T-Mobile’s merger promises are meaningless

For the last year, T-Mobile and Sprint have been telling anyone who’ll listen that their planned $26 billion merger will bring some incredible benefits to American consumers. To hear the companies tell it, the industry’s latest super-union will result in faster speeds, broader broadband deployment, and a dramatic boost in well-paying American jobs.

But if you’ve seen telecom mergers go through this process before, there’s plenty of reason to be skeptical. Consolidation tends to make prices higher, connectivity worse, and customer service even more terrible. Pre-merger promises to do better are usually hollow, as consumer advocates, unions, and many antitrust experts all agree. For Sprint and T-Mobile, the biggest new wrinkle is the promised arrival of 5G, but that new tech is just cover for the same promises of better service and broader access — promises that are shaky at best.

To gain FCC approval, to deploy a 5G network covering 97 percent of the US population within three years, and 99 percent of Americans within six years. “The construction of this network and the delivery of such high-speed wireless services to the vast majority of Americans would substantially benefit consumers and our country as a whole,” the FCC claimed.

“Vague and unenforceable”

As a result, the FCC this week stated it would be approving the deal, insisting the merger would be a net positive for American consumers. The deal still needs to be approved by the Department of Justice, which has shown growing skepticism, but

as far as FCC boss Ajit Pai is concerned, T-Mobile's promises are money in the bank.

In a statement, Pai claimed T-Mobile would "suffer serious consequences" if they failed to follow through on this deployment pledge. "These consequences, which could include total payments to the U.S. Treasury of billions of dollars, create a powerful incentive for the companies to meet their commitments on time," Pai said.

But Gigi Sohn, a lawyer with the FCC under the Obama administration, told *The Verge* T-Mobile's promises were "vague and unenforceable," and it was unlikely Pai would follow through.

"I have little hope that this Chairman will enforce any of these promises, if he is even around when they become due," Sohn said. "In nearly two and a half years, the Trump FCC has not taken even one action that is contrary to the interests of the big mobile carriers."

Sohn pointed to the Pai FCC's failure to address the wireless industry's ongoing location data scandals, or or its failed promises in the wake of hurricanes in both Florida and Puerto Rico. As the net neutrality fight made clear, the Pai FCC's focus has been on prioritizing the industry's desires, not holding it accountable for misdeeds, she said.

"A sad joke, and nothing more"
"Even if Chairman Pai's successor was more willing to enforce these conditions, they would certainly be subject to delaying tactics and litigation from the 'new' T-Mobile," Sohn said.

Both companies have already said they would have deployed these 5G networks anyway to keep pace with AT&T and Verizon, so the proposed merger can't fairly take credit for their 5G rollout. Reducing the total number of competitors only reduces the competitive incentive to improve service or invest in broader availability.

Given the US government's history of terrible service maps, confirming T-Mobile adhered to its promises would be an uphill climb, even for a third-party auditor. The government has only a fleeting idea where service currently is, making tracking improvement difficult. Industry lobbyists have routinely fought against better mapping.

"It's universally agreed upon that the FCC's maps are based on flawed data, and T-Mobile was caught red-handed claiming that its coverage in Vermont and other states was far greater than it was," Sohn says. "So we can't rely either on the government or T-Mobile to be accurate about whether these coverage conditions have been met or not."

There are also good reasons to think rates would go up after the merger. In countries from Canada to Ireland, the reduction of major wireless competitors from four to three also directly contributed to significantly higher rates for mobile data. While T-Mobile promised the FCC it would avoid raising rates for a period of three years, that waiting period wouldn't protect consumers in the long term, as consumer group Free Press argued in a statement shortly after Pai announced his support.

"The supposed three-year price freeze is meaningless in a wireless market where prices are falling and likely would continue to drop in the absence of this merger," the group argued. "The little bit of price competition people have enjoyed thanks to the rivalry between Sprint and T-Mobile could keep sending prices lower. So a meaningless and unenforceable promise to just tread water where we are now is a sad joke, and nothing more."

Sprint claims it wouldn't survive without such a deal, but DOJ regulators have been skeptical toward that claim. There are a number of other potential partners, including Comcast and Dish Network, that could buy out Sprint without eliminating a direct competitor.

T-Mobile’s history as a disruptive carrier in the wake of the failed AT&T merger — not to mention its sometimes profanity-using CEO — seems to have convinced some of the company’s fans that this merger will be better than the countless other mega deals before it. But consumer advocates say that’s wishful thinking, and the data on the costs of consolidation is very clear.

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