September 17, 2018

Marlene Dortch

Office of the Secretary

Federal Communications Commission

445 12th Street, SW

Washington, DC 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:

Pursuant to the Commission’s Public Notice released in the docket captioned above,[[1]](#footnote-1) the Ad Hoc Telecom Users Committee (“Ad Hoc” or “the Committee”) files this opposition to petitions opposing the proposed merger between Sprint and T-Mobile.

Based on its review and analysis of the proposed merger and current competitive conditions in the enterprise wireless market, Ad Hoc has concluded that the merger would likely improve competitive conditions in the market while the potential benefits from the merger would outweigh any potential costs.

The members of the Ad Hoc Telecommunications Users Committee are business end users with substantial expenditures on communications products, including both wireless and wireline services. Committee members represent a broad cross-section of industries in the national economy, including banking, construction, energy, financial services, insurance, information services, logistics, manufacturing, and payment processing – and they maintain tens of thousands of business premises in every region of the country. As substantial, geographically-diverse end users of network and IT services nationwide, Ad Hoc members are uniquely qualified to provide a credible, unbiased, and informed perspective regarding the impact of Commission proceedings on customers in the communications marketplace.

Because Ad Hoc admits no wireline or wireless service providers as members and accepts no funding from them, Ad Hoc’s positions are not influenced by any commercial self-interest that would support unnecessary regulatory constraints on competing service providers.

Since its formation nearly forty years ago, Ad Hoc has consistently advocated for regulatory outcomes that would eliminate impediments to the development of robust competition in communications markets, because the Committee’s members -- as high-volume consumers of communications products – have historically been among the first beneficiaries of the FCC’s de-regulatory efforts where markets are sufficiently competitive. Ad Hoc has evaluated merger activity in communications markets on the same basis. As a result, Ad Hoc has sometimes supported the Commission’s imposition of regulatory conditions on merging communications providers to protect markets when a merger’s actual or potential impact would be anti-competitive.

In this case, the Committee sees no need for such conditions.

The enterprise wireless market today is highly concentrated, with just four carriers (AT&T, Verizon, T-Mobile, and Sprint) providing approximately 99% of facilities-based services in the United States.[[2]](#footnote-2) This is not surprising given the natural monopoly tendencies of the facilities-based wireless market (which Ad Hoc has previously described at length in a similar merger proceeding before this Commission[[3]](#footnote-3)). But two of those four providers (AT&T and Verizon) are each twice as large as either of the other two (Sprint and T-Mobile) and consequently are able to achieve economies of scope and scale that are not available, and most likely would not become available, to Sprint or T-Mobile alone. The merger of Sprint and T-Mobile will put the resulting entity at a similar point on the production curve as AT&T and Verizon. In other words, the “synergies” that are likely to result from this merger are not the routine cost savings and asset consolidations that are claimed in many mergers but rather consiste of significant movement along a cost curve where both average and marginal costs decrease as demand (and production) increases.

In short, competitive conditions in the facilities-based enterprise wireless market would be improved by the creation of a strong “third” leg to the competitive stool, instead of the two weaker legs provided by Sprint and T-Mobile at their current scale. Expressed in terms of either connections or revenues, a combined Sprint/T-Mobile entity would be approximately the same size as each of the two existing competitors.[[4]](#footnote-4) Improved economies of scale and scope from their increased size would likely close the EBITDA per subscriber gap of $5 to $10 per month between the largest two carriers on the one hand and Sprint and T-Mobile on the other (with AT&T and Verizon at $22.71 and $18.30, respectively, and Sprint and T-Mobile at $13.00 and $11.80).[[5]](#footnote-5)

Moreover, absent the increased scale resulting from this merger, it is less likely that either Sprint or T-Mobile would be able to invest in 5G technology to the same extent as AT&T and Verizon. If the two smallest carriers are not permitted to combine as the industry moves to deploy 5G facilities, there might still be a “four-legged” competitive stool for the low end of the market but not for the advanced 5G services to which enterprise customers can be expected to migrate in the future.

Because of the crucial and pervasive role that communications products and services play in a modern economy, communications service providers with market power can do substantial damage to the economy at large if their actions are not constrained by regulation or increased competition. Accordingly, Ad Hoc urges the Commission to approve the Sprint/T-Mobile merger so that advanced wireless communications services, upon which enterprise customers depend today and will depend in the future, are more likely to develop in a competitive market.

Sincerely,



Colleen Boothby

Counsel to the Ad Hoc Telecom Users Committee

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1. *Pleading Cycle Established,* Public Notice, DA 18-740, rel. Jul. 18, 2018. [↑](#footnote-ref-1)
2. *See* *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*, WT Docket No. 17-69, Twentieth Report, FCC 17-126, at Tables II.B.1 and II.C.1 (Sept. 27, 2017). [↑](#footnote-ref-2)
3. See Comments of Ad Hoc Telecom Users Committee in WT Docket No. 11-65, filed May 31, 2011 at 2 and Attachment A, Declaration of Dr. Lee L. Selwyn. [↑](#footnote-ref-3)
4. *See* note 2, *supra.* [↑](#footnote-ref-4)
5. *Id.* at Table III-D-1. [↑](#footnote-ref-5)