

1 NEAL R. GROSS & CO., INC.

2 RPTS DEVIN SHIPLE

3 HIF044160

4
5
6 PROTECTING CONSUMERS AND

7 COMPETITION: AN EXAMINATION OF THE T-MOBILE

8 AND SPRINT MERGER

9 WEDNESDAY, FEBRUARY 13, 2019

10 House of Representatives

11 Subcommittee on Communications and

12 Technology

13 Committee on Energy and Commerce

14 Washington, D.C.

15
16
17
18 The subcommittee met, pursuant to call, at 10:00 a.m., in
19 Room 2123 Rayburn House Office Building, Hon. Michael F. Doyle
20 [chairman of the subcommittee] presiding.

21 Members present: Representatives Doyle, McNerney, Loeb sack,
22 McEachin, Soto, Eshoo, Butterfield, Matsui, Schrader, Pallone
23 (ex officio), Latta, Shimkus, Johnson, Long, Flores, and Walden
24 (ex officio).

25 Staff present: Billy Benjamin, Systems Administrator; Jeff

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

26 Carroll, Staff Director; Sharon Davis, Chief Clerk; Jennifer
27 Epperson, FCC Detailee; Evan Gilbert, Press Assistant; Tiffany
28 Guarascio, Deputy Staff Director; Alex Hoehn-Saric, Chief
29 Counsel, C&T; Jerry Leverich, Counsel; Dan Miller, Policy
30 Analyst; Joe Orlando, Staff Assistant; Tim Robinson, Chief
31 Counsel; Chloe Rodriguez, Policy Analyst; Mike Bloomquist,
32 Minority Staff Director; Robin Colwell, Minority Chief Counsel,
33 C&T; Kristine Fargotstein, Minority Detailee, C&T; Margaret
34 Tucker Fogarty, Minority Staff Assistant; Stephen Keegan,
35 Minority Intern, C&T; and Peter Kielty, Minority General Counsel.

36 Mr. Doyle. Well, good morning. Before we get started, I
37 want to express my condolences to Congresswoman Debbie Dingell
38 on the loss of her husband, John. John was a dear friend and
39 mentor to me and many members of this committee. His passion
40 for oversight, accountability, legislative process, and his
41 lifetime of public service is an example to all of us. His passing
42 is a great loss to our nation, to Congress, and this committee
43 which he loved so much.

44 John, may you rest in peace.

45 The chair will now recognize himself for 5 minutes. Welcome
46 to the Subcommittee on Communication and Technology's hearing
47 on Protecting Consumers and Competition: An Examination of the
48 T-Mobile Sprint Merger. This hearing is noteworthy because the
49 last time a merger hearing was had before this subcommittee was
50 almost 9 years ago. And in that time there have been numerous
51 mergers within this subcommittee's jurisdiction that have gone
52 without a hearing. I believe it is the duty of this
53 subcommittee to allow our members to publicly discuss and debate
54 the merits of these transactions and to question the relevant
55 stakeholders. The merger before us today is between two of our
56 country's national wireless providers, T-Mobile and Sprint.
57 These companies have acted as disrupters, competitors, and
58 low-cost options in the wireless marketplace.

59 T-Mobile's "un-carrier" strategy has ended anti-consumer
60 practices such as data caps, restrictive contracts and much more.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

61 They have also worked hard to build a robust national network
62 that by some accounts is the fastest in the nation. For its part,
63 Sprint has been a leader in roaming agreements for rural providers
64 and wholesale access for prepaid and Lifeline providers. Sprint
65 has worked hard to bring its networks to within one percent of
66 Verizon's in terms of network reliability, or so their commercials
67 say so. Consumers have also benefited from Sprint positioning
68 itself as the best value. They are offering a plan right now
69 where new customers can get a year of free service when they switch
70 from another carrier, which sounds amazing. However, this
71 hearing isn't about the benefits that both of your companies have
72 brought to the market. It is about the extraordinary impact that
73 your combined company could have on the public and the marketplace
74 if this merger goes through. We will hear today from the
75 Communication Workers of America, from the Rural Wireless
76 Association, and Public Knowledge. They claim that this merger
77 will have negative impacts on low-income consumers, rural
78 providers, and jobs in the wireless industry.

79 CWA's testimony suggests that this merger will result in
80 up to 30,000 job losses in the industry and a reduction in industry
81 pay by as much as \$3,000 per employee. The Rural Broadband
82 Association's testimony argues that rural consumers will pay
83 more. They claim that Sprint charges 20 times less than T-Mobile
84 or other national carriers for roaming agreements. These
85 agreements allow customers of rural carriers who build their own

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

86 networks in the most rural communities to use their phones
87 throughout the country. What guarantees do rural providers have
88 that they won't face increased costs if T-Mobile doesn't adopt
89 Sprint's practices? And Public Knowledge's testimony
90 states that consumer prices will go up due to the reduction in
91 the number of national carriers from four to three. They argue
92 that the merger would hit low-income consumers the hardest because
93 the number of carriers offering wholesale access would drop from
94 three to two.

95 Sprint, AT&T, and T-Mobile sell access to their networks
96 to prepaid and Lifeline providers who then sell that service under
97 their own brands. What remedy do these carriers or their
98 customers have if the New T-Mobile decides that it wants to get
99 out of the wholesale business or drastically raise rates?

100 To that end, the FCC found in their Communications
101 Marketplace Report that the wireless market concentration was
102 currently at 3,100 HHI. HHI measures how competitive a market
103 is with a higher number meaning it is less competitive. The
104 Justice Department's Horizontal Merger Guidelines state that a
105 market with an HHI above 2,500 is highly concentrated. So we
106 really aren't starting from a great spot. An increase of 200
107 points would raise significant concerns about competition.

108 This merger is expected to result in a market power increase
109 of 280 points for the postpaid market and 2,014 points for the
110 prepaid market. That would take the prepaid market from where

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

111 it is right now at 2,467, which is just under DOJ's threshold,
112 to 4,481, a level that raises lots of red flags. These kinds
113 of numbers have historically resulted in higher prices for
114 consumers, less competition, and less innovation.

115 I appreciate both executives' statement that they believe
116 that this merger will benefit consumers and result in lower prices
117 and their commitments to an accelerated deployment of 5G and
118 promises of expanded rural broadband. These are national
119 objectives that are important to me and many members of this
120 committee. However, I have seen a lot of mergers in this industry
121 and others and it is hard to think of one where consolidation
122 didn't result in people losing their jobs, prices going up, and
123 innovation being stifled.

124 I look forward to hearing from the testimony from our two
125 telephone companies that wish to merge and from the other
126 panelists. And with that I yield to the ranking member, Mr.
127 Latta, for 5 minutes.

128 Mr. Latta. Well, thank you, Mr. Chairman. And if I could
129 just take a point of personal privilege also to express my deepest
130 sympathies to our friend and colleague Debbie Dingell on the loss
131 of Chairman Dingell. And the chairman loved this committee.
132 You know, this room is named after him.

133 And I had the privilege of getting to know him in my days
134 not only on this committee, but when I first got to Congress.

135 Again he loved this committee, he loved this House, but most
136 of all he loved his district, the State of Michigan, and all that
137 he did for it. So with that, I wish the Dingells my deepest
138 sympathies on the loss of the chairman.

139 And again, Mr. Chairman, thank you very much for convening
140 our panel of witnesses today. And to our witnesses, thanks very
141 much for being here. We appreciate your time. I look forward
142 to hearing your expertise and different perspectives as we discuss
143 the future of the telecommunications marketplace and learn more
144 about the proposed merger of T-Mobile and Sprint.

145 With any talk of merger comes a long list of potential
146 benefits and drawbacks and this one is no different. I understand
147 from the CEOs of T-Mobile and Sprint who are with us today that
148 there are many pro-consumer outcomes possible if the merger is
149 approved. These potential benefits range from providing mobile
150 broadband to millions of unserved and underserved Americans
151 living in rural areas to helping the United States win the global
152 competitive race to 5G.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

153 But I also understand from some of the witnesses representing
154 groups here today that the combined company could pose some harm
155 to consumers. Some of the potential drawbacks include the
156 possibility to eliminate jobs or increase the price that consumers
157 pay for access to wireless service.

158 Our role in this committee is not to weigh the merits of
159 these arguments and determine if this merger is in the public
160 interest, Congress gave that role to the FCC who along with the
161 DOJ performs a more traditional antitrust assessment on the merger
162 and these two agencies will ultimately determine if the merger
163 is going to be approved. Our role in this subcommittee is to
164 provide policies that advance the telecommunications market
165 including expanding access to broadband to all Americans.

166 One way to do this especially for rural America and many
167 areas in my district is to build 5G networks. In areas where
168 the broadband is not currently deployed, 5G networks can help
169 connect Americans to high-speed internet for the very first time.

170 And in areas where broadband is already available, 5G networks
171 provide a competitive alternative. This proposed merger
172 reportedly will promote these objectives and I look forward to
173 hearing more about the ways in which companies plan on doing that.

174 But I also am interested in hearing from all of our witnesses
175 today. This will be an enlightening discussion. The final
176 decision about whether this proposed merger on these two companies
177 is in the public interest is up to the FCC. Again I look forward

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

178 to hearing from all of our witnesses today and your testimony
179 and your responses to our questions.

180 And, Mr. Chairman, I appreciate the hearing today and I yield
181 back the balance of my time. Mr. Doyle. The gentleman yields
182 back. The chair now recognizes Mr. Pallone, chairman of the full
183 committee, for 5 minutes for his opening statement.

184 The Chairman. Thank you, Chairman Doyle. Today is our
185 first hearing since the loss of our chairman, John Dingell. It
186 is fitting that this room is named the John Dingell Room. After
187 all, over 28 years as the top Democrat on this committee and over
188 his nearly 60 years in the House, he fought to ensure the committee
189 maintained its broad jurisdiction, had deliberative debates,
190 followed regular order, conducted robust oversight, and produced
191 legislation in the public interest.

192 And in keeping with John's tradition, today we focus our
193 microscope on the proposed merger of two of the four large
194 nationwide wireless phone carriers, T-Mobile and Sprint.
195 Collectively, these companies directly employ more than 80,000
196 people and serve more than 130 million customers. These
197 companies are no stranger to merger discussions. In 2011, a
198 struggling T-Mobile was almost purchased by AT&T but was blocked
199 by the Obama administration, and T-Mobile nevertheless went on
200 to flourish. T-Mobile and Sprint attempted to merge 2 years
201 later, but abandoned the deal after competition concerns were
202 raised by regulators. Now once more the parties are seeking

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

203 approval to merge.

204 This hearing marks the first time in 8 years that the
205 committee has met to evaluate the consequences of a merger. For
206 too long the House and this committee paid little attention to
207 that responsibility, but now we resume the practice of reviewing
208 major acquisitions so we can fulfill our obligation for the people
209 to determine how this proposed consolidation will affect
210 consumers, workers, public safety and network resiliency,
211 competition, and future innovation. For the last 8 years,
212 major industry consolidation occurred without significant
213 oversight and the consequences of that have been borne by
214 consumers and hardworking Americans. In the past we have seen
215 mergers jack up consumer prices, cut away meaningful choices and
216 outsource, undercut, and eviscerate good paying jobs.

217 We have seen previous merger conditions that weren't met
218 or weren't enforced, we have seen the public interest in all its
219 forms undermined, and that is why we must look carefully at these
220 issues before a merger is approved. In this case, the transaction
221 is currently being reviewed by the FCC as well as the Department
222 of Justice. As part of our oversight responsibility we must make
223 sure that the FCC is carefully reviewing the facts and keeping
224 consumers' best interests in mind when deciding the fate of the
225 merger.

226 I know we are going to have many hard questions today because
227 the facts surrounding this merger are so much in dispute. For

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

228 example, Mr. Legere says that New T-Mobile won't raise consumer
229 prices, but others say his company's filings acknowledge
230 consumers could see a price hike, some argue by up to 15 percent,
231 with the merger being particularly hard on the poorest consumers.

232 How can we be sure that consumers who can least afford to
233 pay more are not harmed by the merger? T-Mobile filed the letter
234 committing not to raise prices with the FCC. Putting aside
235 whether that is sufficient, there is a serious question as to
236 whether the Trump FCC would be willing to impose any conditions
237 in a merger order.

238 Mr. Legere says that the merger of T-Mobile and Sprint will
239 be a net job creator on day 1, but the Communication Workers of
240 America say we should expect the loss of 30,000 jobs. The truth
241 will have long-term implications for American families across
242 the country. And Mr. Legere says that New T-Mobile will create
243 a world-class 5G network, but opponents say that both T-Mobile
244 and Sprint have committed to investors to deploying 5G networks
245 as separate and independent companies. 5G deployment is
246 important, obviously, and valuable to consumers and the economy,
247 and whether the merger expedites 5G rollout merits consideration.

248 And Mr. Legere also says that the merger of T-Mobile and
249 Sprint will help New T-Mobile compete with AT&T and Verizon all
250 while new entrants in cable companies begin to compete in
251 wireless. But smaller carriers worry the merger might snuff out
252 existing and new competitive players that rely on wholesale access

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

253 to T-Mobile and Sprint's networks. To this end, we must
254 understand not only how the merger affects the current wireless
255 marketplace but also the marketplace of the future.

256 And, finally, Mr. Legere says that the merger of T-Mobile
257 and Sprint will help New T-Mobile build out robust rural
258 broadband, while others argue that New T-Mobile will shut down
259 25,000 cell towers across the country. And I would like to
260 understand whether this is accurate and whether it will have a
261 negative effect on the resiliency of the wireless network during
262 disasters.

263 So, Mr. Chairman, there are a lot of conflicting opinions
264 on the impact of this merger which is why this hearing is so
265 important and I hope that members will get the straight answers
266 here today. And I yield back.

267 Mr. Doyle. The gentleman yields back. The chair now
268 recognizes Mr. Walden, ranking member of the full committee, for
269 5 minutes for his opening statement.

270 Mr. Walden. Thank you, Mr. Chairman. And as you all have
271 said, I know we all have the Dingell family in our thoughts and
272 our prayers on this difficult week. John Dingell taught us all
273 how to be legislators. He was a legend in many respects and
274 nobody, despite everybody's attempt, has ever been able to do
275 the yes or no questioning as effectively as Mr. Dingell did.
276 We have all tried to emulate that.

277 And so he is missed. He will never be forgotten. And I

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

278 am glad we are all honoring his life, his work, his service, and
279 remembering Debbie in our prayers.

280 Mr. Chairman, I would like to echo my colleagues' warm
281 welcome to all of our witnesses today and to thank you all for
282 making the time to come share your thoughts with the subcommittee.

283 We have generally avoided hearings focused on specific
284 transactions in an effort to allow the regulators who are actually
285 responsible for assessing them to do their work as much as possible
286 free from intense political influence. It has been my hope that
287 experts at the FCC and the Department of Justice who as we speak
288 are reviewing this transaction and its potential impact on public
289 interest and competition will continue their analysis without
290 undue political pressure.

291 Now in a district like mine which would stretch from the
292 Atlantic to Ohio, it is a district that gives new meaning to word
293 "rural." We have coverage gaps that engulf huge areas of the
294 map in places with as few as one person for every square mile.

295 For Americans in some of these areas who have been awaiting the
296 promise of broadband for far too long with the connectivity,
297 educational, and economic empowerment it brings, any news on this
298 front is great news for celebration. So we have been
299 appreciative of T-Mobile's rapid build-out efforts in Central
300 Oregon and as a result of its newly acquired 600 megahertz
301 licenses. With this committee's bipartisan work last year to
302 keep the repack on track with an additional billion dollars for

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

303 reimbursement of broadcasters' moving expenses, more and more
304 districts are realizing the benefits of groundbreaking incentive
305 auction that we made possible through the action of this
306 committee.

307 The hope is finally becoming reality in many of our areas
308 of the country and I think it is well worth noting T-Mobile's
309 efforts so far in delivering on its promises and in some cases
310 ahead of schedule.

311 Turning to the particular transaction at issues today,
312 experts including some of our witnesses are painting some very
313 different pictures of the potential effects of this proposed
314 merger. Going forward we do want to see consumers paying less
315 and getting more data. We want to see more choices and we want
316 to see intensified competition in the wireless and in-home
317 broadband markets. We want to see faster rural development and
318 we want to see better service. And we need America to lead in
319 the global race on 5G deployment, reaping economic benefits and
320 transformative services for all Americans.

321 As we consider the testimony of our witnesses, we need to
322 take a holistic view. Instead of focusing on a particular metric
323 like those who insist the government must intervene to preserve
324 four nationwide wireless operators at all costs, we have to
325 consider scale and operational efficiencies in that equation and
326 the rapidly changing characteristics of the wireless marketplace,
327 especially the convergence of functionality with nontraditional

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

328 competitors such as global and satellite operators.

329 With almost 50 percent of digital video now consumed on smart
330 phones, wireless service is not what it once was. And with the
331 advent of 5G, the capabilities are evolving at an exponential
332 rate. So it is important for us as legislators to adjust our
333 expectations to this new reality and resist the call for
334 artificial market constraints that may not make any sense in a
335 5G world.

336 I look forward to the witnesses today and their perspectives
337 on each of these issues and I want us to be the world's fastest
338 and best 5G ecosystem, secure, affordable and accessible to every
339 American. With that I would yield the balance of my time to the
340 gentleman from Missouri, Mr. Long.

341 Mr. Long. Thank you. I would like to take a point of
342 personal privilege here for just a minute too, maybe stop the
343 clock for me for a second if we could, on John Dingell.

344 Two plane loads of us loaded up yesterday morning out at
345 Andrews to attend John's funeral in Dearborn, and we circled
346 Detroit for about an hour, after an hour delay here, and were
347 told we had 5 minutes of fuel left or we could go to Pittsburgh
348 and refuel and go back and we would miss the funeral.

349 So I know that Anne Eshoo was on that flight, Mr. Walden
350 that just yielded to me, he was chairman and now ranking member
351 of the committee, Chairman Upton who was Committee E&C and had
352 his office across from John for years. He and John Lewis who
353 is a legend in his own time were supposed to speak at the funeral
354 and Speaker Pelosi happened to be on the same flight or I happened
355 to be on the same plane with them.

356 So at 30,000 feet, John Lewis led us in a tribute and we
357 had our own service for John Dingell at 30,000 feet yesterday
358 and it was quite moving. Chairman Upton spoke, Speaker Pelosi,
359 John led us in prayer and spoke, and it was a pretty moving tribute.

360 So we did what we did to get to Big John's funeral.

361 I was born in 1955. John Dingell was sworn into Congress
362 in 1955. He followed his father. His wife Debbie of course
363 follows him today. She is doing an excellent job and thoughts
364 and prayers go out to Debbie and the family. With that I
365 will start my minute that Greg yielded to me. Today's hearing

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

366 gives us the opportunity to hear about how the American public
367 can benefit from the proposed merger of T-Mobile and Sprint.
368 The U.S. telecommunications market has changed dramatically in
369 recent years. In order to foster innovation and growth in any
370 industry it is important that we ensure that there is a fair and
371 competitive marketplace.

372 I am excited to hear how the third and fourth largest wire
373 carriers in the United States plan to combine their spectrum
374 resources to deliver a more robust, nationwide, wireless
375 broadband network for consumers, drive innovation and investment,
376 and better compete with the top two wireless providers.

377 Investments in next generation broadband networks are
378 important to reach unserved communities like mine in Southwest
379 Missouri and help close the digital divide. I look forward to
380 hearing from our witnesses on how the New T-Mobile drive for
381 innovation will help close that digital divide, benefit the U.S.
382 economy to provide consumers with more choices at lower cost.

383 And I would like to submit for the record two documents,
384 an op-ed from the Missouri Times written by the head of the
385 Missouri Farm Bureau demonstrating support for the merger in
386 Missouri, and also a letter in support of the merger to the FCC
387 from myself and several of my colleagues. And with that I yield
388 back. Mr. Doyle. Without objection, so ordered.

389 [The information follows:]
390

391

***** INSERT 1 *****

392 Mr. Walden. And, Mr. Chairman, I will yield back, but I
393 just want to say for the record we have another subcommittee going
394 on in important health issues upstairs so some of us will have
395 to go up and back.

396 But again thank you for being here.

397 Mr. Doyle. I thank the ranking member.

398 The chair would like to remind members that pursuant to
399 committee rules, all members' written opening statements shall
400 be made part of the record.

401 I would now like to introduce our witnesses for today's
402 hearing. First, we will have Mr. Marcelo Claure, executive
403 chairman of Sprint Corporation; next, Mr. John Legere, chief
404 executive officer and president of T-Mobile US; next, Mr. Chris
405 Shelton, president of the Communications Workers of America; then
406 we will have Ms. Carri Bennet, general counsel of the Rural
407 Wireless Association; Mr. Doug Brake -- Doug Brake, thank you,
408 Doug -- director of Broadband and Spectrum Policy for the
409 Information Technology and Innovation Foundation; and last but
410 not least, Mr. Phillip Berenbroick, senior policy counsel with
411 Public Knowledge.

412 I want to thank all the witnesses for joining us today.
413 We look forward to your testimony. At this time, the chair will
414 recognize each witness for 5 minutes to provide their opening
415 statement, but before we begin I want to explain our lighting
416 system. In front of you, of the witnesses, is a series of lights.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

417 The light will initially be green at the start of your opening
418 statement. The light will turn yellow when you have 1 minute
419 remaining, and please wrap up your testimony at that point. The
420 light turns red when your time has expired.

421 Mr. Claude, you are now recognized for 5 minutes.

422 ?STATEMENTS OF MARCELO CLAURE, EXECUTIVE CHAIRMAN, SPRINT
423 CORPORATION; JOHN LEGERE, CHIEF EXECUTIVE OFFICER AND PRESIDENT,
424 T-MOBILE US; CHRIS SHELTON, PRESIDENT, COMMUNICATIONS WORKERS
425 OF AMERICA; CARRI BENNET, GENERAL COUNSEL, RURAL WIRELESS
426 ASSOCIATION, INC.; DOUG BRAKE, DIRECTOR, BROADBAND AND SPECTRUM
427 POLICY, INFORMATION TECHNOLOGY AND INNOVATION FOUNDATION; AND,
428 PHILLIP BERENBROICK, SENIOR POLICY COUNSEL, PUBLIC KNOWLEDGE

429

430 STATEMENT OF MARCELO CLAURE

431 Mr. Claire. Before we begin, I want to pay my respect to
432 Chairman Dingell and his longstanding service to his country.

433 It is an honor to be here today and I am grateful for the
434 opportunity to speak with you. I would like to take the
435 opportunity to explain why Sprint's proposed merger with T-Mobile
436 will be great for the American consumers, will be great for Sprint
437 employees, and will be great for our country.

438 I will go into details in a moment, but before I do so I
439 want to tell you a little about me. First, I am an immigrant.

440 I immigrated to the United States as a young man from Bolivia.

441 I had very little money. I went to small university in Boston
442 and I received a priceless education. Second, I am an
443 entrepreneur. After I graduated college I founded a company
444 called Brightstar. I started selling phones out of my car and
445 I gradually grew Brightstar into the largest mobile phone
446 distribution and supply chain services company in the world.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

447 We worked very hard and grew over \$10 billion in sales and
448 thousands of employees. I am most proud that we made Brightstar
449 the largest Hispanic-owned business in the history of our country.

450 In 2014, I sold Brightstar to Softbank, immediately after
451 that I became Sprint's CEO. At that time, Sprint, a Kansas
452 company, was near financial distress. In 2013, the company lost
453 \$5 billion and in the previous 10 years Sprint lost over \$25
454 billion and we had approximately \$31 billion in debt. A great
455 company with tens of thousands of jobs across the U.S. was at
456 risk.

457 Beginning in 2014, we undertook a massive and painful
458 transformation of the company. We worked hard the same way we
459 did at Brightstar, from the ground up. We reduced our expenses
460 close to \$6 billion through cost reductions, employee layoffs,
461 and some unwanted transfer to jobs overseas. We didn't want to,
462 but we had to.

463 Today, Sprint is no longer in financial dire straits, but
464 we face some significant challenges. Despite our success we were
465 unable to fix our main challenge, the quality of our network.

466 We could not fix our network because of our poor financial
467 condition and our lack of low band spectrum. Because of our
468 network quality, Sprint still struggles to attract lots of new
469 customers, and many customers that we are acquiring leave at a
470 faster pace than our competitors. Customers today are not
471 willing to sacrifice quality.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

472 Today, the U.S. wireless market has become a duopoly.
473 Verizon and AT&T have close to 70 percent market share and they
474 control 93 percent of the cash flow generated from the industry.
475 As a result, it is very hard to invest and compete at the same
476 level. Today, we are at a technological inflection point. Over
477 the next few years 5G is coming, a new standard of connectivity.
478 It is going to completely change the way we connect and the way
479 we live our lives.

480 But Sprint doesn't have the resources to build a 5G network
481 to provide the necessary competition against the AT&T and Verizon
482 duopoly. We estimate that we will need close to 20 to 25 billion
483 dollars just to offer 5G in our limited coverage area. And
484 because we don't generate any cash flow, we would have to raise
485 more debt and to pay for that debt we would have to increase our
486 prices to the American consumer. The only company that can
487 build the world's best 5G network is a combination of Sprint and
488 T-Mobile and we can only do this if this merger is approved.
489 As a combined company, we are committed to invest nearly \$40
490 billion over the next 3 years to build the world's best 5G network
491 with nationwide coverage. How can we do this together? It is
492 simple. It is the marriage of two necessary and complementary
493 5G pieces.

494 Sprint has high capacity spectrum which have acquired over
495 many years. T-Mobile has brought national coverage spectrum.
496 It is capacity plus coverage. Today, we can build the world's

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

497 most advanced, covering every corner in America in urban,
498 suburban, and rural areas. We cannot take lightly that America
499 needs to lead the world in 5G. China has made it a priority to
500 win the 5G race. They are investing billions. When a
501 country has the best network with the latest technology it brings
502 massive economic stimulus, explosive job growth, and a new wave
503 of entrepreneurs. America is a land of innovators and
504 disrupters. Let's keep it this way. My story validates this.
505 Letting another country take the leadership away from the U.S.
506 will cost irreparable damage. This is an opportunity for a
507 lifetime.

508 In addition, yes, we are committed to lower prices. When
509 we merger two companies we will create eight times the network
510 capacity that we would have on our own. We will have to beat
511 AT&T and Verizon on price to fill this capacity. This makes
512 financial sense, it is good business, and most importantly it
513 is our commitment.

514 Lastly, it is true that most mergers do not create jobs.
515 This merger is the opposite. This is a growth story. This new
516 company will create new jobs, blue-collar, white-collar jobs,
517 jobs in urban, suburban, and rural America. We will need skilled
518 network engineers, construction crews, enterprise sales teams,
519 call center jobs that we are going to bring back from overseas,
520 and new sales reps for the new stores that will be opening.

521 I can't thank you enough for allowing me to speak today.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

522 As I mentioned, I am grateful to this country, and as an American
523 entrepreneur I hope you will approve this merger. I look forward
524 to answering your questions.

525 [The prepared statement of Mr. Claire follows:]

526

527 ***** INSERT 2 *****

528

Mr. Doyle. Thank you very much.

529

The chair now recognizes Mr. Legere for 5 minutes.

530

531 ?STATEMENT OF JOHN LEGERE

532

533 Mr. Legere. Thank you, Chairman Doyle, Ranking Member
534 Latta, and other members of the subcommittee for inviting Marcelo
535 and me and the rest of the panel here today. Before I begin my
536 remarks, let me offer condolences to Congresswoman Dingell on
537 the loss of her husband, John Dingell, a towering figure in the
538 House and a leader in this committee.

539 I appreciate the opportunity to tell you about the tremendous
540 benefits of the proposed T-Mobile Sprint merger and the progress
541 we are making towards making it a reality. So, first, what will
542 this merger deliver? It will deliver a supercharged un-carrier
543 which can ensure U.S. leadership in 5G, increase competition,
544 and create American jobs.

545 First and foremost, the New T-Mobile will make sure America
546 wins the global 5G race. This is so important because 5G will
547 unlock new capabilities that will fuel innovation and job creation
548 well beyond anything we have seen so far. 5G will completely
549 transform the way Americans live, work, travel, and play. 5G
550 means real-time navigation, downloading a movie in seconds,
551 instant language translation, and much more. Nearly every
552 business in America will be able to use 5G to revolutionize how
553 they create and deliver goods and services.

554 Best of all, with this transaction the benefits of 5G won't
555 just flow to big cities. Combining Sprint and T-Mobile will

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

556 produce a faster, broader, deeper network that is truly
557 nationwide. It will benefit consumers and businesses everywhere
558 including rural America. Neither company could achieve this on
559 its own.

560 Second, New T-Mobile will have the capital, the scale, and
561 the network to supercharge competition, unleashing significant
562 benefits for consumers that includes keeping prices low. The
563 combined company will continue the T-Mobile tradition of
564 disrupting the wireless space and we will disrupt in-home
565 broadband with new wireless broadband options freeing millions
566 from the stranglehold of big cable.

567 Budget-conscious customers have the most to gain because
568 they consume the most data. They have the most to gain when data
569 costs less. It will be a huge leap across the digital divide.

570 Our opponents are wrong when they claim that the merger will
571 lead to higher prices. In fact, the opposite is true. Consumers
572 will win with lower prices and better services. How? Our costs
573 will drop sharply and our network capacity will expand
574 tremendously. I am so confident that the merger will lower prices
575 that we are willing to put our money where our mouth is. Last
576 week we committed in writing to regulators that we will make
577 available the same or better rate plans as those offered by
578 T-Mobile or Sprint for the next 3 years.

579 Third, this merger will be a tremendous jobs creator at New
580 T-Mobile and across our country. Our merger will be

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

581 jobs-positive from day 1 and going forward. The build-out of
582 our 5G network, investment in new customer care centers, and
583 expansion into new businesses like video distribution, broadband,
584 and enterprise services means thousands more jobs than the two
585 standalone companies would have needed.

586 In the first year we will have thousands more employees than
587 the standalone companies combined. By 2024 we will have 11,000
588 more employees. Our critics are wrong about the impact on jobs.

589 I have looked at their arguments and supposed analyses and they
590 do not make sense. They ignore the facts. They don't account
591 for any areas where jobs will grow, like network integration or
592 new customer call care centers.

593 And by the way we have heard this story before. They said
594 we would cut 10,000 jobs when T-Mobile merged with MetroPCS.
595 In fact, we expanded jobs by thousands. Let me say this to every
596 T-Mobile and Sprint employee working in one of our stores today,
597 each of you will be offered a job with the New T-Mobile.

598 Our opponents have also lobbed false allegations that this
599 transaction will allow Huawei and ZTE into U.S. networks. Let
600 me be clear. There is no Huawei or ZTE equipment in our network
601 today and there never will be. Not today, not tomorrow, not ever.

602 Many have already recognized the tremendous benefits of this
603 merger. CFIUS and Team Telecom have completed the national
604 security review and approved the transaction. Sixteen of
605 nineteen states have completed their reviews and found the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

606 transaction to be in the public interest, and nearly 200
607 organizations, companies, government officials, and community
608 leaders publicly support the transaction. I am particularly
609 honored that Congresswoman Eshoo, Congressman Schrader,
610 Congressman Long, and ten other members have signed a bipartisan
611 letter of support.

612 To those that doubt us I would simply say this. We are the
613 un-carrier. My management team and I believe on delivering on
614 our promises and we know if we do not we will lose the credibility
615 and the trust of our customers and employees. I can promise to
616 you the New T-Mobile team will deliver for consumers, American
617 workers, and for our country. Thank you and I look forward to
618 answering your questions.

619 [The prepared statement of Mr. Legere follows:]

620

621 ***** INSERT 3 *****

622

Mr. Doyle. Thank you, Mr. Legere.

623

The chair now recognizes Mr. Shelton for 5 minutes.

624 ?STATEMENT OF CHRIS SHELTON

625

626 Mr. Shelton. Chairman Doyle, Ranking Member Latta,
627 Chairman Pallone, Ranking Member Walden and --

628 Mr. Doyle. Microphone on.

629 Mr. Shelton. Sorry.

630 Mr. Doyle. And point it towards your face there a little
631 so we can --

632 Mr. Shelton. Chairman Doyle, Ranking Member Latta,
633 Chairman Pallone, Ranking Member Walden, and members of the
634 committee, first, let me offer CWA's condolences on the passing
635 of Chairman Dingell to all of you and to his family.

636 My name is Chris Shelton. I am the president of the
637 Communications Workers of America. We represent 700,000
638 employees in telecommunications and other industries including
639 more than 45,000 in wireless.

640 Let's tell it like it is. This merger would kill American
641 jobs and raise prices on American consumers to enrich two foreign
642 companies, Deutsche Telekom from Germany and SoftBank from Japan.

643 Our analysis shows that 30,000 Americans would lose their jobs.
644 More than 25,000 of those jobs would be in retail stores all
645 across the country, some owned directly by Sprint and T-Mobile,
646 others owned by independent retailers. The other job cuts would
647 be in headquarters.

648 Sprint and T-Mobile compete with each other for the same

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

649 type of customers, often low-income households, which is why their
650 stores are located near each other's sometimes right across the
651 street. You will see in Newark, New Jersey how close the stores
652 are together.

653 You can see from the maps how Sprint and T-Mobile stores
654 tend to be right next to each other. This is especially true
655 for the prepaid brands, Boost and MetroPCS, which tend to be
656 concentrated in lower income areas. So if the companies merge,
657 why would they keep two neighboring stores open? Chances are,
658 they won't. Rather, then the merger will mean pink slips for
659 30,000 wireless workers across the country. You heard the CEO
660 of T-Mobile say that they will add jobs. Pardon my language,
661 but that is just bull. Without binding and enforceable
662 commitments, and I mean commitments that have no loopholes, such
663 promises are just cheap sales and talk and are easily broken.

664 First, T-Mobile doesn't differentiate between internal
665 employees and contractors, short-term, temporary hires or
666 long-term employees. Upgrading towers, for example, usually is
667 done by temporary contractors not full-time employees. Second,
668 Mr. Legere talks about call centers, but both companies have a
669 long history of off shoring call center jobs, moving them to the
670 Philippines, Mexico, and other non-U.S. locations.

671 Third, T-Mobile has a track record of buying companies and
672 then cutting jobs. After it acquired Iowa Wireless in 2018, it
673 closed all Iowa Wireless call centers and more than 90 percent

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

674 of its retail locations. It closed every single store in rural
675 Iowa. Finally, trusting Sprint and T-Mobile with American jobs
676 is like trusting a vampire at a blood bank. These are two of
677 the worst companies in the United States when it comes to labor
678 law and the treatment of workers.

679 In recent years, T-Mobile has been charged with more labor
680 law violations per worker than even Walmart. Violations include
681 surveillance of employees and prohibiting workers from talking
682 to each other about internal workplace investigations even
683 regarding sexual harassment complaints. And what about the
684 people lucky enough to stay employed? The merger would drive
685 down wages for all wireless retail market workers, in some cases
686 by as much as \$3,000 per year.

687 Fewer firms competing for skilled labor means that each firm
688 will pay its workers less; employers compete for that skilled
689 labor with wages and benefits. Take away competition and the
690 remaining companies can throttle down employees' compensation
691 while jacking up prices on consumers. Both are symptoms of the
692 same disease, too much market concentration. If Sprint
693 and T-Mobile had not fought their workers who wanted a union
694 perhaps the employment and wage impact would not be as bad, but
695 they did and it is. To sum up, 30,000 fewer jobs, lower wages
696 by as much as \$3,000 per year, disproportionate harm to low-income
697 communities, higher prices for all consumers, all to help a
698 state-owned German company and a Japanese billionaire make more

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

699 money.

700 Members of the committee, that is not in the public interest.

701 It is economic treason. Thank you and I look forward to
702 answering your questions.

703 [The prepared statement of Mr. Shelton follows:]

704

705 ***** INSERT 4 *****

706 Mr. Doyle. Thank you, Mr. Shelton.

707 Ms. Bennet, you are now recognized for 5 minutes. Please
708 make sure your microphone is on and pull the microphone towards
709 you. Yeah, thank you.

710

711 ?STATEMENT OF CARRI BENNET

712

713 Ms. Bennet. Chairman Pallone and Doyle, Ranking Members
714 Walden and Latta, and members of the subcommittee -- my feet don't
715 touch the ground either, just saying that.

716 My name is Carri Bennet and I am with the Rural Wireless
717 Association, and I first want to express my condolences to all
718 of you all for your loss of Chairman Dingell. May his memory
719 be a blessing.

720 Thank you for this opportunity to testify today to discuss
721 the impact that the proposed T-Mobile Sprint merger will have
722 on rural America. RWA opposes this merger. We have heard a lot
723 of promises from T-Mobile over the years that have not been met,
724 so we have no reason to believe that T-Mobile will follow through
725 on their new promises if they are allowed to reduce competition.

726 In short, this merger is bad for competition. It is bad
727 for consumers especially in rural areas who will experience fewer
728 choices, price increases, and substandard service. It should
729 be denied. T-Mobile has a poor track record in rural America.

730 Let's face it. T-Mobile is making a lot of promises about how
731 they will expand coverage in rural America and improve service
732 for these Americans, but they have a long track record of doing
733 just the opposite and we have no reason to believe that this will
734 change if the merger is approved. In fact, we think it will get
735 a lot worse.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

736 I am going to run through three examples of T-Mobile's
737 behavior that have my members concerned. Roaming. Roaming
738 arrangements are important to rural Americans. Roaming keeps
739 urban, suburban, and rural Americans connected. Sprint has
740 historically worked with rural carriers to ensure rural Americans
741 have robust mobile wireless service. T-Mobile has not. In fact,
742 according to our members, T-Mobile's roaming rates are 20 times
743 higher than Sprint's and T-Mobile's existing roaming agreements
744 are one-sided.

745 T-Mobile will frequently enter into unilateral roaming
746 arrangements under which rural carrier subscribers can roam on
747 T-Mobile's network with no possibility of T-Mobile subscribers
748 roaming on the rural carrier's network. In such cases, T-Mobile
749 has simply determined that it is better for its own customers
750 to do without coverage in rural areas, rather than pay the rural
751 carrier for network access.

752 This means that in those areas T-Mobile's customers cannot
753 be reached and are basically off the grid, all because T-Mobile
754 chooses to restrict access. Do we really want a New T-Mobile's
755 100 million-plus subscribers which would be more than one third
756 of the market share to be unable to access rural carrier's networks
757 across the country?

758 Next, rural call completion. Less than a year ago, the FCC
759 found that T-Mobile failed to correct ongoing problems with
760 delivery of calls to rural consumers. In fact, T-Mobile

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

761 admittedly inserted false ringtones into these calls so that the
762 caller believed the call was ringing on the other end when it
763 wasn't.

764 Aside from blatantly breaking the law, T-Mobile's actions
765 severely hindered rural consumers from running their businesses,
766 communicating critical information to family and friends, and
767 reaching emergency service personnel. This callous behavior in
768 an effort to save money underscores the fact that T-Mobile's
769 treatment of rural Americans is not in the public interest and
770 harms rural telephone companies who would have received payments
771 for terminating those calls. We believe that T-Mobile's
772 destructive behavior will continue perhaps even more aggressively
773 once its rival, Sprint, is eliminated.

774 Last, false broadband mapping claims. Our members have
775 serious concerns about T-Mobile's broadband maps submitted in
776 the FCC's Mobility Fund proceeding. That Fund was created to
777 provide \$4.5 billion to mobile carriers over the next 10 years
778 to help connect rural Americans who lack quality wireless
779 broadband service. To make sure they know where the money is
780 needed the most, the FCC asked wireless carriers to submit maps
781 indicating where each carrier offers qualifying 4G broadband
782 coverage.

783 According to testing done by our members, when T-Mobile
784 submitted its data the company vastly overstated its rural
785 coverage to make its reach even seem bigger than it was. When

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

786 rural carriers went to test T-Mobile's claims 95.8 percent of
787 the tests showed speeds below the threshold demanded by the FCC
788 or no 4G broadband service at all. In many of the places where
789 T-Mobile certified it had coverage cell sites had not been even
790 put into operation.

791 If left unrectified, carriers will be denied funds causing
792 a loss of service to rural consumers who rely on this funding
793 to connect. The FCC is currently reviewing this issue. But
794 before the FCC can make a public interest determination regarding
795 this proposed merger, it must first find that T-Mobile has been
796 honest in its dealings with the FCC. Our members' drive tests
797 strongly suggest otherwise. The FCC should not approve a merger
798 if an unresolved enforcement proceeding is pending.

799 I thank you so much for your time and I look forward to
800 answering your questions.

801 [The prepared statement of Ms. Bennet follows:]

802

803 ***** INSERT 5 *****

804

Mr. Doyle. Thank you very much.

805

Mr. Brake, you are now recognized for 5 minutes.

806

807 ?STATEMENT OF DOUG BRAKE

808

809 Mr. Brake. Thank you. Chairman Doyle, Ranking Member
810 Latta, and members of the subcommittee thank you for inviting
811 me to share the views of the Information Technology and Innovation
812 Foundation, or ITIF, on the pending merger of T-Mobile and Sprint.

813 First, let me briefly echo the condolences to the Dingell
814 family. He was a real legend and will be missed by all of us
815 and all the members as well as his Twitter followers everywhere.

816 With that, ITIF strongly believes that a combination of
817 Sprint and T-Mobile would bring about a better future for American
818 businesses and consumers compared to one which each company
819 attempted to continue alone. In my written testimony I explore
820 several reasons to support this merger. In these opening remarks
821 I would like to focus on three key issues. First, this merger
822 provides an accelerated transition to robust 5G. Second, more
823 competitors is not always better. Or put another way, there is
824 nothing special about the number 4. And, lastly, I would like
825 to discuss the right way to define the market when thinking about
826 this transition. First and perhaps most importantly, 5G. The
827 key point here is that a combined firm would have both the spectrum
828 assets and financial strength to deploy a robust 5G network with
829 broader coverage and significantly more capacity compared to what
830 either company could provide alone. Not all 5G is the same.
831 Around the world, carriers are in the process of exploring

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

832 business models, deploying pilots, and incrementally replacing
833 old equipment with new 5G gear. These initial exploratory
834 offerings are different in kind, however, from the 5G network
835 the parties envision. The combination of T-Mobile's low band,
836 wide coverage, 600 megahertz spectrum and Sprint's high capacity,
837 2.5 gigahertz spectrum would make for a high performance,
838 nationwide, next generation network that would help propel U.S.
839 leadership and economic competitiveness not just in 5G itself,
840 but in the applications that an advanced network enables.

841 This is incredibly important because 5G is anticipated to
842 being more than just faster, more responsive phones. The
843 technology is designed to be adaptive to a wide variety of use
844 cases hopefully driving significant productivity gains
845 throughout the economy.

846 The capacity from a new 5G network would effectively increase
847 the supply of wireless services, again more than the two companies
848 could provide separately. We should expect this increased supply
849 to maintain downward pressure on prices including in the wholesale
850 and prepaid market segments.

851 Second, let's talk about competition. You will hear some
852 of my friends or you already heard some of my friends on the panel
853 argue that the government must preserve four carriers for
854 competition. But competition is a means not an end onto itself.

855 Of course any market can have too few competitors, but it can
856 also have too many resulting in wasteful duplication of resources.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

857 I want to stress that again, more competitors is not always
858 better. This is especially true given the economics of
859 communications networks which feature tremendously high, fixed,
860 upfront costs to serve a given geographic area. These high, fixed
861 infrastructure costs allow for vigorous competition with
862 relatively few competitors compared to other industries. We
863 should want infrastructure companies to compete at sufficient
864 scale.

865 A combined company could do more with less, allowing the
866 new firm to drive greater value throughout the business,
867 ultimately passing a significant share on to consumers in the
868 form of lower prices, a higher quality network, or innovative
869 new offerings. A market of three healthy, relatively equal-size
870 companies that continue to invest and innovate is far, far better
871 than a lopsided market with two firms considerably stronger than
872 the others. There is no reason to preserve four for four's sake.

873 Lastly, it is important to not define the market too narrowly
874 and acknowledge the dynamic forces changing competition. 5G is
875 accelerating what are already rapidly differentiating business
876 models in wireless services. Basic connectivity is increasingly
877 commodified and wireless companies are instead looking to new
878 revenue sources to recoup their large, ongoing investments.
879 These new revenue opportunities include Internet of Things
880 services, connected vehicles and drones, over-the-top video
881 services, advertising, and perhaps most notably, fixed wireless

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

882 broadband to the home, which is in turn prompting cable providers
883 to explore wireless entry.

884 These new business models with value-added services built
885 on top of basic connectivity are likely to keep downward pressure
886 on price for the traditional bundles of voice, text, and data
887 whether there are three or more facilities operators. Because
888 this merger will accelerate flourishing U.S. 5G future, improves
889 the market structure with three strong firms with sufficient scale
890 to vigorously compete, and comes at a time of rapidly changing
891 business models, we believe it is in the public interest and hope
892 it is quickly approved.

893 Thank you and I look forward to your questions.

894 [The prepared statement of Mr. Brake follows:]

895

896 ***** INSERT 6 *****

897

Mr. Doyle. Thank you.

898

Mr. Berenbroick, you are now recognized for 5 minutes.

899 ?STATEMENT OF PHILLIP BERENBROICK

900

901 Mr. Berenbroick. Thank you, Mr. Chairman, Ranking Member
902 Latta, and members of the subcommittee. And I want to associate
903 myself and Public Knowledge with the statements of the panel and
904 the members of the subcommittee honoring Chairman Dingell's life
905 and his service.

906 Thank you for inviting me to appear today and thank you for
907 shining a light on the harms of the proposed Sprint T-Mobile
908 merger. Today's hearing will show that this proposed merger is
909 a bad deal for consumers, for competition, and for America's
910 wireless future. The evidence clearly shows that this
911 transaction does not serve the public service and is unlawful
912 under the antitrust laws.

913 As you consider this deal ask yourself, what will it mean
914 for each of your constituents who rely daily on their smart phones?

915 The answer is clear. They will ultimately pay higher prices
916 and have fewer choices for wireless service. Since announcing
917 their intention to merge in April 2018, the companies have failed
918 to show that the merger would not violate competition laws. They
919 have failed to show that the merger would affirmatively serve
920 the public interest as required for FCC approval and they have
921 failed to show that other public interest benefits would offset
922 the merger's substantial reduction in competition.

923 The evidence Sprint and T-Mobile have presented to the FCC

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

924 and the Department of Justice shows that consolidating the
925 wireless market down to three national players would result in
926 substantially higher prices for consumers. And you don't have
927 to take my word for it, the economic analysis submitted by the
928 companies admits as much.

929 Recent promises that the merged company will not raise prices
930 in the near term underscore the obvious. Post-merger the
931 marketplace will not be competitive enough to discipline the three
932 remaining national carriers when they raise prices. The proposed
933 transaction will eliminate competition and choices for consumers.

934 It will inflict significant harm on the low-income, prepaid,
935 and rural consumers who can least afford to pay more.

936 Additionally, the deal will lead to tens of thousands of lost
937 jobs and lower wages for the workers that remain.

938 The merger will eliminate avenues for new competitors to
939 enter the wireless market, and, finally, the deal will harm small
940 and rural wireless providers and their subscribers who rely on
941 competitive choices for roaming and wholesale. Remember, under
942 the FCC's public interest analysis, the companies' burden is not
943 merely to show that there is a lack of public interest harms,
944 they must demonstrate specific public interest benefits that
945 would directly flow from the transaction.

946 The FCC is charged with affirmatively promoting competition,
947 not merely maintaining or protecting the existing level of
948 competition. The companies have not shown that this merger would

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

949 increase competition or benefit the public interest. The
950 Commission's public interest standard is rooted in the text of
951 the Communications Act and the Commission is charged with ensuring
952 the availability of advanced telecommunications to all Americans
953 and that quality services are provided at just, reasonable,
954 affordable rates and the merger would frustrate all of these
955 fundamental roles.

956 For nearly a year, Sprint and T-Mobile have attempted to
957 overcome these overwhelming yet predictable harms to the public
958 interest, consumers, and competition. To distract from the
959 damage this merger would inflict on wireless competition, the
960 companies insist that this merger is about competing with cable
961 companies. Don't buy it. We have heard this before. This is
962 exactly the same song AT&T and T-Mobile sang when they tried to
963 merge in 2011.

964 Policymakers, the public, and enforcement agencies rejected
965 these arguments then, and these claims are similarly hollow and
966 misleading today. The merger benefits alleged by the companies
967 have collapsed under public scrutiny and the companies' economic
968 and engineering models have come under substantial attack and
969 they actually undermine the case the companies are making here
970 today.

971 The DOJ, the FCC, and this subcommittee must follow the
972 objective evidence they collect rather than relying on
973 unverifiable and unenforceable commitments made by the companies.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

974 That evidence includes prior public statements by the companies
975 themselves, prior FCC and DOJ evaluations of four to three
976 wireless market mergers; international wireless market
977 comparisons. All of this evidence clearly shows that the merger
978 will gut competition in the wireless market, lead to dramatically
979 higher prices for every wireless consumer; further, the evidence
980 undermines the speculative and unverifiable benefits the
981 companies continue to allege and have done so here today.

982 To be clear, this merger is not necessary to build 5G
983 networks. It will not increase investments in 5G. On their own
984 the companies are already competing to deploy robust 5G networks.

985 This will continue preserving the well-documented benefits of
986 vigorous four-firm competition and it will not lead to new
987 deployments in rural areas or help close the digital divide.

988 Thank you for your invitation to appear here today and I
989 look forward to answering your questions.

990 [The prepared statement of Mr. Berenbroick follows:]

991

992 ***** INSERT 7 *****

993 Mr. Doyle. Thank you.

994 With the conclusion of witness testimony we are now going
995 to move to member questions. Each member will have 5 minutes
996 to ask questions of our witnesses. And let me say to my colleagues
997 that I love you all dearly and it pains me greatly to bring the
998 gavel down when you have exceeded your 5 minutes. But the
999 kindness that I showed last week resulted in many people going
1000 much, much over their 5 minute time.

1001 So if you are near the very end then you ask the question
1002 and it takes more than 5 minutes for the answer, we will certainly
1003 let that happen. But after 5 minutes, please no more questions
1004 or I am going to have to enforce it with the gavel. So, and I
1005 will try to set an example by yielding myself 5 minutes and staying
1006 within the time.

1007 So, Mr. Legere, I am going to ask you and Mr. Berenbroick
1008 the same question but a different way and I am going to hold you
1009 each to 45 seconds because I have only got 5 minutes.

1010 So tell me, Mr. Legere, why you think this merger is different
1011 than other mergers in the past in highly concentrated areas.
1012 Tell me why you think this isn't going to result in some of the
1013 things we have seen in other mergers where it did raise prices
1014 and it didn't bring competition. What is different about this?

1015 Mr. Legere. Yeah, thank you, Mr. Chairman. In general,
1016 the issue with mergers is that industries consolidate, supply
1017 goes down, prices go up, and jobs are eliminated. This is a unique

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1018 merger where the outcome of this merger will be a significant
1019 increase in supply in the form of eight times the capacity that
1020 our network will make available.

1021 It will bring an 87 percent decline in the price per gig
1022 of data and jobs will go up. So this is dramatically different.

1023 It is unique. It is the advent of 5G. The complementary nature
1024 of these networks increases supply significantly which will
1025 decrease prices. That is quite different.

1026 Mr. Doyle. Thank you. And that was within the 45 seconds.
1027 I appreciate it.

1028 So, Mr. Berenbroick, tell me in the same amount of time why
1029 you think this merger is going to be the same as any other merger.

1030 Mr. Berenbroick. Thank you for the question. So this
1031 merger is remarkably similar to AT&T T-Mobile. That merger was
1032 rejected by DOJ and the FCC in 2011. That deal would have led
1033 to, DOJ and the FCC found, higher prices, less competition to
1034 discipline the marketplace, less competition would also mean less
1035 innovation and service plans, less robust networks, lower
1036 customer service quality, less incentives to invest and deploy.

1037 Those things are all true here, but in some instances this
1038 merger is actually worse. We are actually eliminating both of
1039 the smaller maverick competitors that challenge and discipline
1040 the behavior of the two larger companies in the marketplace.

1041 There are also increasing harms to the prepaid market, low-income
1042 consumers, the Lifeline marketplace, and then lastly, the roaming

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1043 and MVNO marketplace. Those harms are exacerbated here compared
1044 to AT&T T-Mobile.

1045 Mr. Doyle. Thank you.

1046 Mr. Shelton, if a Sprint employee is working at a retail
1047 store and they lose their job because they are working across
1048 the street from a T-Mobile store, is the claim being made that
1049 that employee will get another retail job in that area or do you
1050 think, rather, it is potentially that these jobs will be displaced
1051 and at best replaced by different types of jobs in different
1052 communities?

1053 Mr. Shelton. First of all, it may not be a Sprint employee
1054 that loses their job, but that is kind of the problem with the
1055 numbers here. Most of the --

1056 Mr. Doyle. Pull your mike towards you.

1057 Mr. Shelton. Most of the stores are independent contractors
1058 who don't have Sprint employees. But I don't see how even a Sprint
1059 employee, say, in Pittsburgh would lose their job in Pittsburgh
1060 because of consolidation of stores and end up in Pittsburgh.
1061 They might end up in Nebraska if Mr. Legere keeps his word and
1062 offers that employee a job. But I don't see how they are going
1063 to because of the concentration of stores. After this company
1064 merges, if it merged, they would have twice the number of stores
1065 that either AT&T or Verizon has now. So stores are going to be
1066 closed no matter what happens.

1067 Mr. Doyle. Thank you.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1068 Mr. Berenbroick, what precedent is set by allowing
1069 competitors to merge to achieve an evolutionary step in
1070 technology? I mean what happens then for 6G or 7G, and how did
1071 the government view similar claims for 3G and 4G?

1072 Mr. Berenbroick. Yeah, Congressman, that is a good
1073 question. So as you will recall in AT&T T-Mobile, one of the
1074 claims the companies made was that they couldn't deploy 4G LTE
1075 coverage to the entirety of their network footprints to the rest
1076 of the country if they didn't merge. The government evaluated
1077 the evidence that was before it, they rejected that. They found
1078 that that was not credible. They found that competition was
1079 likely to lead to deployment not consolidation. The same is true
1080 here.

1081 So essentially if you buy into the argument that we need
1082 to allow these companies to merge for 5G -- by the way that is
1083 directly contrary to the statements they have made to Wall Street
1084 and investors even, you know, very recently -- you know, it
1085 essentially sets the precedent that whenever there is a need for
1086 these companies to invest in new infrastructure to employ 6G,
1087 7G as you said, the gates are open to additional consolidation.

1088 Consumers need more competition for lower prices and better
1089 services, not fewer.

1090 Mr. Doyle. And I see I have 7 seconds left and I am going
1091 to yield it back to set a good example for the rest of my
1092 colleagues. And I will now yield to the ranking member.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1093 Mr. Latta. Well, thank you, Mr. Chairman. And thank you
1094 very much for yielding.

1095 And, Mr. Brake, if I could start my questioning with you,
1096 my district is a microcosm of the country, going from Toledo to
1097 suburban neighborhoods all the way to small communities in
1098 sparsely rural counties. The state of New York is also well-known
1099 for being split between rural and urban communities.

1100 What lessons can the committee draw from the New York Public
1101 Service Commission's approval of this merger last week in terms
1102 of benefits on both for the rural and urban communities?

1103 Mr. Brake. Sure, yes. I thank you for the question, Mr.
1104 Latta. Yes, the New York Public Service Commission, I think the
1105 main takeaway is that this Public Service Commission took a hard
1106 look at this merger, determined that it was in the public interest,
1107 and allowed it to go forward with minimal conditions, modest
1108 conditions related to jobs. It saw it was benefitting the state
1109 long term.

1110 As far as your question regarding both urban and rural areas,
1111 I think the most important point again is this combination of
1112 complementary spectrum assets. You have the low band 600
1113 megahertz that provides great coverage to a wider area but is
1114 relatively limited in the capacity it can offer compared to the
1115 2.5 gigahertz spectrum assets that Sprint has ready to deploy
1116 for 5G which has a much greater capacity.

1117 So with the two of those combined you get a much better

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1118 network in terms of both coverage that can help provide, you know,
1119 maybe not the greatest capacity but a wider area in rural areas
1120 to provide much of the service of 5G, but also in urban areas
1121 you get a much greater capacity with a 2.5 gigahertz to see a
1122 more robust 5G network again than either company could provide
1123 on its own or even greater than the two individual companies
1124 combined, if you want to put it that way.

1125 I would note, however, the jurisdiction of states is somewhat
1126 different than the review at the DOJ and the FCC. So if I may
1127 if there is time, one of the main issues that is unique to the
1128 state level jurisdiction is that of jobs. And so with any merger
1129 there are going to be jobs created and jobs destroyed, right.

1130 I mean that is inevitable. The companies say that, you know,
1131 they will be a job creator from day 1 and apparently the New York
1132 Public Service Commission was content with that assertion in
1133 addition to some commitments and I believe a call center being
1134 built in New York.

1135 But, and this is a somewhat unpopular point particularly
1136 with politicians, but wireless services, this is not a jobs
1137 program, right. Again perhaps an unpopular point, but if the
1138 companies combined -- not even specifically this merger but any
1139 companies -- can provide a greater output, more capacity, greater
1140 services with fewer inputs including labor that is the definition
1141 of productivity. That is what drives economic growth in this
1142 country and should be a good thing. I recognize that is not a

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1143 popular opinion and especially among politicians, but
1144 productivity growth is an important component for this --

1145 Mr. Latta. Thank you.

1146 Ms. Bennet, would you like to comment on New York, right,
1147 would you like to comment?

1148 Ms. Bennet. Well, I was just going to point out that the
1149 review by the New York Public Service Commission is not looking
1150 at -- it is only looking at the jobs issue. It is not looking
1151 at the overall merger. That is regulated to the DOJ and to the
1152 FCC and they do not have jurisdiction over that. I
1153 wanted to hop back to a point though that Mr. Legere made about
1154 87 percent decline in prices per gig. I would like to see some
1155 of that pass through on the roaming rates because right now roaming
1156 rates are about ten times to fifteen times higher than the retail
1157 rates they offer their own customers.

1158 So essentially that means they made that in a wholesale
1159 environment, the carriers are charging more than the retail
1160 environment. So the cost is definitely lower if they can pass
1161 on retail rates that are lower than the wholesale rates. Sorry,
1162 not your question, but I just wanted to go back to that for a
1163 minute.

1164 Mr. Latta. Thank you.

1165 Mr. Berenbroick. Congressman, can I jump in for 1 second?
1166 I apologize.

1167 Mr. Latta. I am sorry. I am almost out of time here.

1168 Mr. Legere, if I could, I have about 38 seconds left if you
1169 would like to comment.

1170 Mr. Legere. Yeah, I would like to comment. And I
1171 appreciate the comparison. Yes, the New York Public Service
1172 Commission is one of 16 states that has approved the merger and
1173 their review looked at all of the same issues, what it is going
1174 to mean for the state from the standpoint of 5G, median speeds
1175 of 450 megabits, the promise of 5G while having prices decline,
1176 having jobs go up, this was reviewed in total and all of the
1177 benefits that we preach about this merger New York saw and we
1178 committed with them to the things that are appropriate for them.

1179 And the promise of it is similar to the reviews that are taking
1180 place with the FCC and the DOJ.

1181 Mr. Long. Well, thank you very much.

1182 And, Mr. Chairman, I yield back.

1183 Mr. Doyle. Thank you.

1184 The chair now recognizes Mr. Pallone, the full committee
1185 chairman, for 5 minutes to ask questions.

1186 The Chairman. Thank you, Chairman Doyle. It is no secret
1187 that unions are under attack, corporations have sought to limit
1188 the power of unions which are fighting to make sure workers are
1189 fairly treated and get a livable wage, and what we are seeing
1190 is a growing disparity between the people at the top and the
1191 hardworking people like those in New Jersey, the folks who haven't
1192 seen a dime to the huge corporate profits in the Trump tax

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1193 giveaways. And just this week, news reports highlighted that
1194 the average tax refund will be 8.4 percent less this year, so,
1195 so much for the GOP tax reform. Now the CWA has argued that
1196 the merger of T-Mobile and Sprint could wipe out as many as 30,000
1197 jobs, about 25,000 in retail and about 5,000 corporate. At the
1198 same time, T-Mobile has announced it will be opening five new
1199 customer experience centers if the merger is approved which will
1200 create up to 5,600 jobs by 2021. So I wanted to ask Mr. Legere
1201 about that.

1202 In 2012, T-Mobile shut down seven call centers and allegedly
1203 sent the jobs overseas, but now, you know, you are saying that
1204 we are going to have these new customer centers. Is there
1205 anything in the law or any legally enforceable protections to
1206 ensure that these new center jobs are actually created, and if
1207 those jobs are created is there anything in the law or any legally
1208 enforceable protections to ensure that they wouldn't be
1209 outsourced in a few years to somewhere else?

1210 Mr. Legere. Thank you, Congressman. A couple things I
1211 would like to insert is -- and I am very proud of my tenure of
1212 being the CEO since the end of 2012. I would point out that the
1213 employees, badge-carrying T-Mobile employees since that time have
1214 gone up 250 percent. The employees of MetroPCS --

1215 Mr. Doyle. Mr. Legere, is your microphone on?

1216 Mr. Legere. Yes.

1217 Mr. Doyle. Okay.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1218 Mr. Legere. Okay, sorry about that.

1219 Mr. Doyle. Move that a little closer so we can hear you.

1220 Mr. Legere. But I have had a 250 increase in employees,
1221 badge-carrying employees at T-Mobile since the time I have been
1222 CEO. I would also like to point out that I am very proud of the
1223 over 50 workplace awards that the company has worked to attain,
1224 including the 100 Best Companies Award for --

1225 The Chairman. But, Mr. Legere, could you address the call
1226 centers? If not, I am just going to move on because I don't have
1227 that much time.

1228 Mr. Legere. Yeah. The call centers, they have 5,600 jobs
1229 including 2,000 additional, making it 7,500 to 7,600 jobs are
1230 a critical integrated part of our business plan, our filing with
1231 the DOJ, our support documentation to the FCC, and it is something
1232 that I am completely committed to.

1233 The Chairman. All right.

1234 I mean, Mr. Shelton, if I could ask you, does that comfort
1235 you, his response, or what is your take on how this merger would
1236 affect wages?

1237 Mr. Shelton. Our belief is that it will have a downward
1238 effect on wages. And we have a study from the Economic Policy
1239 Institute and the Roosevelt Institute that just like prices go
1240 up with less competition wages go down with less competition for
1241 labor. The one exception is where you have collective
1242 bargaining, but T-Mobile and Sprint oppose collective bargaining.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1243 And if I may, when T-Mobile laid off those 3,300 people,
1244 call center people in the past, they said that the work did not
1245 go overseas. The Labor Department did an investigation and found
1246 out that it went to the Philippines. So, you know, how do we
1247 take their word now? And if you look, not only has the workforce
1248 in the United States increased, but also the workforce in the
1249 Philippines and lots of other countries has increased by leaps
1250 and bounds.

1251 The Chairman. All right, let me ask you -- let me ask Mr.
1252 Legere, if I can, one more question about resiliency of the
1253 nation's communications systems and public safety. My district
1254 was hurt probably more than any other district by Superstorm Sandy
1255 and we have done a lot since then on a bipartisan basis to try
1256 to address resiliency for the communications systems.

1257 And I see that the FCC's 2017 Atlantic Hurricane Season
1258 Impact on Communications Report outlines a portion of the problem.
1259 It notes that in 2017 the U.S. experienced 16 natural disasters
1260 with costs totaling 360 billion. I would like Mr. Chairman to
1261 enter that into the record, if I could, that report.

1262 Mr. Doyle. Without objection, so ordered.

1263 [The information follows:]

1264

1265 ***** INSERT 8 *****

1266 The Chairman. But my worry is that consolidation of network
1267 infrastructure could prioritize cost savings over resiliency in
1268 the face of disasters, and I notice network resiliency wasn't
1269 addressed in your public interest statement at the FCC.

1270 So, Mr. Legere, there is not much time. Can you explain
1271 why you chose to leave this issue out of that public interest
1272 statement and whether you had discussions with the FCC regarding
1273 how this deal will affect network resiliency and public safety?

1274 Mr. Legere. Thank you for that important question, sir.

1275 I think the FCC's feedback on the increase in resiliency and
1276 the response to natural disasters in the last year or 2 by T-Mobile
1277 has been industry-leading and something that they are extremely
1278 proud of. Resiliency of our networks has been a critical priority
1279 and it is a critical priority of the New T-Mobile's network.
1280 And, you know, this infrastructure plan will significantly
1281 increase the resiliency of our network and it is part of the plan.

1282 The Chairman. All right, thank you so much.

1283 Mr. Doyle. The gentleman yields back. The chair now
1284 recognizes Mr. Walden, the full committee ranking member, for
1285 5 minutes to ask questions.

1286 Mr. Walden. Thank you, Mr. Chairman. And before I start
1287 I want to thank you for your concern about these jobs. You know,
1288 we had a hostile takeover here at this committee and we lost about
1289 half our staff. And I am just wondering, in this new spirit of
1290 protection of lost jobs could we get those back?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1291 [Laughter.]

1292 Mr. Doyle. Yeah. Were they reassigned to a different
1293 neighborhood?

1294 Mr. Walden. Yeah, you could say that.

1295 I want to thank our witnesses for being here.

1296 Mr. Berenbroick, I know Mr. Brake talked in his testimony
1297 about the number 4 carriers. Is there a magic to number 4 in
1298 terms of competition in this space? Is there some magic to four
1299 versus five versus three versus eight?

1300 Mr. Berenbroick. You know, it is a good question. The key
1301 as the Department of Justice and the FCC look at this deal isn't
1302 whether there is a magic number of firms in the marketplace.
1303 It is do the players in the marketplace, does the structure of
1304 the marketplace promote lower prices, more investment, better
1305 choices for consumers, better -- more deployment of broadband
1306 services? And we believe, frankly, that when you take these two
1307 companies and you merge them together you eliminate the mavericks,
1308 the companies that have been the driving competitive forces in
1309 the industry.

1310 So to answer your question directly, I don't believe there
1311 is a per se magic number, it is about market structure.

1312 Mr. Walden. Okay.

1313 Mr. Berenbroick. But this transaction has significant
1314 concerns.

1315 Mr. Walden. Mr. Brake, do you want to comment on that

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1316 briefly?

1317 Mr. Brake. Sure. I mean as I mentioned, right, there is
1318 no real magic to the number 4, but it seems to be a lot of the
1319 folks pushing to preserve four seem to think that more is
1320 necessarily better, you know, why not five, why not six, why not
1321 seven? And the answer is clear. It is because then you end up
1322 with all of this duplication of infrastructure that leads to a
1323 fragmentation of market, increases costs that ultimately have
1324 to be borne by consumers of the network, right.

1325 And so the question is, what is the optimal balance between,
1326 you know, competition that drives down prices, continues
1327 innovation but doesn't see these duplication of resources?
1328 Considering the limited cash flow and the high debt of Sprint,
1329 there is a good indication that that number, that optimal number
1330 is closer to 3 rather than 4.

1331 Mr. Walden. All right. Thank you both. I appreciate your
1332 perspectives on that.

1333 I want to turn to our other representatives here. Talk to
1334 me, Mr. Claire and Mr. Legere, about roaming rates and what we
1335 should anticipate, consumers. And about data, both data access
1336 and costs going to go up, going to go down? As you know, my
1337 district is pretty enormous and gives new definition to rural
1338 and remote and we are concerned about how these two would work.

1339 And I don't know which among you wants to, between you wants
1340 to go first on that, but please, and thank you again for being

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1341 here.

1342 Mr. Claire. Thank you, Congressman. One of the most
1343 important pillars of this merger is increasing capacity.
1344 Basically when you put these two networks together you are going
1345 to create eight times the capacity. So to put things in
1346 perspective, imagine if you had a stadium in which two thirds
1347 of it is empty. Pretty much you are going to be, you are going
1348 to have an economic incentive to basically reduce prices and find
1349 different people to fill this capacity.

1350 This is why we have been very clear and we made a commitment
1351 to lower prices. Traditionally, most mergers, you don't find
1352 companies that go and make a voluntary filing to the FCC like
1353 John at T-Mobile did basically making a commitment that prices
1354 will remain the same or lower. It is a question of capacity.

1355 We are going to have more capacity than ever before, eight times
1356 capacity, so we have got to fill it and that is going to be filled
1357 by the different partners in the industry.

1358 Mr. Walden. All right.

1359 Mr. Legere, do you want to address those two issues as well?

1360 Mr. Legere. Yes. Thank you, sir. I would first say, let's
1361 be clear. The wireless industry is a duopoly controlled by AT&T
1362 and Verizon who control over 80 percent of the profitability and
1363 95 percent of the cash flow and after the merger they will still
1364 have almost 70 percent market share. What we have done for 6
1365 years at T-Mobile as the un-carrier, the whole thesis of this

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1366 transaction is to use this increase in supply, capacity, and
1367 decreased price to supercharge the un-carrier, to bring
1368 competition. You will see users have an 87 percent decline in
1369 the price per gigabit of data. You will have an eightfold
1370 increase. Users will go from ten gigs to eighty gigs and that
1371 is just in wireless. We expect to take that competition also
1372 to the cable industry which is not only a duopoly, it is a monopoly.
1373 And most of America, 79 percent, have no more than one choice
1374 for high speed broadband access and we plan on entering that
1375 market, having as many as 9.6 million customers serving 50 percent
1376 of the geography of the United States and saving just in that
1377 part over \$13 billion a year to people on their cable and in-home
1378 broadband bills.

1379 Mr. Walden. All right. I thank all of our witnesses for
1380 your comments. My time has expired. I yield back.

1381 Mr. McNerney. [Presiding.] Thank you.

1382 I recognize myself for 5 minutes, but I first want to
1383 reiterate my colleagues and the panel on recognizing the
1384 leadership that John Dingell provided on a bipartisan way to get
1385 legislation done that was sustainable in the long run, and
1386 hopefully we can continue in that tradition.

1387 Many households in my district live paycheck to paycheck.
1388 More than a quarter have an annual income of less than \$35,000
1389 a year. If these households are faced with even a couple more
1390 dollars each month it could mean they no longer have access to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1391 wireless service.

1392 So, Mr. Legere, can you cite any recent example where a
1393 country went from four to three wireless carriers and prices did
1394 not increase?

1395 Mr. Legere. Thank you very much for the question, sir.
1396 And the types of customers that you describe we are
1397 disproportionately serving both at T-Mobile and at Sprint and
1398 they disproportionately have benefitted from what we have done
1399 because they are the highest --

1400 Mr. McNerney. Which is why we are worried about the merger
1401 reducing competition to those, to that sector of the population.

1402 Mr. Legere. Thank you, sir. Since we have acquired
1403 MetroPCS, the average price of a prepaid service to our customers
1404 has gone down four percent, but the data usage has gone up
1405 twelvefold.

1406 Mr. McNerney. But you really didn't answer my question.
1407 Any recent examples of countries that went from four to three
1408 and did not have prices increase?

1409 Mr. Legere. I am not a study in the countries around the
1410 world, sir.

1411 Mr. McNerney. I understand.

1412 Mr. Berenbroick, is it true that the three to four merger
1413 of T-Mobile Netherlands and Orange led to price increases in the
1414 Netherlands compared to other control countries?

1415 Mr. Berenbroick. Yes, Congressman, between 10 to 17 percent

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1416 price increases.

1417 Mr. McNerney. Wow. And is it true that when Austria went
1418 from four to three wireless carriers the prices also increased?

1419 Mr. Berenbroick. Yes, sir, between 14 and 20 percent. And
1420 what is particularly important in that market is that one of the
1421 three remaining players is one of T-Mobile's sister companies,
1422 T-Mobile Austria.

1423 Mr. McNerney. Wouldn't this merger have an even greater
1424 impact on lower income people who depend on prepaid services since
1425 we would be moving from three to four facility-based prepaid
1426 providers?

1427 Mr. Berenbroick. Yes, sir. I believe it would. You know,
1428 in this marketplace in the prepaid market you tend to have only
1429 three players currently-T-Mobile, Sprint, who would merge, and
1430 AT&T. T-Mobile and Sprint would have a dominant position in that
1431 marketplace and have the power and incentives to raise prices
1432 on those prepaid customers who, you know, frankly, are likely
1433 to be lower income, likely to be mobile-only, likely to be
1434 consumers of color and, frankly, would have no other choices in
1435 the marketplace. So prices would go up on them and they would
1436 have nowhere else to turn.

1437 Mr. McNerney. Thank you.

1438 Mr. Legere, I have a letter here from you to the chairman
1439 of the FCC dated February 4th of this year in which you stated,
1440 "I want to reiterate unequivocally that New T-Mobile rates will

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1441 not go up, rather our merger will ensure that American consumers
1442 will pay less and get more."

1443 And I am going to submit this to the committee, without
1444 objection.

1445 [The information follows:]

1446

1447 ***** INSERT 9 *****

1448 Mr. McNerney. Is it also correct that on the same day you
1449 submitted a letter, counsel for T-Mobile submitted an ex parte
1450 filing to the FCC that further articulated this commitment?

1451 Mr. Legere. Yes, sir.

1452 Mr. McNerney. And I am going to submit this to the
1453 committee, without objection.

1454 [The information follows:]

1455

1456 ***** INSERT 10 *****

1457 Mr. McNerney. Mr. Berenbroick, I am curious to take into
1458 your opinion on this commitment.

1459 Mr. Berenbroick. Well, thank you for the question and this
1460 is an important issue. So the history of these merger conditions,
1461 behavioral merger conditions in concentrated markets, is not a
1462 positive one. We saw this with conditions on Comcast where it
1463 violated its merger conditions with regards to Bloomberg.

1464 Mr. McNerney. Well, let me ask you specifically, if a small
1465 amount of data is added to T-Mobile and Sprint legacy plans
1466 consumers could see an increase in the amount they pay for their
1467 plans; is that correct?

1468 Mr. Berenbroick. Yes, sir. Under the letter that was filed
1469 last week that appears to be the case.

1470 Mr. McNerney. Is it your opinion that under the proposed
1471 condition legacy Sprint and T-Mobile fees could be hiked and there
1472 would be nothing to stop that?

1473 Mr. Berenbroick. Yes, sir. And even if those fees were
1474 hiked and even if those were covered by the commitment that
1475 T-Mobile has said it has made, how are consumers supposed to
1476 enforce that? Are they supposed to, you know, come to the FCC
1477 which has forsworn rate regulation and ask it to step in and
1478 enforce this on T-Mobile? It just seems impractical and
1479 enforceable.

1480 Mr. McNerney. And yes or no, is it your opinion that under
1481 the proposed condition legacy Sprint and T-Mobile surcharges

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1482 could be hiked and there would be nothing to stop that? Yes or
1483 no, please.

1484 Mr. Berenbroick. Yes.

1485 Mr. Legere. Sir, could I respond to some of --

1486 Mr. McNerney. Yeah, I am going to just wrap up here. I
1487 hope that your promise that the people will get more for what
1488 they are paying holds true. My concern is that many people won't
1489 even be in a position to take advantage of that promise because
1490 they might not be able to scramble the extra cash they need.
1491 Simply put, I am worried about many of the constituents that I
1492 have would be priced out.

1493 And my time has expired and I yield to Mr. Shimkus.

1494 Mr. Shimkus. Thank you, Mr. Chairman.

1495 Mr. Legere, you can respond to that.

1496 Mr. Legere. Yeah. Thank you very much. And I, you know,
1497 with respect, my colleague continues to interpret what is taking
1498 place at the FCC through his interpretation of what the outcome
1499 is before their work is completed that I highly respect what is
1500 taking place. Several things, I want to be clear. I have worked
1501 very hard to rid the lines between postpaid and prepaid such that
1502 --

1503 Mr. Shimkus. Yeah, let me ask because I was going to have
1504 that question anyway. I am old enough to know the Uncola. We
1505 are using the term the un-carrier, so describe un-carrier.

1506 Mr. Legere. Yeah. Un-carrier is a term that I coined.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1507 It was the thesis and the genesis of who we were going to be.

1508 And what it was, was we set out to fix a stupid, broken wireless,
1509 arrogant industry by listening to customers and solving all the
1510 pain points and removing those barriers.

1511 Mr. Shimkus. Like what? Give me some quick examples.

1512 Mr. Legere. We eliminated contracts, eliminated
1513 international data roaming, free, you know, free music streaming,
1514 et cetera. So things --

1515 Mr. Shimkus. So let me follow up on this question. So if
1516 you enter as a more dominant competitor to AT&T and Verizon,
1517 wouldn't that un-carrier characteristics carry into that
1518 competitive marketplace or are you going to jettison that?

1519 Mr. Legere. Sir, my goal has been not just to differentiate
1520 myself by the changes but to force AT&T and Verizon to change,
1521 that the wireless industry would adapt. I have been successful
1522 in changing the industry, but I am not breaking through because
1523 I don't have the scale and the resource and capability. The goal
1524 here is to supercharge that un-carrier and force AT&T and Verizon
1525 to invest more in 5G, to lower prices, broaden services, go deeper
1526 into in-home broadband, and I believe that that is possible
1527 through this merger.

1528 Mr. Shimkus. Yeah, and I appreciate that.

1529 And, Mr. Claire, kind of what is going to happen if the merger
1530 gets approved? You do bring something beneficial to this debate
1531 especially for the rural folks. Greg Walden represents rural

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1532 America. I represent rural America, Billy Long. We have a lot
1533 of folks here that that is a concern. Is there a way to carry
1534 that roaming debate that Sprint trumpeted to this new merged
1535 company? Hit your mike.

1536 Mr. Claire. Thank you for your question. Today, Sprint
1537 has contracts with most of the rural carriers and those are
1538 contracts. And I have been very clear with John that the New
1539 T-Mobile will plan to honor the contracts that Sprint has signed.

1540 What is important for most of you who have people in the rural
1541 part of the country, it is very simple. T-Mobile did not have
1542 600 megahertz spectrum so T-Mobile couldn't basically build a
1543 nationwide coverage. Today they do. They like the capacity they
1544 can buy with our spectrum.

1545 So we are going to bring 5G to every corner of America and
1546 that is going to be a huge differentiator. You have seen the
1547 lack of competition that exists today in rural America.

1548 Mr. Shimkus. So, Mr. Legere, I would hope that that would
1549 be part of the new corporate culture as far as if this is a
1550 successful merged company. I think my folks in the rural wireless
1551 would like to see that too.

1552 Mr. Legere. Yes, sir, a hundred percent. I would just like
1553 to point out that when you take the topic of rural there is two
1554 important components, the rural customer right now who is not
1555 being served, does not have choice, and the rural carrier. Both
1556 of those carriers will be served greatly by this transaction.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1557 I clearly have honored that I will, you know, commit to honor
1558 all of the agreements that Sprint has and I believe that we will
1559 be in a position to negotiate even better things for the rural
1560 players. And I believe that in that partnership we can be the
1561 rural players' partner to bring them to the 5G evolution and the
1562 winner will be the rural customer.

1563 Mr. Shimkus. Thank you, Mr. Legere.

1564 With my remaining time I want to try to get two things done.
1565 One is to remind my colleagues that this evening at 6:00 in the
1566 Rayburn Foyer, the Next Generation 911 has their awards ceremony.
1567 Especially if you are new on the committee and want to know 911,
1568 telecommunications, location, that is a good event to stop by
1569 and I want to encourage you to do that.

1570 And, Mr. Berenbroick, I am sorry. In your comments in your
1571 testimony you lauded the Department of Justice on their decision
1572 on the T-Mobile -- what was it -- AT&T merger. Our point is you
1573 have the FCC and the Department of Justice making this ruling.

1574 Do you trust the DOJ to make the ruling without, as Chairman
1575 Walden said or Ranking Member Walden said, political influence?

1576 Mr. Berenbroick. Thank you, Congressman. Yes, obviously
1577 that issue of political influence has come up with regards to
1578 merger reviews in the past. Yes, I do trust the staff at the
1579 Department of Justice to fully review the evidence before them,
1580 the staff at the FCC to fully review the evidence and to make
1581 those recommendations.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1582 Mr. Shimkus. Thank you.

1583 Thank you, Mr. Chairman.

1584 Mr. Doyle. Thank you.

1585 The chair now recognizes the gentleman from Iowa, Mr.

1586 Loeb sack.

1587 Mr. Loeb sack. Thank you, Mr. Chair. And I do thank the
1588 chair and the ranking member for having this hearing today and
1589 I want to thank all of you for being here as well. It has been
1590 pretty enlightening. I think it is an important hearing. I am
1591 happy to hear that there has been a lot of focus on rural areas.

1592 Both sides of the aisle, we represent, many of us on this
1593 committee represent significant rural areas.

1594 So I am going to get right to my first question.

1595 Ms. Bennet, your testimony you state that T-Mobile has, and
1596 I quote, determined that it is better for its business to do
1597 without any coverage in rural areas, unquote. As a
1598 representative of a rural district not as big as some of them
1599 but nonetheless pretty darn big, 12-13,000 square miles, 24
1600 counties, where coverage can often be dismal or nonexistent, I
1601 get around my district all the time. I experience this whenever
1602 I am back. I find that particular assertion very worrying as
1603 you might imagine. Can you clarify a little bit more on that
1604 point?

1605 Ms. Bennet. Certainly and I appreciate the question. Our
1606 members who have built out the rural networks in their rural areas

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1607 and it is not everywhere, to be clear it is only in the areas
1608 that they serve.

1609 Mr. Loeb sack. And you did mention Iowa in your testimony?

1610 Ms. Bennet. Yes, yes. And what has happened is in
1611 negotiations with T-Mobile, T-Mobile elects not to -- they
1612 lack-restrict. It is a technology that you can put in place so
1613 that their customers don't have access to those rural carriers'
1614 networks. So they have roaming agreements because under the
1615 FCC's rules they have to let the rural carriers' customers roam
1616 on their network but not the reciprocal. So that they choose
1617 not to do that and that is because they probably don't want to
1618 pay the roaming charges to the rural carriers.

1619 Mr. Loeb sack. Well, if T-Mobile and Sprint are combining
1620 services can T-Mobile make a structural commitment to use Sprint's
1621 rural carrier service model?

1622 Ms. Bennet. Those are very hard to enforce after the fact.
1623 And to go back to the favorable agreements that we have with
1624 Sprint, right now those are expiring and we haven't been able
1625 to get any certainty from Sprint about whether those would
1626 continue regardless of whether the merger goes through. They
1627 just have been silent. They have gone silent on us and have told
1628 us that we have to wait until the merger is done --

1629 Mr. Loeb sack. Okay.

1630 Ms. Bennet. -- or not done.

1631 Mr. Loeb sack. Thank you.

1632 My second question is for Mr. Shelton. CWA recently
1633 released a report on the impact in Iowa from T-Mobile's
1634 acquisition of iWireless which has been mentioned. One of the
1635 things that stuck out to me from this report was a dramatic
1636 decrease of T-Mobile's retail footprint in Iowa. Can you expand
1637 a little further regarding T-Mobile's acquisition of iWireless
1638 and how that reduced access in rural parts of my state and
1639 district?

1640 Mr. Shelton. Yes. When they bought the company in Iowa
1641 they closed down 90 percent of the stores. And now for a consumer
1642 in Iowa, in a rural place in Iowa, they have to drive sixty eight
1643 to a hundred miles to get to the nearest T-Mobile store in Iowa.
1644 And if you look at the company's plans, their own plans say that
1645 46 million rural customers will not be served by their 5G network.
1646 So that does not bode well for Iowa.

1647 And, actually, I know it is kind of difficult in this
1648 political environment to demonstrate fairness, but I am going
1649 to do it in this case, Mr. Legere. I am going to give you an
1650 opportunity to respond and make your case, because to be frank,
1651 Ms. Bennet's and Mr. Shelton's remarks leave me very concerned
1652 about the potential negative outcomes in Iowa. I know there are
1653 at least two sides to every story, so I want to give you a chance
1654 to respond to them. And in particular will T-Mobile make
1655 structural commitments to rural constituents in my state who may
1656 stand to lose jobs, coverage, or retail services?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1657 Mr. Legere. Yes, sir. Thank you very much. And the facts
1658 associated with what is happening with Iowa Wireless I would be
1659 glad to submit after the hearing as well. But let's just be clear.

1660 There are a hundred more employees than there were a year ago
1661 in Iowa. There are 35 MetroPCS, Metro by T-Mobile stores equaling
1662 the number of what the stores were there before. And Iowa
1663 Wireless was a failing company stuck in 2G and 3G and we came
1664 in and provided the investment. We spent \$70 million so far
1665 upgrading to the 4G and now moving to 5G network.

1666 Mr. Loeb sack. I am kind of running out of time here. I
1667 want you to address the structural agreement issue going forward.

1668 Mr. Legere. I would be glad to look at ways to make that
1669 commitment. And I would point out that part of our plan is to
1670 cover 96 percent of the 62 million people in rural America with
1671 LTE coverage and 84 percent of all of rural America with greater
1672 than 25 megabits of in-home broadband.

1673 Mr. Loeb sack. And a group of politicians here, we make
1674 promises quite a lot. I would like this to be in writing. That
1675 is what I would like it to be. I would like to see you make that
1676 commitment, that structural commitment.

1677 Mr. Legere. Yes, sir. It will be in my business plan as
1678 well.

1679 Mr. Loeb sack. To make sure we have that access here in Iowa.
1680 Thank you very much, Mr. Legere.

1681 And I have 10 seconds left. I am going to yield back my

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1682 time, Mr. Chair.

1683 Mr. Doyle. Thank you.

1684 I now recognize my good friend from Ohio, Mr. Johnson, for
1685 5 minutes.

1686 Mr. Johnson. Well, thank you, Mr. Chairman. And I
1687 appreciate the panel being with us today.

1688 Mr. Legere, historically, Sprint has been an effective
1689 partner with rural wireless providers -- say that fast -- allowing
1690 their customers to access Sprint's voice and data network when
1691 roaming. I represent a very, very rural district in Appalachia.

1692 Ms. Bennet has testified that T-Mobile has been unwilling to
1693 partner with rural providers or otherwise serve rural America.

1694 Can you share what services the New T-Mobile intends to
1695 provide in rural America and if there are any plans to partner
1696 with rural providers? I know we have alluded to some of this
1697 already, but if you could do it for me I would appreciate it.

1698 Mr. Legere. Yes, sir. Thank you very much for the
1699 question. I have two things I would like to point out. One is,
1700 historically, T-Mobile has not had the wherewithal to provide
1701 full capabilities in rural America. We were a very densely urban
1702 company with no low band spectrum that covered rural America and
1703 we only recently have that. New T-Mobile will have significantly
1704 more ability to do that.

1705 Secondly, Sprint is not going away. This is a merger between
1706 T-Mobile and Sprint and all of the good of Sprint will be part

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1707 of the integrated T-Mobile and we plan to carry those forward.
1708 And I believe that in addition to providing broader services
1709 to rural customers, better LTE coverage, in-home broadband, I
1710 believe that we have a great ability to be a partner with rural
1711 carriers. We need their help with last-mile access with
1712 capabilities and I think we can provide them with a pathway to
1713 5G. So I think it is the best partnership for both rural customers
1714 and rural carriers.

1715 Mr. Johnson. All right. Well, thank you for that. So
1716 specifically then, will the New T-Mobile continue to make
1717 wholesale agreements available that are in line with those
1718 currently made by Sprint or T-Mobile?

1719 Mr. Legere. Yes, sir. And all wholesale agreements are
1720 currently contractual. We will honor those. I believe with the
1721 supply and capacity that the New T-Mobile will have that wholesale
1722 rates are only going to get better. In fact, carriers that have
1723 agreements with both Sprint and T-Mobile will be able to choose
1724 the better of those and the alternative that suits them as well.

1725 Mr. Johnson. Okay. Well, thank you.

1726 Mr. Brake, Ms. Bennet's testimony indicates that the New
1727 T-Mobile would have zero incentive, quote, zero incentive to
1728 provide commercially reasonable roaming rates, terms, and
1729 conditions to RWA members. Although, aren't there rules at the
1730 FCC in place to ensure that carriers do just that and if they
1731 do not there are enforcement mechanisms that the FCC can take?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1732 Mr. Brake. That is right. Thank you for the question.
1733 So the rural coverage is a multifaceted issue. This roaming issue
1734 is a narrow component of it. And I just want to be very clear
1735 about the sort of dynamic here, right. The members of the Rural
1736 Wireless Association enjoyed favorable negotiations with Sprint
1737 mainly because they had a very small network focused on cities
1738 and did not have the rural coverage. And so, and I don't mean
1739 to disparage the members, right. There is nothing more American
1740 than trying to, you know, serve your community with wireless
1741 services.

1742 But this is a wildly inefficient system to have a bunch of
1743 small rural operators trying to negotiate with a small limited
1744 coverage nationwide carrier is not an efficient way to do things.
1745 We should have companies operating at scale, building out
1746 coverage into rural areas as best they can. It is better to do
1747 that at scale than to hamstring providers to have individual small
1748 companies in each pocket of rural America.

1749 Mr. Johnson. All right. Well, thank you.

1750 Ms. Bennet. I am sorry. I just have to interject here if
1751 I could have permission.

1752 Mr. Johnson. No. I have got to move on because I am limited
1753 on my time.

1754 Mr. Legere indicated in his testimony, in 2012 CWA claimed
1755 that the T-Mobile MetroPCS merger would destroy 10,000 jobs when
1756 that merger actually generated 12,000 new jobs following the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1757 transaction. So, Mr. Shelton, why should we believe CWA's claims
1758 that the current merger will result in 30,000 job losses, which
1759 incidentally exceeds Sprint's entire employee head count?

1760 Mr. Shelton. Well, in the first instance, we were concerned
1761 about call centers jobs because T-Mobile had just shut down seven
1762 U.S. call centers in the U.S. laying off 3,300 people and sending
1763 the work to the Philippines. MetroPCS outsourced its entire call
1764 center operation. If T-Mobile adopted MetroPCS's outsourcing
1765 model, then 10,000 T-Mobile call center workers' jobs were at
1766 risk at the time.

1767 Mr. Johnson. Okay, my time has expired. So let me ask Mr.
1768 Legere real quick if the chairman will indulge, do you want to
1769 respond to that as well?

1770 Mr. Legere. Yeah, I think what my colleague was attempting
1771 to explain is why his estimates were wrong and it didn't take
1772 place. I would also just like to submit that the CWA predicted
1773 that the AT&T T-Mobile transaction that was disapproved would
1774 add 96,000 jobs. So I know what my business plan is and I am
1775 very clear jobs will be created.

1776 Mr. Doyle. The gentleman's time is expired.

1777 The chair now recognizes the gentleman from Virginia, Mr.
1778 McEachin.

1779 Mr. McEachin. Thank you, Mr. Chairman. And thank you for
1780 holding this hearing to help us better understand these very
1781 complex issues. As for me, I am particularly interested in how

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1782 the T-Mobile Sprint merger will affect market for low-income
1783 consumers with poor credit. The services you provide are
1784 absolutely essential in the vulnerable communities and that with
1785 reduced access this merger will have profoundly harmful effects.
1786 That is why I would like to talk about what this merger would
1787 mean for the prepaid market.

1788 Now Mr. Berenbroick -- did I say that right?

1789 Mr. Berenbroick. Close enough, sir.

1790 Mr. McEachin. Thank you. In your testimony you discuss
1791 the effects of this merger on these customers, that is again the
1792 prepaid mobile market. Can you expand on probably what this
1793 merger means for this customer base in terms of choice and price?

1794 Mr. Berenbroick. Yes, sir. And that is an important
1795 question. The prepaid market is, you know, right now it has about
1796 97 million subscribers. I think that was the number at the end
1797 of 2017. And, you know, those nearly a hundred million people
1798 are more likely to be people who are low income, people who mobile
1799 is their only connection. They might not have a fixed broadband
1800 connection at home because it is too expensive. They are more
1801 likely to be young people or persons of color who maybe have bad
1802 credit or no credit. This market drastically consolidates
1803 that marketplace. The HHI numbers that we talked about with the
1804 antitrust review are even higher for the prepaid marketplace,
1805 which means that the combined Sprint and T-Mobile in a duopoly
1806 market where only AT&T is there, is going to have the power and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1807 the incentives to raise prices on those consumers, consumers who,
1808 frankly, are reliant on that mobile connection and have nowhere
1809 else to go.

1810 Mr. McEachin. Now, Mr. Legere, you have suggested that the
1811 prepaid market would benefit from the merger and even made
1812 commitments to the FCC not to raise rates for these plans for
1813 3 years. And we have already heard arguments that the spirit
1814 of those commitments may not really bind you in practice. I
1815 assume you are making this commitment in good faith, but business
1816 plans change. How can we be sure prices will not increase
1817 especially for low-income Americans? For instance, could
1818 consumers take you to court?

1819 Mr. Legere. Thank you very much, sir. This whole topic
1820 is one that is extremely important. And what I have attempted
1821 to do and what T-Mobile has been successful in doing is blurring
1822 the lines between what is called postpaid and prepaid, such that
1823 it is almost a payment term. You pay on the first of the month
1824 or the last of the month, so that prepaid customers are not getting
1825 lesser capabilities or quality or data than previously.

1826 We are very proud that we are a large provider second behind
1827 billionaire-backed TracFone in serving the prepaid market and
1828 that is very important to us. And our track record is that our
1829 prepaid customers over the last 5 years have had a four percent
1830 decline in price, a twelve times increase in data, and I have
1831 implemented plans, by the way, to allow prepaid customers to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1832 create their own credit by their payment history with T-Mobile
1833 as opposed to their other forces and use that as a way if they
1834 choose to move to postpaid. And I have a migration of about
1835 150,000 customers a quarter going from prepaid to postpaid very
1836 proudly and that will continue.

1837 Mr. McEachin. Mr. Berenbroick, I would like to give you
1838 the last word with my remaining time. Can you speak to Mr.
1839 Legere's comments that he just made?

1840 Mr. Berenbroick. Yeah. I guess I just -- I didn't know
1841 if there was a commitment there or a promise. But, you know,
1842 I think what the committee and I think what the Department of
1843 Justice and FCC should be looking at with this marketplace is
1844 are prices likely to go up? Does the combined firm and the other
1845 players left in the prepaid market have the power and have the
1846 incentives to raise prices?

1847 And when you constrict this marketplace down to two
1848 facilities-based providers, New T-Mobile and AT&T, that is clear
1849 and evident. A duopoly market will result in higher prices for
1850 the people in the prepaid market who can least afford to pay those
1851 higher prices.

1852 Mr. Legere. Sir, could I just emphasize the last word.
1853 I want to be very clear in any which way you would like to ask
1854 the question, prices will go down. Unit cost prices will go down.

1855 Absolute prices will go down. And the pricing commitment that
1856 I asserted on February 4th, I believe was the date, was not in

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1857 response to a negative review process. It was an attempt to add
1858 another layer in addition to my business plan that says if you
1859 are concerned whether there was any trickery let me be clear,
1860 the rate plans will stay in place and customers that pay X today
1861 will not pay more. And that was a very clear attempt that I made.

1862 Mr. McEachin. Mr. Chairman, thank you. I yield back.

1863 Mr. Doyle. Thank you.

1864 The chair now recognizes the gentleman from Missouri, Mr.
1865 Long.

1866 Mr. Long. Thank you, Mr. Chairman.

1867 And, Mr. Legere, in my district T-Mobile has a call center
1868 that employs nearly 1,000 employees. Since it opened in 2006,
1869 it has shown continuous improvement in employee retention and
1870 performance. And in 2006 and 2007 it was ranked number one by
1871 417 Magazine as the best place to work in Springfield, Missouri,
1872 my hometown.

1873 Can you talk about the New T-Mobile commitment of at least
1874 600 new retail stores, five new customer experience centers, and
1875 11,000 new employees on the ground in rural areas, small towns,
1876 communities that need them most? What affect will this merger
1877 have on jobs in my district?

1878 Mr. Legere. Thank you, sir. I am very proud of the fact
1879 that a core component of the un-carrier and T-Mobile was even
1880 changing the definition of what is a call center, away from IVRs
1881 and robotic responses and taking and empowering those people like

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1882 in Springfield, Missouri to own, personally, customers, called
1883 team of experts. And what I am doing with the merger is I am
1884 creating five new, gigantic centers to deploy call of centers,
1885 a team of experts across what is going to happen with Sprint.

1886 So there will be five major centers with 5,600 new employees.
1887 The existing centers will expand by 2,000 employees, meaning
1888 just in that area 7,600 jobs. Of the increase in jobs at T-Mobile,
1889 rural America will disproportionately benefit. There will be
1890 600 new retail stores, 5,000 jobs. About 11,800 of the people
1891 that will do the integration and network deployment will be
1892 heavily in rural America and so there will be 5,000 retail jobs,
1893 over 7,600 customer care jobs, and thousands of jobs on network
1894 integration heavily all in rural America.

1895 Mr. Long. Thank you.

1896 And, Mr. Claire, should we be concerned that these two
1897 companies once merged would hold a significant share of the
1898 prepaid market?

1899 Mr. Claire. Even after the companies are combined, market
1900 share will only be 38 percent and the biggest beneficiaries will
1901 be those prepaid customers that are going to have the same access
1902 today to the great network that we are going to go build. So
1903 we believe we have been very clear that everybody is going to
1904 benefit from this merger whether you are a prepaid, whether you
1905 are a postpaid. Sprint has a long history of serving all prepaid
1906 customers all the way down to Lifeline to our different brands

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1907 that we have, Boost and Virgin. And we have decided that we are
1908 basically going to keep all the brands, so therefore want to
1909 continue to up the ante in the prepaid ecosystem.

1910 Mr. Long. Okay, thank you.

1911 Ms. Bennet, if you came down to Branson, Missouri and you
1912 went to the corner of Commercial Street and Main and on each corner
1913 there were different folks with carts selling Gala apples, apple
1914 company 1, 2, 3 and 4, selling edible apples, and one of those
1915 companies got to talking to the other one on a smoke break and
1916 said, hey, you know, we could combine and we could, you know,
1917 figure out how to grow more apples at less money, save on trucking
1918 expenses, bring them to the market at a smaller fee, do you think
1919 combining those two companies would affect the price of apples
1920 on that corner?

1921 Can you turn your mike on there, please, and turn it up a
1922 little bit?

1923 Ms. Bennet. Since we are talking apples I don't think that
1924 that would have an effect on the market because they are all the
1925 same.

1926 Mr. Long. Okay. And --

1927 Ms. Bennet. But the difference here is we are talking
1928 wireless and we are talking about wireless in rural America where
1929 both of these companies have had over 20 years to build out to
1930 rural America and Sprint tries a path of working with carriers.

1931 Mr. Brake over here just said, oh, that is a bad path to choose.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1932 Let's just eliminate all the rural carriers. There is your nail
1933 on the head on the antitrust concerns about here.

1934 These two companies have worked to -- if they are combined
1935 together we are going to have the New T-Mobile with Mr. Legere
1936 sitting at the head who has not made one iota to build out to
1937 rural America. I don't even know if Mr. Legere has been to rural
1938 America. But it is a very hard row to hoe as you know with your
1939 rural constituents. It is a lot of work. It is a lot of money.
1940 It is a lot of fiber.

1941 Mr. Long. The four companies that are competing together
1942 regardless of the product that they are selling, if one of those
1943 combined with the other do you think that prices for their product
1944 would necessarily go up?

1945 Ms. Bennet. If we are talking apples and they are all the
1946 same --

1947 Mr. Long. No, I didn't say we are talking apples.

1948 Ms. Bennet. Your example was apples. Yes, I think the
1949 prices --

1950 Mr. Long. I moved on. I said we are talking about selling
1951 the same product.

1952 Ms. Bennet. -- are going to go up because I think they
1953 are motivated to put other companies out of business, other small
1954 companies. And that is just what I heard Mr. Brake said.

1955 Mr. Long. You think prices would go up then if the two of
1956 them combined?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1957 Ms. Bennet. I think prices will go up, yes.

1958 Mr. Long. Okay. Now what if one of those companies just
1959 said this deal of selling whatever that service or product is,
1960 it is of equal value, maybe not apples but whatever that is, what
1961 if they said this is not as much fun as it used to be, you know,
1962 the competition has knocked us out, we are not making the profits,
1963 you know, for a shareholder, we are going to go out of business?

1964 Ms. Bennet. I think there is a lot of that --

1965 Mr. Long. If they went away do you think that -- let me
1966 finish my question, if you would. Do you think that that would
1967 also increase prices or would that lower prices if one of those
1968 three merchants went away? Four merchants, I am sorry.

1969 Ms. Bennet. I think that others will step in and sell the
1970 apples.

1971 Mr. Long. Okay, my time has expired. I yield back. Thank
1972 you.

1973 Mr. Doyle. Thank you.

1974 The chair now recognizes the gentleman from Florida, Mr.
1975 Soto.

1976 Mr. Soto. Thank you, Mr. Chairman.

1977 I think we all understand this is a complex decision which
1978 is why I thank all of you for being here today. We are dealing
1979 with various interests like workers and consumers, advancing
1980 technology like 5G and broadband, rates and competition, and I
1981 think, overall, my broadest concern is will this merger create

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1982 a synergy? Will the ultimate proposed company be greater than
1983 the sum of its parts or will it not?

1984 Mr. Legere, first, you know, your company has a reputation
1985 of being a disrupter and that is a good thing, but it also draws
1986 concerns about whether that would continue obviously. We applaud
1987 your promise to have no rate increases for 3 years and have each
1988 worker have an opportunity to work somewhere else in the company.

1989 Would you also agree to have that as a condition of approval
1990 of the merger by the federal government?

1991 Mr. Legere. Could you repeat the commitment, sir?

1992 Mr. Soto. There were commitments that there would be no
1993 job losses and that rates wouldn't go up for 3 years. And I was
1994 wondering if you all would be in agreement with that being a
1995 condition of approval of the merger.

1996 Mr. Legere. Thank you very much, sir. All of my
1997 submissions of 24 million pages of documentation to the DOJ as
1998 well as all the work with the FCC makes it very clear that I am
1999 committing to prices declining and jobs increasing and I will
2000 make those commitments in any fashion that is necessary.

2001 If I could real quickly point out that I spend a significant
2002 time in my life in rural America as all of my employees around
2003 the country would point out.

2004 Mr. Soto. Thank you, Mr. Legere. I am sorry. My time is
2005 limited. But I appreciate that.

2006 Mr. Claire, would you also agree to these promises as a

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2007 condition of approval of a merger by the federal government?

2008 Mr. Claire. Mr. Legere is going to be the CEO running the
2009 company, but what I can tell you is before agreeing to merger
2010 companies we have had lengthy discussion in terms of how important
2011 it is going to be to increase the number of jobs and to bring
2012 prices down. If we tried to keep this extremely factually, we
2013 are going to increase our capacity by eight times. There is no
2014 other way to do it, bringing your customers down to lowering
2015 prices.

2016 Mr. Soto. Thank you, Mr. Claire. So I accept those as both
2017 yeses then. Thank you for that.

2018 And, Mr. Shelton, can you go into what the current wages
2019 right now are at both Sprint and at T-Mobile versus other carriers
2020 and what your opinion is as far as how the merger would affect
2021 those wages?

2022 Mr. Shelton. Since we don't represent either Sprint or
2023 T-Mobile, I don't exactly know what the wages are in either of
2024 those companies. But I do know that when you decrease competition
2025 for labor, wage rates are going down no matter what you do. And
2026 the other problem that this merger would create is that by the
2027 companies' own admission there is \$43 billion in synergies here.

2028 And to me synergies is a word that has a synonym called job cuts.

2029 And if there is \$43 billion in job cuts, you know, you are going
2030 to decrease competition for labor, or increase competition for
2031 labor and therefore wages are going down. And they are not only

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2032 going down in T-Mobile and Sprint, but they are going down in
2033 every wireless carrier in the country.

2034 Mr. Soto. Thank you.

2035 Mr. Legere. Sir, could I provide some facts to this
2036 discussion?

2037 Mr. Soto. I assume that you disagree with that. I have
2038 some other --

2039 Mr. Legere. That was a significant absence of facts. I
2040 can tell you that the average wages of a retail employee at
2041 T-Mobile are approximately \$50,000 a year. A customer care
2042 person makes about \$46,000 a year. Every single employee
2043 receives stock grants every year as well.

2044 Mr. Soto. Thank you, Mr. Legere. Thank you for that. And
2045 that is important to get --

2046 Mr. Legere. And synergies are not in jobs.

2047 Mr. Soto. Thank you for getting that on the record too.

2048 I want to end with Mr. Berenbroick. There is a public
2049 interest analysis that is done by the FCC. Obviously we are here
2050 in oversight of the FCC. Do you have any opinions on how this
2051 would score and any predictions on the FCC's review of this
2052 potential merger?

2053 Mr. Berenbroick. Sure. And thank you for the question.

2054 So as you know the FCC's analysis is different from the Department
2055 of Justice's. They both look at competition harms, harms to
2056 consumers, antitrust type issues. The FCC also looks at issues

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2057 like, you know, will Americans continue to have access to --

2058 Mr. Soto. Just if we could get to it, how do you think it
2059 will score? What is your prediction?

2060 Mr. Berenbroick. I think this merger has many of the same
2061 harmful characteristics, if not more, as the rejected AT&T
2062 T-Mobile merger in 2011.

2063 Mr. Soto. Okay. Well, thank you all for your opinions.

2064 Mr. Doyle. Thank you. The gentleman's time has expired.
2065 The chair now recognizes the gentleman from Texas, Mr. Flores.

2066 Mr. Flores. Thank you, Mr. Chairman. And I appreciate the
2067 panel for joining us for today's hearing.

2068 Mr. Legere, would you repeat the comments you made about
2069 the use of Huawei and ZTE technology in your opening statements,
2070 for the record?

2071 Mr. Legere. Yes, sir. There is no Huawei or ZTE equipment
2072 in the network of T-Mobile. There will not be any. We will not
2073 be using any. In fact, we have had a litigious relationship with
2074 them and we are, frankly, very supportive of the United State
2075 Government's increased action against them.

2076 Mr. Flores. Glad to hear that. I spent 30 years of my life
2077 in business before I did this and 20 years of that was as a C-level
2078 person in companies and a big part of my portfolio had to do with
2079 M&A. And I had to look at every transaction as if there were
2080 only two outcomes because that is really the truth, either you
2081 are going to merge or you are not. The acquisition is going to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2082 happen or it is not.

2083 So we have had a lot of comments from the panel today about
2084 what happens if we do this, both some good, some bad. What happens
2085 if it doesn't happen? So, Mr. Legere, if you would, spend about
2086 a minute to talk about the impact on T-Mobile's customers and
2087 employees and stakeholders if the merger doesn't happen.

2088 Mr. Claire, we are going to go to you next.

2089 And, Mr. Brake, we are going to ask you about the wireless
2090 ecosystem at large if the merger doesn't happen.

2091 Mr. Legere. Yeah, thank you. And I will try to be brief
2092 and pass to Mr. Claire. I will not be able to and the United
2093 States will not be able to enable its promise on building a
2094 world-leading 5G network. What we will create and Sprint will
2095 create along with AT&T and Verizon will be inferior to what is
2096 being created in China and in South Korea. That will lead to
2097 loss of jobs and economic impact in the country. I will not have
2098 the supply or the capacity to continue to supercharge the
2099 un-carrier. I will be able to move forward, but not in the same
2100 fashion creating competition. I will have limited if no ability
2101 to expand into the in-home broadband and provide Comcast and
2102 Charter the competition that they need.

2103 Mr. Flores. Okay.

2104 Mr. Claire, could you talk about Sprint's, if the merger
2105 fails, the impact on Sprint's customers, employees, and
2106 stakeholders.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2107 Mr. Claire. Thank you. What I think that is important to
2108 reiterate is today we live in a duopoly. And you were a
2109 businessman and you know that if the duopoly, AT&T and Verizon,
2110 control over 93 percent of the cash flow that is generated it
2111 is impossible to compete. It is impossible to invest. So Sprint
2112 ain't going away, but what Sprint is going to be is going to be
2113 a very different type of company. It is going to be one that
2114 we can only invest in the traditional urban and suburban and we
2115 will bring a limited 5G. Unfortunately, as you know Sprint
2116 doesn't generate any cash flow. And if we have got to build this
2117 network on our own we need to spend between 20 to 25 billion
2118 dollars. We are going to have to go to the banks, we are going
2119 to have to go to the bond markets, and we are going to have to
2120 borrow that money. In order for us to pay back the investment
2121 in 5G, unfortunately, Sprint is no longer going to be able to
2122 be the price leader. Prices will go up.

2123 And I am going to reiterate one thing that we don't talk
2124 enough, 93 percent of the cash flow in this industry is being
2125 generated by AT&T and Verizon. That is exactly what as close
2126 to a monopoly or duopoly is in this country.

2127 Mr. Flores. Okay, thank you, Mr. Claire.

2128 Mr. Brake, if the merger fails what is the impact on the
2129 wireless ecosystem writ large?

2130 Mr. Brake. Sure. Of course there will be a number of
2131 different impacts. But to my mind one of the most important

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2132 impacts is you will see a much slower, more gradual transition
2133 to a 5G network. One of the main reasons for this merger is the
2134 synergistic spectrum that both T-Mobile and Sprint would combine.
2135 The low band spectrum and the mid band spectrum bring together
2136 coverage as well as capacity. Sprint with the limited cash flow
2137 is unlikely to be able to deploy, you know, a 5G network at the
2138 scale that would be needed to get the coverage out of the mid
2139 band spectrum. There is limited propagation.

2140 And the FCC is trying to bring mid band spectrum available
2141 to market that T-Mobile may have the resources to acquire, but
2142 that would be years down the road and would take a much longer
2143 process. I could talk for a while about the benefits of 5G and
2144 why that is so important. It is anticipated to be a very flexible,
2145 adaptable network, right, that isn't just about phones. It is
2146 about integrating with business and the broader economy writ
2147 large.

2148 So it is, I think, a strong national interest to make an
2149 accelerated transition to 5G. This combination is the most
2150 obvious, fastest way to get a good combination spectrum to see
2151 a really robust 5G network.

2152 Mr. Flores. Thank you for your responses.

2153 Mr. Chairman, I am going to give you back 15 seconds.

2154 Mr. Doyle. I thank the gentleman.

2155 The chair now recognizes my good friend from California,
2156 Ms. Eshoo, for 5 minutes.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2157 Ms. Eshoo. Thank you, Mr. Chairman. And I apologize to
2158 all of the witnesses for not being able to hear all of your
2159 testimony. But I did review it. We have another very important
2160 subcommittee that is meeting upstairs and I chair that and that
2161 is the reason I wasn't here. But I am now. I want to use my
2162 time to, not to ask questions but to make a statement. And again
2163 thank you for appearing, all of you and for the testimony that
2164 you have submitted.

2165 I have had the opportunity to meet with various stakeholders
2166 of speaking to them and listening to them both pro and con about
2167 this merger. I have given a lot of thought to it. And as I said,
2168 I want to use this time to state my position. Since I first joined
2169 this subcommittee in 1995, only 5 minutes ago, my work has been
2170 guided by two overarching priorities, to create and maintain
2171 healthy competition in our country and to protect consumers.

2172 Capitalism doesn't work without competition, and when
2173 markets don't work consumers are the first to lose. Competition
2174 is the lifeblood of our economy. It stimulates innovation,
2175 something that my district produces a great deal of, and it
2176 benefits consumers with more choices, lower prices, and better
2177 service.

2178 Today, the top two wireless carriers in America control
2179 approximately two thirds of the market. They had roughly the
2180 same market share 5 years ago, 10 years ago, and 15 years ago.
2181 So this is hardly a competitive, dynamic market that we have.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2182 For all intents and purposes we have a duopoly in the country.
2183 Americans pay some of the highest prices for mobile wireless
2184 service in the developed world. They have fewer choices when
2185 it comes to providers, and the quality of service particularly
2186 in rural America leaves a great deal to be desired.

2187 Both Sprint and T-Mobile challenged AT&T and Verizon in
2188 recent years and they have fought tooth and nail to gain market
2189 share while adopting pro-consumer policies that have forced real
2190 change in the industry. I heard the chairman's opening statement
2191 and he detailed that I think very well. I admire and respect
2192 what they have been able to do, but both companies are missing
2193 a crucial ingredient to become heavyweight competitors in the
2194 market.

2195 T-Mobile has a strong track record as an aggressive
2196 competitor. That I think we can all stipulate to. But the
2197 company lacks critical mid band spectrum to provide the network
2198 capacity it needs to compete more aggressively with the top two.

2199 And that is where Sprint come in. Spectrum is gold and Sprint
2200 has it. But Sprint has something else. They have a \$40 billion
2201 debt that they are carrying and they can't make the kind of
2202 investments that are necessary to build out a network and compete
2203 with the top two carriers. Sprint's debt, I think, is
2204 unsustainable and I think it is difficult to stay afloat while
2205 carrying it. It really holds one back to say the least.

2206 Now imagine if they go out of business, if they go bankrupt.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2207 This outcome would clearly, I think, be worse for the market
2208 for employees, for consumers, and I can just picture the chairman
2209 of the FCC allowing the spectrum to go to the duopoly, so that
2210 is not a pretty picture either. I think it is something that
2211 we all need to consider.

2212 Some have argued that consolidating the current market from
2213 four carriers to three will increase prices and harm consumers.

2214 I think this argument assumes that the new company will not
2215 compete to lure new customers away from its competitors. It just
2216 doesn't make sense. In reality, I think the merger will increase
2217 the new company's network capacity eightfold. New T-Mobile will
2218 have the resources and the capacity to grow its subscriber base
2219 and to do so it will need to aggressively compete. They are not
2220 going to sit -- why would someone buy and then sit on their oars
2221 and not try to attract new customers?

2222 So, some have raised concerns that the merger will harm
2223 low-income consumers. The companies have sworn under oath and
2224 made commitments to continue participating in the Lifeline
2225 program that I have fought so hard for and will keep prices low
2226 in the prepaid market.

2227 So I have more in my statement, Mr. Chairman, but I think
2228 each call center, all call centers are going to be coming back
2229 to the United States and new call centers are being added. That
2230 means more jobs. I know that one of the biggest rubs for my side
2231 of the aisle is that T-Mobile is not union. My personal

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2232 preference is I wish they were, but they are not. But I think
2233 that competition and the protection of consumers is front and
2234 center in this and that is why I support the merger.

2235 I thank the chairman for his patience with my overuse of
2236 my time. Thank you.

2237 Mr. Doyle. As usual. I thank my friend.

2238 Ms. Eshoo. As much in as I can.

2239 Mr. Doyle. The chair now yields to Mrs. Brooks.

2240 Mrs. Brooks. Thank you, Mr. Chairman. And thank you for
2241 holding this important hearing. I along with my colleague who
2242 could not be here today for obvious reasons, Debbie Dingell --
2243 and I just want to extend my sorrow to her and to her state and
2244 district and to those who served with Chairman Dingell -- we formed
2245 a 5G Caucus last Congress. And Congresswoman Dingell and I have
2246 certainly been educated and believe that there needs to be
2247 significant education in the country about the importance of 5G.

2248 And continuing to build on Congresswoman Eshoo's comments
2249 about the importance of competition, I got the sense, Mr. Brake,
2250 and would like because you were supporting this merger, but before
2251 I ask you about 5G, because I think you wanted to talk more about
2252 the importance of 5G, I would like to, I ask unanimous consent
2253 to enter into the record a letter dated September 17 of 2018 from
2254 the Indiana Chamber of Commerce. The Vice President of
2255 Environment and Energy Policy, Greg Ellis, Indiana Chamber of
2256 Commerce submitted to the FCC a letter of support for this merger.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2257 I will say that Indiana, specifically Indianapolis and
2258 Central Indiana, is the first site in the country to have the
2259 build-out by AT&T and Verizon of 5G. So we are the only community
2260 in the country where that is happening right now, and I find it
2261 interesting and ask unanimous consent to submit this letter to
2262 the record that our Chamber of Commerce is asking for more
2263 competition and they are asking that the FCC adopt the merger
2264 and approve of the merger for the New T-Mobile.

2265 Mr. Chairman?

2266 Mr. Doyle. Without objection, so ordered.

2267 [The information follows:]

2268

2269 ***** INSERT 11 *****

2270 Mrs. Brooks. Thank you.

2271 Mr. Brake, on behalf of the Information Technology and
2272 Innovation Foundation, can you please talk with us about the
2273 importance of 5G? We need to do a better job educating everybody
2274 about 5G and the importance of how 5G, when we have rural
2275 communities still at 2G, 3G, 4G, we know there is a growing digital
2276 divide and how important it is that we catch up with Japan, with
2277 Korea, with other parts of the globe that are right now beating
2278 us in 5G. Can you very briefly talk about the importance of 5G?

2279 Mr. Brake. Right. Thank you very much, Mrs. Brooks, for
2280 the question. And thank you so much for your leadership with
2281 the 5G Caucus. We at ITIF are in strong agreement it is an
2282 incredibly important issue. So a lot to unpack with 5G, I will
2283 try to be as brief as possible. 5G in its sort of most capacious
2284 sense, right, the broadest sense of 5G is best understood simply
2285 by the specification, the technology defined by a
2286 standard-setting body, international standard-setting body
2287 called 3GPP.

2288 This new radio standard unlocks a number of different
2289 capabilities, but its sort of defining hallmark is its
2290 flexibility, its adaptability, right. As I mentioned in my
2291 opening statement, this isn't just about faster downloads and
2292 more responsive interaction with your phone, though it is that
2293 and that is important. It brings real consumer benefit.

2294 But there are a number of ways in which the technology can

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2295 be, can adapt itself, for example, can radically simplify
2296 communications for IoT devices. So if something only needs to
2297 wake up, you know, once a day to send a little, you know, a few
2298 packets of information about the humidity on a farm or, you know,
2299 a water main leak or something like that, it can do so while
2300 maintaining extremely long battery life on the, you know, measured
2301 in the terms of years rather than days.

2302 So all this is to say that 5G poses a unique opportunity
2303 to see a much greater innovation of wireless services with the
2304 broader economy and has the opportunity to greatly increase
2305 productivity overall for businesses throughout America. That
2306 is why we want to see a quick transition to 5G in a way that is
2307 both broad and deep, right, and that is where the specific spectrum
2308 combination at play here comes in.

2309 Mrs. Brooks. This is going to be revolutionary, the
2310 possibilities of what 5G will bring.

2311 And so, Mr. Legere, I think the concern that you have heard
2312 about is how will this new network, how will the New T-Mobile,
2313 you know, help these untapped markets, these underserved areas,
2314 the rural areas? I represent both urban, suburban, and rural
2315 areas. How can we make it ensure that you are going to get there
2316 and that it is going to be more cost effective?

2317 Mr. Legere. Yeah, thank you for this extremely important
2318 topic. And very importantly, one of the reasons the nation is
2319 lagging in 5G deployment is that Verizon and AT&T have been stuck

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2320 in providing millimeter wave in very small geographic areas.
2321 And for the promise of 5G to be true, we need all spectrum bands
2322 across all of the nation. Think about something like autonomous
2323 driving, something where a 10 millisecond delay is attained by
2324 the 5G networks and you are actually going to have autonomous
2325 driving cars. How would that work if it was only in one small
2326 geographic area?

2327 T-Mobile and Sprint together are going to be the only full
2328 broad and deep 5G capability that is nationwide and that will
2329 spur AT&T and Verizon to broaden their views as well.

2330 Mrs. Brooks. Thank you.

2331 My time is up. I yield back.

2332 Mr. Doyle. The chair now recognizes the gentlewoman from
2333 California, Ms. Matsui.

2334 Ms. Matsui. Thank you, Mr. Chairman. And I also apologize
2335 for not being here to hear your testimony because I was also on
2336 the Health Subcommittee hearing also.

2337 But I am curious. This is a very important topic and it
2338 is very important for the future of our country. Now I understand
2339 that Sprint is in the process of deploying massive MIMO radios
2340 to utilize its 2.5 gigahertz spectrum and complete the first 5G
2341 data transmission on a MIMO radio earlier this year. I realize
2342 it is technical, but I am leading to something here. As you know,
2343 band 41 was included in 3GPP's 5G new radio specification in late
2344 2017. Of course, the benefits of these radios are that they

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2345 enable both LTE and 5G transmission simultaneously and are
2346 software upgraded to the full 5G. This appears to offer a
2347 particularly promising path in the effort to deploy 5G.

2348 Mr. Claire, with Sprint already deploying this radio
2349 technology, is it necessary for the company to combine to deliver
2350 its next generation offering?

2351 Mr. Claire. Yes, thank you for your question. The
2352 important part when you build a 5G network is you want to be able
2353 to combine capacity, which is what Sprint has through massive
2354 MIMO and others, with coverage, which is what Sprint lacks. It
2355 will be no good for Sprint to offer just 5G in some specific
2356 neighborhood or some specific cities. What this is going to allow
2357 us to do when we merge with T-Mobile is we are going to be able
2358 to have the ultra-capacity that you have mentioned combined with
2359 T-Mobile's 600 megahertz spectrum that will give us the coverage.

2360 So it is necessary in order for the U.S. to lead in 5G which
2361 is quite necessary for our country, the combination of our two
2362 companies, it is the only way that we are going to be able to
2363 build a 5G network that basically has capacity all over the U.S.

2364 Ms. Matsui. So what I get from that is that you are
2365 definitely going to, Mr. Legere, adopt this deployment strategy
2366 and the New T-Mobile will leverage these assets in a way that
2367 Sprint has not by the combination; is that correct?

2368 Mr. Legere. Yeah. Very importantly, and thank you for
2369 introducing 4x4 MIMO and carrier aggregation and 256-QAM which

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2370 are the main characteristics of what AT&T is now falsely calling
2371 5GE. We will put that in. One of the big issues with deploying
2372 a nationwide broad and deep network is the amount of sites and
2373 between T-Mobile and Sprint we have an inadequate set of network
2374 macro nodes.

2375 The biggest improvement here is together we have 110,000
2376 macro nodes. We will be able to pick 75,000 of them, build 10,000
2377 more, and the decommissioning of 35,000 of those sites is actually
2378 going to provide the significant amount of this synergy. When
2379 you take that many sites and you get that extra spectrum per site
2380 and the spectral efficiency of 5G that is the magic that unloads,
2381 you know, the real promise of 5G.

2382 Ms. Matsui. Now Sprint acquired Nextel Communications in
2383 2005, bringing with it a considerable amount of band 41 spectrum
2384 leases and significant groundwork put into IP-based mobile
2385 broadband technologies. And with Sprint's Clearwire
2386 acquisition, the mobile broadband technology selected by both
2387 companies to leverage the spectrum assets for 4G was WiMax.
2388 However, Sprint began deploying LTE technology on its network
2389 in 2011 and the leap from third to fourth generation of mobile
2390 internet that WiMax was supposed to offer by utilizing Sprint's
2391 2.5 gigahertz spectrum assets was not fully realized.

2392 Mr. Claire and Mr. Legere, what lessons do you see as being
2393 learned from this effort and how do those lessons inform your
2394 companies' 5G strategies?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2395 Mr. Claire. Thank you for the question. I think Sprint
2396 chose the wrong technology. WiMax was not the right technology.
2397 And what makes this merger unique is we are both choosing the
2398 exact same technology for 5G. And basically your complementary
2399 spectrum assets is what is going to allow us to go ahead and build
2400 the fastest -- and we made both statements. I believe that we
2401 have a chance to build the world's best 5G network, as simple
2402 as combining the two spectrums that we have.

2403 Mr. Legere. Congresswoman, if I could just add, with all
2404 the great work that T-Mobile has done I think it points out that
2405 when these generational shifts take place in wireless, whether
2406 it was 3G to 4G, 4G to 5G, with all the great work we have done
2407 a big enabler of our ability to deploy 5G happened to be the
2408 spectrum and the cash that came to T-Mobile from the failed AT&T
2409 merger as well as the acquisition of MetroPCS and the utilization
2410 of their capabilities. So it does take the kind of things that
2411 we are able to do in this merger to provide that complementary
2412 spectrum as well as the financing and the assets that we don't
2413 individually have.

2414 Ms. Matsui. Okay, thank you.

2415 And I ran out of time, I yield back.

2416 Mr. Doyle. I thank the gentle lady.

2417 Okay, let's see. Who is left over there? Mr. Walberg, you
2418 are up for 5 minutes.

2419 Mr. Walberg. I am looking around and I don't see anybody

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2420 else, so it is a pretty good pick here. Thank you, Mr. Chairman.

2421 And thanks to the witnesses for being here.

2422 Representing plenty of rural area in my district, this is
2423 an important hearing for me especially as a new member to get
2424 up to speed, maybe at 1G or 2G, let alone 5G. But it is incredibly
2425 important to my rural district areas that we not be left behind
2426 as carriers move to 5G, but also probably more importantly that
2427 we get reliable wireless service to begin with, in the process.

2428 So, Mr. Legere, you have talked a lot about the jobs that
2429 might result if your transaction were to be approved both in your
2430 announcements of the new retail stores in rural parts of the
2431 country where you hope to expand service, but also to the new
2432 customer experience centers. But taking a step back, as you would
2433 build out your new network, can you talk a bit more about the
2434 cascade of high skilled jobs that may result, whether it is tower
2435 crews erecting new macro cell sites or other industries like
2436 agriculture and manufacturing that might be fueled by a better
2437 connectivity?

2438 Mr. Legere. Yes. Thank you very much, sir, for the
2439 question. I would point out that the rural America has been left
2440 behind already. It is that divide that we need to cure. I am
2441 very proud of the fact that in the recent broadcast spectrum
2442 auction one of the first times that low-bid spectrum was made
2443 available T-Mobile showed up and won the majority of the spectrum
2444 and has been deploying 600 and 700 megahertz now to 301 million

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2445 people in the United States. So we are bridging that basic divide
2446 already.

2447 Very importantly, CTIA has shown that the advent of 5G will
2448 mean three million jobs in the United States, \$275 billion worth
2449 of investment and half a trillion of economic benefits. So
2450 whether they are jobs associated with the impact of utilization
2451 of new applications in 5G or the onslaught of the utilization,
2452 for example, in rural farming applications, et cetera, it is three
2453 million jobs that are at stake and with the deployment of 5G rural
2454 America will benefit the most.

2455 Mr. Walberg. That is important to understand because it
2456 is rural America that is catching up and too often left behind
2457 in the thought process that we don't need it. I am looking forward
2458 to the first time I have broadband to my house. Or cable. Or
2459 anything to my house. My agricultural industry is way beyond
2460 now what the capabilities they have available to them in many
2461 places.

2462 Mr. Claire and Mr. Legere, there has been a lot of discussion
2463 today about the spectrum bands that would help a New T-Mobile
2464 competitive and able to better serve rural America. But Sprint
2465 also has a widespread network of wireless assets that would be
2466 just as critical for connecting the new network to the backbone
2467 and ensuring Michiganders can get wireless broadband access.

2468 Can you talk about, both of you, about these wireline
2469 components while maybe not as exciting as the flashy 5G, how will

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2470 those position your company to expand wireless connectivity to
2471 enterprises, customers both small and large?

2472 Mr. Claire. So thank you for the question and many times
2473 we don't talk enough of wireline, and wireline has been the
2474 backbone for wireless networks. The plan would be us to continue
2475 to invest in our wireline network and to continue to be able to
2476 compete against Verizon and AT&T who are even more dominant
2477 players in that wireline. And we are going to be able to do that
2478 through a different efficiency that we are going to have in this
2479 merger.

2480 Mr. Legere. Sir, I would just add, the enterprise business
2481 is controlled 90 percent by AT&T and Verizon. T-Mobile and Sprint
2482 have 5 and 4 percent market share. We are going to add 1,100
2483 jobs into the enterprise space and we plan to double our market
2484 share in the enterprise business. Second part of building
2485 out this network, it is a bit of a build-it-and-they-will-come,
2486 and the fiber deployment associated with the backhaul required
2487 to build our network has been advancing greatly and about 86
2488 percent of our build-out has been covered by that. So those are
2489 also good opportunities as well.

2490 Mr. Walberg. Thank you.

2491 Ms. Bennet, can you describe for me how you plan to compete
2492 with the New T-Mobile if the transaction were to be approved?

2493 What would happen to your prices and what would your subscribers'
2494 choices look like?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2495 Ms. Bennet. Our member -- I haven't talked for so long I
2496 forgot to turn it on.

2497 Mr. Walberg. I understand. It has been awhile for me too.

2498 Ms. Bennet. Our members are again concerned. We have been
2499 working with T-Mobile for the -- or a form of T-Mobile before
2500 Mr. Legere joined. Back when we were trying to do 3G we tried
2501 to work -- they had a big meeting. They brought all the carriers
2502 in. They said they were going to work with us. They were going
2503 to get us equipment discounts, all kinds of things to be a great
2504 rural partner. That never came to be. It was another promise
2505 they made to us that they broke. Again that was not on Mr.
2506 Legere's watch. It was prior to him. Since he has been on board
2507 we haven't seen them looking to work with us.

2508 So the concern is if T-Mobile wants to come out and build
2509 out and overbuild any of these rural carriers then we are there
2510 to compete. But for every cell site we have seen T-Mobile put
2511 up in a rural market we have at least ten times the number of
2512 cell sites. So we live and work in those areas.

2513 And I am sorry that you don't have service in your area.

2514 I wish one of my rural carriers was serving out there. I am
2515 betting they don't, but if they did you would have a gigabit of
2516 service. You would have fiber. You would have fiber in the
2517 backhaul. You would have wireless. You would have 4G and you
2518 would have the promise of 5G coming. So we would do it if we
2519 were there; unfortunately, we are not everywhere. And I

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2520 think what T-Mobile probably fails to recognize is it takes a
2521 lot of work to build out a rural wireless network. We build out
2522 to where maybe only eight people will work a cell site. I don't
2523 think they are going to do that. So.

2524 Mr. Walberg. Thanks for the extra time.

2525 Mr. Doyle. The gentleman's time has expired. The chair
2526 now recognizes Mr. Schrader.

2527 Mr. Schrader. Thank you, Mr. Chairman, a good hearing.
2528 I appreciate the hearing.

2529 Mr. Shelton, it doesn't seem like you are a big fan of this
2530 potential merger going forward. And I guess I have a question.

2531 My understanding was that CWA was a big fan of the AT&T T-Mobile
2532 merger which would have consolidated the marketplace much more
2533 than what we are talking about here. So why was CWA in favor
2534 of one and not this particular merger?

2535 Mr. Shelton. During that merger we had a written, binding
2536 commitment for jobs and a binding promise not to interfere with
2537 our organizing at the new company. And that is why we were --

2538 Mr. Schrader. Oh. Well, I understand that. That was to
2539 protect the union workers. But, you know, one can argue the
2540 consumers might have been terribly disadvantaged with that degree
2541 of consolidation. I just put that out there. I appreciate the
2542 work you are doing though very, very much on behalf of working
2543 men and women.

2544 I guess for Mr. Legere, you know, T-Mobile has been,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2545 especially since your tenure, been very disruptive -- I mean that
2546 in a positive way -- very innovative, you know, coming up with
2547 new ideas for the marketplace. You know, once you and Sprint,
2548 you know, merge together, you become one of the big three, you
2549 know, obviously there is not a lot of incentive to do that anymore.

2550 Can consumers expect to see less innovation from the New
2551 T-Mobile?

2552 Mr. Legere. Yeah. Thank you very much for the question.

2553 Several pieces, in spite of how innovative we have been and the
2554 changes that we have been able to create, we have been unable
2555 to crack the share of the top two. They are fighting. We drag
2556 them kicking and screaming. But the capacity and the scale and
2557 the power of the network that this will give us will really let
2558 me take it to them and bring competition in a way it hasn't been
2559 seen before. And I am salivating to take it to the cable players
2560 as well.

2561 Suffice it to say, if in fact there was ever a fear that
2562 there would be a cozy side discussion of the apple vendors getting
2563 together, I am pretty sure these folks wouldn't speak to me if
2564 I was the last person in the room. So that is what this is about
2565 is creating scale and capacity to supercharge this un-carrier,
2566 bring the country to the forefront of 5G, and really drag these
2567 duopolists kicking and screaming to what they need to do for the
2568 consumer in wireless, I mean rural, as well as let's get into
2569 the in-home broadband market as well and make these cable guys

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2570 start playing also.

2571 Mr. Schrader. Pretty good.

2572 Ms. Bennet, you have talked about the concern about
2573 low-income folks, the minorities, people that ostensibly don't
2574 have as easy access to, you know, internet services, broadband,
2575 and that the merger could be very detrimental to a lot of those
2576 folks that rely on some of the largesse from both Sprint and
2577 T-Mobile at this point in time.

2578 The question I have is why are you so concerned about that
2579 but the U.S. Hispanic Chamber of Commerce, the Black Chamber of
2580 Commerce, the National Hispanic Caucus of State Legislators,
2581 National Rural Education Association, Puerto Rico Chamber of
2582 Commerce all think this is a good thing? Why the disparity?

2583 Ms. Bennet. Well, first of all, I have been focusing on
2584 the rural carriers' perspective and we do have low-income folks
2585 in rural America that those carriers also serve. It is just a
2586 different position. I can't speak to why they are for it. It
2587 seems odd to me and I will just leave it at that.

2588 Mr. Schrader. Well, that is very fair, very fair.

2589 Mr. Legere, back to you, you know, while the market share
2590 may be small, a lot of the population in different areas seems
2591 to be concentrated in the Sprint T-Mobile arena. With the merger,
2592 isn't this going to increase consolidation in the marketplace
2593 from a pure population standpoint and how do you respond to that
2594 as a problem, or?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2595 Mr. Legere. Yeah. Well, first of all, the wireless
2596 business is a national market. Our pricing is national, the
2597 programs are national, advertising is national and the share
2598 concentration that we have will still, you know, be small compared
2599 to AT&T and Verizon as well as the marketplace for what we are
2600 trying to do is broadening. And, you know, you need to look at
2601 what the cable players are doing and the in-home broadband market,
2602 et cetera. So I think there is plenty of room.

2603 Mr. Schrader. All right, very good.

2604 And I yield back, Mr. Chairman.

2605 Mr. Doyle. I thank the gentleman.

2606 The chair recognizes Mr. Bilirakis.

2607 Mr. Bilirakis. Thank you, Mr. Chairman, I appreciate it.

2608 And I want to thank the witnesses of course for being here today
2609 and testifying.

2610 Mr. Brake, toward the end of your written testimony you
2611 mentioned costs associated with switching providers and number
2612 portability. Over the years we have all seen the commercials
2613 in the cell phone market comparing rates, statistics, and data
2614 services. Can you further detail the ease, if it is easy, and
2615 costs of switching wireless providers, and do you have any
2616 information related to frequency a customer switches providers
2617 whether in the prepaid or postpaid market?

2618 Mr. Brake. Sure. Thank you for the question. Right, so
2619 switching costs have historically played a very important role

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2620 in competition in communications networks, I mean going far back
2621 beyond even the advent of wireless, right, for wired telephone
2622 service. Number portability played an important role. If you
2623 can't bring your own phone number that all of your friends know
2624 to a new network you have little incentive to change costs.

2625 So there are a number of different tools that have made those
2626 switching costs lower and lower over time that makes it very easy
2627 for consumers to change providers. I think an important one going
2628 forward is this advent of the so-called eSIM, the electronic SIM
2629 card that allows for consumers to very easily change carriers
2630 and also plays an important role in the -- or important future
2631 role in the MVNO market. When virtual providers can change the
2632 carrier that their consumers use it has an important role in
2633 maintaining competition in those markets.

2634 Mr. Bilirakis. Well, thank you very much.

2635 Mr. Legere, based on what you have heard, in a post-merger
2636 world if one of your competitors offers a great deal to new
2637 subscribers will a New T-Mobile be worried that it will lose users
2638 and feel pressured to offer a substantially similar deal to retain
2639 consumers in the marketplace?

2640 Mr. Legere. Yeah. Thank you very much for the question.

2641 I want to point out that T-Mobile has been one of the main reason
2642 that customers are able to switch. Amongst the first things that
2643 I did was separate the device in the rate plan so that customers
2644 would know which was which, eliminate all contracts, and then

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2645 I instituted the payment called "contract freedom," where I would
2646 pay any costs that would be required if you wanted to leave your
2647 carrier. We have also been a strong proponent of eSIM as well
2648 which allows customers to move freely between them.

2649 I am not afraid of any kind of a competition from a standpoint
2650 of creating the value that customers would need to switch. And
2651 with the capacity that this network will bring and the scale and
2652 scope that I will be able to have and the unit cost, it is highly
2653 likely that I will be the one creating those offers that are going
2654 to cause people to think twice.

2655 Mr. Bilirakis. Thank you. It sounds like there is decent
2656 competition within the marketplace; is that correct? I mean you
2657 just said that so I will assume that. Is that right?

2658 Mr. Legere. Yes.

2659 Mr. Bilirakis. Yeah, all right.

2660 Let's see. In closing, like Mr. Walden, I am wondering now
2661 is the process already in place for these types of mergers. The
2662 agency review process has been used successfully in the past to
2663 approve, conditionally approve and deny mergers. Like the
2664 sought-after mergers before this, I have full faith that the FCC
2665 and DOJ thoroughly review all the facts to determine whether it
2666 is in the public interest of course, the merger. Like the
2667 witnesses, I await the decision and the reasoning for that
2668 conclusion from all the information in the record.

2669 And I yield back, Mr. Chairman. Thank you for holding this

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2670 hearing.

2671 Mr. Doyle. I thank the gentleman.

2672 The chair now recognizes Ms. Clarke.

2673 Ms. Clarke. Thank you very much, Mr. Chairman. I thank
2674 our ranking member, and our panelists for their testimony here
2675 today.

2676 Speaking on behalf of my constituents in Brooklyn, New York,
2677 they care about creating and keeping good paying jobs particularly
2678 in New York City. However, they have grown quite weary and
2679 cynical of big corporations that seem to rake in money hand over
2680 fist while their hardworking neighbors have to pinch pennies to
2681 make ends meet or to even afford the corporate offerings that
2682 we hear about and that sound so great for the consumer. If
2683 T-Mobile and Sprint merge there is going to be one less employer
2684 in this particular labor market.

2685 So my question, first, is to Mr. Shelton. And Mr. Shelton,
2686 I would like to know if at all how will losing one additional
2687 employer affect the wages of communication workers, even those
2688 that don't work for the new T-Mobile?

2689 Mr. Shelton. As I have said before, when you decrease
2690 competition for labor, wages go down. And that is what will
2691 happen and it will happen throughout the whole wireless industry
2692 if this merger takes place not only at T-Mobile and Sprint, but
2693 also at Verizon and AT&T and any other wireless carrier.

2694 Ms. Clarke. Now what makes you say that? I mean currently

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2695 you have a baseline of wages and what would less competition do
2696 in terms of particularly those in unionized shops of impacting
2697 on their wages? I think it is important for the public to
2698 understand that.

2699 Mr. Shelton. Well, we believe that there will be
2700 substantially less employees working at T-Mobile Sprint and
2701 therefore you will be flooding the labor market with people who
2702 know the wireless industry and know how to do the job at any
2703 wireless company. The only one that we really have protections
2704 because of collective bargaining is AT&T. So at Verizon and
2705 T-Mobile and Sprint you will have wages going down.

2706 Ms. Clarke. Okay. Mr. Legere, would you care to respond
2707 to those concerns of --

2708 Mr. Legere. Yeah. Thank you very much. And I would say
2709 that I have already made my commitments very clear to the State
2710 of New York associated with what employment would be and that
2711 jobs will be going up after this transaction. Competition is
2712 clearly going to go up and I would actually welcome greatly that
2713 you walk around Brooklyn to the many stores and experiences --

2714 Ms. Clarke. They are all in my neighborhood. I don't have
2715 to walk because they are right there.

2716 Mr. Legere. And I would say you are going to find a very
2717 happy, very well paid, highly compensated group of employees that
2718 are extremely excited about this merger and the future.

2719 Ms. Clarke. Well, let me ask another question. Given that

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2720 Lifeline provides essential service including mobile broadband
2721 service, does the New T-Mobile intend to continue Sprint's
2722 existing commitments to Lifeline and other contractual agreements
2723 that they have currently engaged in?

2724 Mr. Legere. Yes. And thank you very much for that
2725 opportunity to discuss this because it has been a question.

2726 Very clearly we are supporting the Lifeline agreements that
2727 Sprint has. And, frankly, you know, New T-Mobile will have a
2728 capability to support Lifeline that old T-Mobile didn't. So I
2729 think not only will we support all the agreements, but we will
2730 be a better Lifeline provider than we were before.

2731 Ms. Clarke. Very well. And then I would like to get a sense
2732 from you post-merger. What would be -- well, what is the current
2733 and future racial and gender composition of your board of
2734 directors and executive management team? Can we get that
2735 information?

2736 Mr. Legere. I would be glad to. Our employees are 62
2737 percent diverse, but I would be glad to provide all that
2738 information.

2739 Ms. Clarke. Looking at particularly the board and
2740 management as well as currently with Sprint so we can see what
2741 this merger does in terms of inclusion and diversity at the
2742 leadership level.

2743 Mr. Legere. I would be glad to include that.

2744 Ms. Clarke. Very well.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2745 Mr. Chairman?

2746 Mr. Berenbroick. Congresswoman?

2747 Ms. Clarke. Oh, sure.

2748 Mr. Berenbroick. Can I jump in on the Lifeline question
2749 very quickly?

2750 Ms. Clarke. Would you, please, absolutely.

2751 Mr. Berenbroick. So, you know, as you know, and you have
2752 been a champion of the Lifeline program, it is the service that
2753 serves the most low-income segment of the population that
2754 absolutely needs that subsidy for basic connectivity.

2755 Ms. Clarke. Yeah.

2756 Mr. Berenbroick. Sprint has been a great partner in the
2757 Lifeline program. And you just heard Mr. Legere fail to make
2758 any commitments that New T-Mobile will actually participate in
2759 the Lifeline program other than keeping Sprint's current
2760 commitments in the Lifeline program. There was no future
2761 commitment to Lifeline. And most importantly, Sprint is a
2762 wholesale provider to many of the wireless resellers that
2763 participate in the Lifeline program and serve 70 percent of that
2764 marketplace. There was no commitment to continue those
2765 relationships going forward as well.

2766 Ms. Clarke. Very well. My time is up. But Mr. Legere,
2767 my eyes are on you.

2768 Mr. Legere. Yeah, my microphone might have been off when
2769 I said we will honor all of the Lifeline commitments. We will

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2770 be a good provider going forward and we honor all of the wholesale
2771 agreements that are in existence and look forward to extending
2772 those.

2773 Ms. Clarke. I yield back, Mr. Chairman. Thank you.

2774 Mr. Doyle. Thank you.

2775 The chair recognizes Mr. Veasey.

2776 Mr. Veasey. Thank you, Mr. Chair.

2777 Mr. Legere, I wanted to ask you particularly about your
2778 economists. They told the FCC that this merger is in the public
2779 interest because consumers should be willing to pay more for a
2780 better product. And I want to know, will low-income consumers
2781 be able to participate in this better product or will they be
2782 forced to endure second-tier service because they cannot pay for
2783 the more expensive product?

2784 Mr. Legere. I appreciate the question, but I don't recall
2785 any time I have ever made a statement that customers should pay
2786 more for a better product. My whole philosophy has been to pay
2787 less and get more and that is the philosophy of the New T-Mobile
2788 as well.

2789 Mr. Veasey. If Sprint becomes your partner on this merger
2790 and it goes through, one of the areas that I would be interested
2791 in learning more about is if Sprint is not willing to make the
2792 commitment right now to build out their broadband and all the
2793 capacity that they have in that and expand upon that, why would
2794 they be willing to do it if there was a merger? If the investors

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2795 that play a big part in T-Mobile and Sprint right now, many of
2796 them are the same investors, they have invested money in other
2797 adventures outside of the cell phone product.

2798 Mr. Legere. Yeah.

2799 Mr. Veasey. So I guess I am trying to figure out what is
2800 it about this merger that would actually make them want to invest
2801 money moving forward.

2802 Mr. Legere. Yeah, thank you. Thank you very much. It is
2803 a good opportunity to clarify. And I won't speak for the pace
2804 at which Sprint has invested, but I think Mr. Claure has been
2805 clear about the financial limitations that were put upon them.

2806 This transaction itself provides the financing that both of us
2807 need to do this build-out. And pinnacle to the whole thesis of
2808 this merger is an integrated network plan, you know, tens of
2809 millions of pages of documents and models that I have submitted
2810 to the DOJ as well as the FCC that show how at the time of merger
2811 moving forward we will fully integrate and build out these
2812 networks and how the \$43 billion worth of synergies, 26 billion
2813 of which are coming from the network integration, will provide
2814 the financing for \$40 billion worth of investment in the first
2815 3 years in the 5G network.

2816 So the transaction itself is not only the financing but it
2817 is the accelerant of the investment. And it won't be Sprint
2818 building out, the New T-Mobile will be doing the integration and
2819 the build-out of the network.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2820 Mr. Veasey. The investors have the money right currently
2821 now. Why are they not building out that capacity as we speak?

2822 Mr. Legere. Again I think we have both been very clear that
2823 neither of us have the capital and the financing to do this 5G
2824 build-out. We have created a business plan and we have reviewed
2825 it with rating agents and we do have the ability to finance this
2826 through the New T-Mobile's company as well as the synergies that
2827 the deal will provide.

2828 And I just want to point out that at some point synergies
2829 were referred to as job losses and they are not. They are coming
2830 in the form of decommissioning of sites, of things that are part
2831 of the network integration, so that is the funding mechanism for
2832 this transaction.

2833 Mr. Veasey. Thank you, Mr. Chair. I yield back.

2834 Mr. Doyle. I thank the gentleman.

2835 The chair recognizes the distinguished Minority Whip, Mr.
2836 Scalise.

2837 Mr. Scalise. I thank the gentleman.

2838 Mr. Doyle. And second baseman.

2839 Mr. Scalise. The second baseman in baseball, right?
2840 I thank the gentleman from Pittsburgh for yielding. The Pirates
2841 are represented very well with you.

2842 And I appreciate the opportunity to talk about this merger,
2843 some of the things that could potentially be done to increase
2844 the ability for consumers to be able to experience 5G. You know,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2845 you look at the growth in the industry and just, you know, what
2846 we are seeing in terms of more wireless usage, connectivity, the
2847 devices that are able to be connected, you know, and of course
2848 you see trillions of megabytes of data being used by Americans
2849 and that number is increasing.

2850 As people find out more uses it creates more jobs. It
2851 creates more opportunity. It creates more efficiencies and
2852 improvements in people's quality of life. And I do think that
2853 is an important point to talk about as, you know, as Americans
2854 use so many more devices and rely on that increased amount of
2855 data that they are able to access it does really improve their
2856 lives on a daily basis. There is things that I know I am able
2857 to do. You watch how it is able to allow people to do more things
2858 and in a much more effective way.

2859 I know you have talked about the jobs. I think, to me, some
2860 of the things that the Department of Justice should be looking
2861 at is, you know, if this merger goes through would it help
2862 consumers? Will it help lower costs? Will it create more jobs?

2863 And I know you have talked about some of that in your testimony,
2864 Mr. Legere. So if you could first talk about the ability for
2865 consumers to have more competition and have access to lower costs
2866 for the increased amount of data that they are using.

2867 Mr. Legere. Thank you very much for the question. There
2868 is so much in what you said that is extremely important including
2869 starting 5G. The promise of 5G is a hundred times the speeds,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2870 a hundred times the number of devices that can go on networks,
2871 ten times the improvement in the response or the delay that is
2872 created. Our New T-Mobile will provide 15 times the speed that
2873 we have now, up to 450 megabits average speed across the U.S.
2874 and users will go from an average of ten gigs of data usage to
2875 80 while the unit price will go down 87 percent. And the track
2876 record is there, especially with low-income users who have had
2877 a price decline and a disproportionate increase.

2878 So that is what this transaction with the DOJ heavily is
2879 about, showing the network modeling that will take this industry
2880 and significantly increase capacity and provide a pricing
2881 decline, and because of that network integration how that will
2882 impact consumers, the offers that they have and the utilization.

2883 And that is what their whole transactions review has been about
2884 thus far.

2885 Mr. Scalise. Yeah. I think the idea that not only can you
2886 see in your case 15 times the speed as well as lower costs, both
2887 of those are, I think, something that would be very attractive
2888 to consumers who shop around really good for all kind of products,
2889 but clearly data plans. You know, you watch the commercials and
2890 the reason there are so many commercials is because there is a
2891 competition for consumers because everybody knows how important
2892 it is to be connected. And how you have talked about an integrated
2893 network plan, what these two companies can do to combine the
2894 resources that you have.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2895 I think hopefully one day not too long from now that little
2896 circle that you see when you are waiting for something to download
2897 will become a relic that the Smithsonian Institute might hold
2898 because people won't have that problem anymore. You will have
2899 to Google that -- well, what are you talking about? I don't know
2900 what that circle is you are referring to.

2901 Mr. Legere. Sir, that will happen as soon as you switch
2902 to T-Mobile.

2903 [Laughter.]

2904 Mr. Scalise. I see you are already well branded.

2905 Mr. Legere. Yeah.

2906 Mr. Scalise. You know, it is a nice opportunity to give
2907 a plug for, you know, for your products. And again competition
2908 is what made this industry great. You know, when we look at what
2909 5G can mean for consumers, because ultimately that is what, you
2910 know, we are trying to help make sure the consumers can have an
2911 even better experience, all this is coming from private investment
2912 and, you know, this isn't government that is spending billions
2913 of dollars to build out these networks. It is companies like
2914 yours and other companies.

2915 And, you know, we know all the other players in this space,
2916 but, you know, here we are talking about this, you know, this
2917 potential merger and how, I know what you talked about is how
2918 you can make those synergies work to provide an even faster
2919 experience and help you invest billions more to build that 5G

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2920 network.

2921 Let's talk now about the jobs side of it. And I have heard
2922 numbers like 10,000 new jobs referenced. What kind of jobs are
2923 you talking about? I don't want to get into spectrum and some
2924 other things, but I am not going to have enough time to get into
2925 all of that. And maybe for the record later if you can let me
2926 know about some of the combined spectrum assets of the companies
2927 and how that would be good for more innovation and opportunities,
2928 but on the job side if you can touch on that is my last question.

2929 Mr. Legere. Yeah, I would be glad to. We have talked a
2930 bit today about customer experience centers which are one of the
2931 core jobs in our company now. There will be 5,600 new jobs, 2,000
2932 expanded jobs in that, so about 7,600 in the customer experience
2933 centers. And those are good paying, 45-\$50,000 wage jobs. It
2934 would be about 11,800 people involved in network integration and
2935 deployment.

2936 There will be 5,000 people in new retail stores especially
2937 in rural America. And there will be about 11,000 jobs created
2938 over the period for the new businesses we are going in-Internet
2939 of Things, video, broadband, et cetera, businesses that we aren't
2940 in now. So those are the key growth areas of new jobs.

2941 Mr. Scalise. Thanks, Mr. Legere. I appreciate your
2942 testimony.

2943 Thanks for your discretion, Mr. Chairman. I yield back.

2944 Mr. Doyle. I thank the gentleman.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2945 The chair now yields to Mr. Lujan.

2946 Mr. Lujan. Thank you, Mr. Chairman.

2947 Well, I appreciate the conversation today about 5G and what
2948 it will mean for our economy and our future. However,
2949 unfortunately, too many people where I live in a very rural state
2950 -- my district is 47,000 square miles, it takes 8-1/2 hours to
2951 drive across it -- I have better connectivity over the state of
2952 New Mexico in many cases when I am on an airplane than when I
2953 am on the ground. I don't understand that. There is a
2954 promise now that 5G is going to answer this problem for people
2955 like me that live in rural America, and that is where my
2956 questioning concentrates. As Mr. Berenbroick -- did I pronounce
2957 that correct, sir?

2958 Mr. Berenbroick. Close enough, sir.

2959 Mr. Lujan. Pronounce it correctly for me.

2960 Mr. Berenbroick. Berenbroick.

2961 Mr. Lujan. Berenbroick notes in his testimony, this gap
2962 exists because low population density and high per consumer costs
2963 means that rural areas have historically lacked the economies
2964 of scale needed to attract strong investment from major carriers.

2965 Mr. Legere, in your testimony you insist that a merger will
2966 allow you to, quote, close the gaps in rural broadband access
2967 and increase outdoor wireless coverage to reach 59.4 million rural
2968 residents or 95.8 percent of the estimated 62 million rural
2969 residents. Mr. Legere, first, yes or no, do you agree with Phil's

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2970 diagnosis of why rural communities have been left behind?

2971 Mr. Legere. I apologize. I am not sure what the diagnosis
2972 was.

2973 Mr. Lujan. The gap exists because low population density
2974 and high per consumer costs means that rural areas have
2975 historically lacked the economies of scale needed to attract
2976 strong investment.

2977 Mr. Legere. I would submit that that is an analysis that
2978 had to be have done by those that had the low band spectrum to
2979 cover those communities, which was AT&T and Verizon at the time.
2980 Right now that we have nationwide low band spectrum we are
2981 deploying quickly across all of rural America and it is our hope
2982 to cover every square inch.

2983 Mr. Lujan. So do you agree with Phil's assessment?

2984 Mr. Legere. I guess, sorry.

2985 Mr. Lujan. I am going to say yes, unless I was told no.

2986 Mr. Legere. I will make that a yes, sir.

2987 Mr. Lujan. Second, yes or no, would you agree that the
2988 merger's stated benefits to rural Americans are an important
2989 aspect of whether it should be approved?

2990 Mr. Legere. Yes.

2991 Mr. Lujan. Then help me quickly understand how this merger
2992 specifically incentivizes this proposed New T-Mobile to better
2993 serve rural communities and when can my constituents expect to
2994 enjoy the wonders of 5G connectivity?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

2995 Mr. Legere. Thank you very much, sir. And yes, the rural
2996 divide is extremely important for us. One of the things that
2997 is very clear in the output of the models associated with the
2998 New T-Mobile is the deployment of the 5G capability will have
2999 a penetration across the country where 90 percent of every person
3000 in America will have greater than a hundred megabit speed and
3001 capacity by 2024. And I can break that down by rural community
3002 in any different part of the country.

3003 Mr. Lujan. So what I will do is I will submit some questions
3004 for the record. Here is the question that I have is that
3005 T-Mobile's chief technology officer, Neville Ray, states in an
3006 article CNET authored February 6, Mr. Chairman, that I would ask
3007 unanimous consent to submit to the record.

3008 Mr. Doyle. Without objection, so ordered.

3009 Mr. Lujan. What Neville says is that we wouldn't go after
3010 5G millimeter wave deployment in rural America. So help me
3011 understand what this comment means. Will my constituents not
3012 enjoy the same speeds as people living in urban and suburban
3013 communities?

3014 Mr. Legere. That is a very good point, sir. And I would
3015 point out that that is probably more of a condemnation on the
3016 Verizon and AT&T deployment of 5G only in millimeter wave
3017 spectrum. Because the analysis would show that in order to use
3018 only millimeter wave to make a nationwide coverage it would need
3019 a site every thousand yards which would cost \$1.5 trillion.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3020 So in order to deploy 5G nationwide you need to use millimeter
3021 wave, mid band, and low band across all frequencies so you have
3022 full geographic coverage. Nobody could cover the United States
3023 with millimeter wave spectrum. What is likely to happen is
3024 millimeter wave will be used in some densely populated urban areas
3025 and then enhanced with mid band and low band 5G coverage to make
3026 a broadband capability nationwide.

3027 Mr. Lujan. So the concern that I have is we also don't have
3028 robust fiber in many parts of rural America, and that is where
3029 I point my question back to Phil to give you a chance to respond.

3030 I notice your testimony, you discuss how 5G networks will need
3031 backhaul support from fixed broadband networks. Does anything
3032 about this merger address that need?

3033 Mr. Berenbroick. Congress, it is a perfect question. That
3034 is absolutely right. For 5G, especially for 5G that you know,
3035 we are talking about to get the full benefits of 5G that Mr. Brake
3036 has walked us through, you essentially need fiber backhaul
3037 everywhere to connect to those cell sites and towers. The
3038 companies don't actually bring those assets to the table. They
3039 need to lease those assets, which that is not a merger-specific
3040 necessity. They can lease those assets today.

3041 And T-Mobile, you know, has gone out on the marketplace and
3042 acquired 600 megahertz spectrum. You know, kudos to them for
3043 winning that spectrum at auction, and they have started to deploy
3044 it. They are making the case that their 5G deployment in rural

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3045 America is based on that 600 megahertz spectrum. Those are assets
3046 they already have. That is not a merger-specific benefit of this
3047 deal.

3048 Mr. Lujan. And, Mr. Chairman, I know my time has expired,
3049 but as a former regulator details matter. And when I am told
3050 the rural America is going to get these assets and things don't
3051 exactly add up, I have a lot more questions. And so I appreciate
3052 the importance of this hearing, Mr. Chairman. There is some
3053 important aspects that we need some answers to associated with
3054 the commitments with mapping and looking at rural deployment.
3055 So, thank you, Mr. Chairman.

3056 Mr. Doyle. The chair recognizes Mr. Cardenas.

3057 Mr. Cardenas. Thank you very much. Thank you very much,
3058 Mr. Chairman, and thank you so much for bringing this important
3059 hearing before the public.

3060 Mr. Legere, I understand you have made commitments to
3061 continuing the Lifeline program. You used the word, "I will
3062 honor," just a few minutes ago. T-Mobile began withdrawing from
3063 the program in 2014 and no longer provides Lifeline services
3064 today. This service is extremely important where connectivity
3065 is basically required to survive both economically and when it
3066 comes to safety and education, et cetera.

3067 What is your commitment to Lifeline and how long do you intend
3068 to continue offering Lifeline services should this merger go
3069 through? And when you say you will honor, are you talking about

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3070 the person, current CEO Legere, or are you talking about the New
3071 T-Mobile will commit to that in writing and make it real beyond
3072 your tenure?

3073 Mr. Legere. That would be the person and the New T-Mobile
3074 will put in writing and commit to honoring the Lifeline agreements
3075 that Sprint through assurance has. And I would point out that
3076 T-Mobile didn't withdraw from the Lifeline market, we moved to
3077 being a wholesale provider of it. But yes, the commitment is
3078 from the New T-Mobile and very willing to put it into any form.

3079 Mr. Cardenas. Well, thank you for clarifying. I wouldn't
3080 want to mischaracterize your business practices. But when you
3081 look at Claire, his Sprint is more robustly involved in the
3082 Lifeline program. What I would love to see is a future if this
3083 merger goes through, a future organization, the New T-Mobile as
3084 some people are calling it, to actually be more like Sprint.

3085 So, Mr. Claire, what would the New T-Mobile have to do in
3086 order to adopt and expand on what you have been able to do with
3087 your company?

3088 Mr. Claire. Thank you for the question. The New T-Mobile
3089 has made a commitment and they are doing it in writing, and we
3090 have taken one step above what was required from us and that is
3091 make a voluntary filing to the FCC that includes Lifeline. Nobody
3092 asked us to do that. We thought it was the right thing to do
3093 to take --

3094 Mr. Cardenas. On that point, is the New T-Mobile willing

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3095 to do exactly what Mr. Claire just described should this merger
3096 go through?

3097 Mr. Claire. Let me have one quick thing and that is we have
3098 always got to look at, yes, Mr. Legere is the CEO and there will
3099 be a New T-Mobile, but what is important to know is the new network
3100 we are going to build is going to have eight times the capacity
3101 that we have today. So therefore we have an economic incentive
3102 to bring as many customers as we can whether they are Lifeline,
3103 whether they are prepaid or they are postpaid. So yes, we made
3104 commitment. but in addition we have an incentive to do that just
3105 to fulfill our business plan.

3106 Mr. Cardenas. Without -- now my question to you, Mr. Legere,
3107 about following suit with what Sprint has done to actually file
3108 a commitment in writing, is the New T-Mobile ready to do that?

3109 Mr. Legere. Yeah. Just to clarification, sir, it was me
3110 that made the filing --

3111 Mr. Cardenas. Okay.

3112 Mr. Legere. -- on behalf of the New T-Mobile. And again
3113 I want to reiterate we are merging with Sprint. Sprint is not
3114 going away. So all of the good characteristics and behaviors
3115 of Sprint we are adopting into the New T-Mobile and this is one
3116 of them. And I will make the commitment in Lifeline in whatever
3117 form is needed.

3118 Mr. Cardenas. Mr. Berenbroick, are you familiar with that
3119 submission in writing that they are referring to?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3120 Mr. Berenbroick. Yes, sir. I am.

3121 Mr. Cardenas. Is it what I seem to be describing or is it
3122 a little bit less nuance than that and is it -- what is it?

3123 Mr. Berenbroick. It is heavily caveated.

3124 Mr. Cardenas. There you go.

3125 Mr. Berenbroick. Sir. And, you know, like many of the
3126 commitments that we have seen here today, you know, I think
3127 Congresswoman Clarke asked questions about Lifeline too and the
3128 commitments were to honor existing commitments. There were no
3129 commitments to honor participation in the Lifeline program as
3130 the combined company going forward.

3131 Ms. Bennet has spoken about, you know, the high costs likely
3132 going up for roaming partners and in the MVNO market. That is
3133 a huge problem for Lifeline subscribers who may see costs go up
3134 and the commitments of these companies go down. Those issues
3135 all do need to be explored.

3136 Mr. Cardenas. And another thing, look, Mr. Legere, I have
3137 heard a lot of wonderful things about you and how you have really
3138 changed in a positive way T-Mobile. I commend you for that
3139 American business.

3140 Also, Mr. Claire, I followed your career as well.

3141 One of you guys wears tennis shoes. The other guys wear
3142 hard shoes to work. Apparently the tennis shoes guy is going
3143 to stick around as a CEO, likely, and then the hard shoes guy
3144 is going to probably remain on the board because of the shares

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3145 that Sprint has or what have you. But what I have found when
3146 it comes to Lifeline specifically, I like the hard shoes guy and
3147 what he has been doing as CEO rather than the tennis shoes guy.

3148 So what are we going to expect to see from the New T-Mobile
3149 when it comes to really adhering to this opportunity when you
3150 very clearly pointed out the market share opportunity for the
3151 New T-Mobile is going to be amazing especially when it comes to
3152 your positioning to be able to provide 5G which is the future
3153 of any provider?

3154 Mr. Legere. Yes, sir. I can only reiterate the New
3155 T-Mobile's commitment to Lifeline and I will follow up in any
3156 form necessary after this hearing to make sure that that
3157 commitment is clear.

3158 Mr. Cardenas. Thank you, Mr. Chair.

3159 Mr. Doyle. Right.

3160 The chair recognizes Mr. Welch.

3161 Mr. Welch. Thank you for the hearing, Mr. Chairman. I am
3162 going to make a few comments that express what I consider to be
3163 major concerns about rural America. We do not have good coverage
3164 in Vermont. And the assertion that both gentlemen are making
3165 is that this will be tremendous for rural America. I would like
3166 to believe that is true, but I have an apprehension that it won't
3167 necessarily occur.

3168 You know, last February Congress passed and the President
3169 signed some bipartisan legislation that I worked on with David

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3170 Young improving rural call quality. And it turned out that
3171 shortly after that bill became law, T-Mobile and Sprint -- the
3172 FCC announced that T-Mobile agreed to pay \$40 million, \$40 million
3173 in a fine for violating FCC rules with a practice of faking
3174 ringtones. I mean this is a big deal for us in Vermont. Dakin
3175 Farms in the Christmas season depends on those calls. Camel's
3176 Hump School gets the word out that it has been canceled because
3177 of weather.

3178 And in the settlement, T-Mobile acknowledged it had injected
3179 false ringtones in hundreds of millions of calls. I mean that
3180 is really upsetting to us. And I am struggling to see how this
3181 past gives me confidence about the future. So, Mr. Legere, can
3182 you explain how T-Mobile did fail to abide by the basic call
3183 quality standards in not connecting hundreds of millions of calls
3184 in rural America, but very briefly because we don't have much
3185 time.

3186 Mr. Legere. Yeah, sorry. You know, the details associated
3187 with the settlement associated with that action are far more
3188 complex and I am not sure we could go into the process here.

3189 Mr. Welch. Well, maybe offline we could do that.

3190 Mr. Legere. I would be glad to.

3191 Mr. Welch. Because that is -- what is you are admitting
3192 to or T-Mobile admitted to was that it actually had the system
3193 false ringtones.

3194 Mr. Legere. Yeah, there was no admission to a willingness

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3195 participation in any kind of fraud.

3196 Mr. Welch. Well, that is, I mean you and I both know that
3197 is sort of the deal, but it happened. And then this brings me
3198 to my point about wireless coverage and I am a little skeptical
3199 about the deployment promises in rural areas.

3200 Mr. Chairman, we have got a map of T-Mobile coverage in
3201 Vermont and it looks pretty good. It is pretty much the whole
3202 state. But the Burlington Free Press had somebody get in a car
3203 and travel the roads, the main roads, for 6,000 miles, and take
3204 signal coverage over 6 weeks this fall. And as I mentioned it
3205 was only on the main roads and it was covering about 65 percent
3206 of the buildings in Vermont.

3207 And its results contradict many of what the assertions that
3208 are made by T-Mobile and Sprint. The data on T-Mobile and Sprint,
3209 T-Mobile covers 22 percent of the area tested in the state with
3210 five megabits per second or greater speed. T-Mobile has no
3211 service or spotty service in 62 percent of the areas. Sprint
3212 has no service or spotty service in 50 percent of the areas.
3213 And when I sit here and hear what I believe is your sincere goal
3214 to serve rural America and bring 5G to rural America, in a lot
3215 of Vermont we have no G and these maps don't correspond to what
3216 the Burlington Free Press found.

3217 So I am a skeptic, all right. And I guess I am going to
3218 ask both of you, Mr. Legere and Mr. Claire, when you use your
3219 maps you are saying it is 96 percent coverage? These maps are

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3220 bogus. I mean they just don't work. So are you going to redo
3221 your mapping so that what we are talking about is apples and apples
3222 and not apples and oranges, briefly?

3223 Mr. Claire. Thank you. I will take the answer. Today,
3224 Sprint has a very limited coverage and we rely mainly on AT&T
3225 and Verizon to be our roaming partners outside of core zone.
3226 So we are basically replicating what the maps of AT&T and Verizon.

3227 Mr. Welch. Well, they are no good.

3228 Mr. Claire. What is that?

3229 Mr. Welch. These are no good. These are phony maps.

3230 Mr. Claire. But the problem that we have today is a very
3231 serious problem. The two spectrum holders have been AT&T and
3232 Verizon and they have failed to serve rural America. The
3233 commitment that we are making is to build a nationwide coverage
3234 --

3235 Mr. Welch. Right.

3236 Mr. Claire. -- because we just got 600 megahertz just a
3237 couple of years ago and we are going to deploy it as fast as we
3238 can.

3239 Mr. Welch. Well, I mean if you were sitting where I am and
3240 getting the calls I am getting from Vermonters who have a map
3241 that says they have fantastic service and they can't get a dial
3242 tone, you would share my skepticism. This is a big deal.

3243 Mr. Legere. Sir, your concerns are very real. And the
3244 commitments and the filings that we have made are about the network

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3245 we will create and we have a strong commitment to cover of rural
3246 America. Thank you.

3247 Mr. Welch. Okay. Mr. Chairman, I would like to submit for
3248 the record these documents that I referred to.

3249 Mr. Doyle. Without objection, so ordered.

3250 [The information follows:]

3251

3252 ***** INSERT 12 *****

3253 Mr. Welch. I yield back.

3254 Mr. Doyle. And now we come to our final witness, Mr.

3255 O'Halleran. You have got 5 minutes.

3256 O'Halleran. Thank you, Mr. Chairman. I am sorry I didn't
3257 make it on time today. I had a commitment at the other side of
3258 town. But, boy, I have sat here through this hearing and listened
3259 intently on issues about rural America and I have heard time and
3260 time again that they will be treated differently from now on.

3261 That doesn't seem to be the case. They are still going to
3262 be at the low end of the pole. They are going to be down there
3263 with the lack of ability to compete, lack of ability to make sure
3264 the families of rural America have the health care necessary
3265 through telemedicine, the need for our businesses to be able to
3266 expand and economic development to expand and all of a sudden
3267 we are back to the same old thing. We are back to the cities
3268 and everybody else getting the higher amount of coverage than
3269 rural America. That is unacceptable. I have a map just like
3270 the gentleman from Vermont had and I travel. My district is
3271 58,000 square miles. Half the time that map says I should be
3272 covered. Half the time I am not, by anybody. And so there is
3273 a lot of work to do. And what I have also heard today are
3274 semi-commitments, you know, we are looking into it. I mean if
3275 -- and I have also heard that it is about productivity.

3276 Mr. Brake, I understand productivity. I also understand
3277 the needs of the citizens of rural America and the needs of the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3278 citizens for everywhere to be competitive with the rest of the
3279 world. We understand that. But I really am concerned with the
3280 type of information I heard today.

3281 Mr. Legere, and you have indicated very much that on the
3282 Lifeline and tribal Lifeline program that you are -- are you
3283 committed? Are you going to ensure, are you going to guarantee
3284 that those programs will be completed, completed and stay, and
3285 how are you going to do that? What is the plan, the real plan
3286 of how, and be specific as you can.

3287 Mr. Legere. Yeah. Sir, on -- thank you very much and I
3288 appreciate your patience. On Lifeline it is very clear Sprint
3289 is a big provider of Lifeline services and we will honor their
3290 commitments and move forward providing Lifeline in the fashion
3291 that they do. And the 5G capabilities that we have will make
3292 us an even better Lifeline provider.

3293 Second, sir, I would submit to you --

3294 O'Halleran. Just a second. I want to make sure that --
3295 their commitment, honor what they do, for how long?

3296 Mr. Legere. For as long as the contracts are available.

3297 O'Halleran. So how long are those contracts available for?

3298 Mr. Claire. Those are contracts that self-renew. And we
3299 have, as part of the merger we have discussed that the New T-Mobile
3300 will basically honor all the commitments and we will continue
3301 to be a fierce competitor in the Lifeline the same way as Sprint
3302 has been.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3303 O'Halleran. So as long as the contracts go. It is not into
3304 the extended future, it is just the contract life of that
3305 particular contract.

3306 Mr. Legere. Sir, could we be clear? The New T-Mobile is
3307 --

3308 O'Halleran. And just a second, I am sorry. It is my time.

3309 Mr. Legere. Okay. Sorry, sir.

3310 O'Halleran. I just, as somebody that represents tribal
3311 nations, 12 of them, as somebody that represents vast amount of
3312 towns in rural America, I am really concerned from what I have
3313 heard. And, Mr. -- I am going to try to get your name right,
3314 but I know I am not going to do it -- Berenbroick -- no, never
3315 mind. What do you anticipate this merger's impacts could be on
3316 the tribal Lifeline program and do you anticipate the FCC and
3317 DOJ will meaningfully enforce any conditional commitments made
3318 as part of an approval, and anything that we talked about here
3319 if you have comment on that?

3320 Mr. Berenbroick. Sure. And thank you for the question.

3321 This is an important line of questioning and I am glad the
3322 committee has gotten into this. So, you know, as you know tribal
3323 lands are some of the most underserved areas of the country.
3324 You know, facilities-based providers often provide wholesale
3325 service to resellers that serve the tribal Lifeline marketplace.

3326 One big concern in this merger that we have talked about here
3327 is we are consolidating that MVNO, or sorry, that wholesale

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3328 marketplace under only three providers who have fewer incentives
3329 to provide a low-cost wholesale access. And Carrie, Ms. Bennet
3330 has spoken to this a little bit.

3331 So what we think that means is the incentives in the
3332 marketplace will be to increase the costs that those resellers
3333 have to -- that those tribal resellers have to pay for Lifeline,
3334 those resellers that serve tribal lands pay for Lifeline driving
3335 up the costs in the Lifeline marketplace, potentially driving
3336 some of those resellers that serve those communities that you
3337 care about out of the market entirely, potentially leaving those
3338 consumers without any Lifeline provider.

3339 O'Halleran. Thank you.

3340 And thank you, Mr. Chairman.

3341 Mr. Legere. Mr. Chairman, could I make a final comment,
3342 please, shortly, which is just that with all the concerns about
3343 rural America, this transaction is the best path forward for
3344 this country to solve the issues of rural America. So I
3345 vehemently believe that is the best path forward.

3346 Mr. Doyle. Okay. All time is expired. I request
3347 unanimous consent to enter the following documents into the
3348 record: A map from CWA of Sprint and T-Mobile's retail
3349 distribution for Newark, New Jersey; an op-ed by former reps
3350 Waxman and Tauzin; a statement for the record from Consumer
3351 Reports; a blog post from EnCompass; a report from the Vermont
3352 Department of Public Service; a map of T-Mobile's U.S. wireless

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

3353 coverage; a report from the Democracy Reform Task Force; a report
3354 by GSA Inspector General; a letter from Representative Cardenas,
3355 et al, to John Legere; a letter from the National Diversity
3356 Coalition; a letter from CASE; a letter from J. Kenneth Blackwell;
3357 a letter from Let Freedom Ring; a letter from Consumers' Research;
3358 a letter from Americans for Limited Government; a letter from
3359 Americans for Tax Reform; a letter to the FCC and DOJ from members
3360 of Congress; and last, but not least, a letter from coalition
3361 members. Without objection, that is so ordered.

3362 [The information follows:]

3363

3364 ***** INSERT 13 *****

3365 Mr. Doyle. Well, I want to thank the witnesses for their
3366 participation in today's hearing. And I want to remind members
3367 that pursuant to committee rules they have 10 business days to
3368 submit additional questions for the record to be answered by the
3369 witnesses who have appeared. I ask each witness to respond
3370 promptly to any such questions you may receive. At this time,
3371 the subcommittee is adjourned.

3372 [Whereupon, at 1:08 p.m., the subcommittee was adjourned.]