

Sprint, T-Mobile mega-merger gets nod from key US official

May 20 2019, by Douglas Gillison



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The top official at the US communications regulator on Monday

announced his support for the proposed \$26 billion merger between telecoms firms Sprint and T-Mobile.

The decision raises the chances the merger will win final approval from federal authorities but the companies still face an anti-trust review by the US Department of Justice.

Ajit Pai, chairman of the Federal Communications Commission, said both companies had promised his agency they would offer a next-generation 5G network to 99 percent of Americans within six years of completing the deal while also expanding access to mobile broadband.

The companies have agreed not to raise prices for three years and will divest from the Sprint subsidiary Boost Mobile.

"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," Pai said in a statement.

Failure to make good on their pledges could result in "serious consequences," including billions of dollars in penalties, creating an incentive for the companies to meet their obligations on time, according to Pai.

The commission is due to consider the merger proposal next month.

The Wall Street Journal reported last month that Justice Department officials had told both companies that, as structured at the time, the deal was unlikely to win that agency's okay.

A rival to US giants

But Pai said the deal was now intended allay such concerns.

"This sale is designed to address potential competitive issues that have been identified in the prepaid wireless segment," he said in the statement.



T-Mobile CEO John Legere and executive chairman of Sprint Marcelo Claure talk before testifying at the House of Representatives in March, 2019

The combined company's more sizeable scale would help it rival US giants AT&T and Verizon Communications, which dominate the US market.

The Justice Department in 2011 blocked an attempt by AT&T to acquire T-Mobile, saying the market was already too concentrated to allow it.

T-Mobile and Sprint are respectively the third- and fourth-largest wireless carriers in the US in terms of number of customers.

Sprint, majority owned by Japan's SoftBank, and T-Mobile, a unit of Germany's Deutsche Telekom, had previously tried and failed to agree on merger terms.

5G, or fifth-generation, wireless communications networks would enable services such as remote surgery or driverless cars and allow customers to experience video and virtual reality with greater ease.

Global competition to develop the technology has heated up but in a move widely seen as aimed squarely at Chinese rival Huawei, Washington has barred US companies from engaging in telecommunications trade with foreign companies said to threaten American national security.

T-Mobile chief John Legere told lawmakers in February his company did not and would not use Huawei equipment in its networks.

Together, T-Mobile and Sprint have about 131 million subscribers, virtually matching second-ranked AT&T and posing stiff competition to market leader Verizon Communications.

In December, the proposed merger won approval from regulators who vet acquisitions for national security risks.

The Communications Workers of America union says the planned merger could cost 30,000 jobs but Sprint's CEO Michael Coombs instead warned last month of layoffs if the deal is blocked.

On Wall Street, shares in Sprint Corporation were soaring towards 1600 GMT, up nearly 24 percent on the prior days' close, while T-Mobile US

had risen a smaller 5.6 percent.

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