

Statement of Chairman Mike Doyle
Subcommittee on Communications and Technology
Hearing on “Protecting Consumers and Competition: An Examination of the T-Mobile and Sprint Merger”
February 13th, 2019
Rayburn 2123 - 10am

Before we get started, I want to express my condolences to Congresswoman Dingell on the loss of her husband. John was a dear friend and mentor to me and many here. His passion for oversight, accountability, legislative progress, and his lifetime of public service is an example to us all. His passing is a great loss to our Nation, the Congress, and this Committee which he loved so much.

Welcome to the Subcommittee on Communication and Technology’s hearing on Protecting Consumers and Competition, an Examination of the T-Mobile – Sprint Merger. This hearing is noteworthy because the last merger hearing before this subcommittee took place nearly nine years ago. In that time, there have been numerous mergers within this Subcommittee’s jurisdiction that have gone without a hearing. I believe it is the duty of this Subcommittee to allow our members to publicly discuss and debate the merits of these transactions and to question the relevant stakeholders.

The merger before us today is between two of our country’s national wireless providers, T-Mobile and Sprint. These companies have acted as disruptors, competitors, and low-cost options in the wireless marketplace.

T-Mobile’s un-carrier strategy has ended anti-consumer practices such as data caps, restrictive contracts, and much more. They have also worked hard to build a robust national network that, by some accounts, is the fastest in the nation.

For its part, Sprint has been a leader in roaming agreements for rural providers – and wholesale access for pre-paid and Lifeline providers. Sprint has worked hard to bring its network to within one percent of Verizon’s in terms of network reliability – or so their commercials tell me! Consumers have also benefited from Sprint positioning itself as the best value. They are offering a plan right now where new customers can get a year of free service when they switch from another carrier, which sounds amazing.

However, this hearing isn’t about the benefits that both of your companies have brought to the market. It is about the extraordinary impact that your combined company could have on the public and the marketplace if this merger goes through.

We will hear today from the Communication Workers of America, the Rural Wireless Association, and Public Knowledge. They claim that this merger will have negative impacts on low-income consumers, rural providers, and jobs in the wireless industry.

C-W-A’s testimony suggests this merger will result in up to thirty thousand job losses in the industry – and a reduction in industry pay by as much as three thousand dollars per employee.

The Rural Broadband Association’s testimony argues that rural consumers will pay more. They claim that Sprint charges 20 times less than T-Mobile or the other national carriers for roaming agreements. These agreements allow customers of rural carriers, who build their own networks in the most rural communities, to use their phones throughout the country. What guarantee’s do rural providers have that they won’t face increased costs if T-Mobile doesn’t adopt Sprint’s practices?

And Public Knowledge's testimony states that consumer prices will go up due to the reduction in the number of national carriers from 4 to 3. They argue that the merger would hit low-income consumers the hardest because the number of carriers offering wholesale access will drop from 3 to 2.

Sprint, AT and T, and T-Mobile each sell access to their networks to pre-paid and Lifeline providers, who then sell that service under their own brands. What remedy do these carriers, or their customers have if the new T-Mobile decides it wants to get out of the wholesale business or drastically raise rates?

To that end, the FCC found in their Communications Marketplace Report that wireless market concentration was currently at 3,100 H-H-I. H-H-I measures how competitive a market is – with a higher number indicating less competition. The Justice Department's horizontal merger guidelines state that a market with an H-H-I above 2,500 is highly concentrated – so we really aren't starting from a great spot. An increase of 200 points would raise significant concerns about competition.

This merger is expected to result in a market power increase of 280 points for the postpaid market and 2,014 points for the pre-paid market. That would take the pre-paid market from where it is now at 2,467, which is just under the D-O-J's threshold, to 4,481 – a level that raises lots of red flags. These kinds of numbers have historically resulted in higher prices for consumers, less competition, and less innovation.

I appreciate both executives' statements that they believe that this merger will benefit consumers and result in lower prices – and their commitments to an accelerated deployment of 5G and promises of expanded rural broadband. These are national objectives that are important to me and many members of this Committee.

However, I've seen a lot of mergers in this industry and others, and it's hard to think of one where consolidation didn't result in people losing their jobs, prices going up, and innovation being stifled.

I look forward to hearing from the panel.

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