

Why INCOMPAS is Opposing the Merger Between T-Mobile and Sprint



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Wholesale: Competition's Unsung Hero



By Chip Pickering

Renewed interest in the competition conversations in recent years is a good thing. Mega mergers have profound impacts on our choices, our jobs, and our wallets. But each merger is unique, and each merger deserves rigorous scrutiny.

T-Mobile and Sprint are asking policymakers to bless the marriage of the nation's third and fourth largest wireless providers. After careful consideration, if the minister were to ask if anyone objects to this union as presented, my hand would have to go up.



The trade association I run, INCOMPAS, is the leading voice for network competition. From wired to wireless and streaming, we strongly support eliminating barriers to fiber and wireless solutions that are critical for winning the race to 5G.

We have a long history of fighting for the little guy and gal's ability to break into a market and innovate. We were founded to help break up one of America's oldest and most entrenched monopolies, AT&T, in 1981. Back then we called ourselves the Association of Long Distance Telephone Companies (ALTEL). Sprint was a founder of ALTEL, and has been a cherished member of our association. Many of the competition policies that helped unleash the technology revolution can be attributed to Sprint's advocacy.

T-Mobile is not currently a member, but has joined our ranks from time to time, helping on battles to increase spectrum and bring more competition to wireless markets. I am personally a huge fan of CEO John Legere. Under his creative leadership, we've seen industry-wide change that help consumers—including lower prices and the end of unfriendly contract agreements that locked up subscribers. I'm also a big fan of his cookies.

But today, INCOMPAS is announcing our opposition to the merger between our friends T-Mobile and Sprint. As currently proposed, the merger threatens to undercut the competitive wireless ecosystem that has been the shining star for competition and choice.

Here's why: wholesale = competition.

While consumer groups and public interest advocates have warned about price increases on consumers and significant job losses, the T-Mobile Sprint merger could damage competition in the burgeoning wholesale ecosystem. There are dozens of smaller companies—including wireless, fiber, and fixed wireless providers—serving niche markets, such as low-income and senior consumers. In addition many serve, in diverse geographic areas that currently rely or will rely on wholesale roaming and/or what's known as a Mobile Virtual Network Operator (MVNO) arrangement. Both types of arrangements allow for more competitive choices for consumers and small businesses—which will also drive 5G deployment and competition.

Wholesale is not only an incentive for smaller providers, it should entice more companies—including cable, co-ops rural and fiber—to compete for your wireless dollars. That is a good thing, as these potential new entrants are well-positioned to innovate on pricing, service plans, and products.

Last week, T-Mobile tried to ease consumer concerns by declaring they would not raise rate plans on retail customers for 3 years. Consumer groups have questioned the details of this pledge, but what might have sounded like wedding bells to some was actually an alarm bell to us.

You see, T-Mobile's pledge to honor its current legacy rate plans would not prevent the company from *increasing* wholesale prices for its smaller resale partners. And it is easy to foresee a situation where the new T-Mobile raises its wholesale prices as a way to offset revenue lost as a result of this pledge.

Think about it, this means customers who choose not to use T-Mo/Sprint, and go with another service provider, could actually be paying for this merger. That's not right.

Also, T-Mobile has not committed to supporting roaming or MVNOs beyond current contract deadlines. We fear that merging with Sprint and removing a viable wholesale partner from the market would give T-Mobile less incentive to work with companies it considers to be competitors.

Competition in the wireless space didn't happen by chance. In the 1990's a bipartisan group of policymakers made a deliberative choice to incent competition. Through competitive licensing and auctions, roaming, interconnection and interoperability—the wireless space has been a hot bed for innovation, helping usher in choices at lower costs to consumers.

Policymakers from Capitol Hill to the FCC have showered praise on the current wireless marketplace and its four major providers, rightly urging that other markets—including broadband and cable—must emulate its success.

The fight for more competition is a real fight. It's one we must win, or the 5G future will be nothing more than a marketing gimmick. Building 5G networks should create competition and jobs for hundreds of US companies, not just large wireless providers. T-Mobile and Sprint have been important soldiers in these battles for more competition, and while I understand their desire to wed, I believe consumers want them to keep playing the field.

