

T-Mobile plus Sprint: If you're a customer, here's why a merger would matter

September 25 2017, by Mike Snider And Edward Baig, Usa Today

T-Mobile and Sprint are at it again—talks of a merger, that is. The nation's No. 3 and No. 4 wireless providers have actively sparred in recent years as they battled to capture a larger market share in the competitive industry.

But the two companies have also considered combining forces, attempting a merger three years ago. That plan was abandoned because regulators were expected to nix the deal. The Trump Administration's arrival has led to the resurgence of a possible tie-up.

Sprint, T-Mobile, Softbank and T-Mobile's parent [company](#) Deutsche Telekom have been in discussions recently, according to CNBC and Reuters. The latest rumblings suggest Deutsche Telekom would own the majority of the combined company, with Softbank owning a large minority stake.

While not officially confirming the plans, the companies have publicly chatted up the potential for a deal in recent months. "It may make sense from a scale standpoint" to combine the companies, said T-Mobile CEO John Legere in January.

Since then, Masayoshi Son, the founder and CEO of Tokyo-based telecom and Internet company Softbank, which controls Sprint, has tried to make a deal to improve the carrier's position—and eyed T-Mobile, as well as Charter Communications. And last month, Sprint CEO and President Marcelo Claure said the company would have an

announcement "in the near future" about merger discussions.

Mobile users have benefited from the price wars stoked by T-Mobile and Sprint, especially the spread of "unlimited" data plans, as well as other goodies competition has thrust their way. It's uncertain whether prices for various plans could rise, or temper their decreases, if a deal goes through.

Why do Sprint and T-Mobile want to merge?

A union is attractive because of the scale and potential for cost-cutting a combination would bring, allowing the bigger company to increase investments in areas like 5G, thus gaining an edge on the larger wireless carriers. The pairing of T-Mobile, which has about 70 million subscribers, and Sprint, with its nearly 54 million, would create a bigger competitor to industry leaders AT&T, which has 135.7 million and Verizon, with 114.5 million.

And the companies could save as much as \$4 billion annually, wrote Craig Moffett, partner and senior analyst at research firm MoffettNathanson in an investor note last month. "The financial logic of a Sprint/T-Mobile deal is compelling enough that we've always assumed the two parties would find a way to at least try," he wrote.

I'm a loyal Sprint customer and have noticed T-Mobile's perks. What might a merger mean to me?

Should the companies merge, Sprint subscribers might see some new pricing arrangements available and could become eligible for T-Mobile promotions such as free Netflix subscriptions and MLB.tv mobile viewing.

Sprint customers—and all wireless customers—could eventually pay

more or get fewer perks because a decline in competition could mean result in higher prices industry-wide, former Federal Communications Commission chairman Tom Wheeler and former assistant attorney general for the Antitrust Division of the Department of Justice, Bill Baer, contend in a CNBC.com opinion piece posted in May when speculation about a merger resurfaced.

The administration rebuffed Softbank's entreaties to acquire T-Mobile, they say, and subsequently, wireless prices have fallen, while cable TV prices have risen.

There could also be some disruptions in customer service or snafus when it comes to getting new phones or new services as the two companies' systems are combined. "Maybe it will be small, it may be significant," said Bill Menezes, a mobile services analyst for research firm Gartner. "It depends on how well they execute."

I'm a T-Mobile customer. What's in it for me?

Subscribers to T-Mobile might be less likely to see any disruptions and they might get access to premium music streaming service Tidal, which Sprint acquired a 33% stake in earlier this year.

They could also see higher prices eventually. Beyond that, all customers of the combined company could get better coverage as their wireless networks are merged. And that could be done quickly because there's already a service that uses both Sprint and T-Mobile's networks: Google's Project Fi service, which also uses the U.S. Cellular network and Wi-Fi for its connections on a small lineup of Android phones. "It would mean more areas and faster data speeds," Menezes said.

But eventually, the two companies' wireless spectrum will benefit all customers. "Any carrier is going to have areas where it has a little

weaker coverage or maybe an outright coverage hole where somebody else has coverage," he said. "In some secondary and outlying markets, a Sprint customer could pick up new coverage for 4G, simply because that is where T-Mobile has been acquiring a lot of spectrum."

The companies would want to keep current subscribers on board. "Obviously, they are not going to do the deal and hope to lose subscribers, unless maybe there is a swath of subscribers that are not as profitable as others," said Donna Hitscherich, a senior lecturer at Columbia Business School and an expert in mergers and acquisitions.

Would regulators approve the deal?

The companies walked away from an earlier merger attempt because they expected Obama Administration regulators to give it a thumbs down. But they consider the new administration as more willing listeners.

"It is interesting how this has bubbled up before. Are they sending up trial balloon to see how the market and the regulators will react?" Hitscherich said.

Shares in both companies are up more than 4% since Tuesday when reports of merger talks began resonating again. Sprint (S) shares closed at \$8.52 Friday, while T-Mobile (TMUS) shares were \$64.06.

Where the Obama Administration and then-FCC chairman Wheeler shied away from losing a major player in the market, officials under Trump could view competition differently. "You could imagine a situation where by putting two companies together that creates a viable alternative to ... incumbents," Hitscherich said.

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Citation: T-Mobile plus Sprint: If you're a customer, here's why a merger would matter (2017, September 25) retrieved 2 May 2024 from <https://phys.org/news/2017-09-t-mobile-sprint-youre-customer-merger.html>

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