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Berkeley Center for Law and Business

Berkeley Center for Law and Business
University of California, Berkeley
School of Law
Boalt Hall #7200
Berkeley, CA 94720-7220

Sprint and T-Mobile Merge: How Will The $26.5 Billion Transaction Impact You?

By Neil Chamaki, J.D. Candidate 2022 | February 21, 2020

On February 11, 2020, U.S. District Court Judge, Victor Marrero, ruled that the $26.5 billion merger between Spring and T-Mobile would not cause anticompetitive behavior or violate antitrust law.

Tensions escalated when attorney generals from thirteen states brought a lawsuit to block the deal arguing that the deal would limit competition and result in higher prices for consumers. The Judge rejected the states' argument stating that they failed to convince the court that the merged party would pursue anticompetitive behavior that would yield higher prices or lower the quality of wireless services. Further, Judge Marrero noted that Sprint would not be able to continue surviving as an effective competitor in the mobile services industry without the merger.

The deal had already received approval from the Department of Justice (DOJ) and Federal Communications Commission (FCC) last year. T-Mobile and Sprint agreed to relinquish several components of their merged business to comply with antitrust law. Sprint agreed to sell Virgin Mobile, Boost Mobile, and other prepaid phone businesses, as well as some of its wireless spectrum to Dish for $5 billion. The merged companies also promised that they would deploy a 5G network covering 70% of the U.S. population by 2023.

After the District Court Judge's ruling, the only hurdle remaining is the California Public Utilities Commission approving the transaction. T-Mobile and Sprint had spent years and made multiple attempts to join forces but had abandoned their shared vision fearing regulatory scrutiny. This ruling was a substantial win for the mobile network providers. In a recent statement T-Mobile CEO John Legere said, ″[N]ow we are finally able to focus on the last steps to get this merger done!"

T-Mobile and Sprint are aiming to close the deal as early as April 1, 2020. The merged entity will retain the name, T-Mobile. Sprint customers will transfer to T-Mobile plans, but T-Mobile plans will stay in place. The merging parties have both noted that they are not planning to raise prices, keeping them "the same or better [] for three years."

Potential upsides of the merger are better services, a wider network, and rolling out a 5G network which is capable of letting users download massive files in seconds. The companies claim that their full 5G network would reach speeds up to five times faster than their current network in a few years, and 15 times faster by 2024. Additionally, they claimed that they are aiming to deliver their network to 99% of the U.S. within six years. T-Mobile's website also promises that the merger will create 3,500 additional full-time jobs in the first year and 11,000 by 2024.

The Sprint and T-Mobile merger's narrative brings the anticompetitive marketplace discussion to the forefront. Narrowing the market to AT&T, Verizon, and now the new T-Mobile, could have ramifications like price fixing. As the attorney generals argued, this could lead to a financial harm borne by U.S. consumers. Alternatively, preventing the mobile providers from combining could mean slowing the roll-out of a nationwide 5G network, rural areas continuing to have blotchy mobile services, and less American jobs. Perhaps allowing beneficial mergers to go through, while surveilling the merged parties to ensure ethical business practices, is the optimal way for the government to manage major private sector mergers.