureau. A copy of the Redacted Highly Confidential Filing is being filed electronically through the Commission's Electronic Comment Filing System.

## I. INTRODUCTION AND SUMMARY

Altice posits a hypothetical future in which Sprint would take the highly idiosyncratic and geographically-limited Mobile Virtual Network Operator ("MVNO") agreement<sup>4</sup> it has with Altice solely within Altice's regional footprint, strip it of the contractual terms and other provisions that made it more attractive to Sprint, and expand it into a nationwide agreement with an imaginary consortium of cable companies including Charter and Comcast. Altice assumes that this consortium would use this non-existent agreement for access to Sprint's network to acquire [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] new wireless customers by 2023,<sup>5</sup> despite the Sprint network today having only 55 million total connections including postpaid, prepaid, and wholesale and affiliate connections.<sup>6</sup>

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<sup>4</sup> Altice refers to its agreement with Sprint as an "iMVNO" agreement because it includes elements of what Altice characterizes as "core control," access to the Sprint network core.

<sup>5</sup> [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] [END HIGHLY CONFIDENTIAL]

<sup>6</sup> Quarterly Investor Update, Fiscal 3Q18, SPRINT CORPORATION, at 4 (Jan. 31, 2019), [https://s21.q4cdn.com/487940486/files/doc\\_financials/quarterly/2018/Q3/03\\_Fiscal-3Q18-Sprint-Quarterly-Investor-Update-FINAL.pdf](https://s21.q4cdn.com/487940486/files/doc_financials/quarterly/2018/Q3/03_Fiscal-3Q18-Sprint-Quarterly-Investor-Update-FINAL.pdf) ("Sprint Corporation 2018 Q3 Investor Update").

Altice further posits that all of these customers would continue to be able to access the Sprint network on highly favorable terms with no response from Sprint to terminate or otherwise adjust any aspect of the deal. This is despite the fact that, if Altice's postulated scenario came to pass, it would [BEGIN HIGHLY CONFIDENTIAL] ██████████ [END HIGHLY CONFIDENTIAL] the number of customers using Sprint's network. Somehow, despite this enormous additional load on Sprint's network, Altice assumes that Sprint would not lose any retail customers, would not face increased network and other costs, and would be able to maintain its network quality. It is entirely implausible to think that Sprint could experience that impact with no response from Sprint or adverse effect on quality.

Altice's characterization of the state of MVNO competition is similarly inaccurate and implausible. According to Altice, there are no competitively relevant MVNOs<sup>7</sup> in the wireless marketplace today, and Sprint is the only MNO able and willing to facilitate wireless competition from MVNOs and iMVNOs alike.<sup>8</sup> This ignores Charter, Comcast, and TracFone, each of which is competitive today *without* an iMVNO agreement – instead, each has an MVNO agreement with Verizon and has been wary of partnering with Sprint due to concerns about network quality.

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*See also Philip Cusick and Richard Choe, IQ Wireless Preview: Lower Phone Net Adds on Lower Incumbent Gains and Greater Cable Share, J.P. MORGAN, Apr. 8, 2019 (“J.P. Morgan Market Report”)* (showing that while the cable companies are expected to get an impressive 40% of the industry postpaid net customer additions in 2019, that only amounts to an estimated 1.87 million net customer additions in 2019).

<sup>7</sup> See Brattle Submission at 22 (“iMVNOs are also uniquely situated to compete with some MNOs' bundled offerings”).

<sup>8</sup> See Brattle Submission at 31. Although Brattle assumes that New T-Mobile would offer an iMVNO, it assumes that New T-Mobile would do so at a substantially higher price than Sprint would offer. See Brattle Submission, Appx. I at 73-74.

In sum, the core premises of Altice’s submissions rest on fiction.

- Altice says that Sprint is at the center of MVNO competition today. But in fact the largest MVNOs in the wireless marketplace are too wary of Sprint’s network quality to partner with Sprint. Sprint is a relatively insignificant supplier of wholesale services (Sprint currently serves only [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] of the retail customers who subscribe to MVNOs),<sup>9</sup> was rejected as a wholesale provider in favor of Verizon by other cable companies seeking to enter the wireless business, and was seen as an attractive provider to Altice solely because of terms made possible by a highly idiosyncratic barter transaction;
- Altice says that only iMVNOs – and not traditional MVNOs – can compete in the wireless marketplace. But in fact existing MVNOs, including cable companies, have more wireless customers than does Sprint<sup>10</sup> and having the attributes of “core control” that Altice says makes it an iMVNO does not provide any significant competitive advantage over being an MVNO; and
- Altice claims that Sprint would offer the terms of its existing agreement to other cable companies, and would do so without any of the significant limitations Sprint negotiated for in that agreement. But in fact Sprint’s agreement with Altice included important limitations on Altice’s ability [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

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<sup>9</sup> SPR-FCC-01341514 at SPR-FCC-01341520.

<sup>10</sup> Brattle Submission at 10.



partners, especially Charter and Comcast, have largely rejected Sprint as a provider of wholesale services. The reason for that rejection – the perceived lack of quality of Sprint’s network, especially the lack of coverage<sup>14</sup> – is likely to persist in the future. Just as Sprint has trouble attracting and keeping retail customers today due to poor network coverage and related reliability concerns, any MVNO on the Sprint network would face the same network shortcomings. Like Sprint, such MVNOs would struggle to attract and retain customers.

These facts are why Sprint is not a strong retail or wholesale player today, let alone a unique enabler of MVNO competition. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED] [END HIGHLY

CONFIDENTIAL] In contrast to the fictitious competitive landscape Altice describes, Sprint is painfully aware of its limited share of the wholesale segment and the negative feedback it has received from potential MVNO partners.

**A. The Cable Companies Already Offering Wireless Products Do Not See Sprint as a Viable MVNO Partner**

Sprint’s negotiations with Charter and Comcast reflect Sprint’s weakness as a wholesale provider. The simple fact is that Charter and Comcast were too skeptical about the Sprint network to commit to a reasonable MVNO deal with Sprint.

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<sup>14</sup> Altice’s own submission emphasizes the importance of *coverage* in addition to capacity to an MVNO, especially a cable MVNO. “Additionally, as the Commission is aware, a new facilities-based wireless network requires both coverage and capacity. [ . . . ] Without both coverage and capacity, however, a mobile wireless network cannot be competitive.” Altice Submission at 4.

<sup>15</sup> See SPR-FCC-01341514 at SPR-FCC-01341515.

From June through the fall of 2017, Sprint pursued negotiations with Charter and Comcast – [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL] Charter and Comcast [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL].<sup>17</sup> These discussions occurred against the backdrop of Charter and Comcast’s pre-existing *and perpetual* MVNO agreements with Verizon that have allowed the two companies to launch successful wireless products, leveraging their existing asset infrastructure (including WiFi and backhaul) with the backbone of a Verizon wireless network providing the best nationwide coverage of any MNO. Sprint understood that [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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<sup>16</sup> See SPR-FCC-13882225; and SPR-FCC-10466701.

<sup>17</sup> See SPR-FCC-06735306.

<sup>18</sup> See SPR-FCC-10466701; and SPR-FCC-05524103.

<sup>19</sup> Scott Kalinoski, Sprint’s Vice President of Wholesale, characterized the Charter and Comcast negotiations saying, [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED] [END HIGHLY CONFIDENTIAL]  
SPR-FCC-13292994.

<sup>20</sup> See SPR-FCC-05524103 (detailing negotiations in which [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL])

<sup>21</sup> By contrast, Charter and Comcast heap praise on their existing MVNO agreements with Verizon precisely because of Verizon’s network quality, stating: “We love the fact that it’s the Verizon network, it’s a fantastic network.” Edited Transcript of CMCSA - Comcast Corp at UBS Global Media and Communications Conference, THOMSON REUTERS, at 10 (Dec. 4, 2018), <https://www.cmcsa.com/static-files/896aa495-dadd-4a6e-80c8-a632abc2cd1b> (“Comcast - UBS Investor Brokers Conference Transcript”); “As you know, we have a Verizon MVNO. Verizon has been a terrific partner, and we have the best wireless network. So you’re getting a great product.” Edited Transcript of CMCSA - Comcast Corp at Goldman Sachs Communacopia Conference, THOMSON REUTERS, at 6 (Sept. 12, 2018), <https://www.cmcsa.com/static-files/7afa2df4-6053-4d40-9ef4-10c5629062df> (“Comcast Communacopia Conference Transcript”); “And we think that we have an attractive MVNO on what we think is the nation’s best network. We think that MVNO works for Verizon as well. We think it’s going to be accretive for them and something that they’ll like as well.” Edited Transcript of CHTR - Charter Communications, Inc. at Deutsche Bank 26th Annual Leveraged Financial Conference, S&P GLOBAL, at 7 (Oct. 2, 2018) (“Charter - Deutsche Bank Conference Transcript”); and “We like the MVNO that we have with Verizon. They’ve been a good partner. It frankly is the very best partner to have around this because in terms of macro cell tower coverage, they’re certainly leading the pack, and it looks like they’ll continue to be that way.” Edited Transcript of CHTR - Charter Communications, Inc. at Morgan Stanley Technology, Media Telecom Conference, S&P GLOBAL, at 11 (Feb. 27, 2018) (“Charter Morgan Stanley Conference Transcript”).

<sup>22</sup> SPR-FCC-04023722 at SPR-FCC-04023723.

[REDACTED]

[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL]

From Sprint's perspective, neither in 2018 nor today would any deal with Charter or Comcast make economic sense for Sprint without some sort of volume commitment from them.

[BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL] Altice

now assumes away this negotiation history and concludes that Sprint, Charter, and Comcast would reach an agreement. The reality is that Sprint's network shortcomings make any such agreement implausible.<sup>25</sup>

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<sup>23</sup> SPR-FCC-08783138 at SPR-FCC-08783139.

<sup>24</sup> SPR-FCC-10466701.

<sup>25</sup> [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[END HIGHLY CONFIDENTIAL] See SPR-FCC-06735306.

**B. Other MVNOs Agree That Sprint Is an Unattractive MVNO Partner**

Sprint’s experience with Charter and Comcast is typical of its experience with the major non-cable MVNOs. For example, TracFone, the most significant player in the MVNO space,<sup>26</sup> with 21.7 million retail customers<sup>27</sup> (more than twice the number of Sprint prepaid connections<sup>28</sup>) puts so little traffic on its MVNO agreement with Sprint that Sprint reports that it has [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] of TracFone’s total traffic.<sup>29</sup> The reason for this is simple—TracFone has concerns about the quality of the Sprint network.

TracFone supports the combination of Sprint and T-Mobile US, Inc. (“T-Mobile”) because it will produce three strong networks to choose from, instead of two today: Verizon and AT&T. TracFone’s statement in support of the transaction details that current MNO partners are “not equivalent alternatives in all markets. In rural areas, T-Mobile and Sprint historically have not offered sufficient coverage and/or speeds in these geographic pockets of the United States.

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<sup>26</sup> *In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions with Respect to Mobile Wireless, Including Commercial Mobile Services*, Twentieth Report, 32 FCC Rcd 8968, ¶53 (Sept. 27, 2017) (“FCC Twentieth Wireless Competition Report”) (“TracFone, the largest MVNO reseller...”).

<sup>27</sup> América Móvil Fourth Quarter of 2018 Financial and Operating Report, AMÉRICA MÓVIL, at 4 (Feb. 12, 2019) (“América Móvil 2018 Q4 Report”).

<sup>28</sup> Sprint Corporation 2018 Q3 Investor Update at 4.

<sup>29</sup> SPR-FCC-01341514 at SPR-FCC-01341520.

Comparatively, AT&T and Verizon have been the primary suppliers for these wholesale market agreements.”<sup>30</sup>

Even Brattle acknowledges that Sprint has network problems, stating “both Sprint and T-Mobile are in need of densification. Sprint suffered from an infrastructure gap that resulted in relatively low coverage and network density.”<sup>31</sup> As Sprint and T-Mobile have previously submitted, Sprint has faced network challenges that will worsen without the merger as Sprint is left behind in the race to 5G.<sup>32</sup> Those challenges make it difficult for Sprint to obtain and maintain retail customers, let alone wholesale customers with more sophisticated bases for assessing network quality and greater bargaining power. Far from being a uniquely viable option for cable companies and other potential MVNOs hoping to launch a competitive network, history shows that standalone Sprint has faltered in its attempts to attract MVNOs because of the quality of its network.

Sprint has and will continue to struggle as a competitor for wholesale customers for many of the same reasons that it struggles to acquire and retain retail customers. The idea that Altice and the cable company consortium would be able to attract an additional **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED] **[END HIGHLY CONFIDENTIAL]** customers to rely on the

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<sup>30</sup> *Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorization*, TracFone Wireless, Inc. Comments, WT Docket No. 18-197, at 3 (Sept. 13, 2018).

<sup>31</sup> Brattle Submission at 35.

<sup>32</sup> *Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of the Licenses and Authorizations*, WT Docket No. 18-197, Description of Transaction, Public Interest Statement, and Related Demonstrations, at 66–67, 96 (June 18, 2018) (“Public Interest Statement”).

Sprint network, with its coverage challenges and limited footprint, especially in more rural areas where Altice’s WiFi network cannot help, is implausible.<sup>33</sup>

**C. The Idiosyncratic Sprint-Altice MVNO Deal Is Not Replicable and Includes Important Limitations on Altice’s Activities**

Altice overstates the importance of Sprint as a wholesale competitor based largely, it appears, on the fact that Altice itself entered into a wholesale agreement with Sprint. In trying to use that agreement as the basis for its predictions on the future state of wholesale competition, Altice ignores the important limitations that were a central feature of its wholesale agreement with Sprint. Altice assumes without support that the sort of agreement that Sprint has with Altice would be replicated with other MVNOs, especially cable MVNOs, industry wide – but without the same contractual limitations.

Sprint’s agreement with Altice includes [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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<sup>33</sup> See SPR-FCC-13487710 at SPR-FCC-13487713.

<sup>34</sup> See SPR-FCC-01354180 at SPR-FCC-01354182 (“[BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL]).

[REDACTED] [END

**HIGHLY CONFIDENTIAL]**

*“Barter” Network Asset Agreement:* With Sprint’s network in need of drastic improvement, Sprint was willing to enter into a mutually beneficial MVNO agreement with Altice in which each company would marshal its resources to benefit the other. Altice agreed to deploy Sprint’s “airstrand” small cells on Altice’s aerial cable wires and to provide network backhaul.<sup>35</sup> In return, Sprint agreed to [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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<sup>35</sup> See SPR-FCC-12484401.

<sup>36</sup> See SPR-FCC-12484407 at SPR-FCC-12484430.

<sup>37</sup> See SPR-FCC-01962331 at SPR-FCC-01962332 ([BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL]).

<sup>38</sup> See SBG-000179540; and SPR-FCC-07027313 at SPR-FCC-07027316 ([BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [REDACTED] [END HIGHLY CONFIDENTIAL]).



[REDACTED]

[REDACTED] **[END HIGHLY CONFIDENTIAL]**

*Price:* In negotiations, Sprint sought to ensure it would be compensated for the incremental MVNO customers using Sprint’s network, some of whom would be former retail customers of Sprint’s. **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[END HIGHLY CONFIDENTIAL]**

*Geographic Limitation:* Although Altice asserts that, “[a]bsent the merger, Altice is poised to be a powerful mobile wireless competitor within its service areas and potentially outside of them,”<sup>46</sup> in fact **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED]

[REDACTED]

[REDACTED] **[END HIGHLY CONFIDENTIAL]** homes in several small and isolated geographic clusters.<sup>47</sup> In the time since that agreement was negotiated, seeking an opportunity

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<sup>43</sup> See SPR-FCC-13443199.

<sup>44</sup> See SPR-FCC-06735306 at SPR-FCC-06735309–310.

<sup>45</sup> SPR-FCC-12484407 at SPR-FCC-12484432.

<sup>46</sup> Brattle Submission at 7.

<sup>47</sup> SPR-FCC-01354180 at SPR-FCC-01354181. **[BEGIN HIGHLY CONFIDENTIAL]**

[REDACTED]



Sprint and incorrectly assumes that the deal would be replicated to form a nationwide “iMVNO” footprint. But the truth is to the contrary. First, Sprint’s negotiations with Charter and Comcast show that these limitations are important to Sprint. The fact that Altice needs to resort to the regulatory process in an attempt to impose such contract terms on the parties underscores the meaningfulness of the limitations Sprint insists upon. Second, Sprint’s history of negotiations with Charter and Comcast shows that the agreement Sprint has with Altice would not be replicated in a world without the proposed transaction with T-Mobile. Negotiations with Charter and Comcast failed because those cable companies preferred the quality of Verizon’s network over Sprint’s. The iMVNO future Altice describes is a fantasy that cannot be squared with the facts.

### **III. THERE IS WHOLESALE COMPETITION TODAY AND THERE WILL BE EVEN MORE WHOLESALE COMPETITION AS A RESULT OF THIS MERGER**

Altice’s assertion that iMVNOs will provide a unique competitive constraint<sup>53</sup> lacks a sound foundation. In fact, MVNOs, including cable MVNOs, compete successfully without the “iMVNO” features that Altice claims are necessary.

#### **A. The “Core Control” Attributes of Altice’s So-Called iMVNO Agreement Are Not Necessary for Effective MVNO Competition**

The “core control” that Sprint agreed to give Altice in its so-called iMVNO agreement is not a necessary ingredient to the ability of cable companies with MVNO agreements to harness their own network assets in order to provide effective wireless competition. Altice asserts that exercising core control allows it to compete “on price, product value, quality, and product

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<sup>53</sup> Brattle Submission at 22.

innovation,”<sup>54</sup> but does not explain why a lack of such control would limit that competition. For its part, Brattle’s modeling relies on this unsupported assertion that iMVNOs are superior to conclude that cable companies with an iMVNO agreement would be able to attract *three times as many customers* as a cable company without one, again with no support.<sup>55</sup> Brattle and Altice do not justify these assumptions because they cannot; core control is not at all necessary for a cable company to efficiently and cost-effectively harness its own WiFi and other network assets to compete effectively.

The principal attribute associated with an MVNO’s core control is the ability to manage the “customer identity” or SIM card. That allows the MVNO to more easily move a customer to a different MNO if the MVNO enters into a new wholesale agreement. While this attribute may be desirable – especially for an MVNO like Altice that may well have been worried that Sprint’s network would perform poorly – it is not required in order to enable Altice (or any other cable company) to move traffic between its MVNO and its own network assets, contrary to Altice’s assertions.

Altice states that under its Sprint iMVNO agreement it will be able to “manage the costs of its mobile service more effectively than a ‘light’ or ‘white label’ MVNO by using its own infrastructure for backhaul, routing traffic and offloading traffic from the RAN of its MNO partners onto its own WiFi network”<sup>56</sup> However, that functionality does not flow from the core control attributes of the Sprint agreement: stated simply, offloading of wireless traffic onto WiFi

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<sup>54</sup> Altice Submission at 3.

<sup>55</sup> Brattle Submission at 72.

<sup>56</sup> Altice Submission at 3.

does not require core control. Today, every smart phone user moves between WiFi and her wireless provider's network automatically.<sup>57</sup> That transition is controlled by the settings on the phone itself, both OEM default settings and user choices (like selecting airplane mode), not the network core. If Altice or another cable company wants to drive more traffic to its less expensive WiFi network, it must negotiate with OEMs to change device settings or it must build more extensive WiFi or other networks, but in either case it is free to do these things regardless of the degree of core control or any other MVNO term it has negotiated.

Moreover, contrary to the impression Altice tries to create, core control does not enable a seamless integration (*i.e.*, session continuity) between a cable company's MVNO network access and another cellular carrier's network elements that it might choose to negotiate access to (such as Altice's roaming agreement with [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] necessary to augment the limited coverage offered by Sprint's network) or potential cellular network investments Altice might make on its own. That kind of integration would require access to the MNO's mobility management experience ("MME"), which [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL] Absent MME access, an MVNO using Sprint's network would have the same kind of experience transitioning to the iMVNO's network elements as a Sprint customer has today when transitioning to a roaming agreement: the customer must break its connection with the Sprint network before reestablishing a connection

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<sup>57</sup> In fact, even without core control, the vast majority of phone usage is over WiFi rather than a cellular network. Charter - Deutsche Bank Conference Transcript at 7.

with the other network. Without MME access any MVNO – with or without “core control” – would be unable to provide its customers with seamless handoffs between its MVNO partner’s network and its own cellular network elements (or those of another MNO pursuant to a roaming arrangement).

**B. MVNOs Today Are Competitive Without Core Assets or iMVNOs**

The MVNOs currently in operation show that core control is not needed for competition. Today, fully 12.0% of wireless customers are served by MVNOs, a percentage greater than Sprint’s own retail subscribers.<sup>58</sup> TracFone, the American subsidiary of American Móvil, is the largest MVNO in the United States and a major prepaid player,<sup>59</sup> even though it does not have any of its own network facilities in the United States. TracFone continually touts its success and competitive significance:

- “[I]n the case of our Straight Talk, which is the main brand of the company, we have introduced recently a new \$50 plan that has unlimited voice, unlimited data, unlimited SMS, and it has had a tremendous acceptance. So, I think again it’s our main brand and we have good expectations that it’s continued to do well, this is the brand we sold exclusively through Walmart.”<sup>60</sup>

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<sup>58</sup> Brattle Submission at 10.

<sup>59</sup> FCC Twentieth Wireless Competition Report at 9, 38.

<sup>60</sup> Transcript of América Móvil Q4 2018 Earnings Call, BLOOMBERG, at 11-12 (Feb. 13, 2019), [https://s22.q4cdn.com/604986553/files/doc\\_financials/quarterly/2018/q4/Transcript-4Q18.pdf](https://s22.q4cdn.com/604986553/files/doc_financials/quarterly/2018/q4/Transcript-4Q18.pdf).

- As of Q4 2018, TracFone had 21,688,000 customers, with its flagship Straight Talk brand increasing 5% year-over-year, ending Q4 2018 with 9,176,000 customers.<sup>61</sup>
- “TracFone in the U.S. posting a 7.3% rise [in revenue growth] as our Straight Talk plan continued to gain traction.”<sup>62</sup>
- “As I mentioned at the beginning, our posting the U.S. growth is close to 11% and that’s basically a reflection of what I maybe saying. We have been gaining a lot of new Straight Talk clients that are very high ARPU clients.”<sup>63</sup>
- “In this quarter our EBITDA is even a little bit higher than what we saw last year’s quarter in TracFone. So, all overall, I think this year -- totally this year TracFone is going to grow much more than what we have been growing last year.”<sup>64</sup>
- “Best performance in six quarters in Tracfone’s service revenues.”<sup>65</sup>

### **C. Charter and Comcast Are Competitive Today Without an iMVNO Agreement**

Ever since Comcast entered the wireless market, it has been attracting a significant share of customers, and Charter has since followed its lead.<sup>66</sup> A recent J.P. Morgan market report projected that the cable companies, Charter and Comcast, will win 40% of industry postpaid

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<sup>61</sup> América Móvil 2018 Q4 Report at 20.

<sup>62</sup> Transcript of América Móvil Q1 2018 Earnings Call, BLOOMBERG, at 2 (Mar. 25, 2018), [https://s22.q4cdn.com/604986553/files/doc\\_financials/quarterly/2018/transcript-1q18\\_0.pdf](https://s22.q4cdn.com/604986553/files/doc_financials/quarterly/2018/transcript-1q18_0.pdf).

<sup>63</sup> Transcript of América Móvil Q3 2018 Earnings Call, BLOOMBERG, at 8 (Oct. 17, 2018), [https://s22.q4cdn.com/604986553/files/doc\\_financials/quarterly/2018/Q3-2018-Transcript.pdf](https://s22.q4cdn.com/604986553/files/doc_financials/quarterly/2018/Q3-2018-Transcript.pdf).

<sup>64</sup> *Id.* at 13.

<sup>65</sup> América Móvil 2018 Q4 Report at 5.

<sup>66</sup> *See* SPR-FCC-08607185 at SPR-FCC-08607189, SPR-FCC-08607213; and SPR-FCC-13044392 at SPR-FCC-13044393.

customer additions in 2019.<sup>67</sup> Like TracFone, Charter and Comcast continually praise their ongoing competitive successes:

- Comcast Chairman and CEO Brian Roberts characterized its competitive impact stating, “I think it’s a pretty great achievement from a standing start in a – with many established – a few established companies, AT&T, T-Mobile, Verizon, to come in and get 800,000 customers this quickly. I think we’re a meaningful competitor.”<sup>68</sup>
- “[Comcast is] very consistent on this point that we’re going to achieve positive standalone wireless economics at scale and that we’re also going to look to attract even more broadband customers and more opportunities to expand the relationship through mobile.”<sup>69</sup>
- Comcast attributed success to the fact that “we do control a lot of things, we control the packaging and pricing, we control the branding, we control the customer experience.”<sup>70</sup>
- Charter explained “the vast majority of the data traffic that occurs today, about 80% of it occurs over our network today anyway because it’s offloaded onto WiFi. So what you’re really talking about is, how much of the 20% that we’re going to be leasing can you incrementally offload to improve your OpEx over time. So I think there will be opportunities for us to do that, both through the unlicensed and licensed, and WiFi

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<sup>67</sup> See J.P. Morgan Market Report.

<sup>68</sup> Comcast Communcacopia Conference Transcript at 9.

<sup>69</sup> Edited Transcript of CMCSA - Q3 2018 Comcast Corp Earnings Call, THOMSON REUTERS, at 8 (Oct. 25, 2018), <https://www.cmcsa.com/static-files/1da36911-f361-446b-941e-e104db45ba72>.

<sup>70</sup> Comcast - UBS Investor Brokers Conference Transcript at 7.

continues to have significant improvements in terms of its propagation as well as its capacity.”<sup>71</sup>

Charter and Comcast show that there are mechanisms short of an iMVNO that allow for a competitively effective integration of the cable company’s network elements with a wireless network provided by others and MNOs besides Sprint to supply wireless network access. While Charter and Comcast identify limitations to their agreements with Verizon, they still prefer to use Verizon for their MVNO traffic rather than partner with Sprint and its limitations.<sup>72</sup>

Further, Altice acknowledges that, even without elements of core control, cable companies have advantages over other MVNOs: “fixed infrastructure gives cable companies a significant advantage over other new wireless entrants.” These cable companies are enormous, diversified companies, and they are entering this market to be competitive.

**D. New T-Mobile’s Increased Network Capacity Will Mean Greater Incentives to Sell Network Capacity at Wholesale**

Capacity is the number one driver of MNO incentives to sell to MVNOs. Increasing capacity at lower costs than could otherwise be achieved is also a motivation for this transaction.

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<sup>71</sup> Edited Transcript of CHTR - Charter Communications, Inc. at BOA Merrill Lynch 2018 Media, Comms. Entertainment Conference S&P GLOBAL, at 11 (Sept. 6, 2018). *See also* Charter Morgan Stanley Conference Transcript.

<sup>72</sup> *Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorization*, Responses of Comcast Corporation to the Commission’s October 3, 2018 Information and Document Request, WT Docket No. 18-197 (Oct. 22, 2018); and *Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorization*, Charter Communications, Inc. Response to Information Request, WT Docket No. 18-197 (Oct. 19, 2018).

Sprint and T-Mobile have established that New T-Mobile will be looking for opportunities like MVNOs to monetize that capacity.<sup>73</sup>

As previously explained in the Public Interest Statement, “[c]ombining the two companies’ assets will boost average throughput, make greater capacity available, and increase the reliability and depth of coverage everywhere – providing benefits to consumers that would not arise but for the merger. Aggregating the two companies’ spectrum and site portfolios will dramatically increase capacity, reduce costs, and decrease the need to split existing spectrum between LTE and 5G. This approach will improve the subscriber experience by creating more spectrum dedicated solely to 5G, while keeping significant spectrum to maintain LTE quality of service. Also, for both the LTE and 5G networks, the combination of fewer sites per subscriber to support the same traffic and subscriber base will cost-effectively support an increase in subscriber density per site, resulting in lower operating expenses.”<sup>74</sup>

Brattle states that “MNOs will only provide wholesale access to MVNOs of any sort that do not threaten their core business in a manner that decreases their overall profitability.”<sup>75</sup> However, it is only logical for New T-Mobile to be more likely to enter such an agreement than Sprint or T-Mobile today due to the lower costs that come with increased capacity and the desire to monetize that additional capacity. Altice argues that New T-Mobile would have increased disincentives arising from potential cannibalization over a larger customer base, but New T-Mobile would be losing those customers to a cable MVNO either way. It is in New T-Mobile’s

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<sup>73</sup> Public Interest Statement at 2, 124.

<sup>74</sup> Public Interest Statement at 41–42.

<sup>75</sup> Brattle Submission at 41.

interest to allow that cable MVNO to operate on the New T-Mobile network, generating revenue for New T-Mobile, rather than on the Verizon network, where it would instead win customers from New T-Mobile.

Looking forward in a world without the transaction, there would not be any real competition provided by either Sprint or T-Mobile to serve MVNOs (or iMVNOs) like the large cable companies and TracFone. Sprint lacks the network quality (especially coverage) to be an effective enabler of MVNOs and T-Mobile lacks the available capacity. Accordingly, rather than diminishing competition, the transaction will increase it by giving New T-Mobile both the network capabilities and capacity to be a motivated and effective MVNO competitor.

\* \* \*

This transaction will not decrease the competitiveness of MVNOs or competition among MNOs to provide MVNO agreements. Altice sees its agreement with Sprint, ignores the limitations, and imagines it applied to all cable MVNOs, even when those cable companies have expressed significant skepticism about the Sprint network. Altice claims that core control is necessary for competition because it is a feature Altice desired, exaggerating its competitive significance and ignoring vibrant competition without it. Altice's challenge to this transaction is motivated not by a concern for competition, but from an attempt to get more than it bargained for with Sprint. This transaction is pro-competitive, especially with regard to MVNOs.

Should you have any questions, please contact the undersigned.

Respectfully Submitted,

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**CERTIFICATION**

I, Scott Kalinoski, state that I am the Vice President of Wholesale at Sprint Corporation (“Company”); that I am authorized to make this Certification on its behalf. I have read the foregoing, and the statements in the foregoing Section III.A. with respect to the Company are true and correct to the best of my knowledge, information, and belief.

*Scott Kalinoski*

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Scott Kalinoski  
Vice President of Wholesale  
Sprint Corporation

REDACTED - FOR PUBLIC INSPECTION