

Here's everything you need to know about that merger of T-Mobile and Sprint

After nearly two years of waiting to close their \$26.5 billion merger, T-Mobile and Sprint will cross the finish line Wednesday and combine the third- and fourth-largest national wireless carriers.

The merger comes less than two months after a US District Court gave the green light to the deal in a ruling that went against 14 state attorneys general who opposed the transaction. The attorneys general decided against appealing the District Court decision, so here we are.



Now that the deal is finally closing, it could bring about a seismic shift in the mobile world. T-Mobile and Sprint's combined assets could jump-start its 5G ambitions, pushing the industry further into the next-generation technology. They've also said they'll lock in consumer prices for at least three years. As part of all the wranglings, Dish Network will become the fourth national carrier, giving consumers a new alternative.

What's next? The new company is retaining the T-Mobile name. T-Mobile CEO John Legere will step down as CEO in May, and Mike Sievert, the company's COO, will move into the CEO chair to run day-to-day operations of the merged company.

Worried about how this might affect you? CNET breaks down everything you need to know about this mega mobile merger.

Why a merger?

T-Mobile and Sprint have long courted each other. The logic is simple: Verizon and AT&T are far bigger than either of the two companies. A merger would create a stronger competitor.

Why now?

Actually, T-Mobile and Sprint tried twice before. In 2014, Sprint parent SoftBank floated the idea of a deal with T-Mobile, but regulators and the White House were keen on keeping four national competitors.

The current administration and the FCC have been more open to deals, which is why both sides got close to an agreement in 2017. The deal fell apart in the later part of that year, when SoftBank and T-Mobile parent Deutsche Telekom couldn't agree on how much control each side would get.

Why has the merger dragged on?

The deal won the backing of the FCC and the Justice Department last year, but attorneys general from 14 states and the District of Columbia, led by New York Attorney General Letitia James and California Attorney General Xavier Becerra, banded together in a multistate lawsuit to stop it, arguing the merger would "deprive consumers of the benefits of competition and drive up prices for cell phone services."

This court battle was a major hurdle standing in the way of the merger. The Feb. 11 decision helped clear the path to allow the companies to complete the merger.

What's the deal with satellite TV provider Dish?

To get the Justice Department to sign off on the merger, Dish agreed to buy Sprint's prepaid brand Boost and acquire some wireless spectrum. The deal also gives Dish access to T-Mobile's network for seven years while Dish builds its own 5G offering. The whole purpose of this agreement is to create another nationwide carrier that could compete with the new T-Mobile, as well as with rivals AT&T and Verizon.

Dish isn't exactly starting from scratch. The company has spent years accumulating spectrum -- radio airwaves -- that could be used to build a wireless network.

T-Mobile also has a deal to potentially lease Dish's unused 600MHz spectrum for use in its own 5G rollout.

Why would Dish want to strike a deal with T-Mobile?

While Dish already owns billions of dollars worth of its own spectrum, the company has yet to build its own wireless network. Some have accused the company of hoarding valuable wireless spectrum. Prior to the announcement of the deal, Dish has yet to make a major announcement about the plans for its spectrum.

Prior to this deal, Dish had until March 2020 to utilize the airwaves or risk losing its licenses. But As part of the new agreement, the company gets an extension to June 2023, when it pledges to have a 5G network of its own that'll cover 70% of the US population.

Purchasing the divested prepaid businesses, getting additional airwaves and adding the ability to begin offering service on the T-Mobile network while it builds its own would make it easier and more cost-effective for Dish to

finally become a wireless competitor.

So Dish will be a new fourth carrier?

Yes. Though it's unclear what the service will look like beyond utilizing Sprint's prepaid business and retail stores.

Under the deal, Dish will pay \$1.4 billion for the prepaid businesses and \$3.6 billion for the 800MHz spectrum, which is coveted because it has great range and can go through walls, even if it can't carry super-high speeds. Dish already has spectrum holdings in the 600MHz and 700MHz bands, as well as some midband holdings that'll allow for greater speeds, though it doesn't have the same amount of range.

"Taken together, these opportunities will set the stage for our entry as the nation's fourth facilities-based wireless competitor and accelerate our work to launch the country's first standalone 5G broadband network," Dish CEO Charlie Ergen said in a statement.

Though T-Mobile CEO John Legere has called Dish a "credible competitor," many critics have doubts about Dish's commitment given its past reluctance to build out its network.

What has T-Mobile promised the FCC it would do?

In May 2019, T-Mobile negotiated a deal with the FCC that promised 5G coverage to nearly all of the US. It included build-out requirements to ensure 5G deployment in rural communities, a promise to offer wireless home broadband that could substitute for a wireline, and the divestiture of Boost Mobile.

Specifically, as part of the FCC's deal, the new T-Mobile would meet several 5G network coverage benchmarks. For instance, within three years the company will provide 5G service to 97% of the US population, and within six years 99%. For rural Americans, the coverage would be 85% within three years, and 90% within six.

T-Mobile has also promised to offer a broadband alternative to rural customers and has guaranteed that 90% of Americans will see mobile broadband service at speeds of at least 100Mbps if the deal is approved. In addition to promises of a 5G rollout, T-Mobile also agreed to divest Boost Mobile, but it'll keep T-Mobile's prepaid brand, Metro.

What's it all mean for me?

That's the \$26 billion question. T-Mobile and Sprint promise a combined network that'll deliver better service at lower prices. They argue that their combined scale would help them build out a faster, more efficient network.

But consumer advocacy groups disagree.

"This deal will be most harmful to the two carriers' poorer and more urban customer base, who will pay dearly for this combination after yet another failure by our nation's antitrust enforcers," said Matt Wood, vice president of policy and general counsel for Free Press. "This approval is nothing but bad news for people who already pay too much for essential communications services."

So prices could go up?

That's what the Democrats on the FCC, who voted against approving the merger, have argued. In her statement following the FCC's official vote, Jessica Rosenworcel, a Democrat, argued that "overwhelming evidence demonstrates that the T-Mobile-Sprint merger will reduce competition, raise prices, lower quality and slow innovation."

"We've all seen what happens when markets become more concentrated after a merger like this one," Rosenworcel said. "In the airline industry, it brought us baggage fees and smaller seats. In the pharmaceutical industry, it led to a handful of drug companies raising the prices of lifesaving medications. There's no reason to think this time will be different."

The companies have agreed to not raise prices for three years if the deal goes through. But after that, all bets are off. There's a reason why Wall Street likes this deal: Financial analysts think the industry is a little too competitive and that removing one player could ease the pressure.

Following the court's decision on the states' lawsuit, Rosenworcel expressed her disappointment.

"I am concerned that antitrust enforcement is not working for consumers," she said. "Going forward it is absolutely essential that the FCC enforce the promises made by these companies in their effort to secure approval from this agency. Any other outcome would be unacceptable."

What happens to existing service plans?

T-Mobile's Sievert declined to comment on what the companies plan to do with many of the ultra-competitive grandfathered plans that customers have clung to. T-Mobile has generally been good about honoring existing plans within its own service, but it's unclear what it would do with Sprint's plans.

How will the migration happen?

The companies say it would take about three years to migrate customers over to the T-Mobile network. Though both companies support LTE, T-Mobile's older network is based on a technology called GSM, and Sprint's is based on CDMA -- two incompatible networks.

Fortunately, popular phones like some Samsung models and the iPhones on Sprint can run on T-Mobile. The new 5G enabled phones are also supported on both networks. Sievert says there are about 20 million Sprint phones that are compatible on T-Mobile.

Eventually, the idea is to get everyone onto the T-Mobile network.

What about 5G?

One of the critical parts of T-Mobile and Sprint's argument for merging is the move to 5G. The companies say neither can build the 5G network they want without a combination, though that hardly would've been the rhetoric had you asked either side before this deal was announced.

The case for 5G leadership is tailor-made for the White House, which killed a proposed takeover of Qualcomm by Singapore-based Broadcom because it threatened the US' position in regard to the next-generation wireless technology.

T-Mobile and Sprint say they'll invest roughly \$40 billion in 5G over the next three years, potentially creating new jobs.

How does this combination help with 5G?

It's all about spectrum, or the radio airwaves each company holds. T-Mobile owns a large swath of lower-frequency spectrum, which is great for covering long distances, but at lower speeds. It also has a super-high frequency band known as millimeter wave spectrum, which gives you greater speed and capacity, but at a short range.

Sprint has plenty of spectrum in the midband, a sort of compromise between the two.

The combined portfolio of radio airwaves provides superior coverage in terms of both speed and capacity, particularly in rural areas.

"As we move forward and drive this major investment in a combined network, every dollar we spend here will be a 5G dollar," said T-Mobile Chief Technology Officer Neville Ray.

CNET's Eli Blumenthal contributed to this story.

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