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Witness: Thomas Keys
ALJ: Karl Bemederfer
Commissioner: Clifford Rechtschaffen

REBUTTAL TESTIMONY OF THOMAS KEYS

PRESIDENT

METROPCS

ON BEHALF OF T-MOBILE USA, INC.

JANUARY 29, 2019

—PUBLIC VERSION—

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1 **I.IDENTIFICATION OF WITNESS**

2
3 **Q: Please state your name, occupation, and business address.**

4 **A:** My name is Thomas Keys. I am the President of MetroPCS Communications Inc.
5 (Metro by T-Mobile, f/k/a MetroPCS), a wholly-owned subsidiary of T-Mobile US, Inc. (T-
6 Mobile). My business address is 2250 Lakeside Blvd, Richardson, TX 75082006.

7
8 **Q: Please describe your professional qualifications.**

9 **A:** I have nearly fourteen years of experience with Metro. In my current position, as
10 President of Metro, I am responsible for the Metro business. Previously, I served as the
11 Executive Vice President and Chief Operating Officer of MetroPCS Business from April 2013 to
12 February 2015. Prior to the merger with T-Mobile, I served as MetroPCS Communication's
13 President from 2011 to 2013, and before that as Chief Operating Officer from 2007 to 2011. I
14 also served in other managerial positions at MetroPCS from 2005-2007. Prior to joining
15 MetroPCS, I served as the President and Chief Operating Officer for VCP International Inc., a
16 Dallas-based wholesale distributor of wireless products, from July 2002 to April 2005. And
17 prior to joining VCP International Inc., I served as the Senior Vice President of Business Sales at
18 Weblink Wireless Inc. (formerly PageMart, Inc.) from March 1999 to June 2002, which included
19 leading and managing the national sales and distribution efforts and in other senior management
20 positions with Weblink Wireless Inc. from January 1993 to March 1999.

21 I received a Bachelor of Arts degree from the State University of New York at Oswego,
22 and a Master of Arts from Syracuse University.

1 **II. PURPOSE OF TESTIMONY**

2

3 **Q: What is the purpose of your rebuttal testimony?**

4 **A:** The purpose of my rebuttal testimony is to respond to various statements and issues, and
5 to rebut certain incorrect assertions, raised in the testimony submitted by witnesses for the
6 California Public Advocates Office (“Cal PA”) and the California Emerging Technology Fund
7 (“CETF”). In that context, I will provide information to this Commission with respect to Metro
8 by T-Mobile, New T-Mobile’s anticipated prepaid plan offerings, the role of MVNOs, and
9 prepaid plans generally, based on my extensive experience with each of these subjects.

10

11 **Q: Can you summarize your testimony?**

12 **A:** Contrary to assertions made by Cal PA and CETF, the historical distinctions between
13 prepaid and postpaid plans no longer exist and both types exist in the same market for wireless
14 services. For all intents and purposes, the primary difference between prepaid and postpaid plans
15 today is (i) whether you pay your bill at the beginning of the month or the end of the month and
16 (ii) whether you need to undergo a credit check or not. Importantly we continue to see a steady
17 and fluid customer movement from prepaid to postpaid plans and vice versa.

18 More importantly, customers on prepaid plans will be big beneficiaries of the merger.
19 They will be on the same New T-Mobile network as subscribers on postpaid plans and thus will
20 also enjoy the broader coverage, higher speeds, and greater capacity of New T-Mobile. In short,
21 they will get more for less.

22 Low income customers, whether on prepaid or postpaid plans, will also be among the
23 biggest beneficiaries of the merger. Those customers are among the most dependent upon, as
24 well as the heaviest users of, wireless services. New T-Mobile will be giving them world-
25 leading service at no added cost. Contrary to the suggestions of Dr. Selwyn and the Public
26 Advocate, low income customers do care about quality and with our merger they will get quality
27 and a low price.

28 Finally, customers on prepaid plans will also benefit from increased competition as
29 Verizon, AT&T, TracFone and others lower their prices, increase investment in their networks,
30 and enhance service offerings to respond to New T-Mobile’s offerings. Contrary to the

1 assumptions reflected in some of the testimony, the competition for prepaid plans is currently
2 robust and becoming even more so, particularly since differences with postpaid plans have
3 largely disappeared. The merger will increase this level of competition even further.
4

5 **Q: Are you generally familiar with these proceedings at the Commission?**

6 **A:** Yes. I understand that T-Mobile and Sprint have submitted two filings with the
7 Commission. One filing seeks approval of the transfer of Sprint Communications, a wireline
8 provider in the state, to T-Mobile. The other filing provides the Commission with information
9 about the wireless merger. My understanding is that the Commission has set these hearings to
10 consider various issues related to those filings. I also attended the Technical Workshop that the
11 Commission held in this proceeding in December, which looked at the impact of the merger on
12 competition and services for low income consumers.

1
2
3 **III. BACKGROUND**

4 **Q: You have mentioned the name “Metro by T-Mobile”; can you explain what that is?**

5 **A:** Yes, in October of last year, we changed the branding for MetroPCS to “Metro by T-
6 Mobile” in recognition that we are starting a new phase to bring better value to more people than
7 ever before. As its name may suggest, Metro by T-Mobile’s new branding is intended to make it
8 clear, and otherwise communicate, to consumers that Metro is not a separate, lesser brand but
9 rather an equivalent component part of the larger T-Mobile suite of products - providing many of
10 the same features, operating on the same network, existing in the same marketplace, and
11 competing for the same customers. Highlighting its status as a premier product that is competing
12 aggressively for all customers, Metro by T-Mobile is the first prepaid brand to commit to launch
13 5G service in 2019, a commitment which demonstrates the further blurring of the traditional
14 lines between postpaid and prepaid. Following the merger, Metro customers will share in the
15 same 5G opportunity as other New T-Mobile customers, experiencing the New T-Mobile 5G
16 network’s exceptional speed, capacity, and coverage advantages. Metro has also launched new
17 all-unlimited rate plans featuring Amazon Prime and Google One, providing its customers with
18 the kinds of features and benefits once reserved for postpaid plans. We think value-conscious
19 consumers deserve more for less and that is our goal at Metro.

20 **Q: Can you provide some background on Metro?**

21 **A:** Metro was a pioneer in bringing no-contract, unlimited data, and taxes and fees included
22 to the wireless marketplace. Prior to the acquisition by T-Mobile in 2013, Metro was a facilities-
23 based carrier that offered wireless service through prepaid plans to consumers in approximately
24 15 select major metropolitan areas, including Los Angeles, Sacramento and San Francisco. At
25 the time, Metro relied on roaming agreements to provide service to customers outside of its
26 network coverage areas. Since the acquisition by T-Mobile, Metro has expanded dramatically to
27 become one of the leading providers of prepaid wireless plans in California and across the
28 nation.

29 Nationally, our population coverage has grown from just 103 million people in 2013
30 (when we served just 15 cities) to more than 323 million people – 99 percent of the population of

1 the U.S. In this same timeframe, nationally, Metro’s customer base has doubled, its number of
2 employees has increased by 50 percent, its distribution has grown from 4,500 to 10,000 points of
3 distribution, and its number of Branded Dealer locations has doubled. These locations serve as
4 local customer help centers, in addition to places to shop for new plans and phones. Even though
5 California was one of Metro’s top markets before the acquisition, its growth in this state has also
6 been impressive.

7
8 **Q: Are there T-Mobile-branded prepaid plans?**

9 **A:** Yes. There are T-Mobile-branded prepaid plans, though they represent a far smaller
10 portion of T-Mobile customers on prepaid plans than does Metro.

11
12 **Q: Can you give us a sense as to who owns the Metro stores and where they are**
13 **located?**

14 **A:** In California, Metro has 42 corporate stores, and almost [BHC-AEO] [EHC-
15 AEO]¹ dealer stores. As more fully explained in my testimony below, Metro has since its
16 inception been fully committed to serving and doing business in communities that have been
17 traditionally underserved by wireless providers. Approximately 41 percent of T-Mobile/Metro
18 stores nationally are in high or extreme poverty tracts. [BHC-AEO] [EHC-AEO] of
19 Metro stores in California are located in high- and extreme-poverty census tracts (i.e., tracts with
20 poverty rates above 20 percent), providing valuable service to low-income consumers.

¹ Throughout this testimony, confidential information is designated by the labels “[BHC-AEO]” and “[EHC-AEO].” BHC-AEO stands for “Begin Highly Confidential-Attorneys Eyes Only” and EHC-AEO stands for “End Highly Confidential-Attorneys Eyes Only.”

1 IV. PREPAID WIRELESS SERVICE PLANS

2
3 A. Prepaid Plans Are Not a Separate Market from Postpaid Plans

4
5 **Q: Cal PA testifies that prepaid services may constitute a “separate relevant market”**
6 **or “a separate market segment” (Odell Testimony at pp. 10-12). Does T-Mobile consider**
7 **prepaid services to be a separate market from a business perspective?**

8 **A:** No. I will leave the legal and economic arguments to others but, from a practical and
9 business perspective, treating prepaid plans as a separate market, or considering the two types of
10 plans separately, is incorrect based on how the plans are structured, offered and used. It would
11 also be at odds with how I understand the Federal Communications Commission has consistently
12 treated the wireless market.

13 Today, prepaid and postpaid plans are largely indistinguishable, except for the timing of
14 payment and need for credit checks. Prepaid plans now offer many of the same features as
15 postpaid plans, such as high-speed data and advanced functionality. Many prepaid service plans
16 include unlimited usage and multi-line family features, with the ability to share minutes and data
17 across members of the family. Prepaid brands also offer many of the same cutting-edge devices
18 as are available to postpaid plan customers. Similarly, postpaid service plans have adopted
19 characteristics of prepaid plans – most notably, the elimination of long-term service contracts.
20 Moreover, the pricing gap between prepaid and postpaid plans – one of the traditional
21 differentiators between the services – has narrowed in recent years. Furthermore, while most
22 postpaid plans require credit checks, this requirement has not impeded robust switching between
23 prepaid and postpaid plans, with consumers freely moving between plan types depending on
24 where they see opportunities to obtain better values. In fact, industry experts attributed the
25 uncommonly strong industry-wide postpaid adds of 2017 to prepaid switching.

26 Device changes have also enabled increased switching between prepaid and postpaid.
27 Because wireless technology, devices and device features have evolved to eliminate features and
28 restrictions that traditionally limited changing carriers, customers can now easily switch between
29 plans or carriers without getting a new phone. Most carriers also have eliminated phone locking
30 restrictions, enabling a customer to purchase a handset from one carrier and continue to use it

1 when they switch to a new carrier. These developments have led to significant consumer
2 switching between service providers. As a result of all of these developments, consumers largely
3 view prepaid and postpaid plans as substitutable, as evidenced by vigorous switching by
4 customers between prepaid and postpaid plans.

5 T-Mobile has been at the forefront of eliminating the distinctions between prepaid and
6 postpaid plans as part of its Un-carrier approach. For example, T-Mobile's introduction of
7 "Contract Freedom" eliminated long-term service contracts for postpaid plans and replaced them
8 with a transparent pricing model, spurring other providers to do the same. T-Mobile also
9 extended the "Taxes and Fees Included" program from its prepaid products to its postpaid plans.
10 T-Mobile additionally pioneered separation of phone subsidies and phone payment plans from
11 mobile rate plans, which until that time had been a hallmark of prepaid plans. With so many
12 similarities between prepaid and postpaid plans, the distinction between these plans for
13 consumers has diminished to the point where consumers move between the prepaid and postpaid
14 products with greater and greater frequency. In fact, from a marketing perspective, at Metro, we
15 view every existing and potential wireless user as part of our target audience and view AT&T
16 and Verizon as our biggest competitors because – as the companies with the most subscribers –
17 they have the most potential new Metro customers.

18
19 **Q: Cal PA raised the concern that T-Mobile will hold too much of the prepaid part of**
20 **the market (Odell Testimony at pp. 14-15). Will it?**

21 **A:** Your question assumes that prepaid is its own market. As I explained, that view is
22 contrary to the facts. But, as a business person, I can categorically state that wireless services,
23 including prepaid offerings, are highly competitive and will be even more so following the
24 merger. At Metro, we compete vigorously with both prepaid and postpaid plans and our data
25 shows frequent switching between Metro prepaid plans and both prepaid and postpaid competitor
26 plans. Further, competition just among prepaid plans is robust and will remain so after the
27 transaction closes. As Cal PA notes, AT&T (both directly and through Cricket) is the second
28 largest facilities-based provider of prepaid offerings and we have no reason to believe that
29 AT&T (or Cricket as the case may be) will not continue to compete aggressively for this part of

1 the business. If anything, the transaction will spur AT&T and Verizon to continue intensifying
2 their efforts in prepaid offerings.

3 As I discuss below, MVNOs also provide significant competition for prepaid plans.
4 MVNO competition will not decrease following the transaction, particularly as the substantially
5 greater capacity of the New T-Mobile network will incentivize the combined company to
6 continue, if not expand, mutually beneficial relationships with MVNOs. The competitive
7 prepaid offerings made possible by the increased capacity and reduced costs of the merged
8 company's network will drive these providers and others to offer more attractive plans to
9 compete for customers.

10 In any event, any effort to raise prepaid plan prices relative to postpaid plans will result in
11 the loss of so many customers that it would not prove profitable for any carrier foolish enough to
12 try it. Metro, for example, sees a many of the customers it loses go to postpaid plans, including
13 AT&T and Verizon postpaid products. As T-Mobile has already stated publicly and affirmed in
14 filings before the FCC and the Commission, the merged company will maintain the Boost
15 Mobile, Virgin Mobile USA and Metro brands as separate brands post-consummation.

16
17 **B. The Merger Will Not Result in Increased Prices for Customers with Prepaid**
18 **Plans and Their Benefits Will Increase**

19
20 **Q: Cal PA asserts that consolidation and decreased competition will decrease incentives**
21 **to maintain current price levels and that unilateral price increases are more likely (Odell**
22 **Testimony at pp 12 and 18). What stops New T-Mobile from increasing prepaid prices**
23 **post-merger?**

24 **A:** First, I have to disagree with the premise of the assertion. As I discussed above,
25 competition for prepaid consumers will remain vibrant after the merger. Second, the statement
26 reflects a fundamental misunderstanding of the New T-Mobile business plan. Raising prepaid
27 plan prices is a recipe for rapidly losing prepaid customers, given the ease with which customers
28 can switch providers today. Churn rates (rates at which customers switch carriers) among
29 customers with prepaid plans are high, reflecting the ease with which prepaid customers can
30 move between offerings, both prepaid and postpaid, and their willingness to seek better values.

1 If New T-Mobile were to raise the prices of its prepaid plans, other carriers would aggressively
2 pursue New T-Mobile's customers and could easily handle the migration of those customers.
3 AT&T and Verizon have already increased their focus on the offering of prepaid plans, and will
4 have an even greater incentive to do so and to continue to pursue current prepaid customers to
5 adopt their postpaid plans when they expand capacity in their networks to maintain pace with
6 New T-Mobile. MVNOs that focus on prepaid offerings would also compete aggressively for
7 these customers. Other competitors such as the new wireless entrants from the cable industry,
8 could also easily start to offer prepaid plans if New T-Mobile were to raise prices. Further, as
9 discussed more thoroughly in Mr. Sievert's testimony, New T-Mobile will be incentivized to
10 deliver more benefits to the consumer for the same or lower cost due to having substantially
11 more capacity that it needs to fill. It simply would not make sense for New T-Mobile to raise
12 prices and encourage its customers to look elsewhere for their service. From an economic and
13 business perspective, it will be in New T-Mobile's business interest to offer – and New T-Mobile
14 intends to offer – customers on prepaid plans more access to a variety of service plans and
15 options at attractive prices.

16
17 **Q: How is that reflected in New T-Mobile's business plan?**

18 **A:** T-Mobile has already stated publicly – and affirmed in filings before the FCC and the
19 Commission – that New T-Mobile will maintain the existing Sprint and T-Mobile prepaid
20 brands, including Boost, Virgin Mobile, and Metro, but will reposition these brands to serve
21 different customers on prepaid plans preferences. Accordingly, it is expected that New T-Mobile
22 will [BHC-AEO] [REDACTED] [EHC-AEO] the price of Boost to [BHC-AEO] [REDACTED]
23 [REDACTED] [EHC-AEO]. The Company expects this [BHC-AEO] [REDACTED]
24 [REDACTED] [EHC-AEO] New T-Mobile's total non-Metro prepaid ARPU by [BHC-
25 AEO] [REDACTED] [EHC-AEO], while increasing the quality of service for non-Metro customers on
26 prepaid plans. Metro's prices are expected to [BHC-AEO] [REDACTED]
27 [EHC-AEO]. In other words, New T-Mobile's customers on prepaid plans will receive all the
28 benefits of the new 5G network, such as more reliable, faster speeds with greater capacity for
29 [BHC-AEO] [REDACTED] [EHC-AEO].

1 **Q: Will the benefits of the merger for customers on prepaid plans be different than**
2 **those for customers on postpaid plans?**

3 **A:** No, they will not be different – indeed in some cases they will be better for customer on
4 prepaid plans. Customers utilizing the New T-Mobile network – those on both postpaid and
5 prepaid plans – will have access to greatly improved data throughput and capacity capabilities.
6 All customers will be on the same network and thus all customers will benefit from the increase
7 in network capacity through broader coverage, higher speeds and lower costs. In addition, I
8 would note that Sprint customers on prepaid plans will quickly experience significant
9 improvements in coverage on the New T-Mobile network, as those with compatible handsets will
10 for the first time enjoy domestic data roaming that fills in coverage gaps, and Boost customers
11 will benefit from access to a deeper and much larger (approaching ten times greater) handset
12 ecosystem that will provide better functionality.

1 **V. MVNOs EXERT COMPETITIVE PRESSURE ON THE WIRELESS MARKET**
2 **AND WILL BENEFIT FROM THE MERGER**
3

4 **Q: Cal PA testifies that MVNOs like TracFone are not competitors of T-Mobile (Odell**
5 **Testimony at pp. 15-16). Do you agree?**

6 **A:** Absolutely not. Many MVNOs offer highly attractive prepaid plans that compete directly
7 with Metro's offerings. MVNOs generally are able to offer prepaid wireless plans at highly
8 competitive prices because they can avoid many of the costs associated with facilities-based
9 service. Further, the flexibility they enjoy "makes it easier for them to mark down prices, and it
10 allows them to offer convenience and a more enhanced customer experience."²

11 TracFone, in particular, is exerting huge competitive pressure on traditional wireless
12 providers. With approximately 23 million subscribers, TracFone is the largest MVNO in the
13 U.S. and *it is the single largest provider of prepaid offerings in the country*, and the fifth largest
14 wireless carrier by subscribership. TracFone operates under numerous brands that include its
15 main TracFone product line, plus Net10 Wireless, Total Wireless, Straight Talk, SafeLink
16 Wireless, Telcel America, Simple Mobile, Page Plus Cellular, and Walmart Family Mobile.
17 TracFone services are available in 90,000 retail locations across the United States, Puerto Rico,
18 and the Virgin Islands, including national distribution through major retailers like Walmart, as
19 well as in TracFone standalone retail stores.

20 I would note that Ms. Odell seems to selectively misquote the FCC's Staff Analysis of
21 the AT&T/T-Mobile Merger when claiming "the FCC generally excludes non-facilities-based
22 providers from its analysis of market concentration." The full quote reads:

23 The Commission generally has excluded [MVNOs] and resellers when computing
24 *initial* concentration measures, though it *does take into account the role of such*
25 *providers to the extent necessary in evaluation of likely competitive effects*, and
26 we take the same approach here.
27

28 As I understand that statement, the FCC does not "exclude" non-facilities-based providers, but
29 rather assesses their competitive effects in the course of a merger analysis, which is part of the
30 process currently ongoing, as far as I am aware. From a practical perspective, TracFone and

² Jon Mikow, *How MVNOs Are Challenging the Competition*, FORTEGA (July 14, 2017), <http://blog.fortegra.com/how-mvnos-are-challenging-the-competition>.

1 other MVNOs will continue to exert competitive pressures following the merger and, with its
2 greatly expanded capacity and incentives to fill it, New T-Mobile will continue to host MVNOs
3 that serve valuable consumers.
4

5 **Q: Is T-Mobile the only facilities-based carrier that provides wholesale services to**
6 **TracFone?**

7 **A:** Hardly. While MVNO partnerships are not within my portfolio, I have a good
8 understanding of Metro's competitors, including TracFone. Although TracFone does purchase
9 wholesale services from T-Mobile, I understand that TracFone principally uses Verizon Wireless
10 and also buys services from AT&T and, to a more limited extent, Sprint. In fact, it is my
11 understanding that approximately 80 percent of TracFone traffic runs on either the Verizon or
12 AT&T network.

13 Cal PA's oft-repeated concern in its testimony about New T-Mobile somehow being able
14 (or inclined) to raise its wholesale rates unreasonably to make it harder for MVNOs to compete
15 seems particularly unfounded given that TracFone, like other MVNOs, has the clear ability to
16 use – and currently does utilize – other carriers' networks to provide their service. Indeed,
17 Verizon and AT&T are the predominant wholesale providers for MNVOs. From my position,
18 New T-Mobile would have no incentive to take the type of action suggested by Cal PA and
19 would only hurt itself if it did. It is telling as well that TracFone has come out and publicly
20 stated its support for the merger. The fundamentals of the proposed transaction and its massive
21 increase in wireless capacity and output will benefit competition and consumers across all
22 segments of the wireless market, including retail services provided on prepaid and postpaid plans
23 as well as services sold at wholesale to MVNOs and other hybrid participants in the wireless
24 ecosystem.
25

26 **Q: Cal PA's economic consultant raises questions about the impact of the merger on**
27 **MVNOs (Selwyn Testimony at p. 85). What impact will the transaction have on MVNOs**
28 **and their subscribers?**

29 **A:** As discussed more fully by Mr. Sievert and other witnesses, New T-Mobile's decreased
30 capacity costs will result in lower wholesale costs for MVNOs and their subscribers. As the

1 other witnesses note, with its increased network capacity, New T-Mobile will have no incentive
2 to impair MVNOs' ability to put subscribers on New T-Mobile's network. To the contrary, New
3 T-Mobile will have the incentive to partner with MVNOs that can offer unique value
4 propositions or better reach distinct customer segments to maximize return on investment in its
5 network. MVNOs also will benefit from the decreased roaming costs made possible by the New
6 T-Mobile network. The increased competition for the provision of wholesale services will spur
7 Verizon and AT&T – currently the predominant wholesale providers for MVNOs – to lower
8 prices to maintain MVNO relationships and further invest in their networks to keep pace with
9 New T-Mobile. Ultimately, MVNO customers across the industry will benefit from improved
10 service quality and lower prices.

11
12 **Q: Will New T-Mobile force all the MVNOs to renegotiate their existing contracts?**

13 **A:** No. As Mr. Sievert testified, T-Mobile is committed to honoring the terms of its existing
14 MVNO agreements.

15
16 **Q: Have any MVNOs commented on the merger?**

17 **A:** A number of leading MVNOs have filed in support of the merger at the FCC. I have
18 excerpted a few statements from them below:

- 19 • **TracFone:** “TracFone expects that the New T-Mobile will increase the MNO wholesale
20 competition for TracFone’s business and thus reduce wholesale costs.”
- 21 • **Ultra Mobile and Mint Mobile:** The merger “will help create networks with better
22 coverage, more capacity, greater throughput, and lower latency than would otherwise be
23 available” and “will drive down prices, reducing wireless connectivity costs for both the
24 MVNOs and U.S. consumers they serve.”
- 25 • **Prepaid Wireless Group:** The network investment New T-Mobile will make as a result
26 of the merger “will promote MVNO competition in the near term with improved 4G
27 coverage and lead to a competitive 5G market going forward across the entire nation,
28 including in rural areas.”
- 29 • **Republic Wireless:** “A stronger and more affordable third network, run by leaders with a
30 strong track record of openness towards partnering with new entrants, will provide the

1 necessary foundation for the development and delivery of next-generation mobile
2 products and services.”

3 In short, Cal PA’s assertion of harm to MVNO’s is refuted by the very companies whom it
4 purports to be protecting.

1
2
3 **VI. CUSTOMER MIGRATION**

4 **Q: There have been some questions raised about the challenges of T-Mobile’s plans to**
5 **integrate Sprint customers (Reed Testimony at p. 13). Can you comment?**

6 **A:** I am confident that New T-Mobile will deliver on its migration plan because I had
7 firsthand experience working with T-Mobile’s team to migrate MetroPCS customers, using
8 basically the same migration game plan, just five years ago. MetroPCS customers were migrated
9 to the T-Mobile network even more quickly than anticipated, merger synergies exceeded
10 expectations, spectrum refarming was expedited, and MetroPCS customers quickly enjoyed
11 expanded coverage and better service as evidenced, in part, by the fact that churn for the
12 MetroPCS customer base *declined* during this period. Indeed, Metro’s national customer base
13 has doubled since the merger and the number of employees has also increased substantially. Our
14 ability to swiftly, efficiently, and effectively execute the MetroPCS integration sets the stage and
15 the template for similar consumer benefits to come from our merger with Sprint. The integration
16 plan for Sprint customers is described in more detail by Mr. Sievert. As he notes, the integration
17 plan will be the same for all customers, whether on postpaid or prepaid plans.

18 **Q: What will New T-Mobile do about prepaid customers with incompatible devices**
19 **(Reed Testimony at 13)?**

20 **A:** Sprint estimates that there are more than 37 million compatible Sprint devices capable of
21 accessing at least one T-Mobile LTE spectrum band, including more than 7 million Boost
22 devices. Every single market in the New T-Mobile network will see customer migration from
23 Sprint’s network within the first year of the merger. Sprint customers without compatible
24 devices will be transitioned through regular handset upgrade cycles and dedicated handset
25 promotions. This transition will be completed three years after the deal closes. Mr. Ray
26 discusses this in more detail in his testimony.

1 VII. IMPACTS ON LOW-INCOME COMMUNITIES AND COMMUNITIES OF
2 COLOR
3

4 Q: Cal PA seems to assert that the merger will have a negative impact on low-income
5 customers (Odell Testimony at p. 12). What is your response to those concerns?

6 A: That is simply not the case. First, let me state that T-Mobile and Metro are fully
7 committed – perhaps more than any other provider – to serving low-income and underserved
8 customers. We already have a customer base that is [BHC-AEO] [REDACTED]
9 [REDACTED] [EHC-AEO] of T-Mobile’s customers on postpaid plans
10 are ethnically diverse, while the average across other nationwide providers is [BHC-AEO] [REDACTED]
11 [REDACTED] [EHC-AEO]. T-Mobile’s customers on postpaid plans are also [BHC-AEO] [REDACTED]
12 [REDACTED] [EHC-AEO] represented across gender. T-Mobile’s prepaid base is [BHC-AEO] [REDACTED]
13 [REDACTED] [EHC-AEO] ethnically diverse, while the industry average is [BHC-AEO] [REDACTED]
14 [EHC-AEO]. T-Mobile’s customers are also [BHC-AEO] [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED] [EHC-AEO]. T-Mobile’s customers are also [BHC-AEO]
18 [REDACTED] [EHC-AEO] in the postpaid segment than the industry average: [BHC-AEO] [REDACTED]
19 [REDACTED] [EHC-AEO] of the postpaid segment are between the ages of 18-34, compared to [BHC-
20 AEO] [REDACTED] [EHC-AEO] of its competitors’ customers. T-Mobile regularly assesses its
21 customer base nationwide to consider how best to serve customer segments that have been
22 traditionally ignored or underserved. For example, T-Mobile has recently launched a product for
23 customers over 55 years of age.

24 Importantly as well, Metro is committed to having a presence in the low-income
25 communities that we serve. [BHC-AEO] [REDACTED] [EHC-AEO] of Metro stores in California
26 are located in high and extreme poverty census tracts (i.e., tracts with poverty rates above 20
27 percent), providing valuable service to low-income consumers. The merger will not change our
28 commitment to serving these low-income communities. To the contrary, as I discussed above,
29 and as discussed by Mr. Sievert and Mr. Ray, New T-Mobile’s increased capacity (versus
30 standalone T-Mobile and Sprint) will increase competition, lower prices, and bring new and

1 improved services to rural areas, low-income areas, and communities of color. For example,
2 average throughputs – which translate into faster speeds for users – in high or extreme poverty
3 census tracts, majority Hispanic or Latino census tracts, majority African American census
4 tracts, and majority Native American census tracts in California will be as high, or higher, than
5 projected state and national averages by 2024. Many of the most-underserved communities in
6 the state are in the Los Angeles metropolitan area and the Inland Empire area. As demonstrated
7 in the Ray testimony, these are regions that will benefit from dramatically improved mid-band
8 coverage following the merger and the resulting capacity and speed improvements will be felt
9 equally by customers on prepaid plans. Due to these benefits, the transaction has received
10 support from numerous organizations representing diverse communities.

11
12 **Q: Will New T-Mobile be closing retail stores? Won't that have a negative effect on**
13 **customers, especially customers in low-income communities and communities of color?**

14 **A:** T-Mobile has long been committed to serving low-income communities and communities
15 of color. As I noted previously, approximately 41 percent of current T-Mobile/Metro stores,
16 nationally, and [BHC-AEO] [REDACTED] [EHC-AEO] of Metro stores in California, are in high or
17 extreme poverty tracts. The company's commitment to serving these areas will not change after
18 the merger. As John Legere explained in response to questions from Congress, "New T-Mobile
19 does not plan to combine nearby MetroPCS and Boost stores." To the contrary, New T-Mobile's
20 business plan calls for retaining both the Metro and Boost Mobile brands because, post-merger,
21 each brand will be reoriented to cater to somewhat different customer segments.

22
23 **Q: Why are the benefits of New T-Mobile's 5G network of particular value to low-**
24 **income or cost-conscious customers?**

25 **A:** As Tim Bresnahan will explain, the ABH analysis has found that low-income consumers
26 and consumers from communities of color tend to be heavier data users. According to Pew
27 Research Center, these communities also rely more extensively on their wireless devices for
28 broadband access. The New T-Mobile network, and our commitment to serving those
29 customers, seems particularly well suited to meet those needs in the coming years. Indeed, as

1 mentioned before, we have received significant support from many organizations that recognize
2 the value this merger will bring to their communities.

3

4 **Q: Does this conclude your rebuttal testimony?**

5 **A:** Yes, it does.