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AG Racine Joins Multistate Coalition To Block T-Mobile And Sprint Megamerger

June 11, 2019

States' Complaint Alleges Merger is Anticompetitive and Will Drive Up Prices for District Residents and Consumers Nationwide

WASHINGTON, D.C. – Attorney General Karl A. Racine today joined nine states in filing a multistate lawsuit to stop the merger of telecom giants T-Mobile and Sprint. In the complaint against the companies, the states allege that the proposed merger of two of the four national mobile network operators would deprive consumers of the benefits of competition and drive up prices for cellphone services for District residents and consumers nationwide.

“This anticompetitive merger will harm every District resident with a cell phone plan, especially our lower-income consumers, for whom even a small price increase can mean not having cell service at all,” said AG Racine. **“If this merger is allowed to go through, it will lead to higher prices and lower quality wireless service across the board for all District consumers, not just those who use Sprint or T-Mobile.”**

T-Mobile US Inc. and Sprint Corp. are the third and fourth largest mobile wireless networks in the U.S., respectively, and are the lower-cost carriers among the “Big Four.” T-Mobile currently has more than 79 million subscribers and is a majority-owned subsidiary of Deutsche Telekom AG. Sprint Corp. currently has more than 54 million subscribers, and is a majority-owned subsidiary of SoftBank Group Corp. Verizon Wireless and AT&T – the two largest wireless networks – round out the market. Intense competition, spurred in particular by T-Mobile and Sprint, has meant declining prices, increased coverage, and better quality for all mobile phone subscribers. Since 2009, the average cost of mobile service has fallen by roughly 28 percent, according to the Labor Department, while mobile data consumption has grown rapidly. But the merger would put an end to that fierce competition, which has delivered so many benefits to consumers.

Currently, the average U.S. household spends approximately \$1,100 annually on cellphone services. For many families with lower incomes, even a small price increase could result in suspension or cancellation of cellphone service. A large percentage of consumers use T-Mobile services and would be directly impacted by rising rates and lower-quality services, but the indirect impact would be felt throughout the marketplace. Consumers who prepay for cell phone service, many of whom are lower-income and rely exclusively on their phones for internet, would be especially harmed by this merger.

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While T-Mobile and Sprint have made promises that their merger would offer lightning-fast speeds and increased capacity, the states' complaint alleges that many of the claimed benefits were unverifiable and could only be delivered years into the future, if ever. By contrast, if the merger were to go through, the combined company would immediately have the power and incentive to raise prices, while cutting quality. In short, any theoretical efficiencies that could be realized from the merger would be outweighed by the transaction's immediate harm to competition and consumers.

Additionally, the merger would harm thousands of hard-working mobile wireless independent dealers across the nation. The ten states are concerned that further consolidation at the carrier level would lead to a substantial loss of retail jobs, as well as lower pay for these workers in the near future.

Before filing suit, the states gave significant consideration to the companies' claims that the merger would lead to a 5G network or improved services. However, as stated in the complaint, the U.S. previously won the "race to LTE" as a direct result of vigorous competition among wireless carriers. Finally, continued competition, not concentration, is most likely to spur rapid development of a nationwide 5G network and other innovations.

A copy of the states' complaint is available at: <https://oag.dc.gov/sites/default/files/2019-06/Tmobile-Sprint-Merger-Complaint.pdf> (<https://oag.dc.gov/sites/default/files/2019-06/Tmobile-Sprint-Merger-Complaint.pdf>).

The complaint, led by New York Attorney General Letitia James and California Attorney General Xavier Becerra, was filed under seal in United States District Court for the Southern District of New York in coordination with Colorado, Connecticut, Maryland, Michigan, Mississippi, Virginia, Wisconsin and the District of Columbia.

Attachments

[Tmobile-Sprint-Merger-Complaint.pdf \(https://oag.dc.gov/sites/default/files/2019-06/Tmobile-Sprint-Merger-Complaint.pdf\)](https://oag.dc.gov/sites/default/files/2019-06/Tmobile-Sprint-Merger-Complaint.pdf)

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