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Hearing Date: _____
Witness: G. Michael Sievert
ALJ: Karl Bemesderfer
Commissioner: Clifford Rechtschaffen

REBUTTAL TESTIMONY OF G. MICHAEL SIEVERT

**PRESIDENT AND CHIEF OPERATING OFFICER
T-MOBILE USA, INC.**

ON BEHALF OF T-MOBILE USA, INC.

Dated: JANUARY 29, 2019

(Corrected Version: Re-served on February 4, 2019)

—PUBLIC VERSION—

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ATTACHMENTS

ATTACHMENT A - Personal Interest Statement (Confidential)

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1 **I. WITNESS IDENTIFICATION**

2

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

4 **A:** My name is G. Michael (“Mike”) Sievert. I am the President and Chief Operating
5 Officer (“COO”) for T-Mobile US, Inc. (“T-Mobile”). My business address is 12920 SE 38th
6 Street, Bellevue, WA 98006.

7

8 **Q: Please describe your professional background.**

9 **A:** I have been with T-Mobile since 2012. Together with T-Mobile’s Chief Executive
10 Officer (“CEO”) John Legere, I was directly involved in the acquisition of MetroPCS and the
11 development of T-Mobile’s Un-carrier business plan. Prior to joining T-Mobile, I had over two
12 decades of experience at several Fortune 500 companies and as an entrepreneur. I received a
13 Bachelor of Science in Economics degree from the Wharton School of the University of
14 Pennsylvania, where I graduated *magna cum laude*.

15

16 **Q: What is your involvement in the T-Mobile merger with Sprint?**

17 **A:** In my capacity as T-Mobile’s President and COO, I have been engaged in the evaluation
18 of T-Mobile’s proposed merger with Sprint Corporation (“Sprint”) and the discussions
19 concerning the business plans for the merged entity, New T-Mobile. I am a member of the
20 Senior Leadership Team at T-Mobile, who, along with the CEO John Legere, recommended the
21 transaction to the Board of Directors.

22

23 **Q: Do you know what role you will have at New T-Mobile once the transaction is**
24 **approved and consummated?**

25 **A:** Yes, I will be the President and COO for New T-Mobile. As the President and COO
26 designate of New T-Mobile post-closing, it will be my responsibility to implement the business
27 plan.

II. PURPOSE OF TESTIMONY

Q: What is the purpose of your rebuttal testimony?

A: The purpose of my testimony is to respond to various statements and issues raised in the testimony submitted by the California Public Utilities Commission Public Advocates Office (“Cal PA”), the California Emerging Technology Fund (“CETF”) and the Communications Workers of America (“CWA”). In that context, I will provide information to this Commission concerning the reasons for the merger, the business plan for New T-Mobile, and the resulting merger benefits for California consumers and competition in the state.

Q: Can you summarize your testimony?

A: My testimony will respond to various testimonies submitted by Cal PA, CETF, and CWA witnesses that suggest, among other things, that the merger would somehow harm competition, that there are no—or only very limited—benefits associated with the merger, that New T-Mobile will be inclined to increase prices for consumers, and that the merger will lead to massive job losses. These suggestions are completely at odds with the facts and the incredible benefits that New T-Mobile will bring.

New T-Mobile’s plan for the future consists of three essential elements, which I refer to as “three legs of the stool.” The three legs are: (1) the network plan, (2) the business plan, and (3) the capital plan. These “three legs” will work in concert to fully fund a known disruptor to build a world-leading 5G network and execute a highly disruptive business model. The result will be to intensify competition and provide enormous benefits for all consumers in California and across the country:

- **The Network Plan.** The heart of this merger is a network plan that will result in enormous cost synergies and create the first robust, nationwide 5G network, enabled by T-Mobile’s and Sprint’s complementary spectrum and sites. Because the combination of two wireless networks has a multiplicative effect on capacity, the network plan will enable massive expansion of capacity—as well as speed and coverage—at low incremental cost. As I will explain in more detail below, our merger will produce over

1 \$43 billion in synergies. We will use those synergies to fund a nearly \$40 billion
2 investment in our nationwide 5G network and services. Accordingly, we will deliver an
3 unprecedented network with massive capacity and lower costs. New T-Mobile will bring
4 100 Mbps speeds to the vast majority and even 300 Mbps 5G to most of California by
5 2021. By 2024, New T-Mobile will deliver fiber-like speeds that are 14 times what T-
6 Mobile delivers today and 4.5 times what T-Mobile could provide in 2024 on its own.
7 The merger will enable coverage of ~~[BEGIN HIGHLY CONFIDENTIAL—~~
8 ~~ATTORNEYS EYES ONLY (“BHC—AEO”)] 99 [END HIGHLY CONFIDENTIAL~~
9 ~~—ATTORNEYS EYES ONLY (“EHC—AEO”)]~~ percent of California by 2024 with
10 high-speed wireless broadband services.

- 11 • **The Business Plan.** New T-Mobile’s 5G network, with massively increased capacity
12 and lower costs, will position New T-Mobile to pursue a business plan that capitalizes on
13 the opportunities of the 5G future and also allows us to compete aggressively to take
14 market share from AT&T and Verizon, and take on big cable as well. Simply put: it will
15 allow us to offer customers more data and better service for lower prices. As part of our
16 business plan, New T-Mobile also will bring wireless broadband to rural Californians and
17 expand its services into areas like in-home broadband, where consumers in the state are
18 stuck with high prices and no choices today.
- 19 • **The Capital Plan.** On the basis of the cost synergies and relying on the business and
20 network plans I introduced above, T-Mobile was able to secure financing to fund an
21 enormous up-front investment to build its nationwide 5G network. Front-loaded funding
22 supports rapid network buildout and customer migration, meaning that we will be able to
23 deliver benefits to consumers quickly and with certainty. And, importantly, aggressively
24 increasing our share in existing and new segments will allow New T-Mobile to amortize
25 its large fixed costs. All of this has convinced our shareholders and Wall Street to
26 support this project that will jumpstart the 5G future for our country and California.

27 The interrelationship between the network, business, and capital plans demonstrate the
28 holistic nature of this project and tells you why we will deliver on our promises. With that in
29 mind, in responding to intervenors’ testimony, I will provide further background on T-Mobile,

1 the underlying transaction, and, perhaps most importantly, discuss how New T-Mobile will
2 deliver enormous benefits for the nation, California, and all consumers. The benefits and details
3 of the merger have also been thoroughly described in the Public Interest Statement and in the
4 Reply to the Joint Opposition both of which we filed at the Federal Communications
5 Commission (FCC) and otherwise made available to all the parties to this proceeding. I am
6 including copies of both filings to my testimony as Attachments A and B, respectively.

7
8 **Q: Are there any claims by Cal PA or other intervenors that you would like to address**
9 **at the outset to resolve them quickly and definitively?**

10 **A:** Yes. CWA keeps claiming the merger will cause massive job losses and we keep
11 responding that the merger will increase jobs at New T-Mobile. To put this to rest, we are open
12 to providing a commitment of no net job losses in California for New T-Mobile.

13
14 **Q: Are you generally familiar with these proceedings at the Commission?**

15 **A:** Yes. I understand that my company and Sprint have submitted two joint filings with the
16 Commission. One is an application that seeks approval for the transfer of control of ownership
17 of the wireline authorizations held by Sprint for services in California to New T-Mobile. The
18 merger will be seamless for Sprint's wireline customers, and all existing Sprint wireline contracts
19 will be honored. In addition, Sprint wireline customers will benefit because the combined
20 company will bring increased resources, expertise and financial resources. The other filing is a
21 notification that provides the Commission with information concerning the wireless merger. My
22 understanding is that the Commission has set these hearings to gather additional facts concerning
23 the Wireline Approval Application and the Wireless Notification. I note that T-Mobile and
24 Sprint have already responded to numerous lengthy information requests regarding these two
25 filings.

1 **III. BACKGROUND**

2
3 **Q: Can you describe T-Mobile in general?**

4 **A:** T-Mobile is currently the third largest wireless carrier in the U.S., serving approximately
5 79.7 million customers under the T-Mobile and MetroPCS brands.¹ T-Mobile makes available
6 wireless voice and data services to residential and business customers in the U.S., Puerto Rico,
7 and the U.S. Virgin Islands, as well as a wide selection of wireless devices and accessories. T-
8 Mobile and its authorized resellers operate retail stores, at which customers can purchase devices
9 and mobile wireless services.
10

11 **Q: What services does T-Mobile provide to California customers?**

12 **A:** Neither T-Mobile nor T-Mobile USA directly offers services in California and neither is
13 certificated by this Commission. T-Mobile has two indirect subsidiaries, T-Mobile West, LLC
14 (U-3056-C) and MetroPCS California, LLC (U-3079-C), that provide innovative wireless service
15 options to millions of California consumers. T-Mobile does not provide any wireline services or
16 backhaul services in California (or elsewhere in the country).
17

18 **Q: Please explain what you mean when you refer to T-Mobile as the “Un-carrier”.**

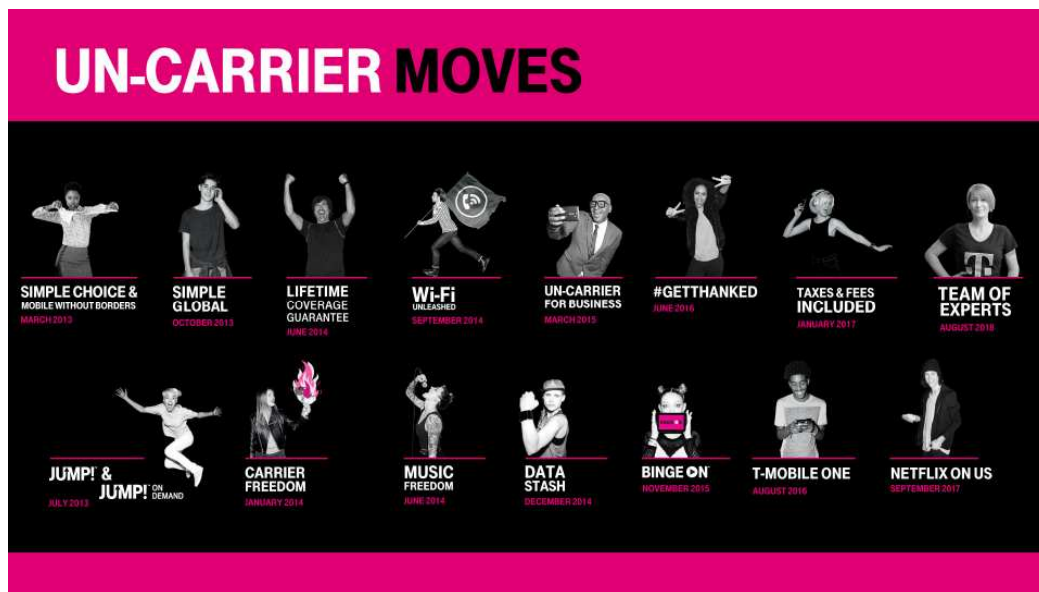
19 **A:** We introduced the Un-carrier strategy five years ago as a consumer-focused approach
20 that the world had never seen before in wireless. I was part of the leadership team that brought
21 this initiative to the marketplace. As the Un-carrier, we listen to consumers, solve their pain
22 points—such as eliminating hidden charges and fees—and price aggressively so that we give
23 more to customers without asking more from them in return. We set out to eliminate all of the
24 anti-consumer practices that wireless carriers, particularly the entrenched competitors AT&T
25 and Verizon, had imposed on their customers—hence the Un-carrier. Since implementing our
26 Un-carrier approach years ago, we have proven that it is in T-Mobile’s DNA to act disruptively
27 in the marketplace to achieve these goals. It is also good business as it distinguishes T-Mobile in

¹ T-Mobile US, Inc., Annual Report (Form 10-K), at 37 (Feb. 7, 2018), <http://investor.tmobile.com/Cache/392104903.pdf>. We note that not all of the 79.9 million customers are under the T-Mobile and MetroPCS brands. This number includes customers from the wholesale market.

the marketplace and attracts customers.

Q: Can you give us some examples of T-Mobile's Un-carrier initiatives?

A: The Un-carrier is all about eliminating the things that consumers hate. We got rid of long-term service contracts and replaced them with a transparent pricing model. We made it easier to upgrade to a new smartphone when customers wanted to, and not when they were told they could. We eliminated charges for global roaming, which often led to giant bills for our competitors' customers. Since then, more than three hundred times more data has been consumed internationally than before we started. We offered to reimburse customers for competitors' early termination fees and equipment loans if they switched to T-Mobile. We made it easy to call free over Wi-Fi networks. As streaming video became more popular, we created Binge On, which allowed customers to watch YouTube, Netflix, and other video without hitting their data buckets. We later moved to all unlimited plans, ushering in the era of unlimited data by forcing AT&T and Verizon to respond with their own unlimited plans. We additionally forged new ground in offering unlimited calling, data, and texting in and to Mexico and Canada at no additional charge. The Un-carrier moves include the following:



The changes pioneered by T-Mobile have ushered in the era of unlimited data by forcing AT&T and Verizon to respond with their own unlimited plans.

1 **Q: How have consumers reacted to these initiatives?**

2 **A:** Customers have recognized and responded to our disruption and our value. As I
3 mentioned earlier, being the Un-carrier is good business because it distinguishes us in the
4 marketplace. T-Mobile has consistently grown its customers base and revenues since launching
5 the Un-carrier strategy.² In addition to our steady customer growth, customers are also staying
6 with T-Mobile longer. Preliminary results show that our postpaid churn rate was a record low
7 4th quarter rate of 0.99 percent in the last quarter of 2018.³ And, T-Mobile recently earned the
8 highest score ever recorded in J.D. Power's 2018 U.S. Wireless Customer Care Study.⁴ In short,
9 the T-Mobile brand and the Un-carrier have become synonymous with lower prices and better
10 value, to which consumers have really responded.

11
12 **Q: Have these initiatives had impact outside of T-Mobile?**

13 **A:** Yes. The Un-carrier has changed the wireless market not just for our own customers, but
14 for customers in the whole U.S. wireless industry. Every time we make a move, the other guys
15 are forced to up their game as well. As T-Mobile began to stand out in the market, consumers
16 required the other carriers to meet our pioneering competitive initiatives. Notably, we moved to
17 all unlimited plans, thereby ushering in the era of unlimited data by forcing AT&T and Verizon
18 to respond with their own unlimited plans. We also abandoned long-term, restrictive service
19 contracts and made it easier for customers to switch wireless providers.

20
21 **Q: With all these initiatives, has T-Mobile been able to make significant inroads into**
22 **AT&T or Verizon's market dominance?**

23 **A:** Despite our successes, AT&T and Verizon have continued to dominate the mobile
24 wireless market. Five years ago, AT&T and Verizon held two-thirds of the wireless market

² See *T-Mobile Posts Its Best Customer Results Yet, Reports Lowest Ever Q4 Postpaid Phone Churn, Beats Customer Guidance for FY 2018*, T-Mobile Newsroom (Jan. 9, 2019), <https://www.t-mobile.com/news/t-mobile-customer-results-q4-2018>.

³ *Id.*

⁴ *T-Mobile and MetroPCS Take J.D. Power's Top Spots for Customer Care*, T-Mobile Newsroom (Aug. 2, 2018), <https://www.t-mobile.com/news/jdp-top-spots-for-customer-care>.

1 share by customer and revenue. Since then, T-Mobile and Sprint have competed aggressively,
2 but the combined market share of AT&T and Verizon has nonetheless gone up. The FCC's
3 Communications Marketplace Report released in December 2018 found that AT&T and Verizon
4 together hold nearly 70 percent of the wireless market by connections (69%) and revenues
5 (67.9%).⁵ T-Mobile (17.1% connections and 17% revenue) and Sprint (12.6% connections and
6 12.8% revenue) still remain the distant number 3 and number 4 market participants.⁶

7 T-Mobile and Sprint today lack not only the required spectrum assets but also the
8 economies of scale to be successful long-term challengers to the market leaders in this capital
9 intensive industry, especially now as we look to deploy 5G. AT&T and Verizon service
10 revenues are about twice those of T-Mobile.⁷ As of 2017, both AT&T and Verizon had
11 approximately five times the capital expenditure of Sprint and were approximately twice as large
12 as T-Mobile.⁸ And T-Mobile's total consolidated revenues, EBITDA, net income, and cash
13 flows remain just a fraction of the financials of the much larger AT&T and Verizon. In fact,
14 AT&T and Verizon hold 80 percent of the EBITDA, net income, and cash flows from operations
15 in the wireless market. These scale differences are significant hurdles that neither we at T-
16 Mobile nor our colleagues at Sprint can hope to overcome on our own.

17 While the gap would become narrower with our proposed merger, as shown below,
18 AT&T and Verizon would retain their size and scale advantages over New T-Mobile in terms of
19 total revenue, adjusted EBITDA, free cash flow, and market capitalization. In other words,
20 while New T-Mobile would remain a distant third, it would be much better positioned to
21 seriously challenge AT&T and Verizon post-merger.

22 In fact, I would say that impeding this merger will only serve to further protect the
23 interests of the "Big 2" entrenched wireless carriers, AT&T and Verizon, and the monopoly in-

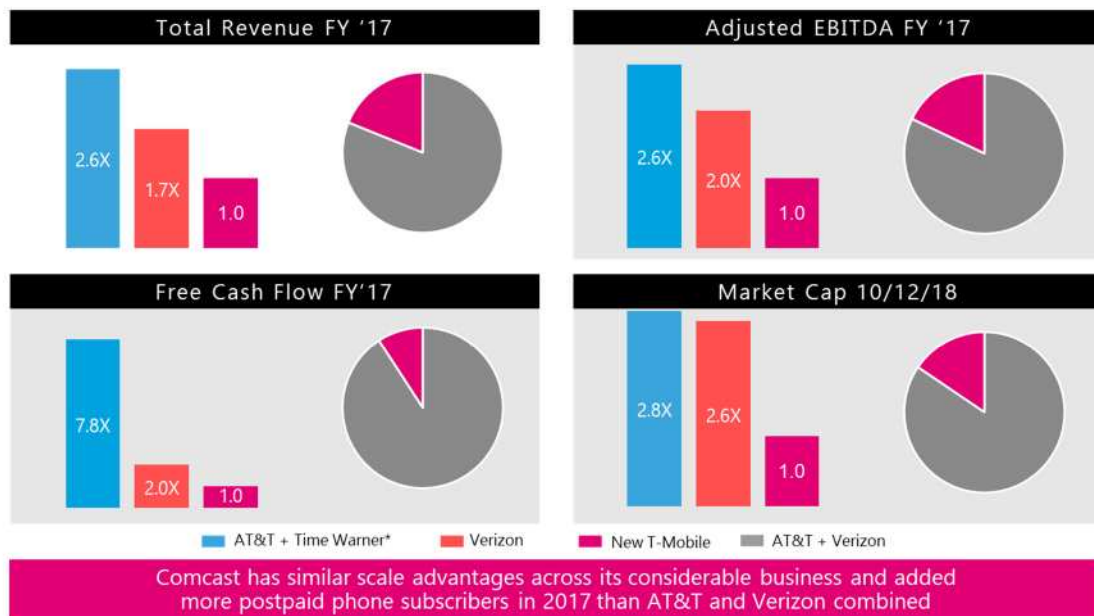
⁵ Communications Marketplace Report, Report, FCC 18-181 at ¶¶6-7 (Dec. 26, 2018)
("Communications Marketplace Report").

⁶ *Id.*

⁷ *Id.*

⁸ *Id.* at 21.

home broadband providers such as Comcast and Charter. And it will prevent a world-leading 5G network from being built in California. Are those results really in California's best interests?



*Goldman Sachs 2019 Pro Forma estimate

Q: Does this proposed merger change that situation in any way?

A: The merger will give the New T-Mobile the scale and unique combination of assets to take the Un-carrier model to new level, and to increase our ability to compete with AT&T, Verizon, and the well-situated media and Internet companies that T-Mobile competes with in the rapidly converging mobile and in-home broadband and content delivery industries. The key is our combined ability to create a 5G network that leapfrogs what AT&T and Verizon are doing and planning. The massive capacity, lower costs, and increased scale will allow New T-Mobile to go toe-to-toe with AT&T, Verizon, and the big cable companies.

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IV. TRANSACTION

Q: Please describe the transaction contemplated by this merger.

A: The merger will be accomplished pursuant to the Business Combination Agreement between T-Mobile US, Inc., T-Mobile USA, Inc.'s direct 100 percent parent, and Sprint Corporation dated April 29, 2018 (the "Business Combination Agreement") by which Sprint, and all of Sprint's subsidiaries—including Sprint Spectrum L.P. (U-3062-C), Virgin Mobile USA, L.P. ("the Sprint Wireless CA Entities"), and Sprint Communications—will become wholly-owned indirect subsidiaries of T-Mobile. The actual transaction is more involved than what I am describing and it is explained in greater detail in the Wireless Notification.

Q: What has been decided concerning New T-Mobile leadership and management?

A: As noted briefly above, John Legere, CEO of T-Mobile, will be the CEO of New T-Mobile. I will serve as President and COO of New T-Mobile. The Board of Directors of New T-Mobile will be comprised of 14 members. Pursuant to the Business Combination Agreement, Deutsche Telekom will designate 9 directors (at least 2 of whom will be independent). SoftBank will designate 4 directors (at least 2 of whom will be independent).⁹ The remaining director will be Mr. Legere. Existing T-Mobile Chairman and Deutsche Telekom CEO, Tim Höttges, has been designated to serve as Chairman of the Board.

Q: What is the business reason for T-Mobile wanting or needing a merger with Sprint?

A: The merger addresses T-Mobile's shortcomings as a standalone company and creates enormous synergies that enable better services and new business opportunities. For starters, 5G is the future of wireless. On our own, neither we nor Sprint have the complement of spectrum, sites, and resources to build a robust and deep nationwide 5G network. Our company has 600 MHz spectrum that is great for coverage, but less so for capacity and speed. Sprint has 2.5 GHz spectrum that is great for capacity and speed, but less so for coverage. The proposed merger

⁹ It is currently contemplated that Masayoshi Son, current SoftBank Chairman and CEO, and Marcelo Claure, current SoftBank Chief Operating Officer and Sprint Executive Chairman, will serve on the Board of the new company as SoftBank designees.

1 brings together a unique combination of complementary assets that enable a network well
2 beyond anything possible without the merger. In short, each company provides the other with
3 what it lacks to develop a 5G network that is both broad (coverage) and deep (capacity).

4 As Mr. Ray's testimony explains in detail, the combination of T-Mobile's low-band and
5 Sprint's mid-band spectrum is particularly important to providing a robust 5G experience in rural
6 areas. Without consistent broad coverage, Sprint has difficulty serving and attracting rural
7 customers. Without deep capacity, T-Mobile cannot offer low-priced, robust 5G to rural areas to
8 enable fiber-like speeds and a broadband alternative to significant numbers of rural customers.
9 Together, New T-Mobile will have the scale and capacity to offer the first high quality
10 alternative to Verizon and AT&T in mobile wireless, and to take on Comcast or Charter in in-
11 home broadband. As such, it will be able to gain significant share from the incumbent wireless
12 and broadband providers and deliver value to our shareholders and investors while delivering
13 massive benefits to consumers at the same time.

14
15 **Q: Does T-Mobile face challenges in trying to build out a world-class 5G network on its**
16 **own?**

17 **A:** Yes. T-Mobile lacks the right mix of spectrum and cell site resources needed to deliver a
18 world-class, nationwide 5G experience. It would be cost-prohibitive for standalone T-Mobile to
19 build out enough sites to reach comparable capacity and quality to what New T-Mobile can
20 achieve. In addition, T-Mobile's standalone capability to refarm spectrum to provide 5G service
21 is limited because its spectrum is extensively used for LTE. The transaction will solve these
22 issues.

23 Another challenge facing T-Mobile relates to our scale and financial resources. We will
24 have difficulties funding and sustaining the billions of dollars needed for a world class,
25 nationwide 5G network. The merger solves this problem by creating over \$43 billion in
26 synergies. We will use the synergies to fund the new 5G network and services with nearly \$40
27 billion in capex over the first three years after the merger. In California alone, we anticipate
28 capital expenditures of over [BHC – AEO] [REDACTED] [EHC – AEO] within three years after the
29 merger closing.

1 Furthermore, the merger allows us to continue to execute and even double-down on our
2 business plan of being the 5G Un-carrier that offers customers more for less. T-Mobile has done
3 a great job to date, but our ability to bring the same level of competitive pressure that we have in
4 the past is likely to plateau, based on relative network capacity and capital constraints, and there
5 are limits to how long and how well we can sustain our maverick approach. By 2024, New T-
6 Mobile will have 14 times the speed and 8 times the capacity of T-Mobile today. By overcoming
7 our scale challenges, the merger creates the ability and the incentives for New T-Mobile to grow
8 share by offering lower prices and more data, while also generating a profit, thus ensuring that
9 New T-Mobile can make further capital investments in the future. The improved network also
10 creates new opportunities to expand and improve services in rural areas, enterprise, and Internet
11 of Things (IoT) services and, importantly, to bring competition to in-home broadband.
12

13 **Q: How will the \$43 billion in synergies be achieved?**

14 **A:** The merger synergies are derived from three principal sources of merger-related
15 synergies (*i.e.*, Net Present Value (“NPV”) cost savings).

- 16 1. Network synergies gained by eliminating redundancies in T-Mobile’s and Sprint’s
17 existing networks (\$25.7 billion in NPV). This includes savings from decommissioning
18 overlapping or unnecessary network sites and reduced capital expenditures resulting from
19 the scale benefits of combined network assets.
- 20 2. Sales, service, and marketing cost-related synergies (\$11.2 billion NPV).
- 21 3. Back office synergies (\$6.1 billion NPV).

22 These synergies are described in more detail in the Public Interest Statement and supporting
23 declarations included in Attachment A to my testimony.
24

25 **Q: Does T-Mobile have any relevant experience with these types of integrations?**

26 **A:** Yes. For example, T-Mobile smoothly and successfully combined networks with
27 MetroPCS ahead of schedule, realizing synergies well above projections. That integration was
28 successful by any measure. MetroPCS customers were migrated to the T-Mobile network even
29 more quickly than anticipated, merger synergies exceeded expectations, spectrum refarming was

1 expedited, and MetroPCS customers have since enjoyed expanded coverage, better service and
2 lower prices. Specifically, T-Mobile upgraded retained MetroPCS infrastructure from 3G to 4G
3 within 12 months. Full migration of all MetroPCS customers was completed within 26 months.
4 Importantly, MetroPCS customers experienced an improvement in their user experience, in some
5 cases almost immediately after the merger, as best evidenced by the fact that churn at MetroPCS
6 actually decreased during this transition period. T-Mobile achieved the projected \$1.5 billion in
7 annual cost savings a year ahead of schedule and achieved synergies 40 percent higher than
8 projected. Since the merger, MetroPCS's customer base nationally has doubled and the number
9 of employees has increased by some 50 percent. Customers obviously have valued these
10 improvements to MetroPCS's service. Nothing less is expected here, as the post-merger game
11 plan, which will be implemented largely by the same team, is very similar to that followed when
12 we acquired MetroPCS—anchor on the T-Mobile network, retain some towers, and rapidly
13 migrate spectrum and customers.

14
15 **Q: How will the nearly \$40 billion in capex be invested?**

16 **A:** About [BHC-AEO] [EHC-AEO] percent of the nearly \$40 billion will be invested in
17 the network. Our other capex will be for in-home broadband, IoT, enterprise, video, and rural
18 services. With respect to rural, we will invest \$2.1 billion in expanding 5G to serve rural
19 Americans.

20
21 **Q: What do you anticipate in terms of capital expenditures in California?**

22 **A:** Although state-specific projected capital expenditures were not part of our modeling, we
23 were able to develop a directional estimate of the California network capital expenditures for the
24 period 2019-2024. We did this in response to a Data Request from Cal PA. I understand that
25 this estimate does not account for the additional capital investment related to stores, other
26 necessary facilities, or expansion of businesses supported by the New T-Mobile network that is
27 also part of New T-Mobile's projected overall capital investment, but has not been estimated on
28 a state-by-state basis at this time. The estimate of California capital investment in the network
29 provided below was created based on known site upgrades and estimates of additional capital
30 expenditures using drivers of those investments. Because of the non-ordinary course approach

required to estimate state-specific costs, the numbers in this estimate may diverge significantly from actual spending, based on factors that cannot be forecast at the present time.

[BHC-AEO]

[EHC-AEO]

On a standalone basis, our directional estimates for network capital expenditures are as follows:

[BHC-AEO]

[EHC-AEO]

Q: Cal PA claims that the combined capital investment of standalone T-Mobile and Sprint in California will be more than the New T-Mobile's capital investment (Clark Testimony at pp. 29-30)—is that correct?

A: No. That is absolutely not the case. Mr. Clark has apparently taken data provided by Sprint with respect to their estimated total capital expenditures in California, added it to our directional estimates for standalone T-Mobile *network cap ex*—which does not account for additional capital investment related to stores, other necessary facilities, or expansion of businesses supported by the New T-Mobile network that is also part of New T-Mobile's projected overall capital investment—and then compared to our estimate of *network cap ex* for New T-Mobile. In other words, he is comparing proverbial apples to oranges.

1 **Q: What is New T-Mobile's business plan? Will you continue the "Un-carrier"**
2 **strategy?**

3 **A:** New T-Mobile's business plan was developed based on a vision of the merged company
4 as a "Super-charged Un-carrier." The business plan is built on T-Mobile's successful brand
5 platform and addresses the shortcomings of both companies' standalone models. Because T-
6 Mobile and Sprint's networks trail those of Verizon and AT&T in public perception, we began
7 with a disruptive network plan that is designed to bring the first nationwide, robust 5G network
8 to consumers. As described above, this network will be created through an enormous investment
9 and a combination of Sprint and T-Mobile's complementary assets. New T-Mobile's network
10 will leap ahead of Verizon and AT&T by some measures, enabling it to compete for customers
11 who have not previously considered either company. In parallel, we developed New T-Mobile's
12 business and financial models to fund the network investment and the business. We began with
13 each company's standalone plans and then assessed cost savings and other value creation
14 opportunities. Ultimately, we built a model with synergies sufficient to enable New T-Mobile to
15 pursue its disruptive network and business plans.

16 New T-Mobile's business plan recognizes that the best way to monetize the surge in
17 additional capacity provided by the network plan and to drive customer acquisition for the new
18 company is to offer customers more for less. Massively greater capacity and lower costs will
19 give New T-Mobile the ability and incentive to price aggressively to win new customers and
20 increase usage. These scale benefits will be passed on to customers through more data and
21 higher quality at lower prices. This, in turn, will trigger a competitive response by New T-
22 Mobile's competitors in terms of both price decreases and capacity increases, which will drive
23 even greater improvements for consumers. Furthermore, New T-Mobile will bring new
24 competition to the rural and enterprise segments dominated by Verizon and AT&T, and will
25 compete aggressively against entrenched cable companies by offering an in-home broadband
26 choice for consumers.

1 V. BENEFITS OF THE MERGER

2
3 **Q: Cal PA asserts that the benefits T-Mobile attributes to the merger are simply the**
4 **benefits of 5G in general (Reed Testimony, Fifth Generation Wireless Service at p. 10).**
5 **The testimony also seems to assert that, absent the merger, T-Mobile and Sprint could**
6 **provide similar benefits to consumers (Reed Testimony, Fifth Generation Wireless Service**
7 **at pp. 5, 12). Do you agree?**

8 **A:** No. Mr. Reed's testimony is completely at odds with the facts. The 5G network that
9 New T-Mobile will provide to Californians will be dramatically better than what either T-Mobile
10 or Sprint could do on their own. Without the merger, the benefits of 5G will simply not be
11 available to many consumers, or at least not until much later. That is because the merger will
12 combine T-Mobile's and Sprint's complementary spectrum and sites, enabling the creation of
13 both a broad and deep 5G network in California and the U.S. The network integration will
14 ensure the quick roll-out of that network.

15 As explained below, New T-Mobile will deliver a host of compelling benefits to consumers
16 in California and across the country that simply would not be achievable by either T-Mobile or
17 Sprint on their own. The benefits include, but are in no way limited to:

- 18 • A world-class 5G network with the increased capacity, higher speed, lower costs, and
19 increased coverage to produce enormous benefits for all Californians.
- 20 • California consumers pay less for more as a result of the massive increase in network
21 capacity and lower costs of serving incremental customers, equally benefiting all
22 customers regardless of plan (prepaid or postpaid) or background.
- 23 • Rural California gets high-speed 5G wireless service and in-home broadband along with
24 [BHC-AEO] [REDACTED] [EHC-AEO] stores located to serve small towns and rural
25 communities.
- 26 • For the first time, true competition and choice for in-home broadband that will save
27 California consumers as much as [BHC-AEO] [REDACTED] [EHC-AEO]
28 annually by 2024.
- 29 • Expanded choices and competition for enterprise and IoT.

- Jobs increases at New T-Mobile nationwide and in California specifically.
- Intensified competition in wireless as New T-Mobile will have the scale and network to go toe-to-toe with Verizon, AT&T and big cable as the Un-carrier maverick, forcing competitors to respond and creating more choice and lower prices for low-income consumers.

Given the importance of these benefits, I will try to provide further context below although some of these are also discussed in the testimony of T-Mobile's other witnesses. I would add that many of these topics were addressed in a presentation Mr. Legere and I did for Cal PA in October of last year. A copy of the materials we provided at that time is included with my testimony as Attachment C. I understand those materials were also provided in response to discovery in the course of these proceedings.

A. World-Class 5G Network

Q: The first benefit you mentioned is a world-class 5G network, but to be clear both Sprint and T-Mobile have announced that they are building their own 5G networks right? So how is that a merger benefit?

A: T-Mobile and Sprint are building their own 5G networks. However, there are huge differences between what either of us can achieve on our own and what we can accomplish together. Although Mr. Ray will discuss these issues in more detail, let me provide some highlights that show just how big the differences between the New T-Mobile networks and standalone networks. "Today" is what T-Mobile and Sprint networks currently deliver in performance. "Tomorrow" is what T-Mobile and Sprint would deliver in 2024 if there is no merger and what New T-Mobile will deliver in 2024 with the merger:

- **Today vs. Tomorrow**
 - 8X total capacity vs. combined standalones in 2024 (3EB → 24.3EB)
 - 14X speed in 2024 compared to today's T-Mobile (32 Mbps → ~450 Mbps)
- **Tomorrow vs. Tomorrow**

- ~3X (2.7X) “5G” capacity of the combined standalones in 2024 (7.7EB → 21.0EB)
- ~2X (1.9X) capacity (LTE + 5G) of the combined standalones in 2024 (12.7EB → 24.3EB)
- ~4.5X 5G speed of standalone T-Mobile in 2024 (100 Mbps → ~450 Mbps)

I would add that the comparison of New T-Mobile’s 5G network performance with the T-Mobile and Sprint 5G standalone networks’ performance is an apples-to-apples comparison of each of these companies’ network plans for delivering 5G. In other words, the benefits are a direct result of the merger, and indeed, they are possible only through this merger.

Q: You describe significant speed increases in your prior answer. What is your current understanding of mobile speeds that consumer receive today?

A: Last month, the FCC released its Communications Marketplace report and found that mobile speeds were in the 30 Mbps range for the nationwide carriers. T-Mobile reported mean LTE download speeds of 26.20 Mbps in the first half of 2017 and 30.48 Mbps in the second half of 2017.¹⁰ Sprint reported mean LTE download speeds of 18.11 Mbps in the first half of 2017 and 21.78 Mbps in the second half of 2017.¹¹ Let me make clear, however, that the speed information in my testimony is based on what is called “average throughput” and Mr. Ray will explain what that means.

Q: What is your understanding of mobile broadband speeds in California.

A: Based on a July 25, 2018 presentation by California Advanced Services Fund Annual (“CASF”), only 37.3 percent of California’s 13 million households receive mobile broadband service of at least 6 Mbps download.¹² A 2016 CASF report states that the majority of the state

¹⁰ Communications Marketplace Report at ¶23.

¹¹ *Id.*

¹² See California Advanced Services Fund, Infrastructure Account Workshop (July 25, 2018), <ftp://ftp.cpuc.ca.gov/Telco/CASF/Public%20Workshops/July%2025%20Workshop%20Presentation%207-24-123.pdf>.

1 is “unserved” by mobile broadband at these speeds.¹³ That report also found that no California
2 households reliably receive mobile broadband service at 25 Mbps download.¹⁴ However, I am
3 not aware if the Commission has more recent data.
4

5 **Q: Will New T-Mobile alter that reality?**

6 **A:** Yes. New T-Mobile’s 5G network will mean dramatic improvements in data rates for
7 California’s consumers.¹⁵ The new network will have vastly increased network capacity which,
8 among other things, will allow numerous users to access the network without impacting service
9 quality. These are issues that Mr. Ray discusses in some detail.
10

11 **Q: How will that benefit consumers?**

12 **A:** These marked improvements in data rates will have a direct, positive impact on wireless
13 consumers across the U.S. and in California. First, data rates will be significantly improved over
14 what wireless providers can deliver today and what T-Mobile and Sprint could provide on their
15 own. Second, consumers traditionally have relied upon wired, rather than wireless, connections
16 to access average data rates in excess of 25 Mbps—and these wired connections have been
17 extremely costly. The merger will allow New T-Mobile to deliver fiber-like speeds that enable
18 the delivery of myriad new and improved services.
19

20 **Q: How many consumers will have access to these benefits? Does the merger deliver**
21 **higher speeds to more people than T-Mobile or Sprint would serve on their own?**

22 **A:** Not only will New T-Mobile provide higher data rates than standalone T-Mobile and
23 Sprint, it will provide higher data rates to more consumers. The charts below depict the

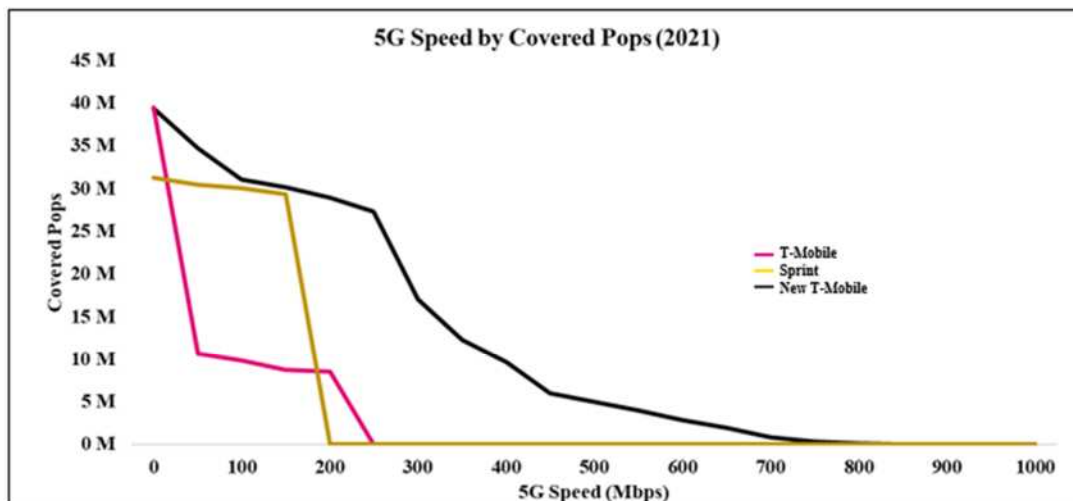
¹³ California Advanced Services Fund: Annual Report, California Public Utilities Commission (April 2017) at 41-42,
ftp://ftp.cpuc.ca.gov/Telco/CASF/Reports%20and%20Audits/CASF%202016%20Annual%20Report_.pdf.

¹⁴ *Id.* at 44.

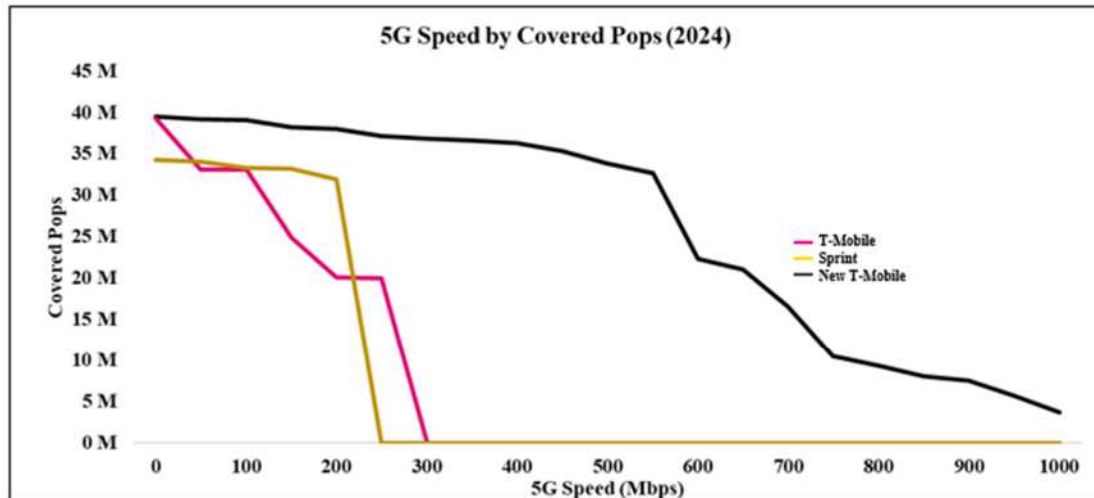
¹⁵ Average data rate is not equivalent to the actual user experience. The user experience will be affected by a number of variable factors, including received signal strength, location of the mobile device and base station, and whether the device is in motion, among others.

California-specific geographic distribution of data rates projected by each standalone company as compared to New T-Mobile. I would note that New T-Mobile customers will start benefiting from improved data rates almost right away. Those will increase dramatically in 2021 when the migration of customers onto the network has occurred, and then again in 2024 when the full 5G network has been completed.

~~{BHC AEO}~~



2021	California Covered Pops by Speed			% California Pops		
	T-Mobile	Sprint	New T-Mobile	T-Mobile	Sprint	New T-Mobile
Pops with > 100 Mbps	9.8 M	30.1 M	31.0 M	25%	76%	79%
Pops with > 150 Mbps	8.8 M	29.3 M	30.1 M	22%	74%	76%
Pops with > 300 Mbps			17.0 M			43%
Pops with > 500 Mbps			5.0 M			13%



California Covered Pops by Speed				% California Pops		
2024	T-Mobile	Sprint	New T-Mobile	T-Mobile	Sprint	New T-Mobile
Pops with > 100 Mbps	33.1 M	33.3 M	39.1 M	84%	84%	99%
Pops with > 150 Mbps	24.9 M	33.2 M	38.2 M	63%	84%	97%
Pops with > 300 Mbps			36.8 M			93%
Pops with > 500 Mbps			33.8 M			83%

~~[BHC AEO]~~

By 2024, the anticipated 5G network of New T-Mobile will:

- ~~[BHC AEO]~~ cover 99% of Californians with data rates greater than 100 Mbps, almost 18% more than the covered POPs of either standalone T-Mobile or Sprint at those speeds;
- cover 97% of Californians with data rates greater than 150 Mbps, almost 54% more than the covered POPs of standalone T-Mobile at those speeds; and
- provide data rates exceeding 300 Mbps to nearly 36.8 million POPs and 500 Mbps to over 33.8 million POPs, which the standalone T-Mobile 5G network would be unable to do at all. ~~[BHC AEO]~~

Q: Cal PA testifies that prepaid plans provide inferior coverage and speeds than postpaid plans and seems to imply that low-income consumers should be guaranteed cheap services no matter the quality (Selwyn Testimony at pp. 85, 109). How do you respond?

A: Mr. Selwyn’s testimony relies on a false choice between low prices and quality service. We think consumers—particularly low-income and value-conscious consumers, who tend to rely more heavily on their wireless service and use more data—should be able to pay low prices AND

1 get the benefits of improved quality from a world class 5G network. New T-Mobile will provide
2 dramatic improvements in quality AND the low price point that is important to these (like all
3 other) customers.
4

5 **Q: How does the increased capacity impact the services New T-Mobile can provide to**
6 **consumers in California?**

7 **A:** New T-Mobile's capacity and output will give it the ability to rapidly deploy broad-based
8 5G services without compromising the quality of services for existing subscribers. It will also
9 allow New T-Mobile to provide more competitive offerings in the marketplace, such as
10 continuing to offer unlimited data, but at much higher data rates to the benefit of consumers.
11 Additionally, greater available capacity will enable New T-Mobile to compete directly against
12 traditional in-home broadband providers and deliver additional consumer benefits, including
13 supporting higher quality video streaming, faster data downloads, and new and innovative
14 applications such as augmented and virtual reality. Finally, the additional capacity will be at a
15 substantially lower cost, incentivizing New T-Mobile to monetize it by attracting more
16 customers at lower prices.
17

18 **Q: Isn't Cal PA correct that standalone T-Mobile currently has plans to build out a 5G**
19 **network (Reed Testimony, Fifth Generation Wireless Services at p. 12)?**

20 **A:** Yes, but that misses the point. Although T-Mobile has announced its intention to deploy
21 a 5G network utilizing its newly acquired 600 MHz spectrum that will reach the majority of
22 Californians, it lacks, among other things, the bandwidth to deliver upon the massive data rates
23 and capacity gains possible for 5G. T-Mobile's lack of access to significant, unused mid-band
24 spectrum and large amounts of high-band millimeter wave spectrum across California would
25 continue to limit its ability to support the most demanding, high capacity 5G applications. Mr.
26 Ray discusses this more extensively in his testimony.
27

28 **Q: Can standalone T-Mobile or Sprint provide this type of capacity?**

29 **A:** No. Absent this transaction, neither company alone would have the cell sites, spectrum,
30 and spectral efficiency gains needed to drive the increased capacity that is available to New T-

1 Mobile. Nor, contrary to the assertions by the Public Advocate and Intervenor witnesses, will
2 there be spectrum auctions or options available in a time frame that would allow either company
3 to overcome their standalone spectrum challenges for their 5G network plans, even assuming T-
4 Mobile or Sprint could achieve success in any such future auctions.

5
6 **Q: Cal PA testifies that the 5G improvements mostly depend on network and cell site**
7 **improvements and not on acquiring spectrum (Reed Testimony, Fifth Generation Wireless**
8 **Service at pp. 10-11). Is that correct?**

9 **A:** Mr. Ray will respond in more detail to that statement, but the reality is that the
10 frequencies and mix of spectrum is critical to allowing ALL Californians to realize the benefits
11 of 5G rather than limiting it to the most densely populated areas. Combining the complementary
12 spectrum of T-Mobile and Sprint is an essential element of building a network that delivers
13 massive capacity and also of being able to accelerate the transition from LTE to 5G.

14
15 **Q: What type of benefits will New T-Mobile's 5G network bring to California?**

16 **A:** California's consumers will reap enormous benefits from the improvements in wireless
17 service resulting from the transition to 5G, which "will not only be an evolution of mobile
18 broadband networks, it is also envisioned to enable new unique network and service
19 capabilities." Specifically, benefits come from the consumer paying less for more, including
20 improved and new rural services, true in-home broadband choice, improved and expanded
21 enterprise and IoT services, and job increases. I will discuss these during the rest of my
22 testimony.

23
24 **B. Pricing and Business Plans**

25
26 **Q: Cal PA suggests that you will simply be inclined to raise prices (Odell Testimony at**
27 **pp. 12, 18-19, Selwyn Testimony at p. 85). How would the merger impact prices for T-**
28 **Mobile services?**

29 **A:** The basic goal of our merger is to create a world-leading 5G network that results in
30 massive increases in capacity, lower costs, and reduced prices. Based on our success as the Un-

1 carrier, the New T-Mobile business plan recognizes that our optimal strategy is to monetize this
2 additional capacity and the resulting decreased costs by offering higher quality and more data at
3 lower prices. This in turn will allow us to attract new subscribers, including subscribers that
4 highly value network quality and may not have previously considered T-Mobile and thus
5 increase revenues for the company. In any event, to act differently would be terrible business, as
6 it would be anathema to everything our brand stands for—everything we have worked so hard and
7 invested so much to achieve.

8
9 **Q: How does increased capacity relate to lower pricing?**

10 **A:** As a matter of fundamental economics, significantly increasing the supply of available
11 capacity puts substantial downward pressure on the per unit price of capacity. New T-Mobile's
12 business plan tracks this fundamental economic tenet by recognizing that the optimal strategy to
13 monetize the combined network's additional capacity is to reduce prices.

14
15 **Q: Is New T-Mobile's business plan based on increasing prices to consumers to**
16 **increase profits for your shareholders?**

17 **A:** No. Just the opposite. New T-Mobile's business plan—and its history—confirms the
18 company's financial incentive and ability to compete to add customers by lowering costs and
19 passing savings on to consumers. New T-Mobile's business plan tracks basic economic
20 principles by recognizing that the optimal strategy to monetize the combined network's
21 additional capacity is to reduce prices to attract more customers to utilize this capacity. We will
22 compete aggressively with lower prices to take market share from Verizon and AT&T, allowing
23 more customers to enjoy the benefits of our increased capacity. New T-Mobile will pass on
24 savings to consumers in the form of an over 6 percent reduction in ARPU. In contrast,
25 standalone T-Mobile's ARPU is projected to be [BHC-AEO] [REDACTED] [EHC-AEO]. It would be
26 economically irrational and contrary to shareholder interests for New T-Mobile to raise prices,
27 essentially restricting demand, when we have merged specifically to increase drastically the
28 supply of capacity.

1 **Q: Okay, but I don't understand how this allows you to make money and become more**
2 **profitable?**

3 **A:** Let me give you an example. Providing mobile wireless services requires significant
4 capital investments that do not depend on the number of subscribers using the network. If we
5 have more subscribers, it spreads those large expenses over a larger customer base. In other
6 words, we can add more paying customers (and their revenue) without having to spend much—
7 if any—additional money to provide capacity to serve them as the additional capacity already
8 exists. This is the concept of economies of scale and it is what allows larger providers across
9 any number of industries to charge lower prices to consumers while maintaining profitability.
10 That's the opposite of what happens in mergers when the goal is to reduce the output and be able
11 to charge more per customer.

12
13 **Q: Cal PA's outside consultant, Dr. Selwyn, testified that New T-Mobile would raise**
14 **prices (Selwyn Testimony at p. 85). Why won't that happen?**

15 **A:** There are several reasons why that won't happen. First, we won't have the incentive to
16 do so; post-merger New T-Mobile will have massive capacity and lower costs with incentives to
17 add customers aggressively. Second, it is not who we are. We have built our business and our
18 brand on being the Un-carrier. If New T-Mobile raised prices, it would destroy the Un-carrier
19 brand and alienate our customers. Third, raising prices would make it harder for us to compete
20 and keep our customers and grow our business; after closing, Sprint customers and our
21 customers will be considering whether to continue with New T-Mobile and our competitors will
22 be most aggressive in seeking to take customers from us. Fourth, our business plan looks at the
23 long haul and not the short term. We need to add customers now who will adopt new 5G
24 services later, and we need to monetize the New T-Mobile network's capacity and cost benefits
25 to take market share from AT&T and Verizon now and not later. The bottom line is that
26 lowering prices is in New T-Mobile's business interest and raising prices would be extremely
27 harmful to our future.

28
29 **Q: Dr. Selwyn also suggests that New T-Mobile might increase prices in local markets**
30 **where there is less competition (Selwyn Testimony at 85)—is that a real possibility?**

1 **A:** No. New T-Mobile pricing, like the pricing of T-Mobile and Sprint, will be done on a
2 national basis. It's not practical to engage in targeted local market price increases. The vast
3 majority of our advertising is purchased nationally because it is more efficient to purchase on a
4 national level. Because our national advertising states our pricing, we do not have flexibility to
5 vary local pricing. Furthermore, localized pricing would create opportunities for fraud by
6 enabling an unauthorized trade on trans-shipping our products and services between local
7 markets.

8
9 **Q: Have you had economists look at the effects of merger on prices and competition?**

10 **A:** Yes. A number of renowned economist have reviewed and confirmed our merger will
11 promote consumer welfare and increase competition. Dr. Israel's testimony will review the
12 economic evidence and findings of economists based on the evidence.

13
14 **Q: Cal PA and other intervenors question whether New T-Mobile will be committed to
15 Providing Lifeline services in California. What are your plans for Lifeline?**

16 **A:** New T-Mobile will continue to offer LifeLine services in California to both current and
17 new eligible customers under rates, terms and conditions no less favorable to eligible consumers
18 than those offered under the Virgin/Assurance brand today. This commitment is discussed in
19 greater detail by Ms. Sylla-Dixon.

20
21 **C. Rural Service**

22
23 **Q: The second merger benefit that you describe above is that rural California gets
24 high-speed 5G wireless service and in-home broadband. CETF asserts that New T-Mobile
25 will provide only marginally better broadband options for rural areas than standalone T-
26 Mobile (Afflerbach/Dehaven Declaration at 11). Do you have any comment?**

27 **A:** Contrary to CETF's testimony, after the merger New T-Mobile will be positioned to
28 accelerate and expand T-Mobile's plans to bring real high-speed broadband and more robust
29 broadband competition to many rural Californians for the first time. As a result, consumers in
30 rural communities will have access to services that are more commensurate with those available

1 to urban consumers, helping to bridge the digital divide. Much as we may wish it could,
2 standalone T-Mobile could not bring these same types of benefits.

3
4 **Q: Can you provide some further details?**

5 **A:** Mr. Ray provides the facts and details in his testimony. He explains that New T-Mobile
6 will leverage its spectrum resources and merger synergies to deliver vast improvements in
7 coverage, quality, speed, and in-home service options to consumers living in small towns and
8 rural communities in California. Moreover, as I noted above, by 2024, New T-Mobile will be
9 providing speeds of 100 Mbps to over ~~[BHC-AEO]~~ 99 ~~[EHC-AEO]~~ percent of Californians, a
10 number that includes almost the vast majority of rural Californians.

11
12 **Q: Doesn't T-Mobile standalone already plan to provide service to rural California?**
13 **How will the merger change that?**

14 **A:** Yes, it is true that standalone T-Mobile intends to provide 5G service to rural California
15 but that service will not provide anywhere near the same benefits as the New T-Mobile network.
16 As Mr. Ray discusses in his testimony, the New T-Mobile network will have significantly greater
17 capacity and faster speeds. This will help bridge the digital divide for rural California and
18 provide those residents with broadband options they simply do not enjoy today.

19
20 **Q: Does the merger bring additional benefits to rural California?**

21 **A:** Yes. As I discuss below, New T-Mobile will provide Californians, including many rural
22 Californians, a bona fide in-home broadband service. In addition, New T-Mobile currently
23 estimates that ~~[BHC-AEO]~~ [REDACTED] ~~[EHC-AEO]~~ located
24 to serve rural communities and small towns.

25
26 **Q: Would T-Mobile build those stores on their own?**

27 **A:** T-Mobile wouldn't and couldn't economically do so. With the merger, it can and will.
28

1 **Q: Cal PA testified that rural deployment depends on capital investment and T-Mobile**
2 **already has adequate spectrum to effectively serve rural areas (Reed Testimony, Fifth**
3 **Generation Wireless Service at pp. 17-18). Is that correct?**

4 **A:** No. It's true that T-Mobile can cover rural areas with 600 MHz service, but it will not
5 provide the depth and speeds made possible by combining T-Mobile's spectrum with Sprint's 2.5
6 GHz spectrum, which is necessary in order to provide high speeds and capacity for improved
7 wireless services, and to compete effectively for in-home broadband customers. Mr. Ray
8 addresses this in his testimony. Capital investment, of course, is essential to expanded services
9 and coverage of rural areas. Our standalone plan for rural is far more limited because it's very
10 challenging to financially support service to sparsely populated areas. The merger capacity and
11 cost improvements, coupled with the synergies and increased scale help provide the funding and
12 scale for such investments.

13
14 **D. In-Home Broadband**
15

16 **Q: Another benefit you describe above is *bona fide* competition and choice for in-home**
17 **broadband. As a threshold matter, there seems to be some confusion with respect to what**
18 **New T-Mobile means when it refers to in-home broadband service. Can you help clarify?**

19 **A:** Certainly. Let me start with New T-Mobile's proposed in-home broadband service. Our
20 service will be delivered through customer self-installed equipment (think receiver and router)
21 that provides broadband inside the home on a monthly subscription basis. Through this product,
22 we will provide *bona fide* competition for the fixed in-home broadband offerings of cable and
23 telco providers. As a separate matter, for some consumers, New T-Mobile's high-speed mobile
24 service will be such an attractive option that those consumers might elect to forego having any
25 in-home service at all in favor of subscribing to one of our 5G mobile plans for both home and
26 mobile use. For cost-conscious and low-income consumers, this will be of particular value as
27 they may not feel that they can afford the option of traditional in-home service in the first place.

28
29 **Q: Don't most Californians already have lots of choices for in-home broadband**
30 **services?**

1 A: No. Recent data indicates that 38.1 percent of California households had only one choice
2 of broadband provider and more than 800,000 households had no broadband available from any
3 provider.¹⁶ We expect to be able to provide a broadband alternative to [BHC-AEO] [REDACTED]
4 [EHD-AEO] of Californians who have none today.
5

6 **Q: Cal PA claims that the in-home broadband offering has not been explained**
7 **adequately (Reed Testimony, Fifth Generation Wireless Service at pp. 18-21). What details**
8 **can you provide?**

9 A: As we have described, New T-Mobile customers subscribing to the in-home broadband
10 service offering will use customer premises equipment (“CPE”), much like a wireless router, to
11 convert New T-Mobile’s wireless network signal into a Wi-Fi signal for the home. Unlike some
12 other in-home broadband offerings, the wireless nature of the offering will empower customers
13 to avoid installation appointments and related charges. Customers will be able to self-provision
14 the necessary in-home equipment. New T-Mobile will extend the Un-carrier customer care
15 model to its in-home broadband offering, providing consumers with high-quality 24-7 customer
16 support.

17 By building the New T-Mobile network and deploying Sprint’s 2.5 GHz spectrum, we
18 will create significant excess capacity, particularly in sparsely populated rural areas. New T-
19 Mobile will use that excess capacity to offer the in-home high-speed broadband product where
20 sufficient capacity exists. We will deliver fixed broadband of at least 25/3 Mbps to
21 approximately 52.2 million rural residents in 2024. Of those 52.2 million rural residents, T-
22 Mobile estimates that approximately [BHC-AEO] [REDACTED]
23 [REDACTED] [EHC-AEO] will be covered. The new offering will have monthly prices [BHC –
24 AEO] [REDACTED] [EHC – AEO] than the products of traditional in-home broadband
25 providers.
26

¹⁶ DIVCA Video, Broadband and Video Employment Report for The Year Ending December 31, 2016, California Public Utilities Commission at p. 26 (June 8, 2018).

1 **Q: What does that mean in terms of actual cost savings to customers here in**
2 **California?**

3 **A:** [BHC – AEO] [REDACTED] [EHC – AEO]
4 than the products of traditional in-home broadband providers. Our economists have shown that
5 Californians could save significantly from New T-Mobile’s entry into the in-home broadband
6 market. The consumer cost savings in California consists of several elements:

- 7 • [BHC-AEO] [REDACTED] [EHC-AEO] annually for the 1.15 million California
8 households switching to New T-Mobile’s in-home fixed wireless broadband service
9 assuming they are paying [BHC-AEO] [REDACTED] [EHC-AEO] less per month;
- 10 • \$24–\$94 million for an estimated 0.79–1.58 million new California fixed broadband
11 customers;
- 12 • [BHC-AEO] [REDACTED] [EHC-AEO] for the 0.76 million New T-Mobile
13 California mobile broadband customers who unsubscribe from fixed broadband service,
14 altogether saving \$25–\$35 per month; and
- 15 • \$480–\$960 million for the 8 million California in-home fixed broadband consumers not
16 switching to New T-Mobile service, but benefitting from the competitive response of
17 other in-home broadband providers and paying \$5–\$10 less per month.

18 Our current estimate of the cumulative consumer welfare benefits in California are
19 approximately [BHC-AEO] [REDACTED] [EHC-AEO] in annual savings by 2024.

20
21 **Q: Cal PA Mr. Reed also testified that the standalone deployments of Sprint and T-**
22 **Mobile in 5G services are projected to meet or exceed the expected 5G average speeds by**
23 **2024, which would enable the standalone companies to provide an alternative to fixed in-**
24 **home broadband service without needing to merge (Reed Testimony, Fifth Generation**
25 **Wireless Service at p. 18). What is your response?**

26 **A:** There is a dramatic difference between the coverage and speeds of T-Mobile standalone
27 and New T-Mobile. This is illustrated by the charts I presented on speeds and coverage in
28 California. Notice the huge difference between where and when 100 Mbps will be available. I
29 am not sure why Cal PA would want to limit the potential for providing more robust broadband

1 to more Californians on a shorter time schedule. The capacity benefits of the New T-Mobile are
2 essential to our ability to offer a competitive in-home broadband product, as home broadband
3 usage is up to 10x more per connection than mobile usage.
4

5 **Q: Will New T-Mobile really provide unlimited wireless data plans for in-home**
6 **broadband given the amount of data households are estimated to consume?**

7 **A:** The New T-Mobile business plan assumes 500 GB of usage per household. We will have
8 usage policies to handle the small percentage of customers that might engage in significant usage
9 above 500 GB.
10

11 **Q: What are your expectations for this product?**

12 **A:** By 2024, New T-Mobile is expected to provide its high-speed, in-home broadband
13 service to 9.5 million households nationwide, equating to approximately 7 percent market
14 penetration and making New T-Mobile potentially the fourth largest Internet service provider
15 (ISP) in the U.S. by subscribership. Of particular importance, T-Mobile estimates that 20–25
16 percent of these new subscribers for the in-home broadband service will be located in rural areas.
17

18 **Q: How many customers do you expect to serve in California?**

19 **A:** We estimate that New T-Mobile will offer in-home broadband to approximately [BHC-
20 AEO] [REDACTED] [EHC-AEO] California residents by 2024.
21

22 **Q: You also mentioned that some New T-Mobile customers can substitute the wireless**
23 **service for in-home broadband—please explain how that will work.**

24 **A:** This is a crucial benefit of the merger. The fiber-like speeds of the New T-Mobile
25 network will allow customers to use their New T-Mobile mobile service plans—without the in-
26 home product that I just described—as a substitute for in-home broadband, eliminating their need
27 for a separate in-home broadband service entirely. New T-Mobile’s broad and deep mobile 5G
28 network will provide network performance that will meet or exceed the in-home needs of many
29 consumers.

1 With unlimited plans and New T-Mobile's lower prices, substituting mobile wireless
2 service for in-home broadband will provide many consumers with the economical option of
3 using their mobile plan as their only broadband subscription, instead of paying for separate
4 mobile wireless and in-home broadband subscriptions. This solution enables consumers to avoid
5 paying for both in-home and mobile broadband and allows them to save the significant amount
6 of money that would otherwise be spent on in-home service each month. We believe that this
7 option of having only one Internet service—a viable mobile service that can meet all of your
8 connection needs—provides a great benefit to lower-income households who may not be able to
9 afford both.¹⁷ To be clear, New T-Mobile customers using their mobile plan as a wireless
10 substitute for in-home fixed broadband will not need any additional equipment beyond their
11 mobile devices. This will erase the digital divide in California as New T-Mobile offers its high-
12 speed wireless service to almost the entire state.

13 Customers who substitute New T-Mobile mobile 5G broadband service for the in-home
14 fixed broadband services of other providers will save up to \$50 per month through elimination of
15 in-home broadband service altogether. Other in-home broadband customers who do not switch
16 to either the in-home New T-Mobile broadband offering or cord cut to use the New T-Mobile
17 mobile wireless service will pay \$5 – \$10 less per month than they would have absent the
18 proposed merger. More broadly, this (and the in-home broadband solution) will force incumbent
19 in-home broadband providers to lower prices to respond to this newfound competition, and thus
20 all Californians will benefit whether or not they choose to use New T-Mobile to fill their internet
21 access needs.

22
23 **Q: For customers who do not have unlimited broadband plans, will their wireless**
24 **devices be a real substitute for in-home broadband?**

25 **A:** That may depend on the customer and their broadband usage. Although unlimited New
26 T-Mobile service plans certainly provide additional options, for those customers who choose

¹⁷ See *Internet/Broadband Fact Sheet*, Pew Research Center (Feb. 5, 2018),
<http://www.pewinternet.org/fact-sheet/internet-broadband/> (“Today one-in-five American adults are
“smartphone-only” internet users—meaning they own a smartphone, but do not have traditional home
broadband service.”).

1 plans with data caps—or otherwise feel they cannot afford unlimited plans—the New T-Mobile
2 network will still provide them with access to a network with capabilities they did not have
3 before that we hope will better meet whatever needs they have and will have. I would add that
4 more and more plans are moving to the unlimited model, which T-Mobile pioneered as part of its
5 ongoing Un-carrier strategy and we expect to see that continue in the future. As discussed by
6 Mr. Ray and Dr. Bresnahan, consumers are demanding more and more data in quantities not
7 even imaginable just years ago and low-income consumers are particularly dependent on their
8 wireless devices for broadband access; the New T-Mobile network will enhance access
9 regardless.

10
11 **Q: Cal PA seems to imply that standalone T-Mobile or Sprint would be able to provide**
12 **these same in-home broadband alternatives (Reed Testimony, Fifth Generation Wireless**
13 **Service at pp. 18, 20-21). Is that the case?**

14 **A:** No. This would not be possible without the merger as neither T-Mobile nor Sprint on its
15 own has the spectrum assets, scale, or other resources necessary to deploy networks with the
16 capacity and capabilities required to widely support quality of streaming HD and 4K video and
17 other key applications that in-home broadband customers will demand. While T-Mobile is about
18 to launch a standalone in-home service, it is not going to be broadly offered and will be targeting
19 a very limited number of DSL- and satellite-only service areas. It's extremely limited, and
20 clearly lacks the capacity and speed that would be provided by New T-Mobile. As for Sprint's
21 standalone 5G plan, I defer to Mr. Draper and his testimony.

22
23 **Q: CWA claims that there is an apparent significant inconsistency in the FCC Public**
24 **Interest Statement regarding the Applicants' plan to serve rural Americans (CWA**
25 **Testimony at p. 46). How do you respond?**

26 **A:** CWA is mistaken and there is no inconsistency. CWA claims to have identified an
27 apparent inconsistency in the PIS regarding New T-Mobile's in-home broadband plans. It is
28 correct that the PIS includes both of the following statements: New T-Mobile will "provide
29 high-speed, in-home broadband service to 9.5 million subscriber households" (p. 60) and also
30 New T-Mobile will "provid[e] fixed in-home broadband service of at least 25/3 Mbps to 52.2

1 million rural residents” (p. 66). However, these statements are not inconsistent. The 52 million
2 figure refers to the number of rural POPs that will be covered, while the 9.5 million figure refers
3 to the number of anticipated subscribers (rural and non-rural) to New T-Mobile’s in-home
4 broadband service.

5
6 **E. Enterprise and IoT**

7
8 **Q: How will the merger produce increased competition in enterprise services?**

9 **A:** Today, neither T-Mobile nor Sprint on a standalone basis has the scale, network, nor
10 financial resources to compete in a meaningful way against Verizon and AT&T, who dominate in
11 enterprise services. Verizon and AT&T have about 90 percent of this segment, while Sprint and
12 T-Mobile together have about 9 percent. We anticipate that, with the merger, New T-Mobile will
13 double its current share of the enterprise business by 2024.

14 Enterprise and IoT customers value network quality highly. New T-Mobile’s wireless
15 network will deliver a superior quality service at lower costs. The ubiquity and high quality of
16 New T-Mobile’s 5G wireless network will be attractive to enterprise customers. After the
17 merger, New T-Mobile is expected to add 1,100 new jobs to its enterprise sales force within first
18 2 years, which will be necessary to handle the broader portfolio of products. New T-Mobile also
19 expects to spend an additional \$15 million a year compared to the combination of the standalone
20 companies on enterprise solutions, such as technology platforms. We will bring our pay-less-for-
21 more approach to enterprise services as we expect ARPU to decline from [BHC-AEO] [REDACTED]
22 [REDACTED] [EHC-AEO]

23
24 **Q: Will New T-Mobile also provide improved or expanded IoT offerings and**
25 **capabilities?**

26 **A:** Definitely, yes. New T-Mobile’s 5G network will enable it to turbocharge existing IoT
27 product lines, attract more customers, and facilitate innovation in terms of new consumer IoT
28 products. The New T-Mobile 5G network will also create opportunities for commercial IoT
29 applications, with a focus on smart mobility (using New T-Mobile’s 5G network to provide IoT
30 solutions that will help Americans transport themselves, and/or their goods, in a faster, safer,

1 more efficient, and more cost-effective manner) and smart community (using New T-Mobile's
2 5G network to provide IoT solutions that will help connect, manage, and optimize community
3 infrastructure). We also expect to invest in private wireless networks, distributed computing,
4 telehealth, and backup connectivity. Through emerging commercial IoT applications, New T-
5 Mobile's 5G network and associated capabilities will enable it to spark and accelerate new parts
6 of the value chain. New T-Mobile's 5G network will also provide IoT solutions for numerous
7 and diverse other applications for which its unique balance of high speed, high capacity, low
8 latency, and broad coverage will be particularly well-suited.

9
10 **Q: Why is the merger needed to produce those IoT benefits?**

11 **A:** For the reason's discussed in more detail by Mr. Ray, New T-Mobile's 5G network will
12 make possible fiber-like data speeds and enable real-time interactivity and more consistent
13 performance and user experiences, as well as leave plenty of capacity for unlimited data. For
14 example, the new network will support new forms of mobile media and entertainment, including
15 streaming of state-of-the-art 4K video content, providing consumers with the freedom to watch
16 content wherever and whenever they want without having to subscribe to multiple providers.
17 The new network will virtually eliminate the constraints consumers currently experience in
18 congested environments, such as sporting events and concerts, allowing for the sharing and
19 downloading of content nearly instantaneously from many locations. The 5G services provided
20 by the new network will also fundamentally transform the way Californians live, work, travel,
21 and play by being able to connect an enormous variety of IoT devices and sensors. New T-
22 Mobile's robust 5G network will enable it to support and offer the full range of IoT products and
23 services. It will also allow New T-Mobile to extend the Un-carrier approach to IoT, helping
24 customers take advantage of the latest products and services at lower prices.

25
26 **F. Jobs**

27
28 **Q: CWA has made repeated claims that the merger will result in the loss of thousands**
29 **of jobs nationwide and otherwise be harmful to employees (CWA Testimony at p. 48). Can**
30 **you provide us with the big picture on the merger's expected impact on jobs?**

1 **A:** Yes. CWA is wrong and the opposite will happen. The merger will add thousands of
2 U.S. jobs in Year One and be job positive on Day One. In the first year following the merger,
3 New T-Mobile is expected to employ approximately 3,600 more direct internal employees
4 nationwide than the two standalone companies combined would have absent the merger. New T-
5 Mobile's number of direct internal jobs will continue to increase—relative to what the
6 standalone companies' combined employee base would have been for the foreseeable future. As
7 described in the table below, the incremental job increases relative to the standalone companies'
8 baselines are, or will be, at or above the combined employer baselines:

	2019	2020	2021	2022	2023	2024
Direct Internal Incremental Jobs	3,625	3,755	5,045	5,010	8,115	11,060

9 These jobs are created by a variety of factors, including investment in the network build,
10 additional stores and call centers, and the acceleration of the company into business opportunities
11 such as in-home broadband and enterprise. CWA's claims should be taken with a grain of salt—
12 it is worth noting that CWA claimed that the merger of T-Mobile and AT&T would lead to a
13 massive *increase* in jobs. A few years later, CWA asserted that the T-Mobile merger with
14 MetroPCS would result in the loss of thousands of jobs; an assertion that is at complete odds
15 with what actually happened. CWA's pattern of supporting all things AT&T, and opposing
16 things that are not, is well-established. The union's position here is both predictable and wrong.

17
18 **Q: Do you have any additional information about the type of new jobs anticipated for**
19 **New T-Mobile?**

20 **A:** Yes. New T-Mobile plans to open at least 600 new stores across the country to serve
21 small towns and rural areas. This retail expansion will directly generate 5,000 new retail jobs by
22 2021. In addition, New T-Mobile also anticipates creating approximately 1,800 new jobs
23 nationally by 2021 that are dedicated to transitioning the T-Mobile and Sprint networks in rural
24 areas and expanding rural coverage.

25 New T-Mobile also expects to substantially increase its domestic customer care
26 workforce to ensure it maintains T-Mobile's industry-leading standard of customer care. The
27 combined company anticipates opening up to five new technologically advanced Customer

1 Experience Centers throughout the United States to continue expanding the company's
2 innovative "Team of Experts" customer care and business model, directly resulting in
3 approximately 5,600 new jobs by 2021. Employees at these centers will have jobs that offer a
4 meaningful path for career advancement, and will benefit from significant management
5 preparation experience, as well as qualify for college tuition reimbursement.

6 Our business plan also calls for New T-Mobile to hire 1,000 new employees, including
7 ~940 new salespeople, to accelerate the New T-Mobile enterprise business. As I said, our
8 merger is about growth and expansion of services. It's not about cutting back and cutting labor
9 costs.

10
11 **Q: How do you respond to CWA's analysis that projects "the loss of 30,000 retail and**
12 **headquarters jobs nationwide" (CWA Testimony at pp. 48, 52-55)?**

13 **A:** It is just dead wrong. Let me provide some basic facts. Our merger is about building and
14 investing. It is not about cost-cutting and downsizing. We are going to invest nearly \$40 billion
15 to build a 5G network and deliver services. Our synergies that fund this effort are not based on
16 cutting employment costs. To the contrary, the New T-Mobile business plan calls for an increase
17 of \$1.4 billion in labor costs. Our goal is to grow our business and employment opportunities.
18 We have done a merger-specific analysis of the incremental effects of the merger on jobs and the
19 results show increased jobs from Year One through 2024.

20 CWA, for its part, has chosen to ignore these facts. Instead, its representatives chose to
21 come up with their own numbers based on assumptions that are not correct, cherry-pick job
22 categories where reductions might occur, and ignore categories where jobs will increase. The
23 result defies credulity. If accepted at face value, CWA is projecting that New T-Mobile will
24 terminate a total number of employees that exceeds the entire Sprint workforce.

25
26 **Q: What do you say in response to CWA's very specific claim that the merger will**
27 **result in the loss of 3,432 jobs in California (CWA Testimony at pp. 48, 52-55)?**

28 **A:** We anticipate that jobs in California will increase consistent with our forecast for jobs
29 nationwide. Let me explain why, based on the facts. First, there are just under [BHC-AEO]
30 [REDACTED] [EHC-AEO] in California if you combine the current T-Mobile and Sprint

workforces. Second, roughly half of CWA's claimed job losses assume that New T-Mobile will be terminating 1,707 postpaid retail store employees in California. However, New T-Mobile's plan is to offer all of the employees at T-Mobile and Sprint retail stores in California the opportunity to continue as employees of New T-Mobile. So, one half of the CWA job loss claim is simply wrong for starters. Third, while we have not yet engaged in detailed integration planning for the other T-Mobile and Sprint jobs, we do not anticipate net reductions. Indeed, we anticipate adding hundreds of new jobs associated with rural stores, network build, customer care, and new or expanded services. In sum, CWA's claims are flat wrong.

Q: You mentioned that you are open to a potential "jobs commitment" for California at the beginning of your testimony. How would that work?

A: Our jobs commitment would be that New T-Mobile's total number of employees in California at a specified time after the merger closing will equal or exceed the total number of aggregate employees of Sprint and T-Mobile in California as of the merger closing date. If this is a helpful reassurance, we are prepared to document that commitment for the record.

Q: CWA claims that T-Mobile has a history of post-merger layoffs (CWA Testimony at pp. 56-57). Is that true?

A: No. The opposite is true. T-Mobile has a track record of job increases following a merger. We have had a 50 percent increase in jobs at MetroPCS since that merger occurred. CWA cites T-Mobile's acquisition of iWireless as leading to job losses, but it's dead wrong. Since T-Mobile's acquisition of iWireless, the number of employees in that business unit has remained stable. Further, T-Mobile anticipates that its Iowa employee count will grow—not decrease—before year end. Moreover, in opposing T-Mobile's merger with MetroPCS, CWA made similar job loss claims to those now being made before this Commission. The record shows, however, that CWA could not have been more off target. Since its merger with T-Mobile, MetroPCS has 50 percent more employees and there are more than 3x the number of employees and contractors dedicated to support its operations.

1 **Q: Will the merger result in lower wages if there is consolidation in the wireless**
2 **industry as CWA claims (CWA Testimony at pp. 57-59)?**

3 **A:** No. CWA’s claim about wireless consolidation impacting labor wages makes a critical
4 and inexplicable assumption that employees at AT&T, Sprint, T-Mobile, and Verizon retail
5 stores are only employable at wireless retail stores and, indeed, only wireless retail stores of one
6 of those four companies. Its “study” by Economic Policy Institute (EPI) assumes that the
7 relevant labor market is limited to “the merging parties, their prepaid affiliates, and their wireless
8 competitors.” But that definition is implausible on its face as retail wireless employees can and
9 do find work beyond the retail wireless sector. It assumes, for example, that a T-Mobile retail
10 employee could not work at a place such as Best Buy or Target. As EPI admits, “if we have
11 defined labor markets incorrectly, then there may be greater elasticity of labor supply in response
12 to increased market concentration (as we measure it) than there was in the samples of markets
13 used by the studies we rely on.” Simply stated, the CWA study makes a lot of assumptions to
14 come up with a definition of the relevant labor markets to reach its desired—but totally
15 incorrect—conclusions.

16
17 **Q: Does T-Mobile have a history of violating workers’ rights by preventing workers**
18 **from unionizing as claimed by CWA (CWA Testimony at pp. 61-63)?**

19 **A:** Absolutely not. Our employees can unionize—in fact one of our stores is unionized. But
20 our employees have the choice whether to unionize. We have a proven track record of being a
21 top place to work and respecting worker rights under labor laws as discussed more fully by Ms.
22 Sylla-Dixon.

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A. Wireless Marketplace

Q: The testimony submitted by Cal PA and others asserts that the merger will harm competition. Can you comment?

A: I think that those assertions are baseless. After five years of aggressive competitive moves by both T-Mobile and Sprint, AT&T and Verizon still hold nearly 70 percent of the wireless market and more than double the financial metrics of T-Mobile and Sprint combined. Our merger creates a strong number three that will force more competition in the marketplace. By integrating our two networks, we will accelerate the move to 5G and create massive m additional capacity beyond what the two parties combined would be able to do on their own.

With this massive increase in capacity, greater scale, and the considerable synergies from the merger, New T-Mobile's costs for delivering each GB of data will come way down, which will allow us to price even more aggressively than we could on our own and increase quality even more to win customers. We are going to use the capacity and lower costs to aggressively take market share from AT&T and Verizon. They will see competition coming from us and have to respond. This means consumers win and competition is enhanced.

AT&T and Verizon will be forced to invest more in their 5G networks than they otherwise would in response to New T-Mobile's 5G network plans. This means even more capacity for the wireless market as a whole. Dr. David Evans calculated that the industry-wide amount of data provided to subscribers would be as much as 120 percent higher and the price per GB of data would be as much as 55 percent lower as a result of the transaction. Consumers get both a dollar and also a data dividend from the merger.

Finally, in no way is competition standing still. The market should not be defined as having only four players. There are numerous, aggressive MVNOs offering attractive plans and new entry by credible, well-funded facilities-based players such as Comcast and Charter, who have teamed up to keep their costs down and have begun successful launches of their wireless services.

1 Dr. Israel will provide an economist's view on why the transaction will increase, not
2 decrease, competition.

3
4 **Q: How can consolidation of wireless carriers be good for consumers?**

5 **A:** Unlike a more traditional merger in which "efficiencies" might be gained from shutting
6 down a plant and reducing capacity—think of an airline merger where the effect is to reduce the
7 number of seats on a route to save costs—this transaction dramatically increases overall capacity
8 in the industry, which will lower prices. While less capacity and supply in a market might tend
9 to raise prices, increased capacity and supply does the opposite; it lowers prices. In addition,
10 increased capacity allows for better quality. This merger will give New T-Mobile significantly
11 more capacity at lower cost, which it will use to provide lower prices for better service and in
12 turn apply significantly greater competitive pressure on Verizon and AT&T than either could do
13 on its own. This will spur these competitors to lower prices, increase investment in their
14 networks, expand network capacity, and improve their services to the benefit of Californians.
15 Even though New T-Mobile will remain smaller than Verizon and AT&T by key metrics such as
16 revenue, EBITDA, free cash flow, and market capitalization, it will be in a significantly stronger
17 position with its greater scale to challenge these incumbents and provide greater competitive
18 pressure than standalone T-Mobile or Sprint. Based on press reports, the announcement of the
19 proposed merger seems to have compelled AT&T and Verizon to announce an acceleration and
20 expansion of their own 5G deployment plans, which originally had been focused only on certain
21 densely-populated areas.

22
23 **Q: What are the examples of how competition will increase and consumers will benefit?**

24 **A:** As I said, we are going to go toe-to-toe with AT&T and Verizon in wireless. We are not
25 just going to take them on in urban areas—we are going to go right at them in rural America
26 where they are often the only real choices. We will escalate competition in enterprise where
27 AT&T and Verizon hold 90 percent of the market and in the emerging IoT commercial and
28 consumer business. We aren't stopping there. New T-Mobile is going to bring dramatic benefits
29 by taking on cable (as well as AT&T and Verizon) in in-home broadband and consumers will
30 save billions of dollars each year as a result. Many third parties recognize these benefits and

1 have filed in support of this transaction. I have included a list of those third parties as
2 Attachment D to my testimony.

3
4 **Q: Who do you consider your competitors today and in the future?**

5 **A:** We compete today with all providers of mobile wireless services, including those from
6 prepaid providers and MVNOs such as TracFone. Beyond this, advances in technology and new
7 innovations are causing previously separate and distinct businesses to converge. This
8 convergence is changing the wireless marketplace and attracting well-capitalized and aggressive
9 new entrants that are now able to compete at a high level. The wireless space is increasingly
10 populated by competitors beyond the traditionally recognized four nationwide wireless
11 providers, making it further implausible that the merger will reduce competition. For example:

- 12 • Comcast and Charter, the nation's two largest cable companies with over 50 million
13 broadband subscribers combined, are both now offering wireless services and have
14 formed a partnership to compete in wireless. Comcast recently announced that Xfinity
15 Mobile added 227,000 new subscribers in the fourth quarter of 2018, bringing its total
16 wireless subscribership to over 1.2 million lines.
- 17 • DISH, the nation's fourth largest pay TV provider with over 13 million TV subscribers
18 and nearly 600 thousand broadband customers, has announced near-term plans for both a
19 narrowband IoT network and a 5G network (DISH has license obligations to build out
20 much of its spectrum by 2020).
- 21 • Other competitors, such as TracFone, Google, and other cable companies also bring
22 resources, scale, brand recognition, technological capabilities, and customer bases to the
23 competitive landscape.

24 The recognition that the wireless industry has a deep field of new players further
25 reinforces the conclusion that the wireless space will continue to be competitive and vibrant
26 following the merger.

1 **B. T-Mobile and Sprint as Standalones**

2
3 **Q: Hasn't T-Mobile been successful with its Un-carrier strategy?**

4 **A:** Although T-Mobile's Un-carrier strategy has led to growth that we are proud of, that
5 alone is not enough to overcome the scale and spectrum advantages of Verizon and AT&T.
6 While T-Mobile has gained some market share, those gains have amounted to only a few
7 percentage points. And, much of that gain is attributable to its successful acquisition and
8 integration of MetroPCS, rather than taking share through organic gains in the marketplace.¹⁸ In
9 fact, AT&T and Verizon have increased their share upward to nearly 70 percent of the market
10 despite five years of Un-carrier efforts to make inroads into their dominance. As a result, T-
11 Mobile must allocate the largely fixed costs of its network over less than half of the subscriber
12 base of AT&T or Verizon, resulting in substantially higher costs-per-subscriber.
13

14 **Q: What is your view, as a business person, of Sprint's future as your competitor?**

15 **A:** Mr. Draper and Mr. Sywenki will be addressing the Sprint challenges in their testimony.
16 It is my view that Sprint faces a number of constraints that do not allow it to roll out a 5G
17 offering with robust and ubiquitous coverage across California. As is true for T-Mobile, Sprint
18 cannot maximize the value of its spectrum as it also lacks the mix of spectrum, sites, and
19 sufficient financial resources to build a robust nationwide 5G network on its own. Sprint is
20 further constrained from deploying a geographically ubiquitous 5G network because, despite its
21 aggressive competitive actions and price moves, Sprint has lost market share. This decrease has
22 a very real practical impact on Sprint's competitive strength. Sprint's loss of subscribers has
23 steadily dwindled the base of customers across which it can distribute costs, exacerbating its
24 scale disadvantages compared to larger competitors. In addition, Sprint's historically poor
25 perceived network performance and other challenges have led to high levels of customer churn

¹⁸ In 2013, T-Mobile accounted for 10.9 percent (*pro forma* T-Mobile and MetroPCS) of mobile wireless sales. Despite its Un-carrier efforts, by 2016 that number had grown only to 15.4 percent, including the 9.3 million acquired MetroPCS customers (MetroPCS had a 3.84 percent market share in 2016; therefore, without MetroPCS, T-Mobile would only have held an 11.56 percent market share in 2016).

1 and will continue to make it difficult for Sprint to attract and retain customers as a standalone
2 company.

3
4 **C. Wholesale Market**
5

6 **Q: Cal PA asserts that New T-Mobile may decide to raise rates to wholesale providers**
7 **in the absence of competition from Sprint (Odell Testimony at p. 21). Can you comment?**

8 **A:** Certainly. Cal PA's testimony is unfounded speculation. Although Mr. Keys addresses
9 MVNOs more extensively in his testimony, I would add that the merger will benefit Mobile
10 Virtual Network Operators and Mobile Virtual Network Aggregators (collectively "MVNOs")
11 and their subscribers by creating a new, nationwide 5G mobile network operator ("MNO")
12 network with massive capacity and lower operational costs. Higher network capacity translates
13 into an improved ability to serve the MVNOs. We will compete aggressively with lower prices
14 to take market share from Verizon and AT&T, including in the wholesale market.

15 The current standalone networks of T-Mobile and Sprint, as well as their future 5G
16 deployment plans, do not have the combination of coverage and capacity to respond to changing
17 consumer preferences for greater speeds and data in all areas of the country. Naturally, these
18 limitations render T-Mobile and Sprint as less attractive MNO partners for MVNOs. Moreover,
19 Sprint's reliance on roaming in certain parts of the country makes it an even less attractive option
20 for MVNOs looking to offer their customers nationwide coverage.

21 With its massively increased network capacity, New T-Mobile will have an increased
22 incentive to work with MVNOs to put subscribers on New T-Mobile's network. And, New T-
23 Mobile's decreased capacity costs will result in lower wholesale costs for MVNOs and their
24 subscribers. In particular, New T-Mobile will have the financial incentive to partner with
25 MVNOs that can offer unique value propositions or better reach unique customer segments to
26 maximize return on the investment in its network. The increased competition for the provision
27 of wholesale services will spur Verizon and AT&T—currently the predominant wholesale
28 providers for MVNOs—to lower prices to maintain MVNO relationships and further invest in
29 their networks to keep pace with New T-Mobile. Ultimately, the result will be that MVNO
30 subscribers across the industry will benefit from improved service quality and lower prices.

1 Moreover, MVNOs operate with long-term contracts that will allow them to continue to
2 flourish post-merger, because the contracts are generally at wholesale rates and provide for
3 added capacity that will allow MVNOs to compete and expand their subscriber bases. As we
4 have noted before, T-Mobile is committed to honoring the terms of the existing MVNO
5 agreements with both T-Mobile and Sprint.

6
7 **Q: Does this conclude your rebuttal testimony?**

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

ATTACHMENT A

—PUBLIC VERSION—
(ENTIRE ATTACHMENT SUBMITTED UNDER SEAL)

ATTACHMENT B

**—PUBLIC VERSION—
(ENTIRE ATTACHMENT SUBMITTED UNDER SEAL)**

ATTACHMENT C

—PUBLIC VERSION—
(ENTIRE ATTACHMENT SUBMITTED UNDER SEAL)

ATTACHMENT D

-PUBLIC VERSION-

Supportive in the California Community

Below is a list of community organizations and individuals who have been publicly supportive:

- California NAACP
- California Black Chamber of Commerce
- California Hispanic Chamber of Commerce
- California Asian Chamber of Commerce
- National Action Network
- National Diversity Coalition
- Maria Echaveste, Lecturer, University of California, Berkeley School of Law
- Central Valley Latino Mayors and Elected Officials Coalition
- Si Se Puede Foundation
- American Indian Chamber of Commerce of California
- El Concilio
- San Francisco Chamber of Commerce
- Hispanic Heritage Foundation
- San Gabriel Valley Conservation Corps
- Sonoma County Farm Bureau, Tawny Tesconi, Executive Director
- Napa Farm Bureau
- San Gabriel Valley Civic Alliance
- Central Valley Hispanic Chamber of Commerce
- Central California Hispanic Chamber of Commerce
- Greater Riverside Hispanic Chamber of Commerce
- Hispanic Chamber of Commerce of Northern California
- Sacramento Hispanic Chamber of Commerce
- San Diego County Hispanic Chamber of Commerce
- Deb Vinson, School Board Member, Antioch School District
- Pastor Oliver Buie, Holman United Methodist Church
- Greater Stockton Chamber of Commerce
- Blake Ferini, Owner, Coastal AgroTech
- Donald Ramirez, Past National Vice Commander of the Western Region, Sons of the American Legion
- Reverend James Rolfe, Covered Community
- Fresno State University, Ismael Herrera

Other supportive community groups or individuals:

- Stanislaus County Farm Bureau
- Yuba-Sutter Farm Bureau, Jessica DeCoito
- Kings County Farm Bureau
- Silicon Valley Taxpayers Association, Mark Hinkle, President
- Merced County Farm Bureau
- Fresno County Farm Bureau, Executive Director, Ryan Jacobson
- San Luis Obispo County Farm Bureau, James Green, Government Affairs
- Tehama County Farm Bureau
- Tony Russo, Director, California Business Roundtable

- Tuolumne County Farm Bureau, Shaun Crook, Past President
- Solano Farm Bureau

Supportive Nationally

- U.S. Black Chamber of Commerce
- U.S. Hispanic Chamber of Commerce
- National Hispanic Media Coalition
- National Hispanic Caucus of State Legislators (NHCSL)
- National Hispanic Council on Aging
- National Hispanic Medical Association
- National Puerto Rican Chamber of Commerce
- Hector Balderas, Attorney General, New Mexico
- Martha Coakley, Former Attorney General, Massachusetts
- State Representative Christopher Rosario (D-CT)
- Geoff Why, Massachusetts Department of Telecommunications And Cable
- Barry Hobbins, Consumer Advocate, Maine
- Ronald Brisé, Former Florida Public Service Commission
- The Information Technology and Innovation Foundation