



KEN PAXTON
ATTORNEY GENERAL OF TEXAS

April 17, 2019

John Legere
President and Chief Executive Officer
T-Mobile US, Inc.
12920 SE 38th Street
Bellevue, WA 98006

Re: Proposed T-Mobile/Sprint Merger

Dear Mr. Legere:

I write regarding the proposed merger between T-Mobile U.S., Inc. and Sprint Corporation and its possible impact on Texas consumers. As Attorney General, I am concerned about mergers that could reduce competition and result in higher prices. T-Mobile's proposed acquisition of Sprint has rightfully garnered significant attention from regulators, legislators, industry participants, and others. This merger would create a new company with a market share rivalling those of the other facilities-based wireless carriers, AT&T and Verizon, reducing the number of nationwide competitors to a mere three companies.

As you must be aware, concerns have been raised about increased market concentration, the potential for post-merger price increases, and the implications the merger may have on development of a robust, nationwide 5G network. In addition, the pronounced digital divide between urban and rural areas is one concern that deserves more attention than it has received, as it could disproportionately affect the Texas economy. The divide could be exacerbated by the proposed merger and leave whole communities with inferior, expensive, or nonexistent access to wireless and broadband services.

Sprint works with rural carriers to create access to robust mobile wireless service by offering reciprocal, strategic roaming agreements with rates and terms that are commercially reasonable. T-Mobile, however, has a history of not cooperating with rural carriers, depriving its own subscribers of roaming access to rural carrier networks, and charging roaming rates reportedly twenty times greater than Sprint when it is required to provide access. Further, T-Mobile has neglected many rural Texas markets by foregoing infrastructure investments and refusing to engage with rural carriers, even in areas where it does not offer coverage. Some fear that rural carriers will exit the market altogether if new T-Mobile does not provide or maintain bilateral inter-carrier voice and data roaming agreements at commercially reasonable rates.

Although you claim that combining T-Mobile and Sprint's spectrum will allow you to close gaps in rural broadband access and increase outdoor wireless coverage I am unaware of any specific business plan for an expansion of wireless coverage and broadband access in rural areas in Texas. Nor are there public reports of plans to deploy innovative 5G technology in rural Texas areas as a result of the combined spectrum holdings. I understand your assertion that the merged

companies “can build a world class 5G network with breadth and depth well beyond anything we could do alone.” You similarly argue the combined base facilities of Sprint and T-Mobile will create more network density, which will increase the capacity of T-Mobile’s network beyond what either Sprint or T-Mobile could accomplish on its own. But it is unclear how you would overcome the technical limitations of deploying real 5G technology in rural areas. Combined with T-Mobile’s history of underserving rural areas, this raises questions about the long-term impact of this merger on Texas consumers.

The merger may also change the complicated dynamics that exist between facilities-based carriers such as T-Mobile and Mobile Virtual Network Operators (“MVNOs”). As you know, MVNO agreements are voluntary agreements between facilities-based carriers to resell capacity on wireless networks to virtual operators, allowing them to share the same infrastructure and reduce economic duplication. Competition exists in the MVNO market as a result of MVNO carriers having multiple facilities-based carriers willing to grant access to their respective wireless networks to compete for access to the MVNO consumers. In the current competitive environment, Sprint and T-Mobile have a strong incentive to partner with MVNO providers, since many pre-paid wireless MVNO customers could eventually migrate to these facilities-based carriers, and since they risk losing out on MVNO revenue if they do not, leaving them further behind AT&T and Verizon. If the facilities-based carrier market consolidates from four providers with unequal market shares to three providers with nearly equal market shares, that incentive will be diminished.

Although some MVNO carriers contend that they will benefit from the merger due to increased, improved, and lower-cost network options as a result of capacity gains and lower operational costs, other MVNO carriers have concerns that the merger will lead to increased wholesale prices. There is also a concern that the terms of MVNO agreements will become less favorable post-merger, since Sprint has historically offered the most favorable terms to MVNOs for wholesale access to its network. A merger between Sprint and T-Mobile would reduce the number of options for wholesale service that MVNO wireless providers can resell, leaving most of the MVNO market, and almost half of all wholesale connections, to the new T-Mobile.

T-Mobile could be dis-incentivized to work with MVNOs and compete for their business in the post-merger environment, given that MVNO buyers will depend on only three remaining sellers for critical inputs and connections. A loss of competition for MVNOs could harm consumers throughout Texas, but it could also widen the significant digital divide in rural Texas if further aggravated by the elimination of Sprint’s reciprocal, strategic roaming agreements.

I appreciate your recent willingness to engage with critics and share details about T-Mobile’s business plans and the merger’s purported benefits. Your pledge to freeze rate plans for three years after the merger, for example, may be neither enforceable nor effective, but it does highlight the significance of the issues at stake. The question remains which direction will the merger lead us if Sprint and its approach to rural carriers and MVNOs is removed from the marketplace, while competitive options become more limited. Additionally, is it possible for real 5G technology to cover the vast distances between cities and countryside in Texas and, if not, will rural coverage degrade while carriers focus exclusively on serving metropolitan areas? I appreciate your time and I hope the issues set forth in this letter will further the dialog about potential competitive effects of the proposed merger.

If you have any further questions, please do not hesitate to contact Kim Van Winkle, Deputy Chief of the Antitrust Division, at (512) 463-1266.

Very truly yours,

A handwritten signature in black ink that reads "Ken Paxton". The signature is written in a cursive, slightly slanted style.

Ken Paxton
Attorney General of Texas