Comments to the Federal Communications Commission Supporting T-Mobile-Sprint Merger

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ITIF supports the merger of Sprint and T-Mobile, as it would help accelerate 5G deployment, improve market structure, and intensify competition.

ITIF supports this transaction with the belief that the merger advances innovative wireless broadband services, offers significant benefits that will ultimately flow to consumers, and presents few concerns in terms of competition. The merger offers significant scale and operational efficiencies that will help accelerate the transition to next generation, 5G networks, intensifying competition, and bringing numerous benefits that flow throughout the economy. Opposition to the merger does not fully appreciate companies on the cusp of wireless entry, such as cable firms, or, more importantly, the rapidly differentiating business models in wireless networks. Raw wireless connectivity is increasingly commodified with wireless companies looking to new revenue streams—most notably home broadband, IoT, connected vehicles and drones, over-the-top video, and advertising—to recoup investments. These new business models built on top of basic IP connectivity are likely to keep downward pressure on price for voice, text, and data whether there are three or four providers.
Even taking a narrow view of the nationwide wireless broadband market, a reduction of four providers down to three is likely in the public interest. After all, competition is a means, not an end, and if we can achieve a wireless system that is more productive, efficient, and innovative with fewer providers, that would be a good thing. Because of the tremendous fixed-cost investments involved in cellular telecommunications, a smaller number of providers can more efficiently provide the needed infrastructure for a given customer base. Combining Sprint and T-Mobile allows for the new company to more effectively compete with larger players in the market and expand into adjacent markets.

The unlikely prospects of a vigorous return of Sprint to competitive even footing, and the fact that this merger will produce three firms of roughly equal size in terms of subscribers, strongly suggest that a reduction to three firms is in the public interest. Reducing the fragmentation of four uneven providers to three healthy firms will result in a more efficient use of resources, expand output compared to the status quo, and demand a response from competitors and potential competitors alike.