

**Description of Transaction,
Public Interest Showing, and
Related Demonstrations**

SUMMARY

Deutsche Telekom AG (“DT”) and MetroPCS Communications, Inc. (“MetroPCS”) have entered into a proposed transaction that will combine T-Mobile USA, Inc. (“T-Mobile USA”) and MetroPCS into a strengthened company (“Newco”) capable of meeting the competitive challenges of today’s wireless marketplace. Newco, which will adopt the T-Mobile name, will have the expanded scale, spectrum and financial resources to compete aggressively with its larger competitors. By maintaining the MetroPCS business model and extending it to new local areas, Newco will be positioned to become the leading value carrier in the U.S. with the ability to deliver an enhanced customer experience by providing a wider selection of affordable products and services, deeper coverage and a world class LTE network. Because of the complementary and adjacent spectrum portfolios, Newco will have a network capable of supporting at least 20 x 20 MHz LTE deployments in many areas and also will be better able to challenge its larger rivals for premium users. In so doing, the proposed transaction benefits not only the customers of T-Mobile USA and MetroPCS, but the wireless industry and consumers as a whole.

For the added reasons enumerated below, the requested license transfers plainly satisfy the Commission’s standards for approval, do not give rise to any competitive harm, and generate substantial public interest benefits. So that consumers can promptly realize these benefits, the Applicants seek expedited review and grant of the Applications.

Challenges Facing the Applicants Today. The Commission is well aware of the scale and spectrum challenges facing T-Mobile USA and MetroPCS in competing today on a stand-alone basis. This transaction will strengthen and better position a combined Newco to compete on terms that neither company could achieve on its own. At present, T-Mobile USA trails AT&T, Verizon Wireless and Sprint in market share, service revenue, and market capitalization—in many

cases by a significant margin. T-Mobile USA has a well-documented need for additional spectrum to enable an effective deployment of the high performance 4G LTE network that it will require to remain competitive long term.

Although MetroPCS has enjoyed strong growth and success in a select number of major metropolitan areas, its ability to grow beyond those areas in the future is limited by a lack of spectrum and a business model tailored to urban areas fitting certain criteria. Even within its existing service areas, MetroPCS is spectrum-constrained, challenging its ability in the future to continue to meet growing customer demands for data services and making it impossible, absent significant cost and refarming, to deploy a 4G LTE network with the large blocks of spectrum necessary to match the speeds and capacity of its larger competitors. As the Commission has noted previously, MetroPCS also faces scale disadvantages that limit its access to popular or “cutting-edge” devices and its ability to provide seamless in-network, nationwide service to its customers.

Benefits of the Transaction for Competition and Consumers. The proposed transaction helps alleviate the competitive constraints facing both companies. Newco will have the expanded scale, spectrum and financial resources to compete with its larger rivals. The transaction provides Newco with the ability to distribute the largely fixed costs of its network over a broader subscriber and customer base, enabling it to have greater pricing flexibility as well as to more effectively amortize investments in innovation. It will also have improved access to the most in-demand devices and the ability to bring new devices to market at a lower cost, enticing consumers through wider choice and better value for their money. As a publicly-traded company, Newco will have direct access to the debt and equity capital markets, giving it increased financial flexibility and enhanced stability. And, the combined company will generate substantial and achievable

synergies projected to be \$6-7 billion NPV.

Even though the combined entity will still lack valuable sub-1 GHz spectrum, the transaction will address major spectrum constraints facing both T-Mobile USA and MetroPCS by combining their highly complementary spectrum portfolios. This will enable a broader and deeper roll-out of 4G LTE services than either company could readily achieve on its own, including at least 20 x 20 MHz LTE in many urban areas—which allows for higher speeds and throughput rates as well as much greater capacity than deployments using narrower carriers. Because significant portions of the spectrum held by the Applicants are in adjacent bands in common local areas, the combined company also can make more efficient use of the combined spectrum by eliminating the guard bands between adjacent channels. Moreover, by retaining many of MetroPCS' cell sites and virtually all of its Distributed Antenna Systems, Newco will experience additional capacity gains as well as improved in-building service. And, T-Mobile USA and MetroPCS plan for a straightforward technology migration program—to be completed by the second half of 2015—that will allow for rapid realization of these service and network benefits without customer disruption.

Competition will also be enhanced through the planned expansion of the MetroPCS brand to new metropolitan areas. Post-transaction, both the T-Mobile USA and MetroPCS brands will be maintained as separate Newco business units. Because T-Mobile USA has an existing nationwide network infrastructure, the combined company will be positioned—and indeed plans—to establish MetroPCS-branded distribution in new cities where the population density would not otherwise justify the capital requirements of building a new stand-alone, greenfield network. Even within MetroPCS' existing service areas, the transaction will strengthen competition by improving the speed, quality and robustness of the company's current service offerings, providing access to a nationwide LTE network, and enabling the introduction of new, innovative services and plans.

Customers of both T-Mobile USA and MetroPCS will benefit from Newco's improved offerings. MetroPCS customers will experience improved, expanded and more seamless service in several ways:

- Access to Newco's faster HSPA+ network and ultimately to the broader, deeper and more robust LTE deployments of the combined company;
- Access to Newco's much larger nationwide footprint without having to roam on another carrier's network;
- Access to a wider variety of devices at better prices, including lower cost GSM, HSPA+ and LTE handsets that enjoy scale advantages and more options than CDMA/EvDO devices;
- The ability to bring a customer's own device to Newco's network—including the iPhone (an option not available on CDMA/EvDO networks like that of MetroPCS);
- The ability to broadly roam internationally for the first time, upon switching to a GSM-based device;
- The ability to retain MetroPCS-branded service when moving out of the company's current nineteen metropolitan area service footprint; and
- The option to migrate to contract plans and still be served by the same carrier.

T-Mobile USA customers will also enjoy significant benefits from the proposed transaction:

- An immediately improved wireless experience, especially coverage and quality enhancements through the incorporation of MetroPCS' sites and spectrum into the combined company's network;
- Access to a much richer LTE experience enabled through the integrated deployment of a single LTE network supporting at least 20 x 20 MHz carriers in many major metropolitan areas; and
- Access to a wider variety of devices and service plan options provided by Newco's greater scale and volume purchasing strength.

Obviously, the strengthened Newco will also have a significant competitive impact on the wireless market as a whole, which benefits existing and future customers of all wireless carriers.

The Transaction Does Not Result in Any Competitive Harms. Importantly, the proposed transaction does not result in any competitive harms. At the national level, the

transaction clearly increases—rather than harms—competition. The FCC has previously concluded that MetroPCS is not a participant in the national wireless market and MetroPCS has not materially altered or expanded its operations in a manner that would warrant revisiting that conclusion. In contrast, the proposed transaction will actually increase competition nationally by strengthening the smallest of what the Commission has described as “nationwide” carriers and better enabling Newco to be a more effective and disruptive force. Indeed, Newco intends to be the leading value carrier in the U.S., with a focus on offering a variety of appealing plans to compete aggressively for customers seeking affordability and certainty in the cost of their wireless plans.

Nor does the proposed transaction raise competitive concerns at the local level. Post-transaction, Newco will not trigger the spectrum screen in any affected local area. At least four “built-out” competitors (with 70 percent population coverage/50 percent geographic coverage) will remain in all local areas affected by the proposed transaction, or, alternatively, that the number will remain unchanged. Significantly, in every local area involved in the proposed transaction, all four “nationwide” carriers operate facilities and will continue to do so after closing. Post-consummation, the merged company will continue to be constrained by the full range of competitors and products available at the local level.

Expedited Review and Approval Is Requested and Warranted. For the foregoing reasons, the public interest benefits generated by proposed transaction are numerous and manifest; the competitive harms are non-existent. The Commission should move swiftly to review and approve the proposed license transfers so consumers can begin to enjoy the improved services and increased level of wireless competition that will result from the proposed transaction.

Table of Contents

	<u>Page</u>
I. DESCRIPTION OF THE APPLICANTS AND THE TRANSACTION.....	1
A. The Applicants	1
B. Nature of the Transaction.....	3
II. THE STANDARD OF REVIEW	5
III. THE PROPOSED TRANSACTION WILL GENERATE SUBSTANTIAL PUBLIC INTEREST BENEFITS.....	7
A. Newco Will Strengthen Competition in the Wireless Marketplace.....	8
1. The Proposed Transaction Will Enable Newco to Compete More Aggressively Against the Three Larger Nationwide Wireless Providers, Increasing Competition in the Marketplace as a Whole.....	8
2. The Proposed Transaction Will Enable the Expansion of the MetroPCS Brand to New Areas, Increasing Competition in Many Localities	13
3. Customers of Both Companies Will Benefit from Newco’s Improved Offerings.....	22
B. The Proposed Transaction Will Enable a More Robust Deployment of Higher Quality LTE Services	26
1. The Combination of T-Mobile USA’s and MetroPCS’ Resources, Spectrum, and Infrastructure Will Result in a More Extensive and Effective LTE Rollout.	27
2. The Proposed Transaction Will Address the Challenges Facing Each Applicant, Which Neither Company Could Do as Effectively on Its Own.....	31
3. A Straightforward Migration Plan Will Enable the Rapid Realization of These Network Benefits	36
C. The Proposed Transaction Will Enable a Variety of Network and Non-Network Synergies.....	39
1. The Proposed Transaction Will Result in Significant Network Synergies.....	40
2. The Proposed Transaction Will Result in Substantial Non- Network Synergies.....	42
IV. THE PROPOSED TRANSACTION WILL STRENGTHEN—NOT HARM—COMPETITION IN THE MOBILE TELEPHONY/BROADBAND SERVICES MARKET.....	44
A. The Analytical Framework	45

Table of Contents
(continued)

	<u>Page</u>
1. Consistent with Prior Practice, “All Wireless Services” Is the Appropriate Product Market for Reviewing the Proposed Transaction.....	46
2. Under Recent Analyses, the Commission Has Defined the Relevant Market to Include National and Local Effects.....	47
B. The Proposed Transaction Will Not Harm, but Rather Enhance, National Competition.....	49
C. The Proposed Transaction Raises No Competitive Concerns at the Local Level	52
1. The Proposed Transaction Is Consistent with the Spectrum Screen in All Local Geographies	53
2. Market Concentration Is Not an Issue in The Proposed Transaction.....	54
V. PROCEDURAL CONSIDERATIONS	56
A. Section 310(b)(4) Declaratory Ruling Request.....	56
B. Additional Authorizations.....	58
C. Exemption from Cut-off Rules	59
D. Unconstructed Facilities.....	60
E. Unjust Enrichment	60
F. Environmental Impact.....	61
G. DOJ Agreement	61
H. Related Governmental Filings	62
VI. CONCLUSION.....	62

By this application and related applications (the “Applications”)¹ and pursuant to Sections 214 and 310(d) of the Communications Act of 1934, as amended (“the Act”), Deutsche Telekom AG (“DT”), its wholly owned indirect subsidiary T-Mobile USA, Inc. (“T-Mobile USA”), and MetroPCS Communications, Inc. (“MetroPCS” and, collectively with DT and T-Mobile USA, “Applicants”), hereby request the Commission’s consent to the transfer of control of the FCC licenses and authorizations held by MetroPCS and its direct and indirect subsidiaries from the current public shareholders of MetroPCS to DT. In addition, the Applicants also hereby request authority for the *pro forma* transfer of control of the licenses and authorizations held by T-Mobile USA and its subsidiaries as a result of the proposed transaction. As discussed herein, the proposed transfers of control satisfy the Commission’s standards for approval, do not give rise to any competitive harms, and generate substantial public interest benefits for the customers of T-Mobile USA and MetroPCS, and the wireless industry as a whole. So that consumers can promptly realize these benefits, the Applicants seek expedited review and grant of the Applications.

I. DESCRIPTION OF THE APPLICANTS AND THE TRANSACTION

A. The Applicants

T-Mobile USA is headquartered in Bellevue, Washington and offers nationwide wireless voice and data services to consumer and business customers. T-Mobile USA offers services through various direct or indirect wholly-owned subsidiaries or limited liability companies of T-

¹ Individual applications have been filed to transfer control of the radio station licenses, leases and international Section 214 authorizations involved in this transaction. ULS File No. 0005446627 is the lead wireless application; the application to transfer File No. ITC-214-20011116-00601 is the lead international Section 214 application.

Mobile USA.² DT, based in Bonn, Germany, is one of the world's leading telecommunications companies with operations in about 50 countries. The Federal Republic of Germany holds a direct interest in DT of approximately 15 percent. Kreditanstalt für Wiederaufbau ("KfW"), a development bank that is 80 percent owned by the Federal Republic of Germany and 20 percent owned by the German federal states, owns an interest in DT of approximately 17 percent. DT's core businesses involve the provision of fixed broadband and wireless services in Germany, throughout much of the rest of Europe, and around the world. DT holds all of its interest in T-Mobile USA through its wholly-owned subsidiary T-Mobile Global Zwischenholding GmbH ("T-Mobile Global"), which in turn owns all of the equity and voting interests of T-Mobile Global Holding GmbH ("T-Mobile Holding"), which in turn holds all of the voting and equity interests of T-Mobile USA.

MetroPCS is a publicly traded corporation listed on the New York Stock Exchange under the symbol "PCS" and headquartered in Richardson, Texas. MetroPCS is a facilities-based broadband mobile communications provider offering wireless services in select major metropolitan areas in the United States on a predominantly unlimited, flat-rate, no long-term contract basis. All of MetroPCS' broadband wireless communications services are provided through wholly-owned direct or indirect subsidiaries or limited liability companies of MetroPCS Wireless, Inc., a Delaware corporation ("MetroPCS Wireless"). MetroPCS Wireless is a wholly-owned direct subsidiary of MetroPCS, Inc., a Delaware corporation, which is a wholly owned direct subsidiary of MetroPCS.

² T-Mobile USA also has interests of greater than 50% in two additional companies which provide wireless voice and data services to residential and business customers: Cook Inlet/VS GSM VII PCS, LLC and Iowa Wireless Services, LLC.

The Commission has repeatedly found that DT, through T-Mobile USA, and MetroPCS have the requisite character and qualifications to hold Commission authorizations.³

B. Nature of the Transaction

As discussed herein, the parties have entered into a Business Combination Agreement, dated October 3, 2012 (the “Agreement”),⁴ which provides for the combination of T-Mobile USA and MetroPCS, with the resulting publicly traded company to be named T-Mobile US, Inc.⁵ (hereafter the post-transaction company is referred to for clarity as “Newco”⁶). The MetroPCS brand and the T-Mobile USA brand will be retained as separate business units within Newco and the Applicants plan to expand MetroPCS-branded offerings to additional metropolitan areas after closing.

Under the Agreement, MetroPCS will effect a recapitalization and reverse split of its common stock. MetroPCS will undertake this recapitalization through a 1 for 2 reverse stock split and by making a cash payment of \$1.5 billion in the aggregate to its shareholders (“Cash Payment”). Immediately following the reverse stock split and the Cash Payment, T-Mobile Holding will transfer to MetroPCS all of T-Mobile Holding’s ownership interests in T-Mobile USA and MetroPCS will issue to T-Mobile Holding or its designee a number of shares of

³ See *Applications of Cellco Partnership d/b/a Verizon Wireless, SpectrumCo LLC, and Cox TMI*, Memorandum Opinion and Order and Declaratory Ruling, 27 FCC Rcd 10698, Para. 186 (2012) (“*Verizon Wireless/SpectrumCo Order*”); *Applications of T-Mobile USA, Inc. and Suncom Wireless Holdings, Inc.*, Memorandum Opinion and Order, 23 FCC Rcd 2515, 2519-20 Para. 10 (2008). See, e.g., *Application of MetroPCS Wireless, Inc.*, ULS File No. 0003721474 (Jan. 1, 2009).

⁴ The Agreement is attached as Exhibit 5 to the lead wireless application, ULS File No. 0005446627.

⁵ DT has the right to select a name other than T-Mobile US, Inc. prior to the closing.

⁶ Technically, Newco is a continuation of the existing publicly-traded company MetroPCS, renamed to reflect the controlling ownership position of DT. The Applicants are utilizing the term “Newco” as a convenience to distinguish the restructured entity from the existing companies which are taking part in the proposed transaction.

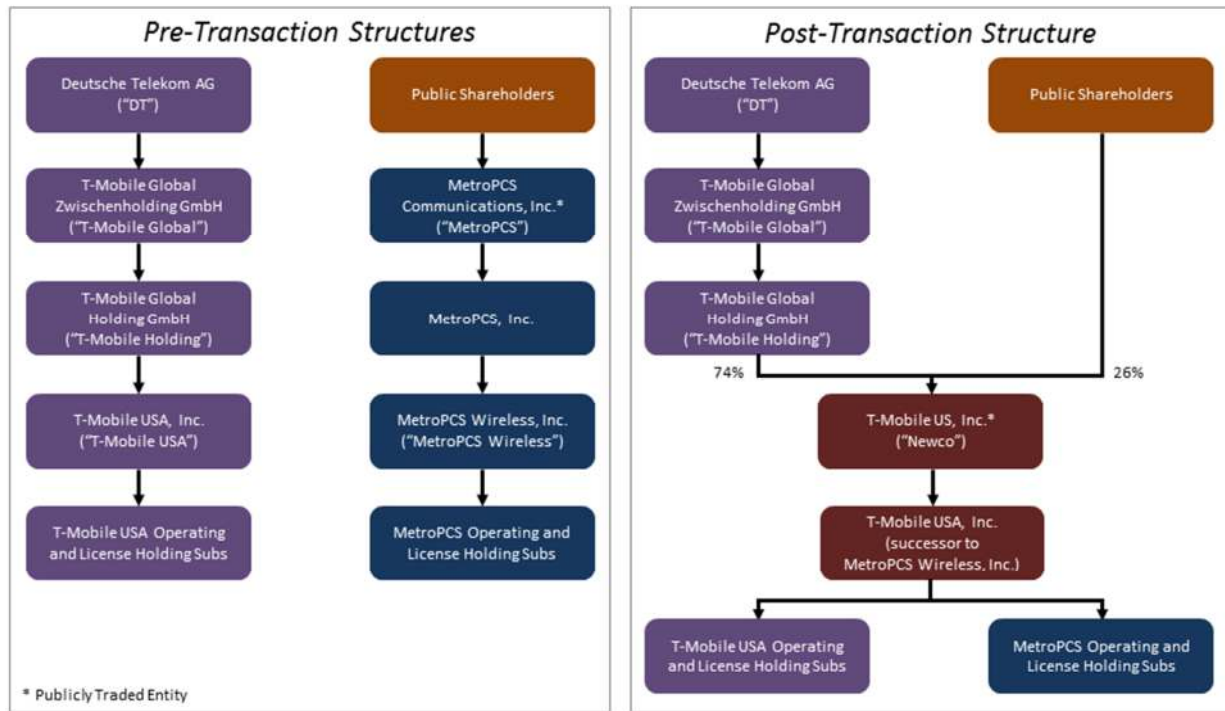
MetroPCS common stock equal to 74 percent of the fully diluted shares of MetroPCS common stock outstanding at closing.⁷ As part of this transaction, the companies also will restructure some of the intermediate companies in the ownership chain.⁸ In addition, DT has agreed to roll its existing intercompany debt in T-Mobile USA into new \$15 billion senior unsecured notes of T-Mobile USA, provide T-Mobile USA with a \$500 million unsecured revolving credit facility, and provide a \$5.5 billion backstop commitment for certain MetroPCS third-party financing transactions.

Thus, as shown in *Fig. 1*, following consummation of the transaction, DT through T-Mobile Holding or its designee will have a 74 percent ownership interest in Newco and the existing public shareholders of MetroPCS will hold the remaining 26 percent ownership interest.

⁷ As such, the proposed transaction results in a *pro forma* transfer of the licenses, leases, and authorizations held by T-Mobile USA and its subsidiaries. This transfer is *pro forma* because DT will control the licenses, leases, and authorizations both before and after the transaction.

⁸ With the issuance of shares to T-Mobile Holding or its designee, MetroPCS Inc. will merge with and into MetroPCS Wireless with MetroPCS Wireless as the surviving corporation; and, immediately thereafter, MetroPCS Wireless will merge with and into T-Mobile USA with T-Mobile USA as the surviving corporation.

Fig. 1: Pre- and Post-Transaction Structure



At the closing, Newco and DT also will enter into a Stockholder's Agreement which provides, among other things, for Newco initially to have an eleven member Board of Directors, for DT to have the right to nominate a number of directors to the Board of Directors of Newco equal to its proportionate ownership interest in Newco, and for DT to have certain shareholder consent rights relating to certain material activities or transactions of Newco. As a result of DT's ownership of 74 percent of the shares of the common stock of Newco, DT will appoint a majority of the directors of Newco's Board of Directors. The Stockholder's Agreement also provides that the Board of Directors of Newco will have a minimum of three independent directors out of eleven total directors.

II. THE STANDARD OF REVIEW

In its review of license transfer applications, the Commission first assesses whether the proposed transaction complies with the specific provisions of the Communications Act, other

applicable statutes, the Commission's rules, and federal communications policy.⁹ Second, the Commission weighs any potential public interest harms resulting from the proposed transaction against the potential public interest benefits of the proposed transaction. Applicants need to show by a preponderance of the evidence that the proposed transaction, on balance, serves the public interest.¹⁰ The Commission's review is transaction-specific and the Commission repeatedly has found that merger proceedings are improper forums for addressing industry issues that are not directly related to the transaction.¹¹

The Commission has determined that transfer and assignment applications that demonstrate on their face that a proposed transaction meets the public interest and will neither violate the Act or Commission rules, nor frustrate or undermine policies and enforcement of the Act, do not require extensive review or expenditures of considerable resources by the Commission.¹² Further, no detailed showing of benefits is required for a proposed transaction

⁹ See 47 U.S.C. § 310(d).

¹⁰ See *Applications of T-Mobile License LLC and Cellco Partnership d/b/a Verizon Wireless for Consent to Assign Licenses*, Memorandum Opinion and Order and Declaratory Ruling, WT Docket No. 12-175, Para. 28 (rel. Aug. 23, 2012); see also *Applications of AT&T Inc. and Cellco Partnership d/b/a Verizon Wireless*, Memorandum Opinion and Order, 25 FCC Rcd 8704, 8716, Para. 22 (2010) ("AT&T/Verizon Order"); *Applications of AT&T Inc. and Centennial Communications Corp.*, Memorandum Order and Opinion, 24 FCC Rcd 13915, 13928, Para. 27 (2009) ("AT&T/Centennial Order").

¹¹ See, e.g., *AT&T/Centennial Order* at Para. 141; *Applications of Cellco Partnership d/b/a Verizon Wireless and Atlantis Holdings LLC for Consent to Transfer Control of Licenses, Authorizations, and Spectrum Manager and De Facto Transfer Leasing Arrangements*, Memorandum Opinion and Order and Declaratory Ruling, 23 FCC Rcd 17444, 17527-28, Para. 185 (2008) ("Verizon/ALLTEL Order"); *AT&T, Inc. and BellSouth Corporation Application for Transfer of Control*, Memorandum Opinion and Order, 22 FCC Rcd 5662, 5692, Para. 56 n.154 (2007).

¹² See *Applications of Tele-Communications, Inc. and AT&T Corp.*, Memorandum Opinion and Order, 14 FCC Rcd 3160, 3170, Para. 16 (1999); *Applications of Ameritech Corp., Transferor, and SBC Communications Inc., Transferee, to Consent to Transfer Control of Corporations Holding Commission Licenses and Lines*, Memorandum Order and Opinion, 14 FCC Rcd 14712, 14740-41, Paras. 52-54 (1998).

where the proposed transaction does not result in any anticompetitive effects.¹³ Specifically, where a merger will not reduce competition and the acquiring party possesses the requisite qualifications to control the licenses in question, a “demonstration that benefits will arise from the transfer is not . . . a prerequisite to our approval, provided that no foreseeable adverse consequences will result from the transfer.”¹⁴

As detailed herein, the proposed transaction involves well-qualified applicants and does not violate any specific provisions of the Communications Act, other applicable statutes, the Commission’s rules, or federal communications policy. Further, the proposed transaction not only does not give rise to any competitive harms, but affirmatively increases and promotes competition while bringing consumers a host of other public interest benefits. Accordingly, the Commission should move promptly to conduct its review and grant the Applications.

III. THE PROPOSED TRANSACTION WILL GENERATE SUBSTANTIAL PUBLIC INTEREST BENEFITS

The creation of Newco will result in a number of clear public interest benefits for customers of T-Mobile USA and MetroPCS, as well as wireless consumers as a whole. First, the proposed transaction will bring together two companies that, on their own, face challenges, and make them stronger, putting them in a better position to aggressively contend with the larger “nationwide” carriers, thereby promoting competition in the wireless marketplace. Second, the proposed transaction will enable broader and deeper deployment of higher quality LTE services, thereby addressing one of the challenges facing both companies. Third, the proposed transaction

¹³ See *Applications of Southern New England Telecomm. Corp. and SBC Communications Inc.*, Memorandum Opinion and Order, 13 FCC Rcd 21292, 21315, Paras. 45-46 (1998) (“*SNET/SBC Order*”).

¹⁴ *Applications of Pacific Telesis Group and SBC Communications Inc.*, Memorandum Opinion and Order, 12 FCC Rcd 2624, 2626-27, Para. 2 (1997) (“*PacTel/SBC Order*”); see also *Comcast Cellular Holdings, Inc. and SBC Communications, Inc.*, Memorandum Opinion and Order, 14 FCC Rcd 10604, 10608-09, Para. 9 (WTB 1999) (“*Comcast/SBC Order*”).

will generate substantial projected network and non-network synergies of \$6-7 billion on a net present value (“NPV”) basis, thereby enabling Newco to continue and enhance the tradition of MetroPCS and T-Mobile USA offering customers better value for their money. As detailed below, these transaction-specific benefits will help the combined company compete more effectively and benefit both its current and future customers.

A. Newco Will Strengthen Competition in the Wireless Marketplace

The proposed transaction will enhance competition in several key ways. First, Newco will be in a stronger position to compete more aggressively and effectively against its three larger wireless rivals, each of which has substantially larger market share, revenue, earnings, cash flow and customer base. Second, Newco plans to retain and expand the MetroPCS brand and service in order to bring MetroPCS’ compelling, unlimited, flat rate, no long-term contract offerings to new cities and to provide many value-driven customers with increased options. Third, Newco will be able to achieve more efficient use of spectrum and greater economies of scale than either constituent company is able to achieve on its own. This will bring substantial benefits to existing customers of both T-Mobile USA and MetroPCS, who will experience more robust service and innovative options. The strength of the enhanced offerings will in turn spur competitive responses from all other providers, including the larger nationwide carriers, increasing overall wireless competition.

1. The Proposed Transaction Will Enable Newco to Compete More Aggressively Against the Three Larger Nationwide Wireless Providers, Increasing Competition in the Marketplace as a Whole

a. Challenges Facing T-Mobile USA Today

T-Mobile USA trails the larger “nationwide” carriers in market share, service revenue, and market capitalization—in some cases by a significant margin. In the *Fifteenth Wireless Competition Report*, the Commission found that AT&T and Verizon Wireless each accounted for

over 30 percent of subscribers at the end of 2010; Sprint's share was 16 percent; and T-Mobile USA's share was 11 percent.¹⁵ And, T-Mobile USA's share of the market has decreased since then—its current share of subscribers was recently estimated at 9.9 percent.¹⁶ A comparison of service revenues with the other nationwide carriers reflects a similar imbalance. In the second quarter of 2012, AT&T and Verizon Wireless earned more than three times, and Sprint almost double, the amount of service revenue that T-Mobile USA earned.¹⁷ And while Verizon Wireless, AT&T, and Sprint all experienced year-over-year growth in wireless service revenues, T-Mobile USA was the only provider to see a decline over the same period.¹⁸

As a result, T-Mobile USA's current ability to exert competitive pressure on its larger competitors is constrained. Its smaller scale also puts it at a significant cost disadvantage to its three nationwide rivals because T-Mobile USA must allocate the largely fixed costs of its

¹⁵ See *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions with Respect to Mobile Wireless, including Commercial Mobile Services*, Fifteenth Report, 26 FCC Red 9664, 9796 Para. 214 (2011) ("*Fifteenth Wireless Competition Report*").

¹⁶ Bank of America Merrill Lynch 2Q12 US Wireless Matrix (Aug. 17, 2012).

¹⁷ In the second quarter of 2012, T-Mobile USA earned \$4.4 billion in service revenue. Press Release, T-Mobile USA, "T-Mobile USA Reports Second Quarter 2012 Operating Results" (Aug. 9, 2012), *available at* <http://newsroom.t-mobile.com/articles/t-mobile-usa-reports-second-quarter-2012-operating-results>. In comparison, Verizon Wireless earned \$15.8 billion in service revenue and AT&T earned \$14.8 billion in wireless service revenue in the same period. Press Release, Verizon Wireless, "Verizon Reports Continued Double-Digit Earnings Growth and Strong Operating Cash Flow in Second-Quarter 2012" (Jul. 19, 2012), *available at* <http://news.verizonwireless.com/news/2012/07/pr2012-07-19.html>; Press Release, AT&T, "AT&T Reports 10 Percent Earnings Growth, Strong Revenue and Margin Gains and Best-Ever Wireless Margins and Churn in Second-Quarter Results" (Jul. 24, 2012), *available at* <http://www.att.com/gen/press-room?pid=23091&cdvn=news&newsarticleid=34898>. For its part, Sprint earned \$7.3 billion for the same period. See Press Release, Sprint, "Sprint Nextel Reports Second Quarter 2012 Results and Updates Full Year Forecast" (Jul. 26, 2012), *available at* http://newsroom.sprint.com/article_display.cfm?article_id=2340.

¹⁸ Verizon Wireless had +7.3 percent growth in wireless service revenue from the second quarter of 2011 to the second quarter of 2012, while AT&T had +4.8 percent, and Sprint had +8%. T-Mobile USA had -5.2% year-over-year growth during that same period. Bank of America Merrill Lynch 2Q12 US Wireless Matrix *supra* note 16.

network over a smaller subscriber base, so its costs-per-subscriber are higher than its larger competitors.¹⁹ Scale also plays a role with respect to equipment and handset purchases, capital formation, and other operational costs.

Further, a high-performance, national 4G LTE network is essential to compete effectively in the wireless broadband marketplace. The 4G LTE air interface delivers a number of network improvements in spectral efficiency, delivered network speeds, capacity and latency that are necessary to manage the explosive growth in demand from wireless customers for data services. Moreover, access to sufficient spectrum is critical to ensure a competitive 4G LTE service. T-Mobile USA has faced significant spectrum challenges in deploying advanced technology that have caused it to defer offering 4G LTE until next year. It thus will lag behind the 4G LTE deployments of its larger rivals, which could cause T-Mobile USA to suffer further in comparison to them.²⁰ While T-Mobile USA's current more limited spectrum holdings (including the "break up" spectrum acquired from AT&T earlier this year and the spectrum recently acquired from Verizon Wireless) allow it to proceed with its initial 4G LTE rollout, there are still areas in its footprint that will be limited to a 5 x 5 MHz deployment. Moreover, T-Mobile USA's existing spectrum resources will not be adequate to keep pace with demand in the longer term,²¹ which could mean that over time its LTE services will compare unfavorably to those of its larger nationwide competitors.

¹⁹ Declaration of Peter Ewens, at Paras. 5-7, attached as Attachment 1 ("Ewens Decl.").

²⁰ *Id.* at Para. 7.

²¹ Declaration of Mark McDiarmid at Para. 11, attached as Attachment 2 ("McDiarmid Decl.").

b. The Proposed Transaction Will Address the Competitive Challenges Faced by T-Mobile USA

The proposed transaction offers transaction-specific benefits which will help alleviate many of the restraints on T-Mobile USA's ability to compete effectively against its larger rivals. Newco will have expanded scale, spectrum and financial resources over T-Mobile USA today. These resources will enable Newco to expand its geographic coverage, improve its in-building penetration, broaden choice among all types of customers and continue to innovate by accelerating its next-generation 4G LTE network, thus enabling Newco to be a stronger and more stable competitor. In short, the proposed transaction will begin narrowing the distance between Newco and its larger nationwide rivals, AT&T, Verizon Wireless and Sprint.²²

As a starting point, the proposed transaction provides Newco with the ability to distribute the largely fixed costs of its network over a broader subscriber and customer base.²³ Accordingly, Newco should have a lower cost-per-subscriber than T-Mobile USA does today. With lower fixed costs per subscriber, Newco should generate greater earnings per customer and have greater pricing flexibility.²⁴ Both of these factors impact Newco's competitiveness compared to other nationwide carriers and Newco's ability to invest in next-generation LTE on a broad basis. Greater scale also means that the combined company's expenses and investments in innovation can be amortized over a larger customer base and product portfolio, which will allow the combined company to pass the benefits of increased scale on to its customers.²⁵

²² Based on the YE2010 in Table 3 of the *Fifteenth Wireless Competition Report*, T-Mobile USA has a 12.15 percent share of the users subscribed to nationwide carriers. Combining MetroPCS' customers, Newco will serve over 14 percent of the users subscribed to nationwide carriers. See *Fifteenth Wireless Competition Report* at Para. 31, Table 3.

²³ Ewens Decl. at Para. 11.

²⁴ *Id.*

²⁵ *Id.*

With respect to handsets, Newco will have improved access to the most in-demand devices and the ability to bring new devices to market at a lower cost, enticing consumers through wider choice and potentially lower prices.²⁶ By combining the two companies' extensive existing distribution channels, Newco also will enjoy a wider distribution scale and routes to market, making it more attractive to potential strategic and technology partners, including device or equipment manufacturers, content companies, or application developers.

Newco also will realize efficiencies as a result of the combined spectrum holdings that result from the proposed transaction. Newco will hold an average of 76 MHz in the top 25 CMAs—a 20.6 percent increase over T-Mobile USA's existing holdings. As detailed in Section III.B., the augmented spectrum holdings of Newco will allow it to address significant challenges facing both T-Mobile USA and MetroPCS in meeting rapidly increasing customer demands for capacity-hungry data services. Perhaps most importantly, combining this complementary spectrum will enable a broader, deeper, and higher capacity roll-out of 4G LTE services than either company could achieve on its own, including at least 20 x 20 MHz for 4G LTE in many areas. In addition, significant portions of the spectrum held by T-Mobile USA and MetroPCS are in adjacent bands in common markets, especially in the advanced wireless services ("AWS") band. As a result, the proposed transaction provides a unique benefit of allowing Newco to make more efficient use of the combined spectrum by realizing the benefit of statistical multiplexing and eliminating the guard bands between the adjacent channels.²⁷ This will improve the efficiency of spectrum utilization and the speed, quality, capacity and robustness of Newco's wireless offerings, as well as enable the combined company to advance its business-to-business

²⁶ *Id.* at Paras. 23, 25.

²⁷ McDiarmid Decl. at Para. 8.

(“B2B”) offerings and mobile virtual network operator (“MVNO”) platform. All of these benefits will enable Newco to compete more effectively.

The proposed transaction also will provide Newco with increased financial flexibility and enhanced stability. As a public company, Newco will have direct access to the debt and equity capital markets, enabling it to obtain capital for growth more easily.²⁸ Newco is projected to have increased earnings before depreciation, interest and amortization (“EBITDA”) and improved free cash flow, both of which will enable it to attract capital in the future should Newco have the need.²⁹ The proposed transaction will also give Newco enhanced stability due to the substantial projected transaction specific cost synergies—anticipated to have a value of \$6-7 billion NPV.³⁰ All of these elements will enable Newco to have the ability and the incentive to be a disruptive force as a value leader among the nationwide carriers.

2. The Proposed Transaction Will Enable the Expansion of the MetroPCS Brand to New Areas, Increasing Competition in Many Localities

MetroPCS currently has a successful unlimited, flat rate, no long-term contract business model, providing popular offerings targeted at value-conscious consumers.³¹ In many of the nineteen major metropolitan areas where it operates, MetroPCS has realized significant market

²⁸ Ewens Decl. at Para. 13.

²⁹ T-Mobile USA and MetroPCS to Combine, Presentation, Neville Ray, “Creating the Value Leader in Wireless,” at Slide 6, 11 (Oct. 3, 2012) *available at* <http://www.telekom.com/pcs>.

³⁰ *Id.* at Slide 26; Ewens Decl. at Para. 14.

³¹ Declaration of Douglas S. Glen at Para. 4, attached as Attachment 3 (“Glen Decl.”); Press Release, MetroPCS Investor Relations, “MetroPCS Reports Second Quarter 2012 Results” (Jul. 26, 2012), <http://investor.metropcs.com/phoenix.zhtml?c=177745&p=irol-newsArticle&ID=1718673&highlight=> (noting that MetroPCS is the nation’s leading provider of no-annual contract, unlimited, flat-rate wireless plans). The Commission has recognized MetroPCS as fifth among the top 14 facilities-based wireless carriers. *See Fifteenth Wireless Competition Report* at Para. 31, Table 3.

penetration and strong growth, particularly during the first decade after its initial launch of service.³² In a few of these major metropolitan areas, MetroPCS is among the leaders in terms of customers, though MetroPCS remains a fairly small competitor nationally with about three percent market share.³³ Despite its success, because of a lack of available spectrum and the fact that the MetroPCS facilities-based business model is best suited in and around densely populated urban areas, MetroPCS has few opportunities to expand its business model to new major metropolitan areas beyond the footprint of its existing spectrum. Further, the substantial costs of obtaining spectrum and building infrastructure in new major metropolitan areas constrains the ability of MetroPCS to expand on a facilities-based basis to new urban areas it does not currently serve. MetroPCS' relatively limited spectrum holdings in its core major metropolitan areas also presents a challenge to MetroPCS' ability to meet its customers' growing demands for capacity-hungry data services.

MetroPCS' network deployment model is highly dependent on a few key market factors that must be present in any geographic area before the company can justify network deployment. As explained in the Glen Declaration, "[t]he wireless industry is characterized by relatively high sunk costs," and "the economics of the MetroPCS model are best suited to relatively dense, major metropolitan areas where the high sunk costs of establishing a network and distribution, and the initial operating losses associated with start-up operations, can be supported by the projected number of new subscribers."³⁴ Thus, while the MetroPCS business model works well

³² Glen Decl. at Para. 4. Joint Opposition of AT&T and T-Mobile USA, WT Docket No. 11-65 at 135 (June 10, 2011) (noting that AT&T responds "increasingly to MetroPCS" in markets where AT&T and MetroPCS compete against one another).

³³ Glen Decl. at Para. 4. Joseph Palenchar, TWICE, "T-Mobile, MetroPCS See Seamless Transition," *available at* <http://www.twice.com/articletype/news/t-mobile-metropcs-see-seamless-transition/103433> (last visited Oct. 16, 2012).

³⁴ Glen Decl. at Para. 5.

in dense urban cores, the same business model would face extreme challenges in the hundreds of small and mid-sized cities currently served by the larger nationwide carriers.

In fact, MetroPCS on its own is unlikely to expand its facilities-based business model beyond its existing spectrum footprint. MetroPCS has engaged in a clustering strategy where it supplements its service to dense, urban major metropolitan areas with coverage in adjacent smaller metropolitan areas that have a business or economic affinity to the large, nearby metropolitan area. In essence, smaller metropolitan areas can be served most economically using MetroPCS' business model when there is a synergistic urban metropolitan area. As noted in the Glen Declaration, "[b]ecause a number of mid-sized cities lack a dense urban core or a nearby dense, urban major metropolitan area, expansion of the MetroPCS wireless network into a number of mid-sized cities without a dense, urban core is unlikely to yield a sufficient return to justify the substantial investment."³⁵ As such, the economics of the vast majority of geographic areas in the United States outside MetroPCS' existing spectrum footprint would not be likely to support the MetroPCS business model on a standalone basis.

This problem is further exacerbated by the lack of spectrum to expand into major metropolitan areas where MetroPCS' facilities-based business model could be successful. For example, MetroPCS participated in Auction 73 in 2008, but was able to acquire only a 6 x 6 MHz channel in the Boston area, despite the fact that it had additional funds available to spend.³⁶ Since late 2009, MetroPCS consistently has sought to obtain additional spectrum at sustainable prices in additional major metropolitan areas through private transactions, but has been unsuccessful.³⁷ MetroPCS was able to raise in the public capital markets approximately \$1

³⁵ *Id.*

³⁶ *Id.* at Para. 6.

³⁷ *Id.*

billion in incremental funding in 2011, providing the company with the ability to spend up to \$1.5 billion to acquire more spectrum. However, it has been unable to acquire available spectrum that meets its needs and “pencils out” as a good investment.³⁸ Thus, other than incremental expansion around existing densely populated metropolitan areas, MetroPCS does not currently have plans to expand beyond its existing spectrum footprint.³⁹

Within the areas in which it has deployed service, MetroPCS also faces challenges to its ability to grow and offer innovative services and plans as a result of its relatively limited spectrum holdings. Absent the instant transaction, MetroPCS faces capacity constraints in the near term that may significantly curtail its ability to continue its unlimited services model for data services, and limit MetroPCS’ ability to compete against larger rivals with access to greater spectrum and resources.⁴⁰ As detailed in Section III.B.2., MetroPCS is already intensively using its spectrum in all of its launched and covered metropolitan areas, and, on its code division multiple access (“CDMA”) networks, has in the past experienced capacity problems in a number of them.⁴¹ In a number of areas, MetroPCS was required to reassign spectrum back from LTE to CDMA/Evolution-Data Optimized (“EvDO”) in order to meet customer needs, which reduced the size of the channels dedicated to LTE.

In addition to affecting the capacity of its LTE network, this reassignment also increases the issues and costs associated with future refarming to deploy LTE. Because of MetroPCS’ relatively small spectrum holdings in its major metropolitan areas and the relatively high utilization of its networks for CDMA/EvDO, MetroPCS generally has deployed LTE in smaller

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.* at Para. 9.

⁴¹ *Id.*

spectrum blocks than its competitors. Narrow LTE deployments—such as MetroPCS’ 1.4 x 1.4 MHz deployment—have far less capacity and speed than LTE deployments over larger blocks of spectrum. As a result, the speeds and capacity that MetroPCS is presently able to offer its data customers over its LTE network in its narrow LTE deployment cities are significantly lower than its more spectrum-rich competitors.⁴² Absent access to additional spectrum for LTE deployment and expansion into additional major metropolitan areas, MetroPCS will be unable to deploy a competitive LTE network or grow its existing LTE deployment beyond its existing major metropolitan areas. Furthermore, MetroPCS has insufficient spectrum resources to re-purpose its existing spectrum to higher-efficiency LTE deployments without risking reduced performance to its existing customers.⁴³

MetroPCS’ challenges with respect to spectrum should be well known to the Commission. MetroPCS has been on record at the FCC for years indicating that it has a critical need for additional spectrum, both to improve and expand service offerings in its existing service areas and to extend service to other major metropolitan areas that are well-suited to the MetroPCS business model.⁴⁴

The challenges MetroPCS faces are further exacerbated by the lack of affordable 4G LTE handsets. MetroPCS’ business model does not contemplate substantial subsidies for the sale of handsets. Because of the need for lower cost handsets and its CDMA/EvDO technology choice, MetroPCS’ handset line-up historically has been more limited than its larger competitors, and it does not have certain iconic handsets, such as the Apple iPhone.⁴⁵ In the meantime, the

⁴² *Id.*

⁴³ *Id.* at Para. 11.

⁴⁴ *Id.* at Para. 8.

⁴⁵ *Id.* at Para. 10.

proliferation of smartphones has caused the price of handsets to rise. In order for MetroPCS customers to be in a position to take full advantage of MetroPCS' LTE network, they need access to low cost LTE handsets, which has been a challenge.⁴⁶ Because of this, MetroPCS has placed a number of smartphones on its lower speed CDMA/EvDO network, which has increased its capacity limitations.⁴⁷

Another challenge MetroPCS faces is that wireless customers have come to expect seamless nationwide voice and data services.⁴⁸ Such an offering is a prerequisite to competing effectively in the wireless marketplace.⁴⁹ MetroPCS lacks its own nationwide spectrum footprint or network.⁵⁰ As a result, MetroPCS must provide its nationwide service—"Metro USA"—to customers through a combination of its own network and a series of strategic voice and data roaming agreements with its larger competitors.⁵¹ This has become increasingly difficult given recent wireless industry consolidation.⁵² For a long time, MetroPCS has publicly advocated the importance of nationwide voice and data roaming to MetroPCS and its customers and the need for access at reasonable prices to voice and data roaming arrangements.⁵³ Nevertheless,

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ *Id.* at Para. 12.

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.*

⁵³ *See, e.g.,* Reply Comments of MetroPCS Communications, Inc. on the Second Further Notice of Proposed Rulemaking, WT Docket No. 05-265 (filed Jul. 12, 2010); Comments of MetroPCS Communications, Inc. on the Second Further Notice of Proposed Rulemaking, WT Docket No. 05-265 (filed Jun. 14, 2010); Reply Comments of MetroPCS Communications, Inc., WT Docket No. 05-265 (filed Nov. 28, 2007); Comments of MetroPCS Communications, Inc. on the Further Notice of Proposed Rulemaking, WT Docket No. 06-265 (filed Oct. 29, 2007);

reasonably-priced voice, and particularly data, roaming arrangements have been extremely difficult to obtain, despite the existence of certain FCC rules designed to increase the availability of roaming services. As a result, it is significantly more expensive and difficult for MetroPCS to provide nationwide service to its customers than it is for carriers that possess their own nationwide networks.⁵⁴ Having access to the combined networks contemplated by this proposed transaction will allow MetroPCS to offer its customers a nationwide, “in network” experience—which will make its service more competitive with that of the larger carriers.⁵⁵

MetroPCS’ smaller size also subjects it to difficulties in obtaining the most attractive wireless handset offerings at the lowest prices. MetroPCS has publicly discussed the importance of scale to allowing carriers to acquire state-of-the-art handsets at reasonable prices. While nationwide carriers are able to leverage their large customer bases to obtain lower prices on wireless devices and, in a number of cases, exclusivity, MetroPCS’ relatively smaller customer base does not allow it to take the same advantage economies of scale or to get access to many “cutting edge” or iconic handsets.⁵⁶ Even when it can obtain feature-rich handsets, it generally must pay a higher per unit price than its competitors.⁵⁷ In addition, handset manufacturers ordinarily direct their time and attention towards developing handsets for the largest carriers, and consequently MetroPCS generally finds itself obtaining the latest handsets only after the largest carriers’ demands have been satisfied, on a postponed basis for MetroPCS’ customers.⁵⁸

Comments of MetroPCS Communications, Inc. on the Notice of Proposed Rulemaking, WT Docket Nos. 00-193 and 05-265 (filed Nov. 28, 2005).

⁵⁴ Glen Decl. at Para. 12.

⁵⁵ *Id.*

⁵⁶ *Id.* at Para. 13.

⁵⁷ *Id.*

⁵⁸ *Id.*

The proposed transaction will directly address these problems. Because T-Mobile has an existing nationwide network infrastructure, the combined company will be positioned to establish MetroPCS branded distribution in many new cities where the population density may not otherwise justify the capital requirements of building a new stand-alone, greenfield network.⁵⁹ Because the costs of expansion would be dramatically lower, the prospects for profitable distribution of MetroPCS products and services in these smaller cities would be substantially higher.⁶⁰ MetroPCS will be able to take advantage of the existing nationwide T-Mobile network at incremental cost, which will increase the number of metropolitan areas in which the MetroPCS business model can be successfully deployed.⁶¹

DT and T-Mobile USA are fully behind the MetroPCS expansion plan and Newco's proposed management has already indicated it plans not only to maintain the MetroPCS brand, but introduce it to other metropolitan areas across the country.⁶² The proposed expansion combined with MetroPCS' proven track record will expand the breadth and quality of competition around the country. MetroPCS has already shown that it can take on industry leaders where it provides service. As a result, consumers in those areas will gain access to a variety of additional, popular offerings that they cannot access today, particularly ones targeted to value-conscious consumers. The expansion of the MetroPCS offerings will plainly increase competition in these areas and benefit the consumers who live in them.

⁵⁹ *Id.* at Para. 20.

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² *See id.* at Para. 15; Press Release, T-Mobile USA, "T-Mobile USA and MetroPCS to Combine, Creating Value Leader in U.S. Wireless Marketplace" (Oct. 3, 2012), *available at* <http://newsroom.t-mobile.com/articles/t-mobile-metropcs-combine>.

Even within MetroPCS' existing service areas, the proposed transaction will strengthen competition by improving the speed, quality and robustness of the company's current service offerings, providing access to a nationwide LTE network, and at the same time enabling the introduction of new, innovative services and plans.⁶³ MetroPCS customers also will have access to the T-Mobile USA HSPA+ network which, although not as fast as an optimally deployed LTE network, provides a better customer experience and greater data speeds than does CDMA/EvDO and some narrow LTE deployments.⁶⁴ Because 60-65 percent of MetroPCS' customer base upgrades its handset each year, MetroPCS expects most of its customers to have migrated to the T-Mobile USA network within the first year after the transaction closes.⁶⁵ T-Mobile USA's network will provide greater spectrum depth (meaning a more efficient LTE deployment and greater download speeds); a nationwide, rather than regional, LTE footprint; and greater access to high bandwidth backhaul. These efficiencies will lead to a better experience for MetroPCS customers, and a more compelling value proposition for prospective customers.⁶⁶

Access to T-Mobile USA's nationwide network also will allow MetroPCS customers to substantially reduce their reliance on voice and data roaming arrangements with other carriers, meaning more seamless coverage, dramatically reduced roaming costs to MetroPCS and its customers, and more reliable service.⁶⁷ In addition, customers who relocate from existing MetroPCS metropolitan areas will be able to keep their MetroPCS service—something that is not

⁶³ Glen Decl. at Para. 9.

⁶⁴ *Id.* at Para. 19.

⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ *Id.* at Para. 16.

possible now if a customer relocates to a non-MetroPCS metropolitan area.⁶⁸ Further, the proposed transaction will allow MetroPCS to offer customers a comparable service experience, especially for data services, no matter where they are, which will make its nationwide service more competitive with those offered by its larger nationwide rivals.

3. Customers of Both Companies Will Benefit from Newco's Improved Offerings.

The proposed transaction will also enable substantial improvements to the services offered by both T-Mobile USA and MetroPCS, bringing important public interest benefits to customers of both companies through expanded, higher quality service and appealing, value-focused offerings. By combining the strengths of T-Mobile USA and MetroPCS, Newco will deliver a full range of offerings to customers seeking high capacity, fast and reliable mobile wireless service, and the latest handsets, especially to value-conscious consumers and customers interested in “spend control”—the ability to know exactly what they are paying for and getting, with no surprises. These improved, enticing offerings will not only benefit current T-Mobile USA and MetroPCS customers but also likely spur responsive offerings from Newco's competitors, thus increasing competition in the wireless marketplace as a whole.

a. MetroPCS Customers Will Experience Improved Services and Options—Many at No Additional Cost

After consummation, MetroPCS customers will have a broader array of device, application and plan options, and will not have to change carriers if they move out of the prior MetroPCS footprint.⁶⁹ Promptly after closing, MetroPCS customers also will have access to T-Mobile USA's HSPA+ network should they choose to upgrade their handsets.⁷⁰ The T-Mobile

⁶⁸ *Id.*

⁶⁹ Ewens Decl. at Para. 25.

⁷⁰ Glen Decl. at Para. 19.

USA HSPA+ network, although not as fast as an optimally deployed LTE network, provides a better customer experience and greater data speeds than does CDMA/EvDO⁷¹ or the narrow LTE deployments MetroPCS has been forced to use in some of its spectrum constrained markets.⁷²

In the long term, MetroPCS customers in many areas will have access to at least a 20 x 20 MHz LTE network configuration, which will substantially increase the capacity and robustness of the services being delivered and which MetroPCS could not achieve on its own (even after refarming) in many of its metropolitan areas due to its lack of spectrum.

The proposed transaction additionally will provide MetroPCS' customers with expanded and more seamless service in several additional ways:

- Access to a much larger facilities-based footprint (that of the T-Mobile USA network) without having to roam on another carrier's network;⁷³
- Access to a wider variety of devices at better prices, including lower cost GSM, HSPA+ and LTE handsets that enjoy scale advantages and more options than CDMA/EvDO devices;⁷⁴

⁷¹ See Phil Goldstein, "Report: T-Mobile's HSPA+ almost as fast as AT&T's LTE", FierceWireless (Sept. 11, 2011), *available at* <http://www.fiercewireless.com/story/report-t-mobiles-hspa-almost-fast-atts-lte/2012-09-11>; Sascha Segan, "Fastest Mobile Networks 2012", PCMag.com (June 18, 2012), *available at* <http://www.pcmag.com/article2/0,2817,2405596,00.asp> (finding that T-Mobile USA's HSPA+ network performs strongly against competitors' LTE networks and that T-Mobile USA has the most expansive rural/suburban coverage). The Commission has also acknowledged that MetroPCS is "unable to offer speeds that match those of other providers' LTE and HSPA+ networks" due to its spectrum constraints. Bureau Staff Analysis and Findings at Para. 64, appended to *Applications of AT&T Inc. and Deutsche Telekom AG*, Order, 26 FCC Rcd 16184, WT Docket No. 11-65 (WTB 2011) ("Staff Report").

⁷² Glen Decl. at Para. 19.

⁷³ *Id.* at Para. 16.

⁷⁴ *Id.* at Para. 15. Currently, "MetroPCS' relatively smaller customer base does not allow it to take the same advantage of economies of scale or to get access to many 'cutting edge' or iconic handsets" and "[MetroPCS] generally must pay a higher per unit price than its competitors or wait for a period of time during which one of its rivals has an exclusive handset arrangement." *Id.* at Para. 13.

- The ability to bring a customer's own device to Newco's network—including the iPhone (an option not available on CDMA/EvDO networks like the one operated by MetroPCS);⁷⁵
- The ability to broadly roam internationally for the first time, upon switching to a GSM-based device;⁷⁶
- The ability to retain MetroPCS-branded service when moving out of the company's current nineteen metropolitan area service footprint;⁷⁷ and
- The option to migrate to contract plans and still be served by the same carrier.⁷⁸

Because Newco will be able to sell service under the MetroPCS brand nationally, MetroPCS-branded services will be able to be sold in additional locations and through additional distribution channels. This will increase MetroPCS' distribution density and enhance customer convenience, as customers will have the option to purchase MetroPCS services more widely across the country. Finally, current MetroPCS customers will receive the benefits of an expanded and enhanced network without an increase in price of their existing service plans.⁷⁹

b. T-Mobile USA Customers Also Will See Substantial Benefits

The proposed transaction will deliver significant benefits to T-Mobile USA customers. Importantly, by combining the spectrum and network assets of T-Mobile USA and MetroPCS, the proposed transaction will alleviate impending congestion in a number of areas, thereby improving customers' service quality. As detailed in Section III.B., the increase in aggregate spectrum as a result of the proposed transaction will allow Newco ultimately to deploy at least 20 x 20 MHz blocks for LTE in many areas, providing T-Mobile USA customers with deeper LTE coverage in those areas and yielding faster data speeds, lower latency and greater capacity.

⁷⁵ *Id.* at Para. 16. MetroPCS customers currently do not have access to the iPhone.

⁷⁶ *Id.* at Para. 15.

⁷⁷ *Id.*

⁷⁸ Ewens Decl. at Para. 25.

⁷⁹ *Id.* at Para. 27.

T-Mobile USA customers located in MetroPCS' current service areas will also see service coverage and quality improvements through the incorporation of MetroPCS' extensive distributed antenna system ("DAS") sites, as well as numerous macro sites, into the combined company's network. As a result, T-Mobile USA customers will experience fewer dropped and blocked calls and improved in-building coverage. As a pioneer in DAS and small cell technology, MetroPCS has specialized expertise in deploying and managing such sites to improve service in urban markets. Going forward, Newco can utilize MetroPCS' expertise in this area, which will help ensure that customers of the combined company continue to benefit from innovations with respect to DAS and small cell technology. Significantly, all of the benefits of the proposed transaction will be available to T-Mobile USA customers without having to change devices or rate plans.

Additionally, the proposed transaction will benefit T-Mobile USA customers by affording them better access to the latest LTE-compatible handsets and devices at reasonable prices.⁸⁰ As discussed in Section III.A.1. above, Newco's enhanced scale will give it more purchasing power and improve its negotiating position, which should improve its ability to make available a wide variety of popular handsets and other devices. Improving the scope and quality of its device line-up will provide another avenue through which T-Mobile USA can more effectively compete with the other larger nationwide rivals.

Given the highly competitive nature of the retail wireless marketplace, these numerous benefits that will be realized by the customers of both T-Mobile USA and MetroPCS will undoubtedly spur responsive offerings from Newco's competitors and improvements to their

⁸⁰ *Id.* at Para. 23.

service offerings. As a result, the proposed transaction ultimately benefits all wireless consumers by increasing competition overall.

B. The Proposed Transaction Will Enable a More Robust Deployment of Higher Quality LTE Services

Consumer demand for wireless broadband services is exploding, and for this reason a deep, broad LTE network has become a competitive imperative. Cisco has predicted that, between 2011 and 2016, global mobile data traffic will increase 18-fold and will grow three times faster than fixed IP traffic during that period.⁸¹ Americans used more than 1.1 trillion megabytes of data from July 2011-June 2012, which was an increase of 104 percent over the previous twelve months.⁸² In the United States, 54.9 percent of mobile users owned smartphones as of June 2012, and in the second quarter of 2012 two-thirds of Americans who acquired a new mobile phone chose a smartphone instead of a feature phone.⁸³ Smartphone sales now exceed personal computer (“PC”) sales, and analysts project that wireless tablet sales will outsell PCs by 2015.⁸⁴ Indeed, there are now more active mobile devices than there are people in the United States.⁸⁵

⁸¹ See Cisco, *The Zettabyte Era* (May 30, 2012), *available at* http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/VNI_Hyperconnectivity_WP.pdf.

⁸² Press Release, CTIA, “Consumer Data Traffic Increased 104 Percent According to CTIA—The Wireless Association” (Oct. 11, 2012), *available at* <http://ctia.org/media/press/body.cfm/prid/2216>.

⁸³ Nielsonwire, “Two Thirds of New Mobile Phone Buyers Now Opting for Smartphones” (July 12, 2012), *available at* http://blog.nielsen.com/nielsenwire/online_mobile/two-thirds-of-new-mobile-buyers-now-opting-for-smartphones/.

⁸⁴ See Julius Genachowski, Chairman, FCC, Prepared Remarks to International CTIA Wireless 2012 at 2 (May 8, 2012), *available at* http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-313945A1.pdf.

⁸⁵ See *id.*

As summarized earlier in this document, the integration of the MetroPCS and T-Mobile USA cell sites and DAS networks will provide increased network density, improved coverage (both indoor and outdoor), and greater capacity in key urban areas, enabling Newco to keep up with the growing demand for wireless data services and to provide an improved customer experience. The result will be a combined company that is better equipped to compete with its larger nationwide rivals in ways that MetroPCS or T-Mobile USA could not accomplish on a standalone basis. This section explains in more detail how the integration of these two complementary sets of cell sites and DAS networks will allow for a more efficient build-out and expand LTE depth and quality for Newco, leading to the provision of innovative new services, and reducing the risks currently facing MetroPCS' and T-Mobile USA's individual networks.

1. The Combination of T-Mobile USA's and MetroPCS' Resources, Spectrum, and Infrastructure Will Result in a More Extensive and Effective LTE Rollout.

By combining the resources of T-Mobile USA and MetroPCS, Newco can deploy LTE more efficiently and effectively than either company could on its own. First, Newco will benefit from having an increased average spectrum depth, which will enable the company to deploy LTE with improved capabilities and on a more cost effective basis. Second, Newco can deploy spectrum investments more productively due to the complementary nature of both companies' spectrum resources. Third, the high adjacency of AWS spectrum between T-Mobile USA and MetroPCS allows the combined company to make more efficient use of its spectrum by eliminating the guardband between the two companies' spectrum holdings. Fourth, the integration of selected MetroPCS cell sites (including DAS) into T-Mobile USA's network will result in substantial capacity and coverage gains. As a result, Newco will be able to deploy an optimal LTE network in many more areas than either T-Mobile USA or MetroPCS could do individually.

Post-transaction, Newco will have an average spectrum depth of 76 MHz in the top 25 major metropolitan areas—an increase of 20.6 percent over T-Mobile USA’s existing holdings. The companies’ combined AWS spectrum will also allow for at least 20 x 20 MHz LTE deployments in many major metropolitan areas,⁸⁶ enabling Newco to be a disruptive force among the nationwide carriers. The FCC describes the advantages of using 20 MHz of contiguous spectrum as “further increas[ing] spectral efficiency and network capacity, while letting the user experience higher data rates.”⁸⁷ Using 20 x 20 MHz blocks, carriers also can approximately double the throughput rate of an LTE network over 10 x 10 MHz carriers.⁸⁸ In fact, the Commission has found that “the capacity with a single 2 x 20 MHz carrier is 20 percent higher than with two 2 x 10 MHz carriers.”⁸⁹ 4G LTE represents a significant improvement in spectral efficiency over previous technologies, and is even more spectrally efficient with wider channels.⁹⁰ Further, this spectrum depth will support the combined company’s ability to offer unlimited data plans, a key competitive differentiator.

Operating LTE in contiguous spectrum has several advantages over the use of carrier aggregation. As explained in the McDiarmid Declaration, access to contiguous spectrum alleviates the need to rely on specialized carrier aggregation technology that is not fully

⁸⁶ For example, the transaction will result in the combined company holding sufficient AWS spectrum to launch 20 x 20 MHz LTE systems in such high traffic urban areas as Boston, Dallas, Las Vegas, Los Angeles, New York, and Philadelphia. McDiarmid Decl. at Para. 25.

⁸⁷ FCC, *The Broadband Availability Gap*, OBI Technical Paper No. 1, at 63 (April 2010) available at <http://www.broadband.gov/plan/broadband-working-reports-technical-papers.html>.

⁸⁸ 4G Americas, “Mobile Broadband Explosion: The 3GPP Wireless Evolution” at 48 (Aug. 2012) available at <http://www.4gamericas.org/documents/4G%20Americas%20Mobile%20Broadband%20Explosion%20August%2020121.pdf>.

⁸⁹ FCC, *The Broadband Availability Gap*, *supra* note 87 at 73.

⁹⁰ *Id.* at 56.

supported on current road maps from device and network vendors.⁹¹ Further, contiguous spectrum simplifies device and network equipment and leads to better battery life for consumers.⁹² Finally, contiguous spectrum provides uniformity in service and data speeds for subscribers by ensuring that the full mobile broadband pipe can be consistently utilized across the entire cell footprint.⁹³

Not only will the proposed transaction provide the combined company with critical spectrum resources, but Newco also will be able to deploy spectrum investments more efficiently than MetroPCS or T-Mobile USA could independently, minimizing the costs, time, and risks associated with developing new spectrum. A key benefit of the proposed transaction is that the mobile spectrum of T-Mobile USA and MetroPCS is highly complementary—the overwhelming majority of both Applicants’ spectrum holdings are in the AWS and Broadband PCS bands and, in many cases, the blocks held by each are adjacent to one another,⁹⁴ which affords many opportunities for increased efficiency. For example, as described in the McDiarmid Declaration, Newco will also be able to capture spectrum efficiencies by freeing up spectrum capacity in the guard bands where the companies’ spectrum positions are adjacent.⁹⁵ For this reason, the addition of MetroPCS’ spectrum assets will provide a more spectrally efficient path to LTE for T-Mobile USA than would otherwise be possible.

In addition, following consummation of the transaction, key MetroPCS sites will be integrated into T-Mobile USA’s network, as well as the vast majority of MetroPCS’ DAS

⁹¹ McDiarmid Decl. at Para. 21.

⁹² *Id.* at Para. 22.

⁹³ *Id.* at Para. 23.

⁹⁴ T-Mobile USA holds a single cellular license, while MetroPCS holds a single 700 MHz A Block license.

⁹⁵ McDiarmid Decl. at Para. 8.

systems. Newco will be retaining approximately **[BEGIN HIGHLY CONFIDENTIAL]**
[END HIGHLY CONFIDENTIAL] MetroPCS cell sites as well as substantially all of MetroPCS' DAS systems. Retention of the DAS sites significantly improves the ability of Newco to meet the capacity needs of its customers as well as to improve in-building coverage. The DAS systems used by MetroPCS are in key areas, with dense population and heavy data traffic and, in some cases, areas where necessary zoning approvals are difficult to obtain. These are also areas where T-Mobile USA will first face capacity constraints.⁹⁶ The incorporation of these sites and DAS will thus provide substantial benefits to consumers that would not be possible without the creation of Newco. As a result, Newco will enjoy better network density in key urban areas due to all the network synergies that will be realized as a result of the proposed transaction.⁹⁷

By combining the companies' AWS spectrum resources, T-Mobile USA and MetroPCS will enhance their ability to compete with incumbent and emerging mobile broadband providers on 4G LTE quality, speed, and capacity, all of which are key metrics on which providers compete to attract and retain customers.⁹⁸ The additional network capacity created by the proposed transaction will enable greater growth potential by the combined company and will provide the opportunity to offer innovative new services and applications.

⁹⁶ McDiarmid Decl. at Para. 16.

⁹⁷ In such regards, while T-Mobile USA recently signed an agreement with Crown Castle for long term leasing of its tower assets, that deal does not alter T-Mobile USA's access to those towers or result in any reduction in the density of its network.

⁹⁸ McDiarmid Decl. at Para. 9.

2. The Proposed Transaction Will Address the Challenges Facing Each Applicant, Which Neither Company Could Do as Effectively on Its Own

In its assessment of the public interest benefits of a transaction, the Commission examines whether the combination of the Applicants creates public interest benefits which neither company could accomplish independently.⁹⁹ For MetroPCS, the proposed transaction will help the company address the current capacity and growth challenges presented by its customers' increased demand for wireless data and its limited amount of spectrum.¹⁰⁰ It also will address existing spectrum and economic limitations to expanding the MetroPCS brand geographically.¹⁰¹ Likewise, the proposed transaction will strengthen T-Mobile USA by addressing the company's impending capacity challenges in some areas and reducing the refarming complexities associated with deploying a robust and competitive LTE network. As such, it will bring benefits and efficiencies to both Applicants that neither company would be able to achieve alone.

a. The Proposed Transaction Will Address Strain on MetroPCS' CDMA/EvDO Network, Improving Service to Customers and Providing a Path for Growth

While MetroPCS is a leader in 4G LTE deployment,¹⁰² "MetroPCS faces capacity constraints in the near term that may significantly curtail its ability to continue its unlimited services model for data services, and limit MetroPCS' ability to compete against larger rivals

⁹⁹ See *Verizon Wireless/SpectrumCo Order* at Para. 95.

¹⁰⁰ See Glen Decl. at Para. 9.

¹⁰¹ See *id.* at Para. 5.

¹⁰² MetroPCS is a pioneer in the development of LTE networks, having launched the country's first 4G LTE network in 2010 and offering the world's first commercially available 4G LTE-enabled handset. See Press Release, MetroPCS Investor Relations, "MetroPCS Launches Commercial 4G LTE Services in the Dallas/Fort Worth Metroplex", (Sept. 29, 2010), *available at* <http://investor.metropcs.com/phoenix.zhtml?c=177745&p=irol-newsArticle&ID=1475926&highlight=>.

with access to greater spectrum and resources.”¹⁰³ This is due to the challenges faced in securing low cost LTE handsets,¹⁰⁴ the resulting growth in CDMA/EvDO data customers,¹⁰⁵ and its customers’ increasing use of CDMA/EvDO wireless data. The MetroPCS business model, which focuses primarily on unlimited voice, text and data, also subjects MetroPCS to particular spectrum challenges, especially in light of the explosion of wireless data consumption over the last several years.¹⁰⁶ MetroPCS’ unlimited service offerings tend to result in higher than average customer usage that exacerbates the need for more spectrum and magnifies the immediate benefits of the proposed transaction.¹⁰⁷ The paucity of spectrum on the secondary market and the current unavailability—and uncertain timeline for future availability—of additional wireless spectrum via auction, substantially reduces the ability of MetroPCS to be a disruptive force to the larger nationwide carriers.¹⁰⁸

At present, MetroPCS owns and controls substantially less wireless spectrum in each of its geographic service areas than other larger carriers.¹⁰⁹ For example, MetroPCS serves certain dense, urban major metropolitan areas with as little as 10 MHz of spectrum, and has, on average, only approximately 22 MHz of spectrum across each of the major metropolitan areas that it serves with its own network.¹¹⁰ This results, in those major metropolitan areas where MetroPCS has had a presence for several years, in MetroPCS having a substantially higher number of

¹⁰³ Glen Decl. at Para. 9.

¹⁰⁴ *See id.* at Para. 10.

¹⁰⁵ *See id.*

¹⁰⁶ *See id.* at Para. 7.

¹⁰⁷ *See id.*

¹⁰⁸ *See id.*

¹⁰⁹ *See id.*

¹¹⁰ *See id.*

subscribers per MHz of spectrum than do its competitors in those same major metropolitan areas.¹¹¹ MetroPCS is already fully using its spectrum in all of its launched and covered metropolitan areas, and is experiencing a spectrum crunch in most of those areas. As a result, in the majority of its major metropolitan areas, MetroPCS has deployed an LTE network over a relatively narrow band of spectrum, and still has experienced extensive consumer demand for this service. While certain nationwide carriers are deploying LTE networks over 5 x 5 MHz or larger spectrum blocks, “in many metropolitan areas MetroPCS has been forced to deploy its LTE network over a mere 1.4 x 1.4 MHz or 3.0 x 3.0 MHz of spectrum, which, in several cases, required concurrent refarming of existing spectrum,” putting MetroPCS at a competitive disadvantage against larger carriers.¹¹² These kinds of limited deployments “have far less capacity than LTE deployments over larger blocks of spectrum,” meaning “the speeds and capacity that MetroPCS is presently able to offer its data customers over its LTE network in its narrow LTE deployment cities are significantly lower than its more spectrum-rich competitors.”¹¹³ And, MetroPCS has insufficient spectrum to refarm to higher efficiency LTE without risking performance to its customers.¹¹⁴ Absent access to additional spectrum in these markets, MetroPCS will have a limited ability to act as a disruptive force in connection with 4G LTE services.

And, as previously noted, MetroPCS has other network-driven challenges as well. As documented in Section III.A.2., MetroPCS has been unable to secure additional spectrum which would allow it to expand into new areas, a number of metropolitan areas are ill-suited to

¹¹¹ *See id.*

¹¹² *Id.* at Para. 9.

¹¹³ *Id.*

¹¹⁴ *Id.* at Para. 11.

MetroPCS' facilities-based business model, and MetroPCS is heavily dependent upon roaming agreements. Not only will the proposed transaction address these challenges, it will give MetroPCS access to Newco's 4G HSPA+ and LTE network. T-Mobile USA's 4G HSPA+ network currently covers 224 million people, as compared to approximately 97 million covered pops for MetroPCS' 4G LTE network.¹¹⁵ Thus, this proposed transaction will enable MetroPCS customers, following normal handset upgrade cycles, to access the higher speed, broader HSPA+ network of Newco as well as the substantial and growing LTE network. T-Mobile USA expects that the data rates on the Newco LTE network will reach peak download rates of 150 Mbps with an average downlink rate of 30 Mbps and peak uplink rates of 50 Mbps with an average uplink rate of 20 Mbps. Additionally, Newco will continue to offer an HSPA+ service, which will achieve data rates of peak downlink rates of 42 Mbps with an average downlink rate of 11 Mbps and peak uplink rates of 5.8 Mbps with average uplinks of 1.25 Mbps. This level of mobile broadband performance represents a marked improvement for MetroPCS customers when they utilize the Newco network.¹¹⁶

b. The Proposed Transaction Will Strengthen T-Mobile USA Efforts to Deploy a Competitive LTE Network

T-Mobile USA also continues to experience greater demand for data-intensive services by its customers, as is true for all wireless providers.¹¹⁷ During the second quarter of 2012, T-

¹¹⁵ As of August 30, 2012. *See* Glen Decl. at Para. 3.

¹¹⁶ McDiarmid Decl. at Para. 25.

¹¹⁷ FCC, "Connecting America: The National Broadband Plan" at 84 (2010) *available at* <http://www.broadband.gov/plan> ("More bandwidth begets more data-intensive applications which begets a need for more bandwidth. Indeed, it is this virtuous cycle that has made broadband an innovation growth engine over the past decade—but also makes forecasting difficult.").

Mobile USA sold 2.1 million smartphones, a 31 percent year-over-year increase.¹¹⁸ As T-Mobile USA's customers have increasingly made use of bandwidth-intensive mobile data services, T-Mobile USA has seen a sharp increase in traffic on its network. Between January 2009 and January 2012, T-Mobile USA has seen the data demand increase by a multiple of **[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]** due to the introduction of smartphones and the development of widespread mobile broadband capability in the network.¹¹⁹ T-Mobile USA's current spectrum capacity modeling and exhaust projections may even be conservative, as they do not fully account for T-Mobile USA's recent introduction of a new unlimited voice and data plan. For this reason, T-Mobile USA requires additional spectrum and resources to deploy an LTE network that can accommodate consumer demand over time and enable T-Mobile USA to compete with its larger nationwide rivals.

It is indisputable that the deployment of a LTE network is a competitive imperative in the current wireless broadband environment. T-Mobile USA's LTE network deployment, however, would benefit from additional AWS and PCS spectrum to mitigate risks associated with the "refarming" process, and such additional spectrum resources will be provided in a significant number of major markets by the proposed transaction. Further, to create a long-term capacity increase on a wireless network sufficient to handle future growth, several elements are necessary: the use of more spectrally efficient technologies such as LTE, an increase in the amount of spectrum used, and a smaller cell radius. The proposed transaction will help to accomplish all three.¹²⁰

¹¹⁸ Press Release, T-Mobile USA, *supra* note 17.

¹¹⁹ McDiarmid Decl. at Para. 11.

¹²⁰ Notably, the transaction does not address all of Newco's challenges—the company will still require access to low band spectrum in order to efficiently serve rural areas, which it cannot do on a cost-comparable basis today as compared to other nationwide carriers.

T-Mobile USA is currently planning to roll out LTE by refarming its existing PCS and AWS spectrum assets. Specifically, it is migrating 3G and 4G HSPA+ customers to PCS frequencies previously used exclusively for 2G services to implement next generation LTE services in the AWS band. Once accomplished, such refarming could create a somewhat more competitive LTE network product, but the proposed transaction would mitigate inherent risks associated with such a deployment. Without this transaction T-Mobile USA must very carefully balance spectrum for each radio interface and, given fixed carrier sizes, there is a potential for compromised voice and data services as the existing network is migrated to LTE. The proposed transaction addresses this risk by providing more overall spectrum capacity, in particular for migration.

Finally, the integration of certain MetroPCS cell sites, DAS and small cells in key urban areas will result in greater network density, and will accomplish this goal far faster than either company could alone. By decreasing the average cell radius in these key, high traffic areas, Newco will experience significant and near-immediate capacity gains.¹²¹ Such gains could not be realized merely through adding towers, as building a new cell tower is a highly uncertain, lengthy process—especially in those areas where MetroPCS has deployed DAS. For the above reasons, the proposed transaction will enhance T-Mobile USA’s LTE deployment, and will help ensure that Newco will remain a strong LTE competitor in the years to come.

3. A Straightforward Migration Plan Will Enable the Rapid Realization of These Network Benefits

T-Mobile USA and MetroPCS plan a straightforward technology migration program that will allow for rapid expansion of capacity without customer disruption. This migration plan involves: (1) accommodating the use of LTE by MetroPCS’ existing LTE customers on the T-

¹²¹ McDiarmid Decl. at Para. 16.

Mobile USA network very soon after closing and (2) beginning distribution of MetroPCS-branded GSM/HSPA+/LTE handsets that operate on T-Mobile USA's network as soon as practical after closing.¹²² As traffic moves from MetroPCS' network to the T-Mobile USA-based Newco network, the spectrum used to support those customers will also move to the Newco network.

Further, T-Mobile USA and MetroPCS plan to sell new customers, and offer as an upgrade to existing MetroPCS CDMA/EvDO customers, services on T-Mobile USA's HSPA+ network. Newco plans to maintain its HSPA+ and GSM layers to accommodate legacy devices and services and promote continuity of service for GSM customers. T-Mobile USA anticipates that it will be able to allow MetroPCS customers to begin to migrate to the T-Mobile USA network promptly after the closing. Also promptly after closing, HSPA+ and LTE handsets usable on the existing T-Mobile USA network will be introduced into MetroPCS' distribution channels. Because historically 60-65 percent of MetroPCS' customer base upgrade their handset each year,¹²³ a large percentage of MetroPCS' existing CDMA/EvDO customers can quickly and naturally be migrated to the former T-Mobile USA network. Additionally, many existing MetroPCS LTE-capable devices can simply be reactivated on the Newco LTE network—without any handset change out because the two companies' bands are compatible and hence all MetroPCS handsets are already equipped to run on Newco LTE frequencies.¹²⁴ This will allow Newco to refarm the MetroPCS CDMA/EvDO spectrum as the number of customers falls over to either Newco's 4G LTE or HSPA+ network. Newco also contemplates the use of additional

¹²² *Id.* at Para. 17.

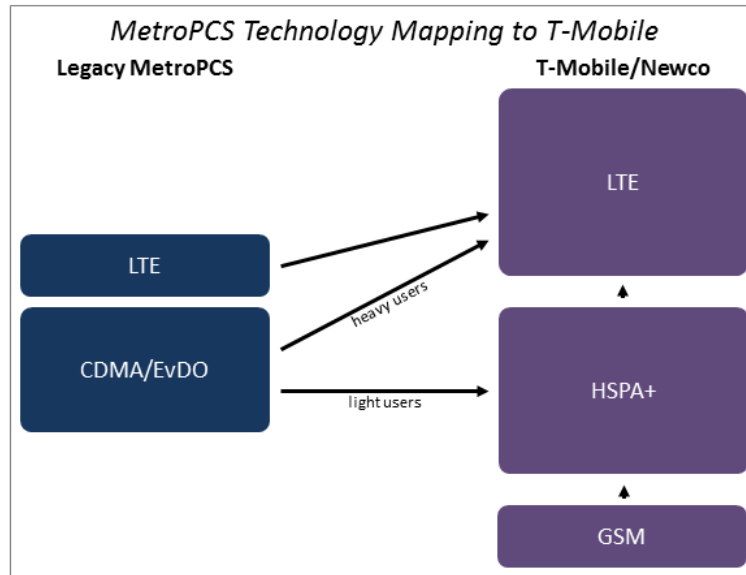
¹²³ Glen Decl. at Para. 19.

¹²⁴ McDiarmid Decl. at Para. 17.

customer incentives (toward the end of the migration period) in 2015 to ensure a final customer migration and has budgeted for such incentives.¹²⁵

This migration plan is shown in *Fig. 2* below:

Fig. 2: Technology Mapping



T-Mobile USA has done extensive traffic modeling to ensure that MetroPCS customers can be supported on T-Mobile USA's network during the transition.¹²⁶ Indeed, the MetroPCS retained sites that are provisioned with T-Mobile USA's air interfaces will play an important role in providing network capacity during this network migration. Because existing MetroPCS CDMA/EvDO customers who upgrade will have access to a wider selection of smartphones and a higher capacity and faster HSPA+ or 4G LTE network, Applicants expect that handset upgrades will be an attractive option to existing MetroPCS CDMA/EvDO customers, and that the customer migration will be complete by the second half of 2015.

¹²⁵ Ewens Decl. at Para. 27.

¹²⁶ McDiarmid Decl. at Para. 18.

Thus, the integration of cell sites (and DAS) and migration of customers is straightforward and is projected to be completed fairly rapidly without customer disruption. This is essential to enable Newco, the fourth largest competitor, to catch up with the three larger competitors who are already well out of the starting gates in deploying their LTE networks. Also essential is for the Applicants to be able to begin this process quickly. Newco plans ultimately to phase out MetroPCS' CDMA/EvDO network. Since MetroPCS continues to experience growth in its adoption of smartphones by existing CDMA/EvDO customers, prompt Commission approval of the proposed transaction will allow MetroPCS to accommodate this growth on the T-Mobile network and thus reduce the number of MetroPCS customers that must be migrated. In contrast, delay will mean that MetroPCS will be required needlessly to invest further in the CDMA/EvDO technology, which will be ultimately phased-out following closing. This will divert resources from new technologies that would allow the combined enterprise to compete more effectively. Rapid review and grant of the Applications is therefore requested and needed to ensure the benefits to MetroPCS customers and T-Mobile USA customers—and wireless customers generally—can be realized.

C. The Proposed Transaction Will Enable a Variety of Network and Non-Network Synergies

The combination of T-Mobile USA and MetroPCS into Newco will generate substantial and achievable synergies, projected to be \$6-7 billion NPV.¹²⁷ These synergies will enable Newco to compete more effectively and benefit both current and future customers. Network synergies will result from the integration of T-Mobile USA's and MetroPCS' networks and the elimination of duplicative cell sites and associated operational costs. The proposed transaction also will result in significant non-network synergies. The enhanced scale and integrated

¹²⁷ Press Release, T-Mobile USA, *supra* note 62; Ewens Decl. at Para. 14.

operations of Newco will permit the company to realize cost efficiencies that will free up financial resources, which Newco can use to invest back in its network and to innovate. The combined effect of these synergies will strengthen Newco as a competitor, lifting the level of competition in the marketplace as a whole.

1. The Proposed Transaction Will Result in Significant Network Synergies

The ability of Newco to easily and rapidly transition MetroPCS customers will generate substantial network synergies. By combining T-Mobile USA's and MetroPCS' spectrum, cell sites, and DAS, Newco can not only realize significant spectrum efficiencies, it also will be able to decommission duplicative cell sites and backhaul facilities. In total, the projected network synergies from combining the companies' cell sites and DAS are expected to yield \$5-6 billion NPV.¹²⁸

As discussed earlier, the combination of the companies' spectrum will give Newco greater spectrum depth, enabling it to provide more robust services to an increased number of customers. Retained MetroPCS cell sites and DAS will provide extra network capacity during integration. The additional capacity generated by the combined network makes possible substantial growth in customers and services that directly translates to an improved bottom line and reduces the need to invest in later expansion.

Integration of the two companies' cell sites and DAS will also generate additional significant synergies. As described in Section III.B. above, the combination of the T-Mobile USA and MetroPCS networks will enable a broader, more robust deployment of higher quality 4G LTE. As more customers are able to transition to a single 4G LTE network, Newco can eliminate the CDMA/EvDO network more rapidly and without adverse customer impact. Newco

¹²⁸ Ewens Decl. at Para. 15.

will go from supporting four different technologies to supporting GSM, HSPA+, and LTE—complementary technologies—which will reduce Newco’s network expenditures and greatly simplify the overall network architecture. MetroPCS’ transition to Newco’s network will also reduce MetroPCS’ roaming costs, for a projected run-rate savings of [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] per year.¹²⁹ The rapid transition to a single LTE network will result in projected savings of approximately \$5-6 billion NPV. In addition, both companies will save by eliminating future individual network builds.¹³⁰

The combination of the network assets of T-Mobile USA and MetroPCS is expected to result in additional cost savings that will free up resources for investment. One of the major network synergies involved in the proposed transaction is the decommissioning of overlapping cell sites and elimination of overlapping network functions. Newco’s target network will be anchored on T-Mobile USA’s cell site grid, supplemented with approximately [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] retained MetroPCS sites.¹³¹ All of MetroPCS’ DAS systems will be retained and upgraded to maintain coverage and capacity advantages, as discussed in detail above. Newco is expected to be able to eliminate approximately [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] redundant MetroPCS cell base station sites, generating substantial cost savings from the elimination of leases, backhaul, utilities, upgrades, maintenance and other recurring site-related expenses. The decommissioning of these cell sites will result in projected savings of [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] per year per site. Even when offset by the higher operating expenses

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ McDiarmid Decl. at Para. 16.

(“OPEX”) on retained and upgraded DAS and T-Mobile USA sites, this elimination will result in a projected annual run-rate synergy of between \$600-700 million by 2017.¹³² Decommissioning cell sites will enable Newco to serve an increased number of subscribers per site, meaning that the company will operate more efficiently while simultaneously providing more capacity and throughput to consumers.

Newco will also incur reduced tower lease expenses due to the decommissioning of these cell sites. Taken together, these synergies will create cash flow to reinvest in Newco. As a result, Newco will be advantageously positioned to serve all customers, compete across the full range of offerings more effectively against the other larger nationwide rivals, and deliver the most in-demand services to consumers.

By retaining and integrating MetroPCS assets (such as its DAS network) in urban areas, Newco additionally will be able to boost its spectrum capacity without engaging in a lengthy and costly build-out of additional facilities. Newco’s asset utilization is projected to improve by about 20-25 percent as measured by customers per cell site.¹³³

2. The Proposed Transaction Will Result in Substantial Non-Network Synergies

The proposed transaction will also generate significant non-network synergies, projected at approximately \$1 billion NPV.¹³⁴ Newco’s enhanced scale and its integrated administrative operations will allow it to realize cost efficiencies that T-Mobile USA and MetroPCS could not realize on their own. These efficiencies will free up financial resources that Newco can use to

¹³² Ewens Decl. at Para. 16.

¹³³ *Id.* at Para. 15.

¹³⁴ *Id.* at Para. 17.

invest back in its network and develop new initiatives, thereby strengthening the combined company as a fierce competitor in the wireless marketplace.

The migration of MetroPCS customers to a GSM-compatible network will also enable Newco to realize significant savings with respect to handsets. As a GSM carrier, Newco will not have to pay the royalty rates that MetroPCS currently pays on any 3G CDMA handsets that it sells.¹³⁵ Newco expects that its projected handset subsidies of MetroPCS will be reduced by [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] percent, for a projected annual run-rate savings of [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] by 2015.¹³⁶

Newco will realize additional savings by combining back-office operations, for a projected annual run-rate savings of [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] by 2015.¹³⁷ Similar efficiencies can be achieved in customer support, resulting in an estimated cost reduction of [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] percent of MetroPCS' customer support costs by 2015, for a projected annual run-rate savings of [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]. Further, Newco anticipates being able to reduce its non-network capital expenditures by [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] percent, for a projected annual

¹³⁵ See MSN Money, "Qualcomm's Got the Mobile Device Market Nailed" (Jan. 23, 2012), available at <http://money.msn.com/investment-advice/article.aspx?post=843b89f6-5f1b-40c6-b93a-3921a6e4261f> (explaining the royalty rates carriers pay to Qualcomm when selling 3G CDMA devices that incorporate its patented technology).

¹³⁶ Ewens Decl. at Para. 19.

¹³⁷ *Id.* at Para. 18.

run-rate savings of \$10-50 million by 2015.¹³⁸ By eliminating administrative redundancy and scaling down non-network expenditures and fees, Newco will be more operationally efficient than T-Mobile USA and MetroPCS could be on their own.

Newco's proposed transaction-specific savings will free up significant financial resources that could be invested back in its network and operations. This will allow the company to grow, potentially increasing employment opportunities. These efficiencies will thus further bolster the long-term viability of both brands and strengthen them as competitors.

IV. THE PROPOSED TRANSACTION WILL STRENGTHEN—NOT HARM—COMPETITION IN THE MOBILE TELEPHONY/BROADBAND SERVICES MARKET

The proposed transaction offers a compelling opportunity for the Commission to strengthen national and local competition in the provision of mobile telephony/broadband services. As discussed below, under the analytical framework used by the FCC, which examines the wireless telephony/broadband market at both the national and local level, the proposed transaction is highly efficient, pro-competitive and results in no competitive harms. At the national level, the transaction fosters increased competition by strengthening the smallest nationwide provider, thereby enabling it to compete more aggressively across the country. (It also actually reduces market concentration levels among the "nationwide" carriers identified by the Commission as a result of increasing the relative share of the smallest such carrier, T-Mobile USA.) At the local level, the transaction does not result in any material degradation in the number of built-out competitors in any local area. Indeed, the proposed transaction does not even trigger the spectrum screen that the Commission uses to identify areas where additional competitive review is warranted.

¹³⁸

Id.

A. The Analytical Framework

As the Commission has previously explained, “[m]ergers raise competitive concerns when they reduce the availability of substitute choices (market concentration) to the point that the merged firm has a significant incentive and ability to engage in anticompetitive actions (such as raising prices or reducing output), either by itself, or in coordination with other firms.”¹³⁹ In other words, the Commission’s concerns are triggered by market power, and so the Commission begins its competitive analysis “by determining the appropriate [product and geographic] market definitions for [a] transaction.”¹⁴⁰ Consistent with prior transactions, the relevant product market for reviewing this proposed transaction should be the retail wireless telephony/broadband market. While traditionally the FCC has focused on local geographic markets—either Cellular Market Area (“CMA”) or Component Economic Area (“CEA”) review¹⁴¹—more recently the Commission has also begun to consider competitive effects at the national level.¹⁴² As discussed

¹³⁹ *Application of EchoStar Communications Corporation, General Motors Corporation, and Hughes Electronics Corporation and EchoStar Communications Corporation*, Hearing Designation Order, 17 FCC Rcd 20559, 20603, Para. 97 (2002).

¹⁴⁰ *Verizon/ALLTEL Order* at Para. 42. The Commission recognizes that market definition “is not an end in itself but a tool to facilitate the analysis of competitive effects. If the competitive effects of a transaction can be understood without rigorously defining markets, it may be unnecessary to do so.” Staff Report at Para. 29 n.88; *see also DOJ/FTC Horizontal Merger Guidelines*, § 4 (Apr. 8, 1997) *available at* http://www.justice.gov/atr/public/guidelines/horiz_book/hmg1.html (*DOJ/FTC Horizontal Merger Guidelines*).

¹⁴¹ *See Verizon/ALLTEL Order* at Para. 49 (“The Commission in these orders identified two sets of geographic areas that effectively may be used to define local markets—CEAs and CMAs”); *AT&T/Centennial Order* at Para. 38 (“We conclude that for this transaction, the most appropriate geographic level for market analysis is comprised of Cellular Market Areas (“CMAs”) and Component Economic Areas (“CEAs”)”).

¹⁴² *See, e.g., Application of AT&T Inc. and Qualcomm Incorporated*, Order, 26 FCC Rcd 17589, 17605, at Para. 37 (2011) (“Accordingly, we find it is in the public interest not only to consider the local markets, but also to consider the effect of this transaction at the national level.”) (*AT&T/Qualcomm Order*).

below, this proposed transaction does not raise competitive issues in the wireless telephone/broadband services market at either the national or local level.

1. Consistent with Prior Practice, “All Wireless Services” Is the Appropriate Product Market for Reviewing the Proposed Transaction

At its core, market definition “focuses . . . on customers’ ability and willingness to substitute away from one product to another in response to a price increase or a corresponding non-price change such as a reduction in product quality or service.”¹⁴³ In recent wireless transactions, the Commission has consistently analyzed proposed transactions using a “combined ‘mobile telephony/broadband services’ product market, which is comprised of mobile voice and data services, including mobile voice and data services provided over advanced broadband networks.”¹⁴⁴ The Commission “treat[s] the provision of mobile broadband services using more recent and advanced networks (*e.g.*, 3G, 4G) and the provision of mobile voice and data services over earlier generations of wireless networks as part of a combined mobile telephony/broadband services market, rather than separate markets,” now that the industry is “transitioning from the provision of interconnected mobile voice and add-on mobile data services over legacy wireless networks to the provision of mobile voice and data services over wireless broadband networks.”¹⁴⁵

There is no basis for departing from the Commission’s well-established practices with respect to product market definition in reviewing this proposed transaction. Neither company

¹⁴³ *DOJ/FTC Horizontal Merger Guidelines* § 4.

¹⁴⁴ *AT&T/Centennial Order* at Para. 37; *Verizon/ALLTEL Order* at Paras. 45-46.

¹⁴⁵ *Verizon/ALLTEL Order* at Para. 47. The Commission also has declined to identify separate prepaid and postpaid markets, noting that policymakers should take care not to “defin[e] product markets too narrowly, since doing so may thwart . . . pro-competitive deals that take place in the context of rapidly evolving markets and services. Staff Report at n.97; *Verizon/ALLTEL Order* at Paras. 45-46.

offers products that other market participants do not offer or could not offer through alterations to their rate plans, and MetroPCS and T-Mobile USA customers can and do routinely switch to services provided by other market participants.¹⁴⁶ Moreover, while the Staff Report in the AT&T/T-Mobile USA transaction did identify a separate product market for enterprise and government sales (as opposed to retail wireless),¹⁴⁷ MetroPCS “does not serve (and has no current plans to serve) enterprise or government customers, or offer any other services on a contract basis.”¹⁴⁸ Accordingly, the Applicants submit that the appropriate product market definition for purposes of this proposed transaction, consistent with the Commission’s prior practices, is the retail market for mobile telephony/broadband services.

2. Under Recent Analyses, the Commission Has Defined the Relevant Market to Include National and Local Effects

In the past, the Commission considered the appropriate geographic market for review of mobile transactions to be local (*i.e.*, CMAs or, alternatively, CEAs).¹⁴⁹ Recently, however, the

¹⁴⁶ See Glen Decl. at Para. 15. AT&T, for example, recently introduced a new \$65 no-contract plan with unlimited voice, texting, and 1 GB of data, bringing its pricing even closer to traditional no-contract offerings available through MetroPCS or T-Mobile USA. See Phil Goldstein, *Fierce Wireless*, *supra* note 71. Facilities-based carriers such as AT&T and Verizon Wireless are recognizing that there are subprime customers that will still pay a premium for quality no-contract offerings, and are introducing new rate plans as a result. Verizon Wireless launched its own no-contract plan in April 2012 that offers 1 GB of data for \$45 a month. See Roger Yu, *USA Today*, “Competition for No-Contract Market Gains Steam” (Jun.8, 2012), *available at* <http://www.usatoday.com/tech/news/story/2012-06-06/prepaid-wireless-smartphones/55442768/1>.

¹⁴⁷ Staff Report at Para. 31.

¹⁴⁸ See Glen Decl. at Para. 5. The Commission has previously recognized that only the four nationwide providers of retail mobile wireless services (AT&T, T-Mobile, Verizon Wireless, and Sprint) have the “requisite nationwide infrastructure to economically provide the services that these customers demand.” Staff Report at Para. 88.

¹⁴⁹ See *Verizon/ALLTEL Order* at Para. 49 (“The Commission in these orders identified two sets of geographic areas that effectively may be used to define local markets—CEAs and CMAs”); *AT&T/Centennial Order* at Para. 38 (“We conclude that for this transaction, the most

Commission modified its review practices and has found it appropriate to analyze both the local and national effects of a wireless transaction.¹⁵⁰ As the Commission has explained, “the geographic market is the area within which a consumer is most likely to shop for mobile telephony/broadband services.”¹⁵¹ For most retail customers, this “will be a local area, as opposed to a larger regional or nationwide area,” because “in response to a small but not insignificant price increase by providers that offer service where consumers live, work, or travel, most consumers are unlikely to switch to alternative wireless providers that operate only outside of such a locality.”¹⁵² The Department of Justice (“DOJ”) similarly acknowledges that “[c]onsumers typically purchase wireless services from providers that offer and market services where they live, work, and travel on a regular basis; hence geographic markets are local.”¹⁵³

That said, both the Commission and the DOJ temper their statements by recognizing that key competitive variables are national in scope. The Commission, for the first time, noted in its Staff Report that “[d]efining local geographic markets for retail wireless services does not preclude us from recognizing that two key competitive variables—prices and service plan offerings—do not vary for most providers across most geographic markets where they sell services.”¹⁵⁴ The Commission has since considered the effect on the national market with

appropriate geographic level for market analysis is comprised of Cellular Market Areas (“CMAs”) and Component Economic Areas (“CEAs”).

¹⁵⁰ See, e.g., *AT&T/Qualcomm Order* at Para. 37 (“Accordingly, we find it is in the public interest not only to consider the local markets, but also to consider the effect of this transaction at the national level.”).

¹⁵¹ *AT&T/Centennial Order* at Para. 41; *Verizon Wireless/ALLTEL Order* at Para. 52.

¹⁵² *AT&T/Centennial Order* at 13934 Para. 41 (quoting *DOJ/FTC Merger Guidelines*, Paras. 1.11, 1.12).

¹⁵³ *United States v. Verizon Commc’ns Inc.*, No. 1:12-cv-01354, Competitive Impact Statement at 11 (D.C. Cir. 2012) (“DOJ Competitive Impact Statement”).

¹⁵⁴ Staff Report at Para. 34.

respect to other spectrum transactions.¹⁵⁵ The DOJ echoes the Commission’s findings, arguing that “the largest and most successful wireless providers have national footprints and offer pricing, plans, and devices that are available nationwide” and that “nationwide competition among wireless service providers affects competition across local markets.”¹⁵⁶

B. The Proposed Transaction Will Not Harm, but Rather Enhance, National Competition

At the national level, it is clear that the proposed transaction will not harm competition. Notably, the Commission describes only AT&T, Verizon Wireless, Sprint, and T-Mobile USA as “nationwide” providers of retail mobile wireless services.¹⁵⁷ According to the Commission, each of these carriers—and no other carrier—have the spectrum and infrastructure necessary to provide coverage for more than 90 percent of the U.S. population.¹⁵⁸ In contrast, the Commission characterizes MetroPCS as a “regional provider” and notes that such providers “do not compete on a nationwide basis because they generally do not market their brand or sell their services to customers outside the areas where they own facilities.”¹⁵⁹

As such, the Commission has concluded that MetroPCS is not a participant in the national wireless market. Since that conclusion less than one year ago, MetroPCS has not materially altered its operations or expanded in a manner that would warrant the Commission’s

¹⁵⁵ *AT&T/Qualcomm Order* at Para. 35 (“We find that it is appropriate also to analyze both the local markets in which consumers purchase mobile wireless services and the potential national competitive impacts of this transaction.”); *Verizon Wireless/SpectrumCo Order* at Para. 58 (“For purposes of evaluating the competitive effects of Verizon Wireless’ acquisition of spectrum from SpectrumCo, Cox, and Leap, as well as from T-Mobile, we use both local and national markets.”).

¹⁵⁶ DOJ, Competitive Impact Statement at 11.

¹⁵⁷ *Fifteenth Wireless Competition Report* at Para. 27.

¹⁵⁸ *See id.* at Para. 31 n.70, Table 4.

¹⁵⁹ Staff Report at Para. 38. *See also Fifteenth Wireless Competition Report* at Paras. 28, 196.

revisiting its conclusion that MetroPCS is not a nationwide carrier. Since 2009, MetroPCS has not expanded its network nor launched service into any additional major metropolitan areas.¹⁶⁰ MetroPCS currently markets its service to an area of approximately 100 million in population.¹⁶¹ While its 4G LTE network covers a population very close to that covered by its CDMA/EvDO networks, in many major metropolitan areas MetroPCS has been forced to deploy its LTE network over a mere 1.4 x 1.4 MHz or 3.0 x 3.0 MHz of spectrum, while, in several cases, concurrently refarming existing spectrum.¹⁶² Thus, as noted above, the speeds and capacity that MetroPCS is presently able to offer its data customers over its narrow LTE network are significantly lower than the offerings of its more spectrum-rich competitors.¹⁶³

MetroPCS is not currently, nor is it in a position to become, a nationwide carrier,¹⁶⁴ as the Commission uses that term, because it does not have access to nationwide spectrum. And while Section III.A.2. notes that MetroPCS has entered into roaming agreements to offer nationwide service to its customers, the Commission has previously found that roaming and resale agreements alone will not allow regional providers such as MetroPCS to replicate the

¹⁶⁰ See Glen Decl. at Para. 3. MetroPCS launched service in its current major metropolitan areas as follows: Miami, Atlanta, Sacramento, and San Francisco in 2002; Tampa/Sarasota in 2005; Dallas/Fort Worth, Detroit, Orlando and portions of northern Florida in 2006; Los Angeles in 2007; Las Vegas and Philadelphia in 2008; and New York and Boston in 2009.

¹⁶¹ Glen Decl. at Para. 3.

¹⁶² *Id.* at Para. 9.

¹⁶³ See also *id.* at Paras. 9, 11 (“Going forward, the gap between MetroPCS and its larger competitors is likely to increase further as they are able to use extensive, unused spectrum holdings to develop robust LTE offerings while MetroPCS remains capacity constrained. Absent access to additional spectrum for LTE deployment and expansion into additional major metropolitan areas, MetroPCS increasingly will be at a competitive disadvantage.”).

¹⁶⁴ Staff Report at Para. 38 (“None of these [regional] providers’ networks cover more than 34 percent of the U.S. population, and for most their more advanced broadband networks are smaller.”).

competitive position of a nationwide facilities-based provider.¹⁶⁵ As such, the proposed transaction plainly will have no effect on the number of participants in the national market and thus will not give rise to any competitive harms.

Indeed, the proposed transaction will actually increase competition in the national market—under the Commission’s definition. Under a national carrier Herfindahl–Hirschman Index (“HHI”) analysis, the proposed transaction actually *reduces*—rather than increases—market concentration. In fact, the change in HHI for the proposed transaction based on nationwide carrier market shares is -86, going from 2,863 to 2,777. This means that the national market will be less concentrated after the consummation of the proposed transaction.¹⁶⁶ This seemingly anomalous result is driven by the fact that MetroPCS’ customers are not currently considered (by the Commission) to be customers of a “nationwide” carrier, but after the merger, they will be customers of a nationwide Newco. This leads to an increase in T-Mobile USA’s share, and a relative reduction in the shares of AT&T, Verizon, and Sprint, the net effect of which is a reduction in national market concentration as measured by the HHI.

Last, but not least, the proposed transaction increases T-Mobile USA’s ability and incentive to be a disruptive force among the nationwide carriers. The Commission has previously found that T-Mobile USA has built its challenger strategy around aggressive pricing and technical innovation in the national wireless market.¹⁶⁷ As the Commission has recognized, T-Mobile USA has had an economic incentive to play this role due to its position as the smallest

¹⁶⁵ *Id.*

¹⁶⁶ HHI calculated based on AT&T, Verizon Wireless, Sprint and T-Mobile share of subscribers of nationwide carriers as of YE2010, *see Fifteenth Wireless Competition Report* at Para. 31, Table 3. For purposes of these calculations, Sprint’s market share has been aggregated with its affiliate Clear. Customers of non-nationwide carriers are not counted, except that MetroPCS’ pre-transaction subscribers are counted as Newco post-transaction subscribers.

¹⁶⁷ Staff Report at Paras. 22, 24.

of the nationwide wireless carriers.¹⁶⁸ The proposed transaction will in no way remove this incentive, but rather increase the combined company's ability and incentive to take market share from the larger rivals. Even after the proposed transaction Newco will remain the number four carrier, but will now be stronger and more effective as a disruptive force. Indeed, Newco intends to be the leading value carrier in the U.S., with a focus on offering a variety of appealing plans to compete aggressively for customers seeking affordability and certainty in the cost of their wireless plans.¹⁶⁹ As Newco attracts more customers through its innovative plans and more robust service offerings, the other nationwide carriers will respond. The proposed transaction will thus increase wireless competition, benefiting all wireless customers.

C. The Proposed Transaction Raises No Competitive Concerns at the Local Level

The combination of MetroPCS' and T-Mobile USA's spectrum assets also plainly will not harm competition in local areas. The Commission utilizes a two-part screen to identify what it views to be local markets where a proposed transaction has the potential to harm competition.¹⁷⁰ The first part of the screen considers changes in market concentration in the provision of mobile telephony/broadcast services as a result of a proposed transaction, and is based on the size of the post-transaction HHI of market concentration and the change in HHI. The second part of the screen examines the amount of spectrum that is suitable and available on a county-by-county basis for the provision of mobile telephony/broadband services. Post-

¹⁶⁸ *Id.* at Para. 78 (finding T-Mobile USA "would benefit less from coordinated pricing than . . . its significant rivals.")

¹⁶⁹ Press Release, T-Mobile USA, *supra* note 62.

¹⁷⁰ The two-part initial screen is used to identify (1) those local markets where, without further analysis, it is clear that the transaction would result in no potential competitive harm, and (2) those local markets where further competitive analysis is required to determine whether the transaction has the potential to harm competition.

transaction, Newco will not trigger the spectrum screen in any area that the Commission views as a local market. As detailed below, the proposed transaction is consistent with both standards for assessing competitive effects.

1. The Proposed Transaction Is Consistent with the Spectrum Screen in All Local Geographies

It is notable that application of the Commission's current spectrum aggregation screen demonstrates that combining the spectrum assets of MetroPCS and T-Mobile USA poses no risk of harm to competition in any locality.¹⁷¹ In fact, considering only those counties where T-Mobile USA and MetroPCS will contribute spectrum, Newco will hold an average of only 50 MHz from T-Mobile USA and 17 MHz from MetroPCS—far, far below the 145 MHz screen that applies in most counties of the United States.¹⁷² And, even in areas where Newco will aggregate the largest amounts of spectrum as a result of this transaction, other carriers in those areas will still hold more spectrum than Newco.¹⁷³

¹⁷¹ The Commission's initial spectrum screen identifies, for further case-by-case market analysis, those markets in which, post transaction, the Applicants would have a 10 percent or greater interest in 95 MHz or more of PCS, SMR, and 700 MHz spectrum where neither BRS nor AWS-1 spectrum is available; 115 MHz or more of spectrum where BRS spectrum is available but AWS-1 spectrum is not available; 125 MHz or more of spectrum where AWS-1 spectrum is available but BRS spectrum is not available; or 145 MHz or more of spectrum where both AWS-1 and BRS spectrum are available.

¹⁷² See Spectrum Aggregation Chart, attached as Exhibit 3 to the lead wireless application, ULS File No. 0005446627.

¹⁷³ The most spectrum that Newco will hold post-transaction is 110 MHz, and that will occur only in seven counties: Banks, GA; Dawson, GA; Habersham, GA; Hall, GA; Lumpkin, GA; White, GA; and Whatcom, WA. See Spectrum Aggregation Chart. In Whatcom County, including its WCS spectrum and spectrum it will acquire in pending deals, AT&T will hold in excess of 120 MHz. In the Georgia counties, including BRS and ESMR spectrum but excluding its EBS leases, Sprint holds in excess of 110 MHz. And in the Georgia counties, both AT&T and Verizon hold in excess of 100 MHz. Thus, even in those counties where Newco holds the largest amount of spectrum, there exists a competitor with greater spectrum holdings. See Competitor Chart, attached at Exhibit 4 to the lead wireless application, ULS File No. 0005446627.

2. Market Concentration Is Not an Issue in The Proposed Transaction

Despite the fact that data to calculate the relevant HHIs on a CMA basis is not yet available, it is nonetheless clear that no competitive harms would result from the proposed transaction in any locality. The Commission has found no competitive problems where four built-out competitors, defined as those with “coverage of 70 percent or greater of the population and 50 percent or more of the area,”¹⁷⁴ will remain post-transaction. In such respects, T-Mobile USA and MetroPCS face aggressive competition from many sources, and Newco will continue to face the same competition post-transaction.¹⁷⁵ Indeed, with very limited exceptions, the Applicants calculate that at least four built-out competitors will remain in all local areas affected by the proposed transaction, or, alternatively, that the number will remain unchanged. Moreover, even in those few markets facing a nominal decrease to three post-transaction built-out competitors, the situation is such that additional competitors exist, but miss relevant thresholds by insignificant amounts.¹⁷⁶ Importantly, in every local market area involved in the proposed transaction, all four nationwide carriers operate facilities. Thus, post-consummation, the merged company will continue to be constrained by the full range of competitors and products available at the local level.

¹⁷⁴ *AT&T/Centennial Order* at Para. 76 and n.291. *See also Applications of AT&T Inc. and Dobson Communications Corporation*, Order, 22 FCC Rcd 20295, at n.170 (“*AT&T/Dobson Order*”) (“For purposes of this determination, we define fully built-out as having coverage of at least 70 percent of the population in the CMA.”).

¹⁷⁵ In the *Fifteenth Wireless Competition Report*, the Commission reports that consumers can choose from four or more providers for mobile wireless service in 71 percent of CMAs. *Fifteenth Wireless Competition Report* at Para. 47.

¹⁷⁶ According to T-Mobile USA’s data, for example, Sprint fails to qualify as a built-out competitor in the Miami, Florida CMA simply because its geographic coverage is only 49.9 percent, which misses the 50 percent criterion by a mere 0.1 percent. As this data is somewhat dated, Sprint may well have already crossed the 50 percent threshold.

Beyond that, the Commission’s traditional analysis of local competition ignores the impact of resellers and MVNOs, despite the fact that they compete extensively for the same customer demographics as MetroPCS. Post-transaction, the merged company will continue to face stiff competition from the nationwide resellers/MVNOs that compete successfully on the strength of uniquely packaged voice and data services that are sold at relatively low prices under their own proprietary brand names. For example, América Móvil, a leading nationwide MNVO, offers competitive unlimited and by the minute no-contract plans through subsidiaries that include TracFone, NET10, Straight Talk, and, recently, Simple Mobile. TracFone alone serves over 21.3 million customers nationally through resale.¹⁷⁷ Additionally, because MVNOs are able to take advantage of the spectrum holdings of the four nationwide carriers, they do not face the same spectrum constraints that limit MetroPCS. In light of the transformative role that MVNOs play in local markets—especially for the demographics targeted by MetroPCS—the Commission should consider these providers to be participants in the relevant product market as well. Indeed, the Commission does take into account the role of such providers to the extent necessary in evaluation of likely competitive effects.¹⁷⁸ Nevertheless, even if the Commission again declines to consider MVNOs to be market participants, the facts make it abundantly clear that the proposed transaction will not reduce competition at the local level.

¹⁷⁷ Mike Dano, FierceWireless, “F.J. Pollack’s TracFone: The Most Successful Wireless Provider You’ve Never Heard Of”, (Oct. 4, 2012), *available at* <http://www.fiercewireless.com/story/fj-pollaks-tracfone-most-successful-wireless-provider-youve-never-heard/2012-10-03>.

¹⁷⁸ See, e.g., *AT&T/Centennial Order* at Para. 45; *AT&T/Dobson Order* at Para. 38.

V. PROCEDURAL CONSIDERATIONS

A. Section 310(b)(4) Declaratory Ruling Request

DT requests that the Commission grant it Section 310(b)(4) authority to hold indirect controlling interests in common carrier licenses and authorizations issued to MetroPCS and its subsidiaries post-transaction. The Commission has already approved DT's foreign ownership of T-Mobile USA and its licensee subsidiaries, and the public interest would be served by also granting Section 310(b)(4) authority with respect to MetroPCS' licenses.

In the *Foreign Participation Order*, the Commission concluded that allowing additional foreign investment in common carrier wireless licensees beyond the 25 percent benchmark of Section 310(b)(4) will promote competition in the U.S. market, thereby serving the public interest.¹⁷⁹ Accordingly, the Commission adopted a presumption in favor of allowing such investment if the investment is from entities organized under the laws of World Trade Organization ("WTO") Members.¹⁸⁰ DT is a publicly traded German company and Germany is a signatory to the WTO Basic Agreement on Telecommunications. As noted earlier in this filing, the Federal Republic of Germany holds approximately a direct 15% interest in DT. KfW, a development bank that is 80% owned by the Federal Republic of Germany and 20% owned by the German federal states, owns approximately a 17% interest in DT.

The Commission has already determined that the public interest would be served by allowing up to 100 percent indirect foreign investment in T-Mobile USA and its licensee subsidiaries by DT and its German shareholders, and by the German government through its

¹⁷⁹ See *Rules and Policies on Foreign Participation in the U.S. Telecommunications Market*, Report and Order and Order on Reconsideration, 12 FCC Rcd 23891, 23940, Para. 111 (1997).

¹⁸⁰ See *id.* at Paras. 50, 111-12.

investment in DT.¹⁸¹ On April 27, 2001, the Commission issued an order granting the applications of T-Mobile USA (then named VoiceStream Wireless Corporation (“VoiceStream”)) for authority to transfer control of the licenses of its subsidiaries to a wholly owned U.S. subsidiary of DT in order to effect a merger between VoiceStream and DT.¹⁸² There, the Commission held that granting the applications would be consistent with the public interest as DT’s German government ownership did not confer any unique advantages that were likely to pose a risk to competition in the U.S. telecommunications market.¹⁸³ Since consummation of that transaction, there has been a decrease in the Federal Republic of Germany’s overall ownership interest in DT (directly in DT and through KfW) from approximately 46 percent to 32 percent.¹⁸⁴ Thus, the same public interest rationale that applied in that decision should also apply to MetroPCS and its licensee subsidiaries and the FCC licenses to be controlled by DT as a result of the proposed transaction. The Commission therefore can and should grant to DT Section 310(b)(4) authority to control the MetroPCS licenses and authorizations as well.¹⁸⁵

¹⁸¹ See *VoiceStream Wireless Corp., Powertel, Inc. and Deutsche Telekom AG*, Memorandum Opinion and Order, 16 FCC Rcd 9779 (2001) (“*VoiceStream/DT Order*”). The transfer of control of T-Mobile to DT was consummated on May 31, 2001.

¹⁸² See *VoiceStream/DT Order* at 9845-46 Paras. 127-28.

¹⁸³ See *id.* at Paras. 55, 125. DT is currently subject to a National Security Agreement entered into on January 12, 2001, as amended, with the Department of Justice, the Federal Bureau of Investigation, and the Department of Homeland Security. See *id.* at App. B., Agreement between DT, VoiceStream Wireless Corporation, VoiceStream Wireless Holding Corporation, the DOJ and the FBI (Jan. 12, 2001) (“DT National Security Agreement”). DT has no outstanding compliance issues under that agreement.

¹⁸⁴ The FCC most recently approved DT’s foreign investment in connection with the transfer of control of WALLC License, LLC from Verizon Wireless to T-Mobile USA. See Public Notice, International Authorizations Granted, ISP-PDR-20090826-00008, DA No. 09-2631 (Dec. 24, 2009).

¹⁸⁵ See *supra* note 183.

B. Additional Authorizations

The list of call signs and file numbers included in the Applications is intended to include all of the licenses, authorizations, and spectrum leases held by the respective licensees or lessees that are subject to the transaction. However, MetroPCS licensees or lessees or T-Mobile USA licensees or lessees may now have on file, and may hereafter file, additional requests for authorizations for new or modified facilities that may be granted, or they may enter into new spectrum leases before the Commission takes action on these Applications. Accordingly, the Applicants request that any Commission approval of the Applications filed for this transaction include authority for DT to acquire control of: (1) any authorization issued to MetroPCS or its subsidiaries or T-Mobile USA or its subsidiaries while this transaction is pending before the Commission and the period required for consummation of the transaction; (2) any construction permits held by MetroPCS or its subsidiaries or T-Mobile USA or its subsidiaries that mature into licenses after closing; (3) any applications or lease notifications filed by MetroPCS or its subsidiaries or T-Mobile USA or its subsidiaries that are pending at the time of consummation; and (4) any leases of spectrum into which MetroPCS or its subsidiaries or T-Mobile USA or its subsidiaries enter as lessees while this transaction is pending before the Commission and the period required for consummation of the transaction. Such action would be consistent with prior decisions of the Commission.¹⁸⁶ Moreover, because DT is acquiring control of MetroPCS and

¹⁸⁶ See, e.g., *AT&T/Verizon Order* at Para. 165; *AT&T/Centennial Order* at Para. 170; *SBC Communications Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, Memorandum Opinion and Order, 20 FCC Rcd 18290,18392 Para. 212 (2005); *Applications of AT&T Wireless Services, Inc. and Cingular Wireless Corp. for Consent to Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, 19 FCC Rcd 21522 at 21626 Para. 275 (2004); *SNET/SBC Order* at Para. 49; *Applications of NYNEX Corp. and Bell Atlantic Corp.*, Memorandum Opinion and Order, 12 FCC Rcd 19985, 20097-98, Paras. 246-56 (1997) (“*NYNEX/Bell Atlantic Order*”); *PacTel/SBC Order* at Para. 93; *Applications of Craig O. McCaw and Am. Tel. & Tel. Co.*, Memorandum Opinion and Order, 9 FCC Rcd 5836, 5909,

all of its FCC authorizations and there will be a *pro forma* transfer of T-Mobile USA and all its authorizations, DT requests that Commission approval include any authorizations that may have been inadvertently omitted.

C. Exemption from Cut-off Rules

Pursuant to Sections 1.927(h), 1.929(a)(2), and 1.933(b) of the Commission's Rules,¹⁸⁷ to the extent necessary,¹⁸⁸ the Applicants request a blanket exemption from any applicable cut-off rules in cases where the licensees in this transaction file amendments to pending applications in order to reflect consummation of the proposed transaction. This exemption is requested to prevent amendments to pending applications that report the change in ultimate ownership of the licenses involved in these applications from being treated as major amendments. The nature of the proposed transaction demonstrates that the ownership changes would not be made for the acquisition of any particular pending application, but as part of a larger transaction undertaken for an independent and legitimate business purpose. Grant of this request would be consistent with prior Commission decisions that have routinely granted a blanket exemption in cases involving multiple-license transactions, such as this one.¹⁸⁹

Para. 137 n.300 (1994), *aff'd sub nom. SBC Commc'ns Inc. v. FCC*, 56 F.3d 1484 (D.C. Cir. 1995), recons. in part, 10 FCC Rcd 11786 (1995) ("*McCaw/AT&T Order*").

¹⁸⁷ 47 C.F.R. §§ 1.927(h), 1.929(a)(2), 1.933(b).

¹⁸⁸ With respect to cut-off rules under Sections 1.927(h) and 1.929(a)(2), the Commission previously has found that the public notice announcing the transaction will provide adequate notice to the public with respect to the licenses involved, including for any license modifications pending. In such cases, it determined that a blanket exemption of the cut-off rules was unnecessary. *See Applications of Ameritech Corp. and GTE Consumer Services Inc. for Consent to Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, 15 FCC Rcd 6667, 6668, Para. 2 n.6 (1999); *Comcast/SBC Order* at Para. 2 n.3.

¹⁸⁹ *See, e.g., Applications of PacifiCorp Holdings, Inc., and Century Telephone Enterprises, Inc. for Consent to Transfer Control of Pacific Telecom, Inc., a Subsidiary of PacifiCorp Holdings, Inc.*, Memorandum Opinion and Order, 13 FCC Rcd 8891, 8915-16, Para. 47 (1997);

D. Unconstructed Facilities

To the extent any authorizations for unconstructed systems are covered by this transaction, these authorizations are merely incidental to the larger transaction, with no separate payment being made for any individual authorization or facility. Accordingly, there is no reason to review the transaction from a trafficking perspective.¹⁹⁰

E. Unjust Enrichment

No unjust enrichment concerns are implicated by this transaction. Although the Applicants are filing a Form 603 for the *pro forma* transfer control of T-Mobile USA's interest in a designated entity, Cook Inlet/VS GSM VII PCS, LLC ("Cook Inlet VII"), that interest already is held by a non-designated entity—T-Mobile USA.¹⁹¹ Nevertheless, as required by Section 1.2111(a) of the Commission's rules,¹⁹² the Applicants are filing the Business Combination Agreement in the form in which it was filed with the Securities and Exchange Commission.¹⁹³

Several of T-Mobile USA's authorizations originally were subject to the Commission's installment payment plan. For all of these authorizations, however, the installment payment

NYNEX/Bell Atlantic Order at Para. 234; *McCaw/AT&T Order*, on reconsideration, at Para. 137 n.300.

¹⁹⁰ See 47 C.F.R. § 1.948(i) (noting that the Commission may request additional information regarding trafficking if it appears that a transaction involves unconstructed authorizations that were obtained for the principal purpose of speculation); *id.* § 101.55(c)-(d) (permitting transfers of unconstructed microwave facilities that are "incidental to a sale of other facilities or merger of interests").

¹⁹¹ T-Mobile USA's interest in Cook Inlet VII is non-controlling by definition. Otherwise, Cook Inlet VII would not have qualified to bid on and hold its licenses as a designated entity. See 47 C.F.R. § 1.2110; *Amendment of Part 1 of the Commission's Rules – Competitive Bidding Procedures*, Fifth Report and Order, 15 FCC Rcd 15293, 15323-28, Paras. 58-69 (2000) ("We will adopt as our general attribution rule a 'controlling interest' standard for determining which applicants qualify as small businesses.") (subsequent history omitted).

¹⁹² 47 C.F.R. § 1.2111(a).

¹⁹³ See Exhibit 5 attached to the lead wireless application, ULS File No. 0005446627.

obligations have been paid in full.¹⁹⁴ All of MetroPCS' licenses are freely alienable without designated entity transfer restrictions or unjust enrichment payments.

F. Environmental Impact

As required by Section 1.923(e) of the Commission's rules,¹⁹⁵ the Applicants state that the transfer of control of licenses and leases involved in this transaction will not have a significant environmental effect, as defined by Section 1.1307 of the Commission's rules.¹⁹⁶ A transfer of control of licenses and leases does not involve any engineering changes and, therefore, cannot have a significant environmental impact.

G. DOJ Agreement

DT requests that the Commission condition its grant of the transfer of control of the MetroPCS authorizations on compliance with the provisions of the National Security Agreement entered into on January 12, 2001, as amended, between DT and the Department of Justice, the Federal Bureau of Investigation, and the Department of Homeland Security.¹⁹⁷ Section 7.2 of the National Security Agreement provides:

DT agrees that in its applications or petitions to the FCC for licensing or other authority filed with the FCC after the Effective Date, except with respect to *pro forma* assignments or *pro forma* transfers of control, it shall request that the FCC condition the grant of such licensing or other authority on DT's compliance with the terms of this Agreement¹⁹⁸

¹⁹⁴ See, e.g., ULS File Nos. 0005443547; 0005444862; 0005444861; 0005444874; 0005444873.

¹⁹⁵ 47 C.F.R. § 1.923(e).

¹⁹⁶ *Id.* § 1.1307.

¹⁹⁷ See DT National Security Agreement, which was appended by the Commission to the *VoiceStream/DT Order*. The National Security Agreement was amended in 2008 to add DHS as a party. The requirements of the National Security Agreement are binding upon DT and DT's U.S. subsidiaries as defined in Section 1.21 of the DT National Security Agreement.

¹⁹⁸ DT National Security Agreement at § 7.2.

The National Security Agreement prescribed that the following specific language be included in the conditional grant of interests in FCC licenses in the specific context of the DT/VoiceStream merger:

It is further ordered, that authorizations and the licenses related thereto are subject to compliance with the provisions of the Agreement between Deutsche Telekom AG, VoiceStream Wireless Corporation, VoiceStream Wireless Holding Corporation on the one hand, and the Department of Justice (the "DOJ") and the Federal Bureau of Investigation (the "FBI") on the other, dated January 12, 2001, which Agreement is designed to address national security, law enforcement, and public safety issues of the FBI and the DOJ regarding the authority granted herein. Nothing in this Agreement is intended to limit any obligation imposed by Federal law or regulation including, but not limited to, 47 U.S.C. § 222(a) and (c)(1) and the FCC's implementing regulations.¹⁹⁹

DT hereby requests that the Commission impose a similar condition on the grant of the instant transfer applications.

H. Related Governmental Filings

The Department of Justice will conduct its own review of the competitive aspects of this transaction pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976²⁰⁰ and the rules promulgated thereunder. The Applicants will be submitting shortly a notification form and an associated documentary appendix to the Department and the Federal Trade Commission, and they fully expect that this review will confirm that the transaction does not raise any competitive issues.

VI. CONCLUSION

In view of the foregoing, the facts confirm that the proposed transaction promotes competition and will result in significant public interest benefits for the Applicants' customers

¹⁹⁹ *Id.* at Exhibit A.

²⁰⁰ 15 U.S.C. § 18a.

and wireless consumers generally. Moreover, there are no resulting national or local competitive harms. Accordingly, the Commission should rapidly review and approve this merger.

Attachment 1

Declaration of Peter Ewens

DECLARATION OF PETER EWENS
Chief Strategy Officer, T-Mobile USA, Inc.

I. INTRODUCTION

1. My name is Peter Ewens and I currently serve as the Chief Strategy Officer for T-Mobile USA, Inc. (“T-Mobile USA”). I have been at T-Mobile USA since 2008. I hold undergraduate and graduate degrees in engineering from the University of Toronto, and I earned a master’s of science in business administration from MIT’s Sloan School of Management.

2. In this declaration, I discuss some of the competitive issues driving the proposed transaction between Deutsche Telekom AG (“DT”), T-Mobile USA, Inc. (“T-Mobile USA”) and MetroPCS Communications, Inc. (“MetroPCS”). In Section II, the declaration discusses T-Mobile USA’s current competitive position in the mobile market, and specifically areas where T-Mobile USA is operating at a competitive disadvantage relative to other providers. In Section III, the declaration analyzes how the proposed transaction with MetroPCS will enable Newco to address those disadvantages and allow the company to emerge as a strengthened competitor. In Section IV, the declaration addresses how the proposed transaction will result in tangible network and non-network synergies. Finally, in Section V, the declaration discusses the benefits of the proposed transaction to existing T-Mobile USA and MetroPCS customers, as well as to current and future subscribers of other carriers.

II. T-MOBILE USA’S COMPETITIVE POSITION

3. T-Mobile USA is competing against significantly larger “nationwide” carriers with superior spectrum holdings in the wireless market. As a result, T-Mobile USA faces spectrum and scale challenges. In this declaration, I review the scale challenges facing T-Mobile USA due to its smaller size, subscriber share and resources and how the proposed transaction with MetroPCS helps address those issues, allowing Newco to be a more effective competitor.

4. Without the proposed transaction, T-Mobile USA's continued ability to exert competitive pressure on its nationwide rivals is likely to remain constrained because of its smaller subscriber share, revenue base and longer-term spectrum constraints. As of the second quarter of 2012, T-Mobile USA had approximately 33.1 million total subscribers—an estimated national subscriber share of 9.9 percent.¹ In comparison, T-Mobile USA's nationwide competitors all have significantly larger subscriber shares—approximately three times larger in the case of Verizon Wireless and AT&T, and 70 percent larger in the case of Sprint.²

5. AT&T, Verizon Wireless and Sprint all enjoy an advantage over T-Mobile USA with respect to service revenues as well. At \$15.8 billion and \$14.8 billion respectively, the service revenues of Verizon Wireless and AT&T from the second-quarter of 2012 are more than three times that of T-Mobile USA, which totaled only \$4.4 billion. Sprint also earns more in wireless service revenue than T-Mobile USA, with a total of \$7.3 billion for the most recent quarter. Furthermore, as of the second-quarter of 2012, AT&T, Verizon Wireless and Sprint experienced year-over-year growth in service revenue; T-Mobile USA was the only one of the top four carriers to experience a decline.³

¹ Bank of America Merrill Lynch 2Q12 US Wireless Matrix (Aug. 17, 2012).

² *Id.*

³ *Compare* Press Release, “T-Mobile USA Reports Second Quarter 2012 Operating Results,” Aug. 9, 2012, <http://newsroom.t-mobile.com/articles/t-mobile-usa-reports-second-quarter-2012-operating-results> with “AT&T Reports 10 Percent Earnings Growth, Strong Revenue and Margin Gains and Best-Ever Wireless Margins and Churn In Second-Quarter Results,” (Jul. 24 2012), <http://www.att.com/gen/press-room?pid=23091&cdvn=news&newsarticleid=34898>; Press Release, “Verizon Reports Continued Double-Digit Earnings Growth and Strong Operating Cash Flow in Second-Quarter 2012,” (Jul. 19, 2012), <http://news.verizonwireless.com/news/2012/07/pr2012-07-19.html>; Press Release, “Sprint Nextel Reports Second Quarter 2012 Results and Updates Full Year Forecast,” (Jul. 26, 2012), http://newsroom.sprint.com/article_display.cfm?article_id=2340.

6. Because of their greater size, the other nationwide carriers can realize certain scale efficiencies that are unavailable to T-Mobile USA. Most importantly, AT&T, Verizon Wireless and Sprint have higher asset utilization measured by the number of customers supported per unit of fixed cost network—such as cell towers. T-Mobile USA must allocate the largely fixed costs of its network over a smaller subscriber base, so its costs-per-subscriber are higher than its rivals. In addition, the larger carriers have pure volume discounting economies of scale in purchasing, as well as other scale efficiencies that can impact carrier competitiveness. For example, the larger subscriber bases of AT&T, Verizon Wireless and Sprint are more attractive to handset manufacturers seeking an exclusive relationship in bringing their devices to market. As a result, the larger carriers can leverage their larger scale when negotiating handset and device procurement costs and handset exclusivity arrangements in ways that T-Mobile USA cannot.

7. With respect to premium customers, T-Mobile USA is also at a disadvantage relative to its larger nationwide competitors. One of the key decisional criteria for premium customers in selecting a carrier is the quality and speed of the carrier's broadband data offerings. We see this, in fact, in the national advertising of Verizon Wireless, AT&T, and Sprint—and T-Mobile USA—all of which tout the benefits of their data networks. While T-Mobile USA enjoyed some early advantages through its industry-leading deployment of HSPA+ technology, T-Mobile USA's delayed ability to offer LTE puts T-Mobile USA at a further competitive disadvantage. Due to spectrum challenges, T-Mobile USA will only begin to offer 4G LTE next

year; the company lags behind AT&T, Verizon Wireless, and Sprint in deploying LTE by at least a year.⁴

8. In addition to competition from other larger nationwide carriers, T-Mobile USA also faces considerable competition from other sources. T-Mobile USA's competitive analyses reveal that customers can and do routinely switch to services provided by competitors like AT&T, Verizon Wireless and Sprint. T-Mobile USA additionally competes with offerings from non-facilities-based carriers, including national resellers/MVNOs and branded offerings like TracFone, Straight Talk, and others. TracFone, for example, serves 21.34 million customers nationally, more than twice the number served by MetroPCS.⁵ Importantly, some of these local competitors, as well as some nationwide MVNOs, target niche demographics that include specific rate plans and promotions aimed at the value customer base that is one of T-Mobile USA's strengths.

⁴ Verizon Wireless first launched LTE in December 2010. *See* Verizon Wireless, Press Release, "Happy 1st Anniversary, Verizon Wireless 4G LTE!" (Dec. 5, 2011), <http://news.verizonwireless.com/news/2011/12/pr2011-12-05a.html>. It now covers 371 cities and nearly 75% of the U.S. population. *See* Verizon Wireless, "America's Largest 4G LTE Network," <http://network4g.verizonwireless.com/#/coverage> (last viewed Oct. 13, 2012). AT&T and Sprint both launched LTE in 2012. *See* Marguerite Reardon, "Sprint Officially Launches 4G LTE in 15 Cities," CNET.com (Jul. 16, 2012), http://news.cnet.com/8301-1035_3-57472992-94/sprint-officially-launches-4g-lte-in-15-cities/. Sprint's LTE launch in the summer of 2012 consisted of seven markets, *id.*, and Sprint has announced plans to deploy LTE in 100 additional markets. *See* Sprint, "The Sprint 4G LTE Network Has Arrived," <http://www.sprint.com/landings/lte/index.html?ECID=vanity:4GLTE> (last viewed Oct. 13, 2012). To date, AT&T has already launched LTE in 77 markets. *See* AT&T, "AT&T. The Nation's Largest 4G Network," <http://www.att.com/network/> (last viewed Oct. 13, 2012).

⁵ *See* America Móvil, "America Móvil's Second Quarter of 2012 Financial And Operating Report," (Jul. 26, 2012), *available at* <http://www.americamovil.com/amx/en/cm/reports/Q/Q12.pdf>.

III. THE PROPOSED TRANSACTION WILL ACCELERATE T-MOBILE USA'S "CHALLENGER" STRATEGY AND CREATE A STRONGER COMPETITOR

9. The proposed transaction with MetroPCS will strengthen T-Mobile USA as a competitor. As an initial matter, the proposed transaction directly addresses the scale issues I have identified in Section II. While Newco will still remain the smallest of the nationwide competitors identified by the FCC, the enhanced size of the company will narrow a number of scale disadvantages that currently reduce its ability to compete against its larger rivals. As a practical matter, as addressed below, this transaction will accelerate T-Mobile USA's "Challenger" strategy, with substantial benefits for the mobile wireless market. T-Mobile USA's aggressive "Challenger" strategy aims to make T-Mobile USA the value leader with respect to 4G service plans. Under the "Challenger" strategy, T-Mobile USA is repositioning its brand, refreshing its stores, and aggressively pursuing business-to-business ("B2B") contracts in the small and medium enterprise ("SME") and large business markets.

10. By combining with MetroPCS, T-Mobile USA will be able to accelerate its "Challenger" strategy in several key ways. First, the transaction will allow T-Mobile USA to deploy a faster and deeper LTE network than T-Mobile USA could achieve on a stand-alone basis. As discussed in the McDiarmid Declaration, by improving T-Mobile USA's access to spectrum and selected network assets, the transaction will not only provide customers with improved network coverage (including important enhanced in-building coverage) and capacity, but also allow for a more efficient use of spectrum by Newco, therefore freeing up more spectrum for LTE.⁶ The strength of T-Mobile USA's data network will allow it to continue to aggressively pursue customers looking for smartphone plans or other data-intensive service offerings and enhance its ability to submit competitive bids for business, corporate and

⁶ See Declaration of Mark McDiarmid, Paras. 7-9, 15 ("McDiarmid Declaration").

government customers. In particular, the enhanced LTE capabilities will inure to the benefit of T-Mobile USA in the eyes of consumers.

11. Second, the proposed transaction will give Newco significant scale advantages. Greater scale means that the company can distribute the largely fixed costs of its network over a broader subscriber and customer base. With lower fixed costs per subscriber, Newco should generate greater earnings per customer and have increased pricing flexibility. Greater scale also means that the combined company's expenses and investments in innovation can be amortized over a larger customer base and product portfolio, which will allow Newco to pass the benefits of increased scale on to its customers. All of these factors impact Newco's competitiveness compared to other nationwide carriers and Newco's ability to invest in next-generation LTE on a broad basis.

12. Third, the combined company will help T-Mobile USA's efforts to become the value leader in the U.S. market. Newco can capitalize on MetroPCS' proven abilities to access specific market distribution mechanisms and achieve stronger penetration in specific customer demographics in an effective manner. Newco expects to extend the MetroPCS brand to additional metropolitan areas across the country. Combining MetroPCS' proven ability to execute its targeted business plans with the greater geographic scope of T-Mobile USA's network will enable Newco to offer enhanced products and services that will drive further competition—and therefore benefits—for consumers. As discussed in Section V, because customers are increasingly focused on getting more value from their wireless service, Newco will be well-positioned to meet customers' needs.

13. Fourth, the proposed transaction will also enhance T-Mobile USA's financial position under Newco. DT has made a financing commitment to Newco of \$15 billion, which

improves Newco's balance sheet and therefore the company's access to financial resources. Moreover, the transaction is structured as a reverse merger so that, after consummation, Newco will be a publicly-traded company, which will provide Newco with better access to capital markets than T-Mobile USA currently enjoys. As a final matter, the transaction reaffirms DT's commitment to the U.S. market, which should not only bring additional investors, but also shore up confidence by current and potential subscribers and partners in Newco's long-term ability to provide quality service.

IV. THE PROPOSED TRANSACTION WILL GENERATE SIGNIFICANT SYNERGIES THAT CAN BE INVESTED BACK IN THE BUSINESS

14. Newco will be able to realize significant network and non-network synergies over T-Mobile USA and MetroPCS as stand-alone companies. Newco's business plan projects, in fact, that it will realize over \$6-7 billion in total synergies on a net present value ("NPV") basis. The total synergies are estimated to yield approximately \$1 billion in projected annual savings by 2017. These synergies will generate savings that Newco can invest back in the business, helping to ensure Newco's long-term competitive success for the benefit of all wireless subscribers.

15. *Network Synergies.* The transaction will allow Newco to realize significant projected network synergies generating savings of approximately \$5-6 billion NPV. These network synergies will come from Newco's rationalization of T-Mobile USA and MetroPCS LTE networks into a single network, the decommissioning of overlapping cell sites and corresponding reduction in lease and backhaul costs, the eventual decommissioning of MetroPCS's CDMA/EvDO network, Newco's elimination of overlapping network functions, and reduction in duplicative network-based capital expenditures. MetroPCS' transition to Newco's network will also reduce MetroPCS' roaming costs, for a projected run-rate savings of [BEGIN
HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] per year.

Newco's asset utilization is expected to improve by about 20-25 percent as measured by customers per cell site.

16. These network synergies will help the company compete more effectively and benefit both current and future customers. As discussed in the McDiarmid Declaration, MetroPCS' customer base can be rapidly migrated to T-Mobile USA's network on a straightforward basis as existing customers upgrade their handsets. Upon completion, this will permit Newco to decommission duplicative cell sites and backhaul, achieving significant cost savings.⁷ Newco is expected to be able to eliminate approximately **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** redundant MetroPCS cell base station sites, generating substantial cost savings from elimination of leases, backhaul, utilities, upgrades, maintenance and other recurring site-related expenses. The decommissioning of these cell sites will result in projected savings of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** per year per site. When offset by the higher operating expenses ("OPEX") on retained and upgraded DAS and T-Mobile USA sites, this elimination will result in a projected annual run-rate synergy of approximately \$600-700 million. Meanwhile, those sites that are retained will provide added network capacity during the transition and help defer spectrum congestion in urban markets and ensure MetroPCS customers migrating to the Newco network have the same or better coverage everywhere. Newco will save further by eliminating future individual network builds and upgrades.

17. *Non-Network Synergies.* The proposed transaction will also generate an estimated \$1 billion NPV of non-network synergies. These synergies will result from Newco's increased scale in back-office and administrative functions, as well as reduced handset and

⁷ See McDiarmid Declaration, Paras. 17-18.

device procurement costs from switching handsets supplied to MetroPCS customers from CDMA to the larger global GSM ecosystem. As noted previously, Newco's increased scale will improve its cost-per-subscriber by spreading its fixed network costs over a larger base of subscribers.

18. Newco will realize savings by combining back-office operations, general administrative functions and other purchased services. By consolidating back-office operations, Newco will achieve savings with a projected annual run-rate savings of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]**. Newco will also achieve efficiencies in customer support, resulting in an estimated cost reduction of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** percent of MetroPCS's customer support costs by 2015, for a projected annual run-rate savings of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]**. Newco is estimated to additionally reduce its non-network capital expenditures by **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** percent, for a projected annual run-rate savings of about \$10-50 million by 2015. Newco will thus be more operationally efficient than either T-Mobile USA and MetroPCS could be on their own.

19. Newco will also realize synergies with respect to handset and device procurement costs. In particular, due to its reliance on the larger GSM-based ecosystem of devices, Newco will be able to pay less in handset subsidies than MetroPCS currently pays on a stand-alone basis. Newco expects that the projected handset subsidies of MetroPCS will be reduced by **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** percent, for a projected annual run-rate savings of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** by 2015.

20. Newco's savings will free up financial resources that can be invested back in new network technology, innovation, and operations. These efficiencies will thus further bolster the long-term viability of both brands and strengthen Newco as a competitor.

V. THE PROPOSED TRANSACTION WILL DELIVER BENEFITS TO T-MOBILE USA AND METROPCS CUSTOMERS AS WELL AS WIRELESS CONSUMERS GENERALLY

21. The proposed transaction will deliver significant benefits to T-Mobile USA and MetroPCS customers. The benefits to T-Mobile USA customers include a faster, broader, deeper LTE network deployment with less implementation risk and, as discussed above, economies of scale that could broaden the range of devices and products. MetroPCS customers will have access to a much broader network with reduced reliance on roaming, significantly improved data services over CDMA/EvDO, a wider array of devices within the GSM ecosystem, enhanced international options, and access to new broadband devices. These benefits will make these brands more attractive in comparison to offerings from Newco's competitors. As a result, Newco should stimulate additional competition, which will benefit all wireless consumers.

22. As discussed in the McDiarmid Declaration, the proposed transaction will give T-Mobile USA customers immediate access to a larger network with fewer capacity constraints, better in-building coverage, and, in the near future, access to a deeper LTE roll-out on par with T-Mobile USA's larger rivals. Coverage in key urban markets will improve, and T-Mobile USA customers will experience fewer dropped and blocked calls and faster data speeds.⁸

23. Newco's increased scale and its savings associated with increased scale will also generate other significant benefits for T-Mobile USA customers. As a more attractive partner to handset and device manufacturers due to its larger subscriber base, Newco will afford T-Mobile

⁸ See McDiarmid Declaration, Para. 16.

USA customers access to the latest LTE-compatible handsets and devices. And, Newco's enhanced scale will give it greater purchasing and negotiating power, thus making handsets and devices more affordable for consumers.

24. Notably, T-Mobile USA customers will be able to enjoy these improvements without having to change their current devices or rate plans. Their quality of service will improve markedly without a corresponding increase in cost. As a result, the proposed transaction will make T-Mobile USA service an even better value for current and future customers.

25. As discussed in the Glen Declaration, the transaction will also deliver substantial benefits to MetroPCS customers. MetroPCS customers will gain faster, broader, and more reliable 4G data service through Newco's 4G LTE network. MetroPCS customers will also gain improved access to handsets and benefit from better prices, by virtue of the larger GSM-based handset ecosystem in comparison to the more limited CDMA handset ecosystem that MetroPCS draws from today. And, customers will gain important options and services, such as broad international roaming capabilities, the option to migrate to contract services from the same carrier, the ability to bring their own handset to Newco's network, and the ability to retain MetroPCS-branded service when moving out of MetroPCS' current 19-metropolitan area footprint.⁹

26. Newco will also expand the MetroPCS brand to new major metropolitan areas, introducing a new competitor to various metro areas and providing increased options to consumers there. Because of its nationwide network, Newco will have a better base to

⁹ See Declaration of Douglas S. Glen, Paras. 16, 19 ("Glen Declaration").

incrementally expand the MetroPCS brand to areas that are adjacent to MetroPCS' existing service areas.¹⁰

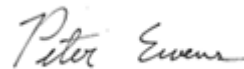
27. As a final matter, MetroPCS customers will receive the benefits of an expanded and enhanced network without an increase in the price of their existing service plans. As discussed in the McDiarmid Declaration, a smooth and rapid transition is envisioned for MetroPCS customers.¹¹ To facilitate the migration, Newco has budgeted for additional customer incentives as needed. The proposed transaction will thus make MetroPCS an even better value for current and future customers.

28. Because Newco will deliver fast, reliable and improved service to both T-Mobile USA and MetroPCS customers without their incurring additional costs, the proposed transaction will affirm these brands as the value leaders in the wireless marketplace. As a result, the transaction will likely spur responsive offerings from Newco's competitors—not only larger nationwide carriers like AT&T, Verizon Wireless, and Sprint, but small and regional carriers and resellers/MVNOs as well. By strengthening T-Mobile USA and MetroPCS and introducing MetroPCS to new metropolitan areas, the transaction will ultimately benefit all wireless consumers by increasing wireless competition overall.

¹⁰ See Glen Declaration, Para. 20.

¹¹ See McDiarmid Declaration, Paras. 17-18.

I declare under penalty of perjury that the foregoing is true and correct. Executed on
October 18, 2012.

A handwritten signature in cursive script, reading "Peter Ewens", written in dark ink on a light background.

Peter Ewens

Attachment 2

Declaration of Mark McDiarmid

DECLARATION OF MARK MCDIARMID
VP, Radio Network Engineering and Development, T-Mobile USA, Inc.

I. BIOGRAPHICAL INFORMATION

1. My name is Mark McDiarmid. I serve T-Mobile USA's technology organization in the capacity of Vice President, Radio Network Engineering and Development. In this role, I am responsible for radio network planning, radio technology development for network and device, and spectrum engineering. The objective of my team, and focus of my leadership, is to enable more efficient voice and data coverage service for our customers. It is my responsibility to ensure we deploy network solutions and device capabilities that maximize voice service reliability, spectrum efficiency and mobile broadband performance.

2. I joined T-Mobile USA in May 2004 in the capacity of Director, Network Evolution and Strategy with an objective of shaping our company's acquisition of spectrum in the Advanced Wireless Services spectrum auction. Prior to that role, I worked in the engineering functions of a number of domestic and international mobile wireless companies, starting with the UK based company Hutchison Microtel in 1990 that later became the operator Orange. I hold a bachelor's degree in Electronics and Computing Science, University of Wales, Swansea. Since graduating in 1990, the majority of my time and focus has been invested in the matter of extracting higher performance from cellular systems as measured in terms of higher data throughput, spectrum efficiency and improved customer experience.

3. I hereby make this declaration.

II. SUMMARY

4. The combination of T-Mobile USA and MetroPCS will enable the deployment of a substantial LTE and HSPA+ network nationally that will enhance competition and provide important benefits for consumers. Exploding data demand and the rapid LTE progress of other

carriers have made it an imperative for T-Mobile USA and MetroPCS to keep pace to remain competitively relevant. Spectrum scarcity has made competing with other large nationwide wireless providers even more difficult. T-Mobile USA is in the process of refarming its spectrum holdings to make way for a new 3GPP Long Term Evolution (“LTE”) network. By merging the two companies, and combining their network assets and spectrum, the resulting Newco will provide for a broader, deeper and faster LTE deployment than either company could accomplish on its own. Simply put, this transaction, once approved, will better position Newco with the spectrum and network facilities to offer consumers a richer LTE experience and will position Newco as an important, competitively significant alternative to the three largest wireless carriers.

III. THE PROPOSED TRANSACTION WILL AMELIORATE SEVERAL CHALLENGES FACED BY T-MOBILE USA IN THE EVOLUTION OF ITS NETWORK TO LTE.

5. T-Mobile USA is currently preparing for the launch of a 4G LTE network in 2013 to remain competitive with other wireless providers in the United States. In the past year, T-Mobile USA has acquired additional AWS spectrum assets from AT&T and Verizon that will help facilitate this deployment. We have also executed a series of spectrum swaps to improve the efficiency of how we use spectrum and prepare for future growth. However, T-Mobile USA continues to face challenges on its path to LTE, and completion of the transaction with MetroPCS will play an important role in establishing Newco as a stronger LTE competitor. First, LTE – particularly in a 20 x 20 MHz configuration – carries with it significant performance benefits that will make Newco a more effective competitor. Second, the transaction helps to address spectrum constraints faced by T-Mobile USA. Finally, the transaction will help mitigate

the ever-increasing utilization of T-Mobile USA's network by enhancing network density in key areas.

A. The Benefits of Launching an LTE Network Are Indisputable and Enhanced by the Proposed Transaction.

6. It is undisputed that a rapid LTE deployment is necessary for T-Mobile USA's competitive success. As consumers demand more bandwidth for more data-intensive uses, LTE represents a major advance for the wireless industry in terms of performance, efficiency, and service flexibility. In its current form, LTE is up to 40 percent more spectrally efficient than HSPA+ and will evolve to be up to 60 percent more spectrally efficient than HSPA+¹ by 2016. LTE also provides significant benefits in latency, or the speed with which data transverses the entire wireless network. The latency with which packets are transmitted over the LTE radio interface is approximately 33 percent faster than HSPA+.² Because LTE offers spectrum efficiencies over HSPA+ and GSM, all of T-Mobile USA's customers will be able to experience significant benefits as T-Mobile USA deploys LTE and transitions its customers to the new LTE network.

7. The proposed transaction with MetroPCS will improve the LTE offering to be provided by Newco. While MetroPCS has already launched an LTE network, and T-Mobile USA will launch its own LTE system in 2013, the combined Newco will be positioned to provide an even more robust and substantial network. The primary reason for this improvement is derived by deploying more expansive and contiguous bands of LTE spectrum. While a 10 x 10 MHz LTE network will have two times faster downlink peak data rates than HSPA+,³ a 20 x

¹ Rysavy Research, 3G Americas, HSPA to LTE-Advanced: 3GPP Broadband Evolution to IMT-Advanced, Sept. 2009.

² *Id.*

³ Assuming dual carriers in a 10 x 10 MHz configuration.

20 MHz LTE configuration will have downlink peak data rates that are four times greater. In terms of uplink peak performance, a 10 x 10 MHz LTE network is currently 2.2 times faster than HSPA+⁴ while a 20 x 20 MHz LTE network will be 5.8 times faster. Finally, the Commission has found that “the capacity with a single [20 x 20] MHz carrier is 20 percent higher than with two [10 x 10] MHz carriers.”⁵

8. Neither of the two companies alone is well positioned to provide a 20 x 20 MHz LTE network due to a lack of available spectrum. The increased performance that LTE enables today and the planned evolution to higher performance levels in terms of peak throughput, average throughput, and packet latency, will directly translate to a superior end-user experience for Newco’s customers. Significantly, the transaction enables Newco to deploy 20 x 20 MHz (or greater) LTE in a substantial majority of top markets – a deployment that will be very competitive with that of other larger carriers nationally. As previously stated, the Commission found a gain of 20 percent in capacity with a single 20 x 20 MHz LTE carrier than with two 10 x 10 MHz LTE carriers. These efficiencies of 20 x 20 MHz LTE configurations are achieved through improved ratio of control channel overhead to user channel bandwidth, the elimination of guard bands, and statistical multiplexing gains.⁶ In general, where T-Mobile USA and MetroPCS have adjacent PCS or AWS spectrum bands deployed, the two companies must utilize

⁴ *Id.*

⁵ Federal Communications Commission, “The Broadband Availability Gap”, OBI Technical Paper No. 1 at 73 (April 2010).

⁶ Multiplexing in an LTE radio interface refers to a scheme for sharing the radio channel to transmit IP packets based on the number of available resource blocks in the radio channel and the readiness of packets to be transmitted. As the LTE radio channel is increased in size, for example from LTE 10 x 10 to LTE 20 x 20, the total number of resource blocks that are available to transmit packets increases proportionally. As the pool of resource blocks increases, the probability of securing available resource blocks to transmit packets increases marginally – this is referred to as statistical multiplexing gain.

a guard band between their operations to protect against inter-system interference. By combining, Newco will enable the removal of these guard bands as well as the deployment of consistent technology (as opposed to GSM for one and CDMA for the other, for example). This will provide the combined company with a smoother and more efficient path to a higher performance LTE network than would otherwise be possible.

9. This increase in speed and the other positive attributes with LTE delivered by the combined company will provide an improved customer experience, marked by more responsive web browsing on smart phones, faster streaming of video content, and dramatically faster uploading of video and image files from devices to the network. Offering competitive network capabilities is important in the wireless marketplace. T-Mobile USA's primary competitors proclaim their data speed advantages as well as the quality and reach of their network services in all of their marketing material. As such, T-Mobile USA must make every effort to deploy a deep and broad LTE network that provides data speeds and capabilities that are competitive with other wireless providers. Verizon's current advertising that highlights T-Mobile USA as having zero LTE coverage evidences the importance of quickly establishing a deep and broad LTE network footprint for T-Mobile USA.⁷

10. It is therefore critical that T-Mobile USA be able to deploy a competitive and sustainable LTE network as soon as possible. While several challenges remain in the company's way, these issues are significantly addressed by the MetroPCS transaction.

⁷ FierceBroadbandWireless, "Verizon commercial hammers rivals' LTE footprints" (Sept. 6, 2012), at <http://www.fiercebroadbandwireless.com/story/verizon-commercial-hammers-rivals-lte-footprints/2012-09-06>.

B. T-Mobile USA Requires Additional Spectrum to Meet the Demand for Mobile Broadband Services.

11. T-Mobile USA continues to require additional spectrum to accommodate the significant and increasing demand of its customers for mobile broadband services. As T-Mobile USA's customers have increasingly made use of bandwidth-intensive mobile data services, T-Mobile USA has seen a sharp increase in traffic on its network. Between January 2009 and January 2012, we have seen the data demand increase by a multiple of **[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]** due to the introduction of smartphones and the development of widespread mobile broadband capability in the network. While T-Mobile USA has engaged in spectrum acquisitions and has deployed an extensive fiber-to-the-base station network to improve capacity and data speeds, it nonetheless will inevitably face spectrum congestion in several markets in the mid-term. T-Mobile USA's current spectrum capacity modeling and exhaust projections anticipate that T-Mobile USA could experience spectrum congestion in **[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]** of the top 25 CMAs without deploying LTE and **[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]** out of the top 25 CMAs with deployment of LTE in the mid-term. T-Mobile USA is particularly constrained in **[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**, where it is projected to experience significant performance degradation in just a few years in the absence of additional spectrum.

12. Projections for data usage on T-Mobile USA's network likely are conservative, as T-Mobile USA's existing modeling does not fully account for the company's very recent introduction of unlimited data plans, the impact of which is yet to be fully understood. Regardless, T-Mobile USA expects per customer and total data consumption to continue to grow

over time as customers migrate to HSPA+ and LTE, utilize higher performance connectivity, and enjoy greater value from our products and services.

13. The explosive growth in usage of smartphones by consumers has greatly exacerbated strain on the T-Mobile USA network. In Q4 of 2008, T-Mobile USA pioneered the introduction of the first Android smartphone, the Google G1, and since then we have aggressively marketed smartphones. Today, **[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]** percent of T-Mobile USA's 3G and 4G customers use smartphones, and it is expected that data usage by T-Mobile USA's customers will continue to increase, fueled by faster network connectivity and the acceleration of processing power and general capabilities of smartphones. Further, if other companies' LTE deployments are any indication,⁸ T-Mobile USA customers will be spurred to use even more data once they have access to the performance benefits and higher speeds of a LTE network. T-Mobile USA has already seen significant customer usage increases as the network and devices have evolved from EDGE to UMTS, from UMTS to HSPA+, and from HSPA+ to dual carrier HSPA+. And, as explained further below, T-Mobile USA requires additional spectrum not only to fend off spectrum congestion in certain markets, but also to launch an LTE configuration that will enable T-Mobile USA to better compete with larger carriers.

14. To address spectrum constraints in its network, T-Mobile USA has employed numerous techniques to use its existing spectrum more efficiently to avoid spectrum congestion, but nonetheless requires additional spectrum to compete effectively. T-Mobile USA was the first to implement improved versions of HSPA+ in the United States and has been a leader in global

⁸ See, e.g., PRNewswire, "LTE Smartphones and Tablets Drive Increased Data Usage of Both Cellular and Wi-Fi Networks According to New Research" (Aug. 1, 2012), *available at* <http://www.prnewswire.com/news-releases/lte-smartphones-and-tablets-drive-increased-data-usage-of-both-cellular-and-wi-fi-networks-according-to-new-research-164555656.html>.

standards efforts to continue to improve HSPA+. While HSPA+ provides significant improvements over second generation GSM technology, it does not match all the capabilities and efficiencies of LTE. T-Mobile USA has also deployed some of the densest cell infrastructure in urban markets – demonstrated by the fact that T-Mobile USA has the second most tower facilities of any operator in the United States. This density of deployment has enabled T-Mobile USA to provide additional capacity using the same spectrum assets. Further, T-Mobile USA has been at the forefront of using unlicensed Wi-Fi frequencies for network offloading of traffic from its licensed frequencies, including enabling customers to use Wi-Fi to make voice calls. However, absent an influx of new spectrum, none of these measures is sufficient to alleviate the strain of demand from customers for more and more wireless data.

15. This transaction will enable Newco to deploy its spectrum investments more efficiently than either T-Mobile USA or MetroPCS could achieve on its own. As noted above, the spectrum positions of the two companies are highly complementary -- both operate in the same frequency bands (AWS and PCS) and there is a high degree of adjacency among the specific holdings in those bands. This alignment provides for important synergies and greater throughputs and improved spectral efficiency.

C. The Proposed Transaction Will Rapidly Enhance Network Density in Key Areas.

16. The ever-increasing utilization of T-Mobile USA's network will need to be mitigated through greater cell density, particularly in urban areas. It is well-established that greater cell density increases network capacity, but the procedural and economic realities of deploying new cell sites makes this an arduous and high-risk process. This transaction will have the effect of further bolstering T-Mobile USA's network in many of the areas in the country with the greatest population density. Currently, T-Mobile USA has approximately [BEGIN

HIGHLY CONFIDENTIAL] **[END HIGHLY CONFIDENTIAL]** cell sites within the area where MetroPCS provides coverage today. We plan to retain and equip approximately **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** MetroPCS cell sites and substantially all of MetroPCS' **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** Distributed Antenna Systems ("DAS")⁹ radiating nodes (equivalent to small cells) with HSPA+/LTE capability. This will result in an increase of approximately **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** equivalent cell sites (for purposes of this calculation 7 DAS nodes provide coverage equivalent to one cell site) which represents a 12 percent increase in the T-Mobile USA site density within the MetroPCS footprint. The combination will also result in an 84 percent increase in the equivalent number of cell sites available to support MetroPCS customers in the area where MetroPCS provides service today. The retained MetroPCS cell sites are primarily located in urban areas, such as **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** where T-Mobile USA will first face capacity constraints. When these sites are integrated into the T-Mobile USA network, there will be an immediate, positive impact on the combined company's network capacity. By combining, the two companies will immediately reap the benefits of DAS technology, thereby contributing to the deployment of a denser, more user-intense network for LTE.

IV. RAPID INTEGRATION OF THE TWO COMPANIES' NETWORKS WILL RESULT IN NUMEROUS CONSUMER BENEFITS.

17. T-Mobile USA plans an aggressive technology migration program for the combined company that will allow for rapid expansion of capacity and enable customers to

⁹ A DAS is a network of spatially separated antenna nodes connected to a common source via a transport medium that provides wireless service within a geographic area or structure. DAS is generally used for in-building or "hot spot" coverage.

quickly realize the benefits of the transaction. Newco will accomplish integration of the two companies' customer bases via a straightforward network and customer migration plan. This migration plan involves: (1) accommodating MetroPCS' existing LTE customers on the T-Mobile USA network very soon after closing and (2) distributing MetroPCS-branded GSM/HSPA+ handsets that operate on T-Mobile USA's network promptly after closing. The key facet of this plan is migrating customers with the highest data usage onto the combined company's broader and significantly deeper LTE network. T-Mobile USA anticipates that it will be able to allow upgrading MetroPCS customers to begin using the T-Mobile USA network very soon after closing. Indeed, MetroPCS' existing LTE-capable devices can be accommodated on the Newco LTE network without any need for customers to change handsets. T-Mobile USA also plans for the combined company to begin distributing MetroPCS-branded GSM/HSPA+ handsets that operate on T-Mobile USA's network to new and upgrading customers promptly after closing. This will provide these new and existing MetroPCS customers with access to T-Mobile USA's nationwide network, improved coverage quality, higher performing devices, and a broader choice of handsets. Importantly, improved coverage quality will be enabled for existing MetroPCS customers as they migrate to the combined network because T-Mobile USA's network is denser in terms of macro sites relative to the MetroPCS network. The coverage quality benefit of the retained capacity sites and upgraded DAS is additive and will further improve coverage satisfaction for both T-Mobile USA and migrating MetroPCS customers simultaneously.

18. T-Mobile USA has engaged in extensive traffic modeling and determined that during the transition, MetroPCS customers will be able to be supported on the T-Mobile USA network. The ability to support these customers will be enhanced through the use of MetroPCS

cell sites and DAS systems retained by Newco for the purpose of providing capacity relief. Also, Newco will be able to migrate MetroPCS customers onto the T-Mobile USA network due to the steady handset upgrade and refresh rate historically associated with MetroPCS customers. This will accelerate the migration of the customer base over to a more efficient LTE technology that provides added performance benefits to MetroPCS customers. T-Mobile USA expects that MetroPCS customers are likely to be completely migrated by the second half of 2015. By undertaking this rapid migration, Newco will be able to decommission MetroPCS' CDMA network, securing significant financial savings and freeing up valuable spectrum for more efficient use.

V. THE PROPOSED TRANSACTION MATERIALLY IMPROVES T-MOBILE USA'S ABILITY TO PROVIDE A MORE COMPETITIVE LTE NETWORK AND TO CHALLENGE LARGER, MORE SPECTRUM-ADVANTAGED, NATIONWIDE CARRIERS.

19. Not only is access to additional spectrum necessary to address congestion on T-Mobile USA's and MetroPCS' networks, but this additional spectrum will also enable a LTE deployment that puts Newco on a much stronger competitive footing to be able to compete against the other nationwide LTE providers. As noted above, it is clear that network speed and advanced capabilities are key marketing differentiators for consumers. One critical benefit of this transaction is Newco's ability to evolve to a 20 x 20 MHz LTE deployment configuration in many major urban markets. Absent this transaction, T-Mobile USA and MetroPCS will continue to lag behind other competitors that have more robust LTE networks. The afforded 20 x 20 MHz LTE configuration will produce a high performing service that will also be less complex to deploy than one relying on several smaller spectrum blocks and the broad use of carrier aggregation technology between different spectrum blocks.

20. As described in more detail below, operating LTE in contiguous spectrum has several advantages over the use of carrier aggregation. First, it alleviates the need to rely on specialized technology that currently is not fully supported on the roadmaps of network and device vendors. Second, contiguous spectrum simplifies device and network equipment and leads to better battery life for consumers. Finally, contiguous spectrum provides uniformity in service and data speeds for subscribers.

21. Initially, having access to a 20 x 20 MHz LTE network allows Newco to avoid expending resources to deploy the same nascent carrier aggregation technology of other large nationwide providers, better enabling the combined company to compete. In the United States, the other providers are focusing R&D resources on ensuring that their particular version of carrier aggregation – customized to their specific spectrum configurations – is prioritized for development. By contrast, support for 20 x 20 MHz LTE deployment is already standardized and widely available in devices and network solutions.

22. Next, LTE carrier aggregation requires the device to be capable of supporting simultaneous transmission and reception in both bands. This requires the use of two radio modems operating in parallel, each consuming battery power and thereby reducing battery life the customer might otherwise utilize for productive means. Deploying a 20 x 20 MHz LTE network relieves the operator of these complexities and provides an important consumer benefit of longer battery life. The battery life of smartphones is a key concern for customers and while battery technology continues to evolve, no economically viable and material improvements in the capacity of smart phone batteries are being promised by suppliers.

23. Finally, employing a 20 x 20 MHz LTE network ensures that the full mobile broadband pipe can be consistently utilized across the entire cell footprint. The ultimate

performance of carrier aggregation between disparate bands is subject to the signal strength and signal quality variations attributable to the bands being aggregated. Carrier aggregation is therefore limited to the aggregate performance of each band as coverage reliability and channel quality varies independently.¹⁰ By deploying a 20 x 20 MHz LTE system, Newco will avoid this limitation and provide a higher degree of consistency and reliability for the end user.

24. All these improvements to the Newco LTE network mean that users will enjoy quicker and more rapid downloads of web content including music files, movies and applications. Consumers who are utilizing 20 x 20 MHz LTE channels will benefit from improved speed and lower latency in both the uplink and downlink. The quality of video-based communications will be greatly enhanced with the higher fidelity video coding enabled by higher 20 x 20 MHz LTE throughputs.

25. As a result of the transaction, T-Mobile USA and MetroPCS will enhance their ability to compete with incumbent and emerging mobile broadband providers on LTE quality, speed, and capacity, all of which are key metrics on which mobile broadband providers compete to attract and retain customers. Indeed, Newco will have sufficient contiguous spectrum to deploy 20 x 20 MHz LTE in such cities as Boston, Dallas, Las Vegas, Los Angeles, New York, and Philadelphia. T-Mobile USA expects that the data rates on the Newco LTE network will reach peak download rates of approximately 150 Mbps with an average downlink rate of 30 Mbps and peak uplink rates of 50 Mbps with an average uplink rate of 20 Mbps. Additionally, Newco will continue to offer an HSPA+ service which will achieve data rates of peak downlink rates of 42 Mbps with an average downlink rate of 11 Mbps and peak uplink rates of 5.8 Mbps

¹⁰ In the case of carrier aggregation between very disparate bands, for example the 700 MHz and AWS/PCS bands, the difference in cell footprint and signal quality will be highly variable and uncorrelated, thus leading to areas of the cellular coverage where carrier aggregation will not function reliably.

with average uplinks of 1.25 Mbps. This level of mobile broadband performance represents a marked improvement for MetroPCS customers when they utilize the Newco network. The benefits of 20 x 20 MHz LTE for a wireless network are a solid building block for evolving the network to LTE Advanced.¹¹

VI. THE TRANSACTION PROVIDES A UNIQUE OPPORTUNITY TO QUICKLY PROVIDE METROPCS CUSTOMERS WITH AN IMPROVED LTE EXPERIENCE AND TO MAXIMIZE THE UTILITY OF METROPCS' SPECTRUM.

26. T-Mobile USA is in the midst of a significant network modernization program, which will deliver nationwide LTE service in 2013, and the majority of CMAs will be configured to provide 10 x 10 MHz LTE. This new LTE network will be available, on a materially denser cell grid and to higher degrees of coverage reliability, wherever MetroPCS provides service today. The correlation of this transaction with the timing of T-Mobile USA's network modernization program provides a unique opportunity for MetroPCS customers to: (1) migrate to a significantly improved broadband experience; (2) experience broader LTE and HSPA+ coverage service areas; and (3) enjoy service outside the United States in hundreds of countries around the world. Importantly, as MetroPCS subscribers upgrade to new LTE and HSPA+ capable devices, they will also be equipped with the ability to roam broadly internationally via the internationally aligned technology bands that are quad-band GSM and HSPA+. Without this transaction, MetroPCS CDMA subscribers have limited international roaming opportunities, and those equipped with LTE currently have no way of roaming internationally with LTE due to LTE band fragmentation and the lack of LTE roaming interworking.

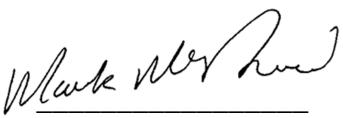
¹¹ LTE Advanced is standardized by the 3rd Generation Partnership Project (3GPP) as a major enhancement of the LTE standard.

27. Because of the substantial amount of contiguous spectrum T-Mobile USA and MetroPCS have and the spectral efficiencies that result, the proposed transaction yields the most beneficial partnering for the MetroPCS spectrum – one that no other operator combination can match. For example, 22 of the 30 (or 73 percent) of MetroPCS frequencies are contiguous to a band of the T-Mobile USA spectrum. In the case of MetroPCS’ AWS frequencies, 12 of the 14 (or 86 percent) AWS spectrum blocks MetroPCS owns are contiguous to T-Mobile USA AWS spectrum where T-Mobile USA is deploying LTE. In the case of MetroPCS’ PCS1900 frequencies, 10 of the 16 (or 63 percent) of the PCS blocks MetroPCS owns are contiguous to T-Mobile USA’s PCS1900 spectrum where T-Mobile USA is deploying HSPA+. Additionally, because Newco will continue to have a 5x5 MHz PCS1900 carrier committed to GSM, certain MetroPCS non-contiguous bands will be repurposed to carry GSM traffic. This will enable Newco to roll out HSPA+ 42 in the PCS1900 frequencies in [BEGIN

CONFIDENTIAL] [END CONFIDENTIAL] additional markets covering over [BEGIN

CONFIDENTIAL] [END CONFIDENTIAL] pops.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed on October 18, 2012.

Signed: 
Mark McDiarmid
VP, Radio Network
Engineering and
Development
T-Mobile USA, Inc.

Dated: October 18, 2012

Attachment 3

Declaration of Douglas S. Glen

DECLARATION OF DOUGLAS S. GLEN

1. My name is Douglas S. Glen. In 2006, I joined MetroPCS Communications, Inc. (“MetroPCS”) as the Senior Vice President, Corporate Operations. In 2008, while my responsibilities remained substantially the same, my title was changed to Senior Vice President, Corporate Development, which is my current title. In each of my positions, I have been actively involved in crafting MetroPCS’ strategy, in evaluating potential strategic transactions and alternatives, including the purchase of spectrum, and in assessing strategic combinations or transactions with other wireless companies. My declaration is based on thorough inquiry and reliance on the kinds of information on which I routinely rely in performing the duties of my office.

2. MetroPCS provides mobile wireless voice and broadband data service in select major metropolitan areas in the United States and, as of June 30, 2012, served more than 9.3 million subscribers, making it currently the fifth-largest facilities based mobile broadband wireless carrier in the United States, based on number of subscribers served. MetroPCS provides its services using code division multiple access (“CDMA”), evolution-data optimized (“EvDO”), and long term evolution (“LTE”) air interfaces. In the radio portion and core of its networks, MetroPCS uses infrastructure equipment primarily provided by Alcatel Lucent, Ericsson, Cisco and Samsung.

3. MetroPCS entered the wireless industry in 1994 as a start-up formed by several industry veterans, including Roger D. Linquist and Malcolm Lorang, with the simple proposition that customers needed an alternative to the larger entrenched incumbent wireless carriers. MetroPCS acquired its initial four major metropolitan area personal communications services (“PCS”) licenses in 1995 via FCC auction. Subsequently, MetroPCS launched voice and text service in

2002 in the same four major metropolitan areas: Miami, Atlanta, San Francisco, and Sacramento. Over time, MetroPCS acquired additional licenses via FCC auction or private transactions. In 2004, MetroPCS acquired Tampa; in 2005, MetroPCS acquired licenses in Dallas and Detroit; in 2006, MetroPCS acquired licenses in a number of additional major metropolitan areas, including Las Vegas, New York City, Philadelphia, and Boston. In 2005, MetroPCS also invested in a company which acquired licenses in Los Angeles and Orlando and, in 2010, MetroPCS acquired the remaining interests in that company. MetroPCS' networks, as of June 30, 2012, cover approximately 101 million covered pops, primarily in major metropolitan areas. Approximately 97 million of these pops are covered by MetroPCS' LTE network, as of August 31, 2012. Since 2009, MetroPCS has not expanded into any additional major metropolitan areas. MetroPCS currently markets its services to an area of approximately 100 million in population.

4. Since its launch, MetroPCS has grown in a competitive retail wireless marketplace in the United States that features large entrenched incumbent providers with significant competitive advantages, including advantages in brand recognition, advertising budgets, personnel, financial resources, distribution, spectrum resources, subscribership, network coverage and purchasing power. At the time MetroPCS launched service in 2002, the wireless industry consisted of long-established providers selling "buckets" of minutes to large pre-existing customer bases. In order to differentiate itself, MetroPCS initially launched an unlimited, "all-you-can-eat" voice service for a flat rate on a no long-term contract basis. Over time, MetroPCS evolved to provide unlimited text and data services also on an unlimited, flat-rate, no long-term contract basis. MetroPCS focuses primarily on monthly, no-contract unlimited services and does not serve (and has no current plans to serve) enterprise or government customers, or offer any other services on a contract basis. In many of the nineteen major metropolitan areas where it operates, MetroPCS

has realized significant market penetration and strong growth, particularly during the first decade after its initial launch of service. In a few of these major metropolitan areas, MetroPCS is among the leaders in terms of subscribers, though MetroPCS remains a fairly small competitor nationally with about 3 percent market share.

5. The wireless industry is characterized by relatively high sunk costs, due primarily to the scarcity and cost of wireless spectrum, the high costs and the challenges carriers face in building out ubiquitous network infrastructure and the initial operating losses associated with start-up operations. Although the number of MetroPCS' subscribers has continued to grow, the economics of the MetroPCS model are best suited to relatively dense, major metropolitan areas where the high sunk costs of establishing a network and distribution, and the initial operating losses associated with start-up operations, can be supported by the projected number of new subscribers. Thus, MetroPCS initially has targeted selected dense, urban areas with large populations. MetroPCS has engaged in a clustering strategy where it supplements its service to dense, urban major metropolitan areas with coverage in adjacent smaller metropolitan areas that have a business or economic affinity to the large, nearby metropolitan area. In essence, smaller metropolitan areas can be served most economically using MetroPCS' business model when there is a synergistic urban metropolitan area. Because a number of mid-sized cities lack a dense urban core or a nearby dense, urban major metropolitan area, expansion of the MetroPCS wireless network into a number of mid-sized cities without a dense, urban core is unlikely to yield a sufficient return to justify the substantial investment.

6. The above challenges MetroPCS faces in expanding its business to new areas are exacerbated by the scarcity of spectrum. For example, MetroPCS participated in Auction 73 in 2008, but was only able to acquire a 6 x 6 MHz channel in the Boston area, despite the fact that it

had additional funds available to spend. Since late 2009, MetroPCS consistently has sought to obtain additional spectrum at sustainable prices in additional major metropolitan areas through private transactions, but has been unsuccessful. MetroPCS was able to raise in the public capital markets approximately \$1 billion in incremental funding in 2011 in support of its efforts, providing the company with the ability to spend up to \$1.5 billion to acquire more spectrum. However, MetroPCS has been unable to acquire spectrum that meets MetroPCS' needs and "pencils out" as a good investment. Therefore, MetroPCS, on its own, cannot expand beyond its existing spectrum footprint – except for incremental expansion around existing densely populated metropolitan areas. MetroPCS does not currently have plans to expand beyond its existing spectrum footprint.

7. The MetroPCS business model, which focuses primarily on unlimited voice, text and data for a flat rate, also subjects MetroPCS to certain higher than normal spectrum constraints, particularly in light of the explosion of wireless data consumption over the last several years. MetroPCS' unlimited service offerings tend to result in higher than average customer usage which exacerbates the need for more spectrum and magnifies the immediate benefits of the proposed transaction. At present, MetroPCS owns and controls substantially less wireless spectrum in each of its geographic service areas than its national competitors. For example, MetroPCS serves certain dense, urban major metropolitan areas with as little as 10 MHz of spectrum, and has, on average, only approximately 22 MHz of spectrum across each of the major metropolitan areas that it serves with its own network. This results, in those major metropolitan areas where MetroPCS has had a presence for several years, in MetroPCS having a substantially higher number of subscribers per MHz of spectrum than do any MetroPCS' competitors in those same major metropolitan areas. The paucity of spectrum on the secondary market and the

current unavailability, and uncertain timeline for future availability, of additional wireless spectrum via auction substantially reduces the competitive prospects of MetroPCS in relation to the larger incumbents.

8. MetroPCS has been on record at the FCC for years indicating that it has a critical need for additional spectrum, both to improve and expand service offerings in its existing service areas and to extend service to other major metropolitan areas that are well-suited to the MetroPCS business model. The proposed transaction with T-Mobile addresses this concern, at least in the near term, by allowing the new company to deploy its compatible spectrum in a manner that provides additional capacity for advanced services, such as high speed LTE, and allows MetroPCS to expand its brand and business model into geographic areas where it would not otherwise be possible today.

9. Absent the instant transaction, MetroPCS faces capacity constraints in the near term that may significantly curtail its ability to continue its unlimited services model for data services, and limit MetroPCS' ability to compete against larger rivals with access to greater spectrum and resources. For example, MetroPCS has deployed an LTE network over a relatively narrow band of spectrum across a number of its major metropolitan areas and has experienced extensive consumer demand for this service. While certain nationwide carriers are deploying LTE networks over 5 x 5 MHz or larger spectrum blocks, in many metropolitan areas MetroPCS has been forced to deploy its LTE network over a mere 1.4 x 1.4 MHz or 3.0 x 3.0 MHz of spectrum, which, in several cases, required concurrent refarming of existing spectrum since MetroPCS did not have unused spectrum. Narrow LTE deployments – such as MetroPCS' 1.4 x 1.4 MHz deployment – have far less capacity than LTE deployments over larger blocks of spectrum. As a result, the speeds and capacity that MetroPCS is presently able to offer its data customers over its

LTE network in its narrow LTE deployment cities are significantly lower than its more spectrum-rich competitors.

10. The challenges MetroPCS faces are further exacerbated by the lack of affordable 4G LTE handsets. MetroPCS' business model does not contemplate substantial subsidies for the sale of handsets. Because of the need for lower cost handsets and its CDMA technology choice, MetroPCS' handset line-up historically has been more limited than its larger competitors, and it does not have certain iconic handsets, such as the Apple iPhone. In the meantime, the proliferation of smartphones has caused the price of handsets to rise. In order for MetroPCS customers to be in a position to take full advantage of MetroPCS' LTE network, they need access to low cost LTE handsets. MetroPCS has for the past several years been attempting to obtain lower cost LTE handsets, and only recently has MetroPCS been able to obtain lower cost LTE handsets. Because of this, MetroPCS has placed a number of smartphones on its lower speed CDMA/EVDO network which has increased its capacity limitations and exacerbated the challenges of refarming its spectrum.

11. Going forward, the gap between MetroPCS and its larger competitors is likely to increase further as they are able to use extensive, unused spectrum holdings to develop robust LTE offerings while MetroPCS remains capacity constrained. Absent access to additional spectrum for LTE deployment and expansion into additional major metropolitan areas, MetroPCS increasingly will be at a competitive disadvantage. Furthermore, MetroPCS has insufficient spectrum resources to re-purpose its existing spectrum to higher-efficiency LTE deployments without risking reduced performance to its existing customers.

12. MetroPCS' ability to compete also is limited by its lack of a nationwide spectrum footprint or network. Wireless customers have come to expect seamless nationwide voice and data services. Such an offering is a prerequisite to competing effectively in the national wireless marketplace. MetroPCS must provide Metro USA – its nationwide service – to customers through a combination of its own network and a series of strategic voice and data roaming agreements with its larger competitors. This has become increasingly difficult given recent wireless industry consolidation. For a long time, MetroPCS has publicly advocated the importance of nationwide voice and data roaming to MetroPCS and its customers and the need for access at reasonable prices to voice and data roaming arrangements. Nevertheless, reasonably-priced voice, and particularly data, roaming arrangements have been extremely difficult to obtain, despite the existence of certain FCC rules designed to increase the availability of roaming services. As a result, it is significantly more expensive and difficult for MetroPCS to provide nationwide service to its customers than it is for carriers that possess their own nationwide networks. The ability of MetroPCS customers to roam nationally “on network” after the proposed transaction represents a major cost savings that ultimately will benefit consumers. Having access to the combined networks contemplated by this transaction will allow MetroPCS to offer its customers the same experience regardless where they are being provided service – which will make its service more competitive with that of the larger national carriers.

13. MetroPCS' smaller size also subjects it to difficulties in obtaining the most attractive wireless handset offerings at the lowest prices. MetroPCS has long discussed the importance of scale to allowing carriers to acquire state-of-the-art handsets at reasonable prices. While nationwide carriers are able to leverage their large customer bases to obtain lower prices on wireless devices and, in a number of cases, exclusivity, MetroPCS' relatively smaller customer

base does not allow it to take the same advantage economies of scale or to get access to many “cutting edge” or iconic handsets. Even when it can obtain feature-rich handsets, it generally must pay a higher per unit price than its competitors or wait for a period of time during which one of its rivals has an exclusive handset arrangement. In addition, handset manufacturers ordinarily direct their time and attention towards developing handsets for the largest carriers, and consequently MetroPCS generally finds itself obtaining the latest handsets only after the largest carriers’ demands have been satisfied, on a postponed basis for MetroPCS’ customers.

14. Entering into a transaction with T-Mobile USA, Inc. (“T-Mobile”) will resolve many of the competitive challenges currently facing MetroPCS, to the benefit of the business and of MetroPCS customers, who will likely experience better service, increased consumer choice, and lower prices.

15. Importantly, the merged MetroPCS/T-Mobile entity plans to continue the MetroPCS unlimited, no long-term contract business model, brand and distribution channels and to extend the benefit of the MetroPCS model to new cities, to serve new and existing customers nationwide. The positive competitive effect of the cost leadership position that MetroPCS has held will be further enhanced by the obvious synergies that will result from the transaction. Because the merged company will have attractively-priced offerings on both a pre-paid and post-paid basis, customer retention should improve. This will enable MetroPCS and T-Mobile to mount a stronger challenge against its larger national rivals. In addition, when the transaction is consummated, MetroPCS customers will have access to a wide suite of service plans (including on a contract and no long-term contract basis) and device options (including tablets and dongles), which are not currently offered by MetroPCS due to spectrum constraint considerations, increased international roaming options (including the ability to use a local SIM card in a foreign

market in a customer handset acquired post-transaction), and a wider selection of handsets at lower prices. Further, while MetroPCS offers innovative services, other competitors, including the national carriers, do offer or could offer through alterations to their rate plans such services, and MetroPCS customers can and do routinely switch to services provided by other market participants.

16. Access to T-Mobile's network also will allow MetroPCS customers to roam on a single network nationwide, rather than via voice and data roaming arrangements with other carriers, meaning more seamless coverage, dramatically reduced roaming costs to MetroPCS and its customers, and more reliable service. In addition, customers who relocate from existing MetroPCS metropolitan areas will be able to keep their MetroPCS service – something that is not possible now if a customer relocates to a non-MetroPCS metropolitan area. Further, the proposed transaction will allow MetroPCS to offer customers a comparable service experience, especially for data services, no matter where they are, which will make its nationwide service, more competitive to those offered by its larger nationwide rivals.

17. Another significant cost to providing service is backhaul expense. Today, both T-Mobile and MetroPCS have separate backhaul arrangements. The cost per MB of data generally declines when a carrier increases the capacity purchased. The combined company over time will be able to combine its backhaul facilities which will reduce costs since the cost of adding MetroPCS' traffic to T-Mobile's backhaul will be incremental.

18. Moreover, because the MetroPCS and T-Mobile AWS and PCS spectrum holdings are so complementary, the combined entity will be able to roll out a nationwide LTE network more quickly and efficiently, benefiting both T-Mobile and MetroPCS customers and increasing

competitive pressure on other carriers. This complementary spectrum will enable the combined entity to deploy LTE across 20 x 20 MHz blocks in many areas, which will result in substantially increased speed and spectrum efficiencies. Further, in both the PCS and AWS bands, significant portions of the MetroPCS' and T-Mobile' spectrum are adjacent which increases spectrum efficiency by eliminating unnecessary guardbands.


19. MetroPCS customers also will have access to the T-Mobile HSPA+ network which, although not as fast as an optimally deployed LTE network will be in the future, currently provides a better customer experience and greater data speeds than does CDMA/EV-DO and some limited LTE deployments. Because 60-65% of MetroPCS' customer base upgrades its handset each year, MetroPCS expects most of its customers to have migrated to the T-Mobile network within the first year to year-and-a-half after the transaction closes. T-Mobile's network will provide greater spectrum depth (meaning a more efficient LTE deployment and greater download speeds); a nationwide, rather than regional, LTE footprint; and greater access to backhaul. These efficiencies will lead to a better experience for our customers, and a more compelling value proposition to prospective customers.

20. In addition to the substantial benefits for customers in our current metropolitan areas, the proposed combination also enables MetroPCS to expand its brand and distribution in ways that would not likely occur without the proposed transaction. Because T-Mobile has an existing nationwide network infrastructure, the combined company will be positioned to establish MetroPCS branded distribution in many new cities where the population density may not otherwise justify the capital requirements of building a new stand-alone, greenfield network. Because the costs of expansion would be dramatically lower, the prospects for profitable distribution of MetroPCS products and services in these smaller cities would be substantially

higher. Indeed, the high costs to entry – in particular, spectrum acquisition and network construction costs – that have limited MetroPCS' ability to expand into new cities are largely eliminated as a result of the proposed transaction. MetroPCS will be able to take advantage of the existing nationwide T-Mobile network at incremental cost, which will increase the number of metropolitan areas in which the MetroPCS business model can be successfully deployed. When the details have been finalized, the combination with T-Mobile should unleash the competitive potential of the MetroPCS business model across a much broader distribution footprint.

21. In short, the combination of MetroPCS and T-Mobile creates a stronger, better capitalized, and better positioned challenger to gain market share at the expense of its larger national rivals.

I, Douglas S. Glen, declare under the penalty of perjury that the foregoing declaration is true and correct to the best of knowledge, information and belief. Executed on October 18, 2012.

A handwritten signature in black ink, reading "Douglas S. Glen", is written over a horizontal line.

Douglas S. Glen