

September 10, 2018

Dear State Attorney General,

I write to express concern about the proposed merger between T-Mobile and Sprint.

The proposed merger as currently structured would result in substantial harm to consumers and employees. I urge you to join with other state attorneys general to investigate the impact of this anti-competitive, job-destroying merger on consumers and on workers.

If the merger is permitted as proposed, it will result in massive job losses across the country. Attached to this letter we provide an analysis of job losses in the top 50 metropolitan areas. Our study has found that the merger will destroy more than 28,000 jobs in the United States. U.S. consumers will also pay the price in higher prices and less, not more innovation.

T-Mobile and Sprint have made unsupported claims that the deal will accelerate the move to 5G wireless – claims that actually contradict their statements to their own shareholders. For example, as recently as last month, T-Mobile told Wall Street that “our advancements in network technology and our spectrum resources ensure we can continue to increase the capabilities of our network as the industry moves toward 5G.” Sprint’s CEO Marcelo Claure has been emphatic that Sprint is “very, very well positioned” for 5G. There is also zero evidence that rural America will benefit from the merger.

The Communications Workers of America (CWA) recently filed a substantive brief at the FCC detailing our major concerns with the T-Mobile/Sprint merger. I summarize the arguments and evidence below.

First, the merger would result in the loss of more than 28,000 jobs across the United States and combine two companies with a long history of labor and employment law violations. Contrary to the merging parties' unsubstantiated claims of merger-related job creation, leading Wall Street analysts predict that massive job cuts from the elimination of duplicative retail stores and headquarters functions at the New T-Mobile will contribute significantly to the billions of dollars in projected merger "synergies." Consistent with analysts' predictions, CWA performed a comprehensive analysis based on detailed location data for all the retail locations involved in the proposed transaction. Our analysis finds that the proposed T-Mobile/Sprint merger will result in the loss of more than 28,000 U.S. jobs. Approximately 24,000 jobs would be eliminated as a result of overlapping retail store closures at postpaid and prepaid (e.g. Boost and MetroPCS) locations. Another approximately 4,500 jobs would be eliminated due to duplicative functions at corporate headquarters in Overland Park, KS. and Bellevue, WA. In addition, the proposed merger would combine two companies with a long history of violation of employment law and workers' rights. This history speaks volumes about the trustworthiness and corporate character of these companies. T-Mobile has won the dubious distinction as being one of the worst labor law violators in the country. T-Mobile has been found in violation of U.S. labor law six times since 2015 and has been subject to approximately 40 unfair labor practice charges since 2011. Findings of illegal activity include, among other things, T-Mobile surveilling its employees and requiring employees, including one who filed a sexual harassment complaint, to sign an unlawful confidentiality notice prohibiting employees from discussing with one another information from employer-led investigations, and threatening discipline, up to and including discharge, if they engaged in those discussions.

We are concerned that the proposed transaction could substantially increase concentration in numerous local wireless industry retail labor markets, increasing the monopsony power of employers in purchasing labor power of retail wireless workers, thereby depressing workers' wages and benefits through reduced competition for labor. Absent collective bargaining as a means to counter employer concentrated power, retail wireless workers will be worse off by reducing the number of national wireless retail employers from four to three.

Second, the proposed horizontal merger of T-Mobile and Sprint raises serious competitive concerns. The proposed transaction would eliminate the substantial head-to-head competition that currently exists between T-Mobile and Sprint. T-Mobile and Sprint have a long history of targeting each other's customers. Both firms have an equally long history of responding to each other's competitive moves. Because of how closely T-Mobile and Sprint compete for subscribers through their respective product and service offerings, the products and services of these two companies are likely to be close substitutes for a large number of consumers. A merger between firms selling differentiated products may diminish competition by enabling the merged firm to profit by unilaterally raising the price of one or both products above the pre-merger level.

The transaction would significantly increase concentration in the national and numerous local geographic markets for mobile telephony/broadband services and prepaid wireless retail services, measured using both the standard market concentration screen and the Commission's standard screen for spectrum concentration.

We estimated national HHIs for mobile telephony/broadband services by looking at the number of wireless connections reported as of the second quarter of 2018, as well as by revenue for wireless services in 2017. We estimated national HHIs for prepaid wireless retail services by looking at the number of prepaid wireless subscribers reported by the major facilities-based providers as of the second quarter of 2018. These results show that both the mobile telephony/broadband services market and the prepaid wireless services market are "highly concentrated" under the Department of Justice and Federal Trade Commission's 2010 Horizontal Merger Guidelines and the change in concentration resulting from the merger is large enough to trigger the Guidelines' presumption that the merger is "likely to enhance market power." The results are below.

	Pre-Merger HHI	Post-Merger HHI	Change
2Q18 Wireless Connections	2,762	3,281	519
2017 Wireless Service Revenues	2,811	3,243	432
2Q18 Prepaid Wireless Subscribers	3,037	4,461	1,424

Spectrum is an important input for wireless service. The Federal Communications Commission (FCC) conducts an initial spectrum screen to determine if a proposed transaction raises competitive concerns regarding this key input. The screen is triggered when a wireless provider would hold approximately one-third or more of the suitable and available spectrum. The “New T-Mobile” would exceed the spectrum screen in almost two thirds of the counties in the United States, with a full 92 percent of the population of the United States living in counties in which the spectrum screen would be exceeded post-merger.

Third, Sprint and T-Mobile claimed efficiencies and public interest benefits are overblown and misleading. They fail to prove their assertion that neither Sprint nor T-Mobile can effectively compete as standalone firms, and specifically that neither can “win” the race to deploy a next-generation nationwide 5G network. This rationale falls apart for two key reasons:

- Both companies are viable on a standalone basis and are already in the process of improving their networks, including their ability to provide initial 5G services. Neither company needs the proposed transaction to be an effective competitor in the future.
- While Sprint presently appears to lack the tools to offer 5G in rural parts of the country, the companies have made no showing that the merged firm would have either the incentive or ability to provide hallmark 5G services outside of densely populated areas. The proposed merger does not change that reality for rural America. In fact, the T-Mobile/Sprint Public Interest Statement submitted to the FCC indicates that a merged New T-Mobile would only serve an additional 1.7 million users by 2021 and an addition 1.1 million users by 2024 compared to a stand-alone T-Mobile.

Fourth, the merger raises serious national security concerns regarding possible integration of Chinese government-owned Huawei and ZTE equipment in the Sprint and T-Mobile networks. The proposed transaction involves two companies that have a history of vendor relationships with Huawei and ZTE. Both Sprint and its majority owner SoftBank have used Huawei equipment in their networks. Sprint and Boost Mobile continue to sell ZTE devices and Sprint executives have publicly praised them. In 2012, Sprint’s then-majority-owned subsidiary Clearwire contracted with Huawei for network equipment. That same year, the Committee on Foreign Investment in the US

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review of the Japanese-owned SoftBank purchase of Sprint and 100 percent of Clearwire resulted in a National Security Agreement requiring Sprint and Clearwire to remove Huawei equipment from their networks. However, three years later, Sprint admitted that it still had Huawei equipment on the Clearwire network. There is also a history of collaboration between Sprint's Japanese owner, SoftBank, and Huawei and ZTE. Since 2015, SoftBank has partnered with the two companies to develop and deploy 5G wireless technologies in Japan.

In sum, the proposed T-Mobile/Sprint merger poses substantial harm to consumers and workers, with no countervailing benefits. These concerns compel a thorough investigation and action to protect wireless workers' interest in good jobs and consumers' interest in a vibrant, competitive wireless market.

If you would like to speak with me or a member of my staff about these issues, I'm more than happy to do so.

Thank you for your attention.

Sincerely,



Christopher M. Shelton
President

Attachment

TOP 50 CENSUS-DEFINED URBAN AREAS WITH LARGEST NET CHANGE IN RETAIL AND HEADQUARTERS EMPLOYMENT FOLLOWING THE PROPOSED T-MOBILE/SPRINT TRANSACTION

Rank	Urban area	Net change in retail postpaid employment	Net change in retail prepaid employment	Net change in headquarters employment ¹	Total
1	Kansas City, MO-KS	-131	-107	-4,000	-4,238
2	New York-Newark, NY-NJ-CT	-1,233	-870		-2,103
3	Chicago, IL-IN	-814	-837		-1,651
4	Los Angeles-Long Beach-Anaheim, CA	-912	-733		-1,645
5	Miami, FL	-607	-480		-1,087
6	Houston, TX	-298	-696		-994
7	Dallas-Fort Worth-Arlington, TX	-475	-411		-886
8	Atlanta, GA	-459	-300		-759
9	Seattle, WA	-205	0	-500	-705

¹ Out of the 4,500 positions that CWA estimates will be eliminated from headquarters, we estimate that 4,000 will come from Sprint’s headquarters in the Kansas City urban area, and only 500 will come from T-Mobile’s headquarters in the Seattle urban area. Our assumptions are supported by reports that T-Mobile has renewed leases on its entire HQ facility and is undertaking major renovations. See Anthony Bolante, *T-Mobile renews lease of 882,000 square feet in Bellevue for HQ overhaul*, PUGET SOUND BUSINESS JOURNAL (April 11, 2018), <https://www.bizjournals.com/seattle/news/2018/04/11/t-mobile-renews-lease-headquarters-renovation.html>. The Applicants plan to keep a second headquarters in Kansas City. After the companies announced their plans to merge, neither T-Mobile’s CEO John Legere nor Sprint’s CEO Marcelo Claure provided assurances to Sprint’s headquarters employees regarding their jobs. See Mark Davis, Steve Vockrodt & Lynn Horsely, *T-Mobile to take charge in Sprint merger, throwing Overland Park jobs into question*, KANSAS CITY STAR (April 29, 2018), <https://www.kansascity.com/news/business/technology/article210106129.html>.

10	Detroit, MI	-391	-282	-673
11	Phoenix-Mesa, AZ	-223	-222	-445
12	Tampa-St. Petersburg, FL	-192	-192	-384
13	Denver-Aurora, CO	-269	-103	-372
14	San Antonio, TX	-240	-132	-372
15	Orlando, FL	-197	-144	-341
16	Philadelphia, PA-NJ-DE-MD	-124	-161	-285
17	Washington, DC-VA-MD	-239	-41	-280
18	Riverside-San Bernardino, CA	-117	-156	-273
19	St. Louis, MO-IL	-133	-131	-264
20	Baltimore, MD	-84	-174	-258
21	San Diego, CA	-162	-85	-247
22	Columbus, OH	-127	-116	-243
23	Milwaukee, WI	-78	-148	-226
24	Minneapolis-St. Paul, MN-WI	-204	0	-204
25	Austin, TX	-145	-57	-202
26	New Orleans, LA	-47	-153	-200
27	Cleveland, OH	-84	-112	-196
28	Grand Rapids, MI	-91	-105	-196
29	Jacksonville, FL	-83	-108	-191
30	Portland, OR-WA	-184	-3	-187

31	Cincinnati, OH-KY-IN	-63	-121	-184
32	McAllen, TX	-64	-117	-181
33	Las Vegas-Henderson, NV	-99	-76	-175
34	Charlotte, NC-SC	-41	-131	-172
35	Tucson, AZ	-98	-50	-148
36	Richmond, VA	-60	-87	-147
37	Virginia Beach, VA	-67	-78	-145
38	Providence, RI-MA	-99	-45	-144
39	Salt Lake City-West Valley City, UT	-96	-40	-136
40	Oklahoma City, OK	-79	-39	-118
41	Memphis, TN-MS-AR	-1	-117	-118
42	Cape Coral, FL	-59	-54	-113
43	Sarasota-Bradenton, FL	-30	-81	-111
44	Indianapolis, IN	-29	-81	-110
45	Nashville-Davidson, TN	-24	-84	-108
46	Pittsburgh, PA	-58	-49	-107
47	Columbia, SC	-44	-61	-105
48	Flint, MI	-38	-54	-92
49	Lubbock, TX	-47	-45	-92
50	Tulsa, OK	-47	-42	-89