September 17, 2018

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

RE: Applications of T-Mobile US, Inc. and Sprint Corporation
    WT Docket No. 18-197

Dear Ms. Dortch,

Consistent with section 1.1206 of the Commission’s rules, 47 C.F.R. Section 1.1206, William L. Walton-Rappahannock Ventures LLC submits the attached material in support of the proposed transfer of control of Sprint Corporation to T-Mobile US, Inc.

An Op-Ed by me in Real Clear Markets is attached which describes how two of the big four companies in an industry can merge and actually spur competition, expansion and lower prices for consumers. The Sprint/T-Mobile merger is good for America.

Please feel free to contact me with any questions.

Sincerely,

William L. Walton
Rappahannock Ventures LLC

Attachment

cc: (via email)
    Chairman Ajit Pai
    Commissioner Michael O’Rielly
    Commissioner Brendan Carr
    Commissioner Jessica Rosenworcel
The Sprint/T-Mobile Merger Will Boost the U.S. Economy
By Bill Walton
June 26, 2018
Real Clear Markets

Could two of the big four companies in an industry merge and actually spur competition, expansion and lower prices for consumers?

That’s what Sprint and T-Mobile say they hope will happen if they can receive approval to merge, and they could well be right.

They face a tough challenge. The Herfindahl-Hirschman index measures market concentration on a 1-10,000 scale—the industry with one company would receive a score of 10,000; one with thousands of competitors would be close to zero.

The Justice Department considers any industry with a score on this measure of 1,800 or better to be highly concentrated—a few big players who don’t undercut each other much to the detriment of consumers. The score for the wireless industry is almost 3,000.

But, as Luke Lango pointed out at Yahoo! Finance, AT&T and Verizon “have such dominant share in this market anyways that it should be considered a duopoly. Adding a third big player into the mix could actually add competition. Moreover, competition in this market, particularly on pricing, is notoriously ruthless. A merger between Sprint and T-Mobile won’t end decades of ruthless competition.”

In addition, America is on the verge of a 5G revolution—newer, faster networks with far more capabilities—and, as David Lazarus of the Los Angeles Times wrote, “... a wireless landscape
shaped by superfast 5G services will require size and very deep pockets, and a merged T-Mobile-Sprint arguably would be in better shape to stand up to AT&T and Verizon."

Experts say as many as 60 million Americans won’t be able to make the jump to 5G because they are not served by networks that support it. T-Mobile pledges not only to take 5G into rural areas, but to bring real choice in broadband access to areas that never have had it.

This is a key point in the net neutrality debate as proponents of regulation say Internet service providers could cut off access to websites, throttle traffic to others, and otherwise control what their users see without recourse because they do not have any choice in where they buy their broadband.

This is an unusual merger in other ways.

Under the new deal, Sprint would be absorbed into T-Mobile, which the companies say will net $43 billion in cost synergies through economies of scale. But it won’t come from collapsing the workforces.

T-Mobile pledged to “always have more U.S. employees on payroll than the prior standalone companies do now. Those new workers will help build cell towers as part of the company’s $40 billion plan to build a nationwide 5G network in three years and open hundreds of stores to provide smaller communities, which are dramatically underserved now, with 5G capability.

It points to MetroPCS, which has three times as many employees now as it did when T-Mobile acquired it in 2013.

“This is a job-creating transaction,” T-Mobile said of the Sprint acquisition.
Rather, the efficiencies will come from the networks themselves. Sprint and T-Mobile say they have complimentary spectrum assets, which means they will be able to rapidly deploy 5G across low, mid and mmWave spectrum bands, an essential factor in providing the speeds and capacity 5G affords.

T-Mobile executives point out they brought LTE technology to market twice as fast as Verizon and three times as fast as AT&T.

Both Sprint and T-Mobile got where they are in the wireless market by selling to customers on the bottom of the income scale. T-Mobile is the most popular brand among customers who make less than $75,000 per year, and Boost, Sprint’s pre-paid brand, gets 83 percent of its customers in that income range.

Between them, T-Mobile (38 percent) and Sprint (16 percent) will control more than half the pre-paid market. That’s a lot of market share, but it’s not so much that AT&T or Verizon could not get more involved if T-Mobile raises prices too much.

We’ve all seen the cell-phone commercials over the years as they flash the maps that show their near-total coverage of the United States. The non-shaded areas have not changed much in the last few years, to the consternation of policymakers and those who would like to open businesses in those areas as well.

Perhaps if this merger is approved, we’ll start to see some of those areas colored in like the rest of the country.

Bill Walton is Chairman of CNP Action, Inc. the 501(c)(4) sister organization of the Council for National Policy. CNP Action, Inc. advocates for conservative principles such as limited
government, free economic enterprise and a strong national defense. He also served as former Trump Transition Team Senior Economic Policy Advisor.