



The Daily Dish

T-Mobile/Sprint Merger Saga Continues

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Eakinomics: T-Mobile/Sprint Merger Saga Continues

While the T-Mobile/Sprint merger has won the approval of a majority of the Federal Communications Commission, the deal is far from assured. The staff of the U.S. Justice Department's antitrust division has recommended against the merger. And while a final decision has yet to be made, a new [wrinkle](#) is that at least 10 state Attorneys General (AGs) — led by New York State's — plan to file a [lawsuit](#) to block the merger on the grounds that it reduces competition.

As I have noted [before](#), T-Mobile and Sprint have about [30 million prepaid](#) customers. Whether one thinks the merger will reduce competition depends crucially on whether one views prepaid cellular as a separate and distinct market, or as part of the overall prepaid and postpaid customer base. AAF's Will Rinehart took a [close look at the evidence](#) a while back. Of note, his research suggests that the prepaid and postpaid deals are two segments of the same wireless market — not separate markets — suggesting that the merger will not reduce competition.

To see this conclusion, note that in prepaid mobile service, the user purchases credits ahead of time and has an allotment of minutes, texts, and data she can use. When these run out, the service is throttled until the user purchases more. In contrast, a postpaid mobile service bills a user after he uses the service. If he exceeds his limit for minutes, text messages, or days that can be used in that month, there is typically a penalty charged. As it turns out, the key dividing line between the users of the two services is credit worthiness. As credit scores and other indicators of credit worthiness rise, postpaid providers are willing to take on the users with higher risk of being unable to pay. In effect, the two markets are competing for the same people, sometimes along lines that have nothing to do with the characteristics of the wireless services. That suggests that the merger will have no detrimental impact on competition. Indeed, Rinehart concludes that the deal could spur *more* competition within the prepaid segment of the wireless market as existing firms (e.g., Verizon) are forced to compete more strongly for the entire range of the customer base.

The other benefit of the merger is that it may position the merged company to better compete against Verizon and AT&T in the provision of 5G services — a national priority at the moment. The combined faster, denser network could speed the rollout of 5G in the United States.

There is no substantive reason to slow the merger. One hopes that the AGs are not merely playing politics and do not insist on having the final word on a merger that has national policy significance.